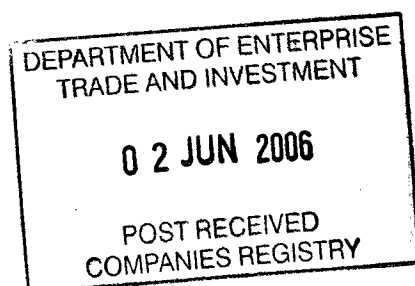
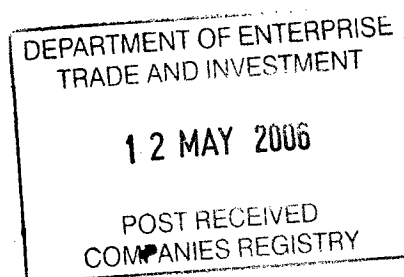
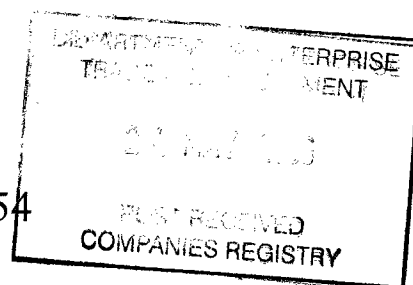




Bunzl Disposables UK Limited

Directors' report and
financial statements
Registered number 2902454
31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

During the year the principal activities of the Company continued to be the wholesale distribution of cleaning, hygiene and associated products, catering disposables, powdered beverages for use in vending machines, and food packaging equipment and supplies.

Results

The profit and loss account of the Company shows a profit on ordinary activities after taxation of £3,003,000 (1999: £5,333,000).

Dividends and transfer to reserves

The directors do not recommend the payment of a final dividend (1999: £nil). The amount transferred to reserves is £3,003,000 (1999: £5,333,000).

Directors and directors' interests

The directors who held office during the year were as follows:

AJ Ball	
PJ Holdway	
BM May	
MD Stubbs	
FA van Zanten	(appointed 21 September 2000)
CP Sander	(resigned 21 December 2000)

MJ Revell was appointed a director on 15 March 2001 and PJ Holdway resigned on 31 March 2001.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Directors' report *(continued)*

The interests in the shares of Bunzl plc, the ultimate parent company, of those directors who held office at 31 December 2000 were as follows:

	Ordinary shares of 25p each	
	31 December 2000	1 January 2000
MD Stubbs	102,785	104,785
PJ Holdway	3,409	-
BM May	5,588	-
AJ Ball	5	5

During the year options in respect of ordinary shares in Bunzl plc were granted to MD Stubbs (103,145), BM May (22,516), PJ Holdway (13,000), AJ Ball (12,500) and FA Van Zanten (60,000). Options in respect of ordinary shares in Bunzl plc were exercised by MD Stubbs (35,000), BM May (8,263), PJ Holdway (15,238), AJ Ball (17,977) and FA van Zanten (12,500) during the year. These figures include options under Bunzl plc's savings-related share option schemes.

Creditors payment terms

The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions.

Employee involvement

The directors recognise the importance of good communications and relations with employees, particularly in an organisation such as the company where employees are based at a number of different locations. Measures taken to achieve these aims include in-house bulletins, discussions, briefing meetings and audio visual presentations.

A savings related (SAYE) share option scheme is currently in operation.

Disabled Employees

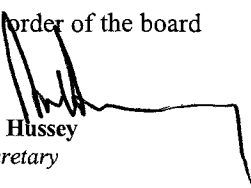
It is the Company's policy that disabled applicants should be considered for employment and career development on the basis of their aptitude and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation or training.

Directors' report *(continued)*

Political and charitable contributions

The Company made no political or charitable contributions during the year or the previous year.

By order of the board



PN Hussey
Secretary

110 Park Street
London
W1K 6NX

27 JULY 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Bunzl Disposables UK Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 July 2001

Profit and loss account
for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover	2	167,295	155,713
Cost of sales		(122,368)	(114,744)
Gross profit		44,927	40,969
Selling and distribution costs		(21,485)	(18,972)
Administrative expenses		(16,695)	(14,189)
		(38,180)	(33,161)
Operating profit		6,747	7,808
Other interest receivable and similar income	6	2	355
Interest payable and similar charges	7	(1,893)	(355)
		(1,891)	-
Profit on ordinary activities before taxation	3	4,856	7,808
Tax on profit on ordinary activities	8	(1,853)	(2,475)
Retained profit for the year		3,003	5,333

A statement of movements on reserves is shown in note 18.

There are no recognised gains and losses other than those included above in the profit and loss account. There is no material difference between the above results and the results as given on an unmodified historical cost basis.

All of the above results relate to continuing operations.

Balance sheet
at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Intangible assets and goodwill	9	7,302	7,703
Tangible assets	10	4,027	3,659
Investments	11	32,364	16,214
Current assets		43,693	27,576
Stocks	12	13,580	14,493
Debtors	13	42,603	45,706
Cash at bank and in hand		4,512	1,585
		60,695	61,784
Creditors: amounts falling due within one year	14	(85,994)	(73,522)
Net current assets/(liabilities)		(25,299)	(11,738)
Total assets less current liabilities		18,394	15,838
Creditors: amounts falling due after more than one year	15	(71)	(73)
Provisions for liabilities and charges	16	(698)	(1,143)
Net assets		17,625	14,622
Capital and reserves			
Called up share capital	17	370	370
Share premium account	18	2,503	2,503
Capital redemption reserve	18	1,005	1,005
Profit and loss account	18	13,747	10,744
Equity shareholders' funds		17,625	14,622

These financial statements were approved by the board of directors on 17 JULY 2001 and were signed on its behalf by:



Director

A J BALL

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2000

	2000 £000	1999 £000
Retained profit for the year	3,003	5,333
Opening shareholders' funds	14,622	9,289
Closing shareholders' funds	<u>17,625</u>	<u>14,622</u>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and with the requirements of the Companies Act 1985.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Bunzl plc, and its cash flows are included within the consolidated cash flow statement of that Company.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Leasehold land and buildings	-	over the term of the lease
Leasehold improvements	-	10% per annum
Plant and machinery	-	10% – 25% per annum
Computers	-	20% – 25% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	10% – 20% per annum

No depreciation is provided on freehold land.

Goodwill

Purchased goodwill arising on consolidation in respect of additions before 1 January 1998 when FRS 10 Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, which in all cases to-date has been assumed at 20 years.

Notes *(continued)*

1 Accounting policies (continued)

Investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for any permanent reductions in value. Provisions for temporary fluctuations in value are not made.

Leases

Assets acquired under finance leases and hire purchase contracts are capitalised as tangible fixed assets and depreciated over their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Provision has been made for committed lease costs in excess of market value based on an independent valuation with the difference released to the profit and loss account over the period of the lease.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Stocks

Stocks consist of items purchased for resale and are stated at the lower of cost and net realisable value.

Cost is based on purchase cost on a first in, first out basis including transport. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

The charge for taxation is based on the taxable profits for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation has been calculated on the liability method. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods in the normal course of business.

Notes (continued)

2 Segmental information

All sales are made in the United Kingdom and arise from the Company's principal activities.

3 Profit on ordinary activities before taxation

	2000 £000	1999 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration		
- Audit	50	49
- Other services	-	-
Depreciation and other amounts written off tangible fixed assets		
- Owned	775	765
Amortisation of goodwill	404	243
Rentals payable under operating leases		
- Property	2,856	2,360
- Plant and machinery	1,698	1,607
	<u> </u>	<u> </u>

4 Remuneration of directors

	2000 £000	1999 £000
Directors' emoluments	733	587
Pension contributions	52	49
	<u> </u>	<u> </u>
	785	636
	<u> </u>	<u> </u>

The emoluments, excluding pension contributions, of the highest paid director were £241,698 (1999: £178,209), and company pension contributions of £16,947 (1999: £15,796) were made on his behalf.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 1,015 (1999: 1,041).

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	17,978	16,214
Social security costs	1,313	1,129
Other pension costs	800	718
	<u> </u>	<u> </u>
	20,091	18,061
	<u> </u>	<u> </u>

Notes (continued)

6 Other interest receivable and similar income

	2000	1999
	£000	£000
Interest on bank loans	2	-
Receivable from group undertakings	-	355
	<u>2</u>	<u>355</u>

7 Interest payable and similar charges

	2000	1999
	£000	£000
On bank loans and overdrafts	18	5
Payable to group undertakings	1,875	350
	<u>1,893</u>	<u>355</u>

8 Taxation on profit on ordinary activities

	2000	1999
	£000	£000
UK corporation tax at 30% (1999: 30.25%)	1,751	2,537
Adjustments relating to prior years	41	-
Deferred taxation	61	(62)
	<u>1,853</u>	<u>2,475</u>

Notes *(continued)*

9 Intangible assets and goodwill

	Goodwill
	£000
Cost	
At beginning of year	7,971
Additions	3
	<hr/> 7,974 <hr/>
Provisions for amortisation and impairment	
At beginning of year	268
Amortisation charged in the year	404
	<hr/> 672 <hr/>
Net book value	
At 31 December 2000	7,302
	<hr/>
At 31 December 1999	7,703
	<hr/>

Goodwill arising during the year was in respect of the final payment made for the acquisition of the trade and assets of H & H Catering Limited on 20 August 1999.

Notes (continued)

10 Tangible fixed assets

	Land buildings freehold £000	Land and buildings leasehold £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost						
At beginning of year	1,171	49	697	964	4,924	7,805
Additions	-	-	31	175	1,115	1,321
Disposals	(165)	-	(5)	(87)	(7)	(264)
At end of year	1,006	49	723	1,052	6,032	8,862
Depreciation						
At beginning of year	298	7	375	649	2,817	4,146
Charge for year	16	4	71	95	589	775
On disposals	-	-	(3)	(78)	(5)	(86)
At end of year	314	11	443	666	3,401	4,835
Net book value						
At 31 December 2000	692	38	280	386	2,631	4,027
At 31 December 1999	873	42	322	315	2,107	3,659

Freehold land amounting to £185,000 (1999:£175,000) has not been depreciated.

11 Fixed asset investments

	Shares in group undertakings £000
Shares	
Cost and net book value	
At beginning of year	16,214
Additions (see below)	16,150
At end of year	32,364

Notes (continued)

11 Fixed asset investments (continued)

Principal Company investments

The Company has the following subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>Percentage shareholding</i>
ACS Catering Supplies Limited	UK	100%
C & S Cleaning Supplies Limited	UK	100%
Bunzl Retail Supplies Holdings Limited	UK	100%
Shermond Surgical Supplies Limited	UK	100%

The trade and assets of both ACS Catering Supplies Limited and C & S Cleaning Supplies Limited were transferred to the Company on the date of acquisition.

The ordinary shares of Bunzl Retail Supplies Holdings Limited were acquired on 24 September 1999 for a consideration of £16,088,000. The purchase consideration was however reduced by £63,000 in 2000. This company continues to trade as a separate entity.

The ordinary shares of Shermond Surgical Supplies Limited were acquired on 28 April 2000 for a consideration of £16,213,000. This company continues to trade as a separate entity.

12 Stocks

	2000 £000	1999 £000
Finished goods for resale	13,580	14,493

13 Debtors

	2000 £000	1999 £000
Trade debtors	28,090	32,658
Amounts owed by group undertakings	6,096	5,147
Other debtors	7,081	6,666
Prepayments and accrued income	1,336	1,235
	42,603	45,706

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans and overdrafts	922	3,206
Trade creditors	27,812	31,728
Amounts owed to group undertakings	51,260	31,145
UK corporation tax payable	1,340	2,814
VAT	810	540
Social security and PAYE	481	422
Other creditors	45	367
Accruals and deferred income	3,324	3,300
	<u>85,994</u>	<u>73,522</u>

15 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Other creditors	<u>71</u>	<u>73</u>

16 Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	Total £000
At beginning of period	(397)	1,540	1,143
Utilised during the period	61	(506)	(445)
At end of period	<u>(336)</u>	<u>1,034</u>	<u>698</u>

Notes (continued)

The deferred tax asset recognised and the amount not recognised are set out below:

	2000		1999	
	Recognised £000	Not recognised £000	Recognised £000	Not recognised £000
Accelerated Capital Allowances	-	27	-	92
Other timing differences	336	292	397	274
	<u>336</u>	<u>319</u>	<u>397</u>	<u>366</u>

17 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	370	370

18 Share premium and reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	2,503	1,005	10,744
Retained profit for the year	-	-	3,003
At end of year	<u>2,503</u>	<u>1,005</u>	<u>13,747</u>

Goodwill arising on acquisitions prior to 1 January 1998 totalled £1,787,000 and was written off directly to reserves. Goodwill arising on acquisition post 1 January 1998 has been capitalised and amortisation charged through the profit and loss account over the useful economic life of the goodwill.

Notes (continued)

19 Commitments

(a) There are no capital commitments at the end of the financial period (1999: Nil).

(b) Annual commitments under the non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	326	325	81	488
In the second to fifth years	675	1,803	490	1,615
Over five years	1,805	228	1,838	232
	<u>2,806</u>	<u>2,356</u>	<u>2,409</u>	<u>2,335</u>

20 Pension scheme

The Company previously operated a defined benefit pension plan, the Alpha Supplies Pension Scheme. On 5 April 1997 the scheme was closed to new entrants. Active members ceased to accrue benefits at that date and were offered the opportunity of joining the Bunzl group scheme ("Bunzl Pension Plan").

The Company's contributions to the Bunzl Pension Plan are assessed in accordance with the advice of an independent actuary and are based on the pension costs across the Bunzl group as a whole. The latest actuarial valuation of the Bunzl Pension Plan was at 6 April 2000, and details of the scheme are contained in the accounts of Bunzl plc.

The pension cost charge for the year represents contributions payable by the Company to the above funds and amounted to £800,000 (1999: £718,000).

21 Related Parties

The Company is controlled by Bunzl plc.

The Company is a wholly owned subsidiary of Bunzl plc. In accordance with paragraph 3(c) of FRS 8 'Related Party Transactions' the Company is exempt from disclosing details of arrangements with other companies in the Bunzl group.

22 Ultimate holding company

The only group of undertakings for which group accounts are drawn up is that of the ultimate holding company, Bunzl plc, a company registered in England and Wales. A copy of the group accounts of Bunzl plc may be obtained from its registered office, 110 Park Street, London W1K 6NX.