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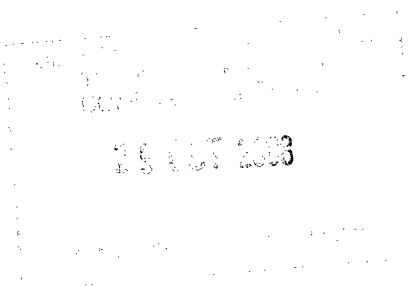


Bunzl UK Limited

**Directors' report and financial
statements**

Registered number 2902454

31 December 2007



Contents

Directors' report	1
Statement of directors' responsibilities	4
Independent auditors' report to the members of Bunzl UK Limited	5
Profit and Loss Account	6
Balance Sheet	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Principal activity

The principal activities of the Company continued to be the wholesale distribution of cleaning, hygiene and associated products, catering disposables, personal protection equipment and food packaging equipment and supplies.

Business Review

The directors report turnover for the year ended 31 December 2007 of £460,150,000 (2006: £433,229,000) and a decrease in operating profit of 0.5% from £36,700,000 to £36,505,000. The profit and loss account shows a profit on ordinary activities after taxation of £31,706,000 (2006: 18,879,000).

The Company operates in a number of distinct UK markets, the Personal Protection Equipment market, the Cleaning and Hygiene market, the Catering market and the Food Packaging market. The Company serves these markets through its trading divisions Greenham, Bunzl Cleaning & Hygiene Supplies, Bunzl Catering Supplies and Lockhart Catering Equipment. All these trading divisions performed satisfactorily in the period.

During the financial year, the Company acquired Rafferty Hospitality Products Limited. The principle activity of the company is the sale of guest amenities and other hospitality supplies.

The financial statements on pages 6 to 20 are not consolidated financial statements and therefore do not include the results of this acquired business.

Key performance indicators

The directors monitor and manage the performance of the Company assisted by the production of detailed monthly management reports containing accounts and a number of key financial and non-financial performance measures.

Principal risks and uncertainties

The Company operates in a changing economic and competitive environment that presents risks, some of which are driven by factors that the Company cannot control or predict.

The key risks facing the Company include:

- Economic, political and market conditions which could affect the Company's revenue growth and profitability.
- Failure to achieve the Company's financial forecasts due to the Company's inability to secure new sales contracts or renegotiate existing contracts.
- As a result of competitive pressures, changes to the Company's pricing models may result in price reductions which would adversely affect revenue and profitability.

Post Balance Sheet Events

Buwier Limited is a UK incorporated company currently wholly owned by Lockhart Catering Equipment Limited. The trade and assets of Buwier Limited were transferred into Bunzl UK Limited at book value on 1 April 2008 as part of a group reorganisation.

Please refer to note 24 in the Notes to the Accounts section below for more information.

Dividends

The directors do not recommend payment of a final dividend (2006: £nil). An interim dividend of £45,000,000 was paid to Lockhart Catering Equipment Limited during the year.

Directors' report *(continued)*

Directors

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

AJ Ball (resigned 30 January 2007)
CP Budge
JRS Burton
JA Cunningham
NS Dobbs (resigned 30 January 2007)
BS Garner
MR Johnson
CJ Liddiard (resigned 30 January 2007)
AJ Mooney
GDN Tarratt (appointed 10 April 2007)
AJ Tedbury
PC Watt
JJH Sergeant (resigned 30 March 2008)

Employee involvement

The directors recognise the importance of good communications and relations with employees, particularly in as the areas of the Company where employees are based at a number of different locations. Measures taken to achieve these aims include communications boards, an intranet, in-house bulletins, discussions, briefing meetings and audiovisual 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' indemnities

As at the date of this report, indemnities are in force under which Bunzl plc, the ultimate holding company of the Company, has agreed to indemnify the Company's directors and the Company Secretary, to the extent permitted by law and Bunzl plc's Articles of Association, 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.

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. The number of days billing outstanding at the end of the year is 70 days (2006: 68 days).

Political and charitable contribution

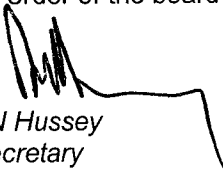
The Company made no political or charitable donations during the year (2006: £nil).

Directors' report *(continued)*

Auditors

In accordance with section 379A of the Companies Act 1985, the Company has decided to dispense with the laying of reports and accounts in a general meeting, the annual appointment of auditors and the holding of annual general meetings. KPMG Audit Plc will therefore continue in office.

By order of the board


PN Hussey
Secretary

York House
45 Seymour Street
London
W1H 7JT

18 July 2008

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have 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

8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Bunzl UK Limited

We have audited the financial statements of Bunzl UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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

The directors' responsibility for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc

18 JULY 2008

Profit and Loss Account
for the year ended 31 December 2007

	Note	2007	2006
		£000	£000
Turnover	2	460,150	433,229
Cost of sales		(310,887)	(289,417)
Gross profit		149,263	143,812
Selling and distribution costs		(61,283)	(60,566)
Administrative expenses		(51,475)	(46,546)
Operating profit		36,505	36,700
Other interest receivable and similar income	3	92	16
Interest payable and similar charges	4	(12,464)	(9,827)
Income from shares in group undertakings		14,800	-
Profit on ordinary activities before taxation	5	38,933	26,889
Tax on profit on ordinary activities	8	(7,227)	(8,010)
Profit for the year	21	31,706	18,879

The whole of the profit and loss account above is derived from continuing activities.

The Company has no recognised gains and losses other than the results for the year (2006: £nil) as set out above.

The Accounting Policies and Notes on pages 8 to 20 form part of these financial statements.

Balance Sheet
at 31 December 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		14,372		15,728
Tangible assets	11		16,202		16,158
Investments	12		110,770		94,987
			<u>141,344</u>		<u>126,873</u>
Current assets					
Stocks	13	42,530		39,084	
Debtors	14	220,521		197,406	
Cash at bank and in hand		3,897		2,941	
		<u>266,948</u>		<u>239,431</u>	
Creditors: amounts falling due within one year	16	(373,361)		(328,559)	
Net current liabilities			<u>(106,413)</u>		<u>(89,128)</u>
Total assets less current liabilities			<u>34,931</u>		<u>37,745</u>
Creditors: amounts falling due after more than one year	17		(846)		(3,030)
Provisions for liabilities and charges	18		(6,862)		(5,454)
Net assets			<u>27,223</u>		<u>29,261</u>
Capital and reserves					
Called up share capital	19		370		370
Share premium account	20		2,503		2,503
Capital redemption reserve	20		1,005		1,005
Other reserves	20		10,799		-
Profit and loss account	20		12,546		25,383
Equity shareholder's funds			<u>27,223</u>		<u>29,261</u>

These financial statements were approved by the board of directors on 18 July 2008 and were signed on its behalf by:



AJ Mooney
Director

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 except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards, and under the historical cost accounting rules.

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.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published accounts.

The Company is a wholly owned subsidiary of Bunzl plc. In accordance with FRS 8 'Related Party Transactions' the Company is exempt from disclosing details of arrangements with other companies in the Bunzl group. The consolidated financial statements of Bunzl plc, within which the Company is included, can be obtained from the address given in note 27.

Goodwill

Purchased goodwill (both positive and negative) arising on business combination 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 (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations 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.

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.

Share based payments

Employees of the Company are eligible to participate in the equity settled share based compensation plans operated by the ultimate parent undertaking, Bunzl plc. The total expected expense relating to the equity settled plans 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 amounts recognised as expenses are adjusted to reflect the actual number of options and other share based incentives that are expected to vest.

Notes *(continued)*

1 Accounting policies *(continued)*

Investments

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

Leases

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.

Turnover

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

Post retirement benefits

The Company also participates in a group defined contribution scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

The Company also participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as permitted by FRS17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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 tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax is not recognised on the unremitted earnings of overseas subsidiaries where there is no commitment to remit these earnings and deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recovered.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date as the gains or losses on translation are included in the profit and loss account.

2 Turnover

The analysis of turnover by destination is as follows:

	2007 £000	2006 £000
UK	457,060	430,010
Europe	1,693	1,684
Rest of World	1,397	1,535
	<hr/>	<hr/>
	460,150	433,229
	<hr/>	<hr/>

3 Other interest receivable and similar income

	2007 £000	2006 £000
Other interest income	92	16
	<hr/>	<hr/>

Notes (continued)

4 Interest payable and similar charges

	2007 £000	2006 £000
On bank loans and overdrafts	165	14
Payable to group undertakings	12,299	9,813
	<u>12,464</u>	<u>9,827</u>

5 Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit of these financial statements	160	154
Depreciation and other amounts written off tangible fixed assets		
Owned	2,184	2,314
Amortisation of goodwill	1,086	1,056
Rentals payable under operating leases		
Property	7,669	8,249
Plant and machinery	249	1,503
(Loss)/Profit on sale of fixed assets	(28)	134
	<u></u>	<u></u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates other than audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent (see Note 27 for details of the parent company's accounts).

6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 2,277 (2006: 2,332).

The aggregate payroll costs of these persons were as follows:

	2007 £000	2006 £000
Wages and salaries	51,419	51,462
Social security costs	4,174	4,159
Share based payments	457	314
Other pension costs	8,754	4,957
	<u>64,804</u>	<u>60,892</u>

Notes (continued)

7 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	1,779	1,901
Company contribution to pension scheme	120	108
	<hr/>	<hr/>
	1,899	2,009
	<hr/>	<hr/>

The emoluments of the highest paid director were £432,469 (2006: £389,913). The accrued pension for 2007 of the highest paid director is £16,235 (2006: £12,403). The number of directors whose retirement benefits were accruing under defined benefit schemes during the year was 12 (2006: 13).

8 Taxation on profit on ordinary activities

Analysis of charge for the year

	2007 £000	2006 £000
Current tax:		
In respect of the year:		
UK corporation tax based on the results for the year at 30% (2006: 30%)	7,498	8,661
Under provision/(Over provision) in respect of prior years	161	(85)
	<hr/>	<hr/>
Total current tax	7,659	8,576
Increase in deferred tax asset (note 15)	(432)	(566)
	<hr/>	<hr/>
Tax on profit on ordinary activities	7,227	8,010
	<hr/>	<hr/>

Factors affecting current tax charge

The tax assessed for the year is higher than (2006: higher than) the standard rate of corporation tax in the UK. The differences are as follows:

	2007 £000	2006 £000
Profit on ordinary activities before tax	38,933	26,889
	<hr/>	<hr/>
Tax charge at UK corporation tax rate of 30% (2006: 30%)	11,680	8,067
Expenses not deductible for tax purposes	351	189
Income from shares in group undertakings not taxable	(4,440)	-
Adjustments in respect of prior years	161	(85)
Capital allowances (less than)/in excess of depreciation	(21)	97
Other timing differences	(72)	308
	<hr/>	<hr/>
	7,659	8,576
	<hr/>	<hr/>

Notes (continued)

8 Taxation on profit on ordinary activities (continued)

Factors that may affect future tax charges

Deferred tax assets and liabilities on all timing differences have been calculated at 28% being the rate of UK corporation tax effective from 1 April 2008, including those expected to reverse in the year to 31 December 2008 (the effective rate for which would otherwise be 28.5%). The impact of this on the financial statements is not considered to be material.

9 Dividends

	2007 £000	2006 £000
Interim dividend paid	45,000	-

10 Intangible fixed assets

	Goodwill £000
Cost	
At beginning of year	21,649
Additions	-
Disposals	(330)
At end of year	21,319
Provisions for amortisation and impairment	
At beginning of year	5,921
Amortisation charged in the year	1,086
Disposals	(60)
At end of year	6,947
Net book value	
At 31 December 2007	14,372
At 31 December 2006	15,728

Notes (continued)

11 Tangible fixed assets

	Land and 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	9,061	2,433	873	1,062	14,125	27,554
Acquired assets						
Additions	-	122	69	57	2,057	2,305
Disposals	-	(12)	(16)	(29)	(1,046)	(1,103)
At end of year	9,061	2,543	926	1,090	15,136	28,756
Depreciation						
At beginning of year	662	478	694	476	9,086	11,396
Charge for year	123	139	79	176	1,667	2,184
On disposals	-	(2)	(13)	(26)	(985)	(1,026)
At end of year	785	615	760	626	9,768	12,554
Net book value						
At 31 December 2007	8,276	1,928	166	464	5,368	16,202
At 31 December 2006	8,399	1,955	179	586	5,039	16,158

Freehold land amounting to £3,203,035 (2006: £3,203,035) has not been depreciated.

The net book value of leasehold land and buildings comprises:

	2007 £000	2006 £000
Long leasehold	1,487	1,526
Short leasehold	441	429
	<u>1,928</u>	<u>1,955</u>

Notes (continued)

12 Fixed asset investments

	Shares in Bunzl plc	Investments in subsidiary undertakings	Total investments
	£000	£000	£000
Shares cost and net book value			
At beginning of the year	364	94,623	94,987
Additions	161	15,622	15,783
	<hr/>	<hr/>	<hr/>
At end of the year	525	110,245	110,770
	<hr/>	<hr/>	<hr/>

Principal Company investments

The Company has the following principal subsidiary undertakings:

	Country of incorporation	Percentage Shareholding (ordinary shares)
A. & J. Beveridge Limited	UK	100%
ACS Catering Supplies Limited	UK	100%
C & S Cleaning Supplies Limited	UK	100%
Bunzl Retail Supplies Holdings Limited	UK	100%
Shermond Products Limited	UK	100%
Thomas McLaughlin Limited	UK	100%
City Service Supply Company Limited	UK	100%
Packers (UK) Limited	UK	100%
Total Safety Limited	Eire	100%
W.A. Blyth Limited	UK	100%
I.C.C.S. Northern Limited	UK	100%
Keenpac Group Limited	UK	100%
Rafferty Hospitality Products Limited	Northern Ireland	100%

On the 1st of January 2003 following a group re-organisation the trade and net assets of Shermond Surgical Supply Limited, a direct subsidiary of Shermond Products Limited, were transferred to Bunzl Retail Supplies Limited at their book value which was less than fair value. Following the transfer the cost of the Company's indirect investment in Shermond Surgical Supply Limited reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of the transfer, the value of the company's direct investment in Shermond Products Limited, the holding company of Shermond Surgical Supply Limited, fell below the amount at which it was stated in the Company's accounting records.

Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit & loss account. However, the directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit & loss account for the year and it should instead be re-allocated to the cost of investment in Bunzl Retail Supplies Holdings Limited, the holding company of the subgroup containing Bunzl Retail Supplies Limited. The effect of this departure was to increase the Company's profit for the 2003 financial year by £14,703,000 and to increase the cost of investments by the same amount.

The entire ordinary share capital of Rafferty Hospitality Products Limited were acquired on 14 December 2007. The principle activity of the company is the sale of guest amenities and other hospitality supplies.

Notes (continued)

13 Stocks

	2007 £000	2006 £000
Finished goods for resale	42,530	39,084

14 Debtors

	2007 £000	2006 £000
Trade debtors	73,985	68,048
Amounts owed by fellow group undertakings	117,052	103,844
Other debtors	-	15,146
Prepayments and accrued income	25,204	6,520
Deferred tax asset (see note 15)	4,280	3,848
	<u>220,521</u>	<u>197,406</u>

15 Deferred tax asset

	Capital allowances £000	Other £000	Total £000
At beginning of year	391	3,457	3,848
Profit and loss account movement	321	111	432
At end of year	<u>712</u>	<u>3,568</u>	<u>4,280</u>

There are no unrecognised deferred tax assets or liabilities.

16 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdrafts	2,293	5,322
Trade creditors	76,976	67,492
Amounts owed to fellow group undertakings	150,104	215,379
Convertible debt owed to fellow group undertakings	103,625	-
UK corporation tax payable	16,329	16,986
VAT payable	3,824	4,093
Social security and PAYE	1,400	1,234
Other creditors	3,406	3,561
Accruals and deferred income	15,404	14,492
	<u>373,361</u>	<u>328,559</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts owed to fellow group undertakings	-	2,009
Other creditors	846	1,021
	<u>846</u>	<u>3,030</u>

18 Provisions for liabilities and charges

	Total £000
At beginning of year	5,454
Provision created	2,872
Provisions transfer	655
Utilised during the year	(2,119)
At end of year	<u>6,862</u>

The provision relates to a number of property lease contract costs, dilapidations and environmental costs provided for subsequent to the Company's acquisitions of the trade, assets and liabilities of Lockhart Catering Equipment Limited and Windsor Wholesale Limited. These provisions cover the length of the lease agreements which typically extend for one to ten years. The remainder of the provision relates mainly to further dilapidations and legal costs.

19 Called up share capital

	2007 £000	2006 £000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
125,000,000 irredeemable preference shares of £0.01 each	1,250	-
	<u>2,250</u>	<u>1,000</u>
Issued, allotted, called up and fully paid		
369,946 ordinary shares of £1 each	370	370
Irredeemable preference shares of £0.01 each	-	-
	<u>370</u>	<u>370</u>

On 1 May 2007 the authorised share capital of the Company was increased by written resolution of the sole member of the Company by the creation of 125,000,000 irredeemable preference shares of £0.01 each having such rights and restrictions as set out in the articles of association of the Company. The holders of the irredeemable preference shares shall have the right in priority to any other payment by way of dividend, to receive a cumulative preferential dividend. The irredeemable preference shareholders

Notes (continued)

19 Called up share capital (continued)

have no rights to: (i) participate in profits of the Company beyond the preferential dividend; and (ii) receive notice of, attend, or vote at general meetings of the Company.

On 11 March 2008, the authorised share capital of the Company was increased by written resolution of the sole member of the Company by the creation of 115,000,000 deferred shares of £0.01 each having such rights and restrictions as set out in the articles of association of the Company. The holders of the deferred shares shall no rights to: (i) participate in any dividend or other distribution declared or paid by the Company; and (ii) receive notice of, attend, or vote at general meetings of the Company.

20 Share premium and reserves

	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Profit and loss account £000
At beginning of year	2,503	1,005	-	25,383
Profit for the year	-	-	-	16,906
Interim dividend paid	-	-	-	(45,000)
Interim dividend received	-	-	-	14,800
Share based payments	-	-	-	457
Equity element of convertible loan note (see Note 23)	-	-	10,799	-
At end of year	2,503	1,005	10,799	12,546

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, which in most cases to date has been assumed at twenty years.

21 Reconciliation of movements in equity shareholder's funds

	2007 £000	2006 £000
Profit for the year	16,906	18,879
Dividends received	14,800	-
Interim dividends paid	(45,000)	-
Retained (loss)/profit for the year	(13,294)	18,879
Share based payments	457	314
Equity element of convertible loan note (see Note 23)	10,799	-
Net movement (from)/to shareholder's funds	(2,038)	19,193
Opening equity shareholder's funds	29,261	10,068
Closing equity shareholder's funds	27,223	29,261

Notes (continued)

22 Commitments

- (a) There are no capital commitments at the end of the financial period (2006: nil).
 (b) Annual commitments under the non-cancellable operating leases are as follows:

	2007		2006	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	292	259	303	837
In the second to fifth years	2,848	3,503	2,740	2,763
Over five years	4,990	-	5,294	21
	<u>8,130</u>	<u>3,762</u>	<u>8,337</u>	<u>3,621</u>

23 Convertible Debt

On 1 May 2007, Bunzl Finance plc ("the Investor") provided funds to the Company ("the Issuer") of £110,000,000 as part of an Intra-Group financing arrangement. In return, the Company issued a zero coupon loan note to the Investor at an issue price of £110,000,000. This loan note will become convertible on 19 December 2008, at the option of the Investor, into a fixed number of preference shares of the Company, or will be redeemed at a cash value equal to face value. The terms of the funding are at arms length.

If the loan note is converted upon maturity, the Company will issue 121,000,000 1p shares, creating £1,210,000 ordinary share capital and the balance of the £110,000,000 as share premium. If conversion does not take place, the loan note will be redeemed on 19 December 2008 at par.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Issuer, as follows:

	£000
Equity component	10,799
Liability component at date of issue	99,201
	<u>110,000</u>
Nominal value of convertible loan notes issued	110,000
Liability component at date of issue	99,201
Interest charged	4,424
	<u>103,625</u>
Liability component at 31 December 2007 (falling due within one year)	103,625

The interest charged for the year is calculated by applying an effective interest rate of 6.64 per cent to the liability component.

Notes (continued)

24 Post Balance Sheet Events

Transfer of trade and assets from Buwier Limited to Bunzl UK Limited

Buwier Limited is a UK incorporated company currently wholly owned by Lockhart Catering Equipment Limited. The trade and assets of Buwier Limited were transferred into Bunzl UK Limited at book value on 1 April 2008 as part of a group reorganisation.

25 Pension scheme

Employees of the Company are members of the Bunzl Pension Plan ('the Group scheme'). The Group scheme consists of both a defined benefit section, providing benefits based on final pensionable pay, and a defined contribution section, providing benefits based on monthly contributions. The assets of the defined benefit section are held separately from those of Bunzl plc and its subsidiaries and contributions are determined by a qualified actuary every three years using the projected unit method. The most recent valuation of the schemes has an effective date of 5 April 2006.

The defined benefit section of the scheme is a multi-employer scheme in which the Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, as permitted by FRS 17, the Company accounts for the scheme as if they were defined contribution scheme. Details of the Group scheme and particulars of the actuarial valuations of these are set out in the financial statements of Bunzl plc for the year ended 31 December 2007, which can be obtained from the address in note 27.

There was a total pension charge for 2007 of £8,754,000 (2006: £4,957,000).

26 Share based payments

Employees of the Company are eligible to participate in various share plans as operated by the ultimate parent undertaking, Bunzl plc. Full details of these share plans are outlined in the Directors' Report and Accounts of Bunzl plc.

The charge for the year relating to share based payments was £457,000 (2006: £314,000).

27 Ultimate parent company

The only group of undertakings for which group accounts are drawn up is that of the ultimate parent 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, York House, 45 Seymour Street, London, W1H 7JT.

28 Company guarantee

Bunzl Finance plc has undertaken to provide financial support to the Company to enable it to meet its liabilities as they fall due, for at least twelve months from the date of signing these financial statements.