News Release

24 February 2020

ANNUAL RESULTS ANNOUNCEMENT

Bunzl plc, the specialist international distribution and services Group, today publishes its annual results for the year ended 31 December 2019.

Financial results	**As reported under IFRS 16 2019**	**IAS 17$^{\Delta}$ 2019**	As reported under IAS 17 2018	IAS 17$^{\Delta}$ growth at actual exchange	IAS 17$^{\Delta}$ growth at constant exchange
Revenue	**£9,326.7m**	**£9,326.7m**	£9,079.4m	2.7%	1.0%
Adjusted operating profit*	**£653.3m**	**£630.9m**	£614.0m	2.8%	1.5%
Adjusted profit before income tax*	**£578.2m**	**£579.1m**	£559.0m	3.6%	2.4%
Adjusted earnings per share*	**132.2p**	**132.4p**	129.6p	2.2%	1.0%
Dividend for the year	**51.3p**	**51.3p**	50.2p	2.2%	

Statutory results	**As reported under IFRS 16 2019**	As reported under IAS 17 2018
Operating profit	**£528.4m**	£466.2m
Profit before income tax	**£453.3m**	£424.8m
Basic earnings per share	**104.8p**	98.4p

Highlights include:

- Revenue up 1.0% at constant exchange rates, up 2.7% at actual exchange rates
- Operating margin* up from 6.7% to 6.8% at constant exchange rates on a consistent IAS 17 basis, unchanged at actual exchange rates
- Adjusted profit before income tax* up 2.4% at constant exchange rates on a consistent IAS 17 basis, up 3.6% at actual exchange rates
- Committed acquisition spend of £124 million during the year with four acquisitions announced in recent months (annualised revenue £300 million) and a promising pipeline
- Return on average operating capital* 48.4% with return on invested capital* 14.6% on an IAS 17 basis
- Continued strong cash conversion* of 101% and free cashflow growth of 10%
- 27 year track record of dividend growth continues with a 2.2% increase in the dividend for the year

Commenting on today's results, Frank van Zanten, Chief Executive Officer of Bunzl, said:

"Against the background of mixed macroeconomic and market conditions which prevailed during 2019 across the countries and sectors in which we operate, I am pleased to report that Bunzl has produced another resilient performance with an increase in operating margin. It is particularly good to see continued strong cash conversion and free cash flow growth.

Looking forward, although we continue to see challenging trading conditions in many of our markets, our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further should lead to improved growth at constant exchange rates principally due to the impact of the good level of recent acquisition activity. Bunzl has a strong balance sheet with significant financial capacity and acquisitions remain a key element of our strategy. The acquisition pipeline is promising and a number of discussions are ongoing."

Δ Following the adoption of IFRS 16 'Leases' with effect from 1 January 2019, because the Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods, the results for the year ended 31 December 2019 are not directly comparable with those reported in the prior year under the previous applicable accounting standard, IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 31 December 2019 have therefore also been presented under IAS 17 with the growth rates shown on an IAS 17 basis. See Notes 1 and 2 for a reconciliation of the IAS 17 alternative performance measures to the equivalent IFRS measures.

* Alternative performance measure (see Note 3).

Business area highlights:

To aid comparability of the trading performance between 2018 and 2019, the business area highlights in this section have been presented and are reviewed on a consistent IAS 17 basis. Details of the adjusted operating profit of each business area for 2019 on an IFRS 16 basis are set out in Note 4.

	Revenue (£m)		Growth at constant exchange	Adjusted operating profit* (£m)		IAS 17 growth at constant exchange	Operating margin*	
	2019	2018		**IAS 17 2019**	IAS 17 2018		**IAS 17 2019**	IAS 17 2018
North America	**5,473.2**	5,277.8	(0.1)%	**331.0**	317.1	0.6%	**6.0%**	6.0%
Continental Europe	**1,829.8**	1,797.5	3.0%	**178.8**	176.8	2.6%	**9.8%**	9.8%
UK & Ireland	**1,242.1**	1,263.6	(1.7)%	**83.3**	86.8	(4.1)%	**6.7%**	6.9%
Rest of the World	**781.6**	740.5	8.8%	**59.0**	56.4	8.3%	**7.5%**	7.6%

North America (59% of revenue and 51% of adjusted operating profit◊)

- Organic revenue marginally down principally due to lower sales to largest grocery customer driven by price and product specification changes
- Cost savings generated by reorganisation of grocery and redistribution
- Resilient operating margin, unchanged at 6.0%
- Retail held up well despite tough trading conditions
- Good overall growth in safety, convenience store, processor and agriculture
- Acquisition of Liberty Glove & Safety in February 2019 and Joshen Paper & Packaging in January 2020

Continental Europe (20% of revenue and 27% of adjusted operating profit◊)

- Good organic revenue growth
- Operating margin unchanged at 9.8%
- Overall stable performance in France
- Good performances in the Netherlands, Spain and Turkey
- Substantial warehouse consolidations in the Netherlands successfully implemented
- Recent acquisitions integrating well and continue to trade ahead of expectations

UK & Ireland (13% of revenue and 13% of adjusted operating profit◊)

- Organic revenue broadly flat; results impacted by disposal in 2018 (£2.2m reduction in adjusted operating profit)
- Good revenue growth in cleaning & hygiene and in grocery with a large supermarket customer regained in second half
- Improved performance in safety in second half due to new customer and business wins
- Continued difficult trading conditions in hospitality and healthcare
- Continued growth and expansion in Ireland

Rest of the World (8% of revenue and 9% of adjusted operating profit◊)

- Good organic revenue growth driven by Latin America
- Strong organic growth in Brazil with safety strengthened through purchase of Volk do Brasil
- Chile safety footwear and Mexico safety adversely impacting margins
- Good profit improvement in Australia despite slower economy

* Alternative performance measure (see Note 3)
◊ Based on IAS 17 adjusted operating profit and before corporate costs (see Note 4)

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Note:
A live webcast of today's presentation to analysts will be available on www.bunzl.com commencing at 9.30 am.

BASIS OF PREPARATION – IFRS 16 'LEASES'

The Group adopted International Financial Reporting Standard ('IFRS') 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition and, in accordance with the standard, the Group's financial results for the year ended 31 December 2019 have not been restated. As a result, the financial results for the year ended 31 December 2019 are not directly comparable with those for the year ended 31 December 2018. However, in order to provide a meaningful comparison between the two reporting periods, where appropriate to do so, the Group's financial results for the year ended 31 December 2019 are also presented in accordance with IAS 17 'Leases', being the accounting standard that was applicable for the year ended 31 December 2018. Unless otherwise stated, all references to growth rates and year on year comparisons relating to the Group's statutory and alternative performance measures are stated on a consistent basis under IAS17. Further details of the impact of the adoption of IFRS 16 on the Group's financial results are set out in Notes 1 and 2. Further details of the Group's alternative performance measures are set out in Note 3.

CHAIRMAN'S STATEMENT

Results

Against the background of the mixed macroeconomic and market conditions which prevailed during 2019 across the countries and sectors in which we operate, I am pleased to report that Bunzl has produced another resilient performance.

Group revenue was £9,326.7 million (2018: £9,079.4 million), an increase of 2.7%, and adjusted operating profit was £653.3 million with adjusted earnings per share of 132.2p. On an IAS 17 basis, adjusted operating profit was £630.9 million, an increase of 2.8% (2018: £614.0 million), while adjusted earnings per share were 132.4p (2018: 129.6p), an increase of 2.2%.

Overall currency translation movements, principally the weakening of sterling against the US dollar, had a positive impact on the reported Group growth rates at actual exchange rates. At constant exchange rates, revenue increased by 1.0% and adjusted operating profit on an IAS 17 basis rose by 1.5% with adjusted earnings per share up 1.0% and the Group operating margin up from 6.7% to 6.8%.

The return on average operating capital on an IAS 17 basis decreased from 50.7% in 2018 to 48.4%, principally as a result of an increase in average capital employed in the underlying business, and the return on invested capital on an IAS 17 basis was down from 15.0% to 14.6%.

Dividend

The Board is recommending a final dividend of 35.8p. This brings the total dividend for the year to 51.3p, up 2.2% compared to 2018. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

We continue to pursue our consistent and proven strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions and continuously improving the quality of our operations, thereby making our businesses more efficient and sustainable.

We look to achieve organic growth by applying our extensive resources and specialist knowledge and expertise to enable our customers to reduce or eliminate the hidden costs of sourcing and distributing a broad range of goods not for resale and to make their businesses more sustainable. By offering an efficient and cost effective one-stop-shop to meet their product demands, combined with the provision of a variety of value-added, innovative, sustainable and customised service solutions, our customers can focus on their core businesses and achieve purchasing efficiencies and savings, while freeing up working capital, improving their distribution capabilities, reducing carbon emissions and simplifying their own internal administration processes.

Although we purchased fewer businesses in 2019 than in recent years, growth through acquisitions remains a key element of our strategy which has enabled us to build leading positions in a number of market sectors in the Americas, Europe and Asia Pacific.

Investment

Investment in the business to support our growth strategy, enhance our asset base and improve the efficiency and sustainability of our operations is an ongoing process. During the year we have continued to expand and improve our facilities, consolidate our warehouse footprint and enhance our IT systems and digital platforms. Together these investments help us to improve our service offering and customer experience which helps us to retain a competitive advantage.

Sustainability

During the year we have focused on the further development of the Group's sustainability strategy. This has included the recruitment of experts embedded within the business areas, headed by a new Group Head of Sustainability, and the development of our new sustainability framework which brings together all strands of our responsibilities in this area as a large international company. Since we are not a manufacturer, and given our size and expertise, we have a unique position in the supply chain which enables us to advise our customers on their sustainability strategies and, at the same time, benefit from our relationships with our extensive supplier base in order to bring a broad range of sustainable products to market.

We see the development and delivery of an effective people strategy as a key part of our sustainability framework. We have made good progress in identifying the key capabilities we need to grow as a business, developing a robust leadership pipeline and articulating the values underpinning the culture we wish to foster across our diverse group of businesses. The launch of our new Senior Leadership Programme is a tangible example of our people strategy in action. Particularly powerful has been the opportunity for Board members to spend time with attendees of the programme from across the Group and also to attend employee forum meetings in both Europe and North America which has allowed the directors to engage with representatives of the wider workforce.

As a service oriented company, the hard work, loyalty and enthusiasm of our employees around the world are critical to our ongoing growth and success. I would like to thank everyone for their significant contributions and achievements during the year.

Board

As announced in May 2019, after more than 13 years in the role of Finance Director and 25 years with Bunzl, Brian May retired from the Board on 31 December 2019 and will leave the Group at the end of February 2020. On behalf of the Board, I would like to thank Brian for the outstanding contribution he has made to Bunzl's success over many years. He leaves the Group with our very best wishes and our deepest gratitude and thanks for his dedicated service to Bunzl.

Brian has been succeeded by Richard Howes who joined the Board and assumed the role of Chief Financial Officer on 1 January 2020. Richard has a wealth of experience across a number of sectors, working for multi-site businesses with substantial global footprints. He also has a strong track record of leading finance functions at a number of international public companies. We are pleased to welcome him to Bunzl.

Peter Ventress joined the Board on 1 June 2019 as a non-executive director and Chairman designate. Peter has a strong track record both as an executive and non-executive director of a number of international distribution businesses and will bring valuable knowledge and experience to Bunzl. He will assume the role of Chairman of the Board and of the Nomination Committee following my retirement at the conclusion of the Company's Annual General Meeting in April 2020.

Eugenia Ulasewicz, who has served as a non-executive director since April 2011, will also be retiring after the Company's Annual General Meeting in April. Her independent advice and significant contribution to the Board's deliberations have been greatly appreciated and she will leave with our thanks and best wishes.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

We have once again demonstrated the strength, resilience and reliability of our business model and strategy which together have delivered a resilient set of results against the backdrop of challenging trading conditions in some of our markets. It is particularly pleasing to see that the Group operating margin has increased at constant exchange rates from 6.7% to 6.8%.

During the year we continued to invest in IT and digital projects and launched additional digital platforms to enhance further our customers' experience. Collaboration and sharing of best practice between our businesses around the world have increased with a view to bringing additional benefits for our customers. The sustainability agenda has continued to develop with a particular focus on single-use plastics. By providing specialist advice and assistance and promoting alternatives to plastic products and supporting the development of innovative products, we have been able to offer customers more choice as they look to increase the compostability and recyclability of many of the items that they use and thereby make their businesses more sustainable.

As a non-manufacturer, our global sourcing capabilities combined with the services provided by our Asia sourcing office have again proved to be a competitive advantage when dealing with our customers. Although we have not yet seen any material impact on our supply chain, we are continuing to monitor the situation relating to the Coronavirus in China which might impact our ability to import certain products if the restrictions on manufacturing activities continue for a sustained period of time.

Operating performance

With 88% of the Group's revenue generated outside the UK, the weakening of sterling against certain currencies, particularly the US dollar and the Canadian dollar, partly offset by the strengthening of sterling against the euro, Australian dollar and Brazilian real, has had a positive translation impact of between 1% and 2% on the Group's reported results. As in previous reporting periods, the operations, including the relevant growth rates and changes in operating margin (which, as referred to earlier, for consistency are presented on the basis of the results prepared under IAS 17), are therefore reviewed below at constant exchange rates to remove the impact of these currency movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for 2018 at the average rates used for 2019.

In addition, this review refers to alternative performance measures which exclude a number of non-operational items such as charges for customer relationships amortisation, acquisition related items and the profit or loss on disposal of businesses and any associated tax, where relevant. We do not take these items into account when considering the results of the business and they are therefore removed in calculating the profitability and other measures by which we assess the performance of the Group. Further details of these alternative performance measures are set out in Note 3. Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit while operating margin refers to adjusted operating profit as a percentage of revenue. A reconciliation between adjusted operating profit and statutory operating profit is set out in Note 3.

In 2019 revenue increased 1.0% (2.7% at actual exchange rates) to £9,326.7 million due to the benefit of acquisitions, partly offset by the impact of disposals made in 2018, as well as a small decline in organic revenue of 0.2%. Operating profit was £653.3 million. On an IAS 17 basis, operating profit was £630.9 million, an increase of 1.5% (2.8% at actual exchange rates). Operating margin was 7.0% (or 6.8% on an IAS 17 basis, up from 6.7% at constant exchange rates and unchanged at actual exchange rates).

In North America revenue was broadly unchanged (up 3.7% at actual exchange rates) due to the effect of acquisitions offset by a decline in organic revenue which, as indicated in previous announcements, was principally due to lower sales to a large grocery customer as a result of account specific price and product specification changes. Operating profit increased 0.6% (4.4% at actual exchange rates) with the operating margin of 6.0% unchanged at both constant and actual exchange rates. Revenue in Continental Europe rose 3.0% (1.8% at actual exchange rates) as a result of organic growth and the impact of acquisitions, partly offset by the disposal of OPM in France in February 2018, with operating profit up 2.6% (1.1% at actual exchange rates) with the operating margin of 9.8% also unchanged at both constant and actual exchange rates. In UK & Ireland revenue was down 1.7% mainly as a result of the disposal of the marketing services business in June 2018 and operating profit decreased 4.1% (down 4.0% at actual exchange rates) due to the disposal and challenging market conditions, with the operating margin decreasing from 6.9% to 6.7%. Excluding the impact of the disposal, revenue was down 0.2% with operating profit 1.7% lower. In Rest of the World revenue increased 8.8% (5.6% at actual exchange rates) principally due to the acquisition of Volk do Brasil in January 2019 as well as organic growth and operating profit was up 8.3% (4.6% at actual exchange rates) with the business area operating margin down 10 basis points at both constant and actual exchange rates to 7.5%.

Adjusted profit before income tax was £578.2 million. On an IAS 17 basis, adjusted profit before income tax was £579.1 million, an increase of 2.4% (3.6% at actual exchange rates) due to the growth in adjusted operating profit and a decrease in the net finance expense. Profit before income tax was £453.3 million and, on an IAS 17 basis, was £454.2 million, an increase of 5.4% (up 6.9% at actual exchange rates). Basic earnings per share were 104.8p and adjusted earnings per share were 132.2p. On an IAS 17 basis, basic earnings per share were 105.0p, an increase of 5.2% (6.7% at actual exchange rates), and adjusted earnings per share were 132.4p, up 1.0% (2.2% at actual exchange rates).

Once again, the operating cash flow, which is before acquisition related items, was very strong with cash conversion (the ratio of operating cash flow to lease adjusted operating profit) at 101%. The ratio of net debt to EBITDA calculated at average exchange rates and in accordance with the Group's external debt covenants, which are based on historical accounting standards, was 1.9 times compared to 2.0 times at the end of 2018.

Acquisitions

Excluding Volk do Brasil which we agreed to purchase in 2018 and completed in January 2019, during the year we acquired three businesses for a total committed spend of £124 million, thereby adding annualised revenue of £97 million. We have made a good start in 2020 with two businesses purchased so far this year and a further committed acquisition which we expect to complete at the end of March. The acquisition pipeline is promising and a number of discussions with potential targets are ongoing. We have significant financial capacity to make a number of additional acquisitions.

In February 2019 we acquired Liberty Glove & Safety which is engaged in the sale of a full range of personal protection equipment, principally gloves, to distributors in the US. Revenue in 2018 was £70 million.

Coolpack, a distributor based in the Netherlands principally engaged in the supply of specialist packaging to supermarkets and the pharmaceutical, food processor and foodservice sectors, was acquired in April. Revenue in 2018 was £4 million.

At the end of November we purchased FRSA. The business distributes specialist safety and personal protection equipment focused on fire, rescue and emergency response services throughout Australia. Revenue is expected to be approximately £20 million in 2020.

At the beginning of January 2020, we purchased Joshen Paper & Packaging, a distributor of packaging and other goods-not-for-resale to customers operating in the grocery, foodservice and cleaning & hygiene sectors in the US. Revenue is expected to be approximately £225 million in 2020.

Today we are announcing the acquisition of Medcorp in Brazil and ICM in Denmark. Medcorp, a distributor of a broad range of medical products to leading private hospitals and redistributors in Brazil, was acquired at the end of January 2020. Revenue in 2019 was £11 million. The purchase of ICM, a leading distributor of personal protection equipment to both end users and redistributors in Denmark, is due to be completed at the end of March once clearance of the transaction by the Danish competition authority has been received. Revenue in 2019 was £48 million.

Prospects

Although we continue to see challenging trading conditions in some markets, our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further should lead to improved growth at constant exchange rates principally due to the impact of the good level of recent acquisition activity.

In North America we expect good revenue growth due to the recent acquisition of Joshen but will see the continued impact on revenue in the first half of 2020 from the 2019 price and product specification changes with our largest grocery customer and weakness in the grocery and retail sectors throughout the year. We will continue to focus on operating costs, productivity and other efficiency improvements. In Continental Europe, despite mixed macroeconomic conditions across the region, we expect to develop further due to the combination of some organic revenue growth and the benefit of the proposed acquisition announced today. In UK & Ireland growth is expected to be limited given the prevailing uncertain economic and market conditions. In Rest of the World we expect to see good progress due to a combination of organic and acquisition growth.

In relation to acquisition activity, the pipeline is promising with a number of discussions ongoing.

North America

	IFRS 16 2019 £m	**IAS 17 2019 £m**	IAS 17 2018 £m	IAS 17 growth at constant exchange
Revenue	**5,473.2**	**5,473.2**	5,277.8	(0.1)%
Adjusted operating profit*	**343.6**	**331.0**	317.1	0.6%
Operating margin*	**6.3%**	**6.0%**	6.0%	

* Alternative performance measure (see Note 3)

In North America revenue was broadly unchanged at £5,473.2 million as the positive impact of recent acquisitions was offset by a 1.2% decline in organic revenue which, as indicated in previous announcements, was principally due to lower sales to our largest grocery customer as a result of account specific price and product specification changes. However we benefited from the cost savings generated by the reorganisation of our grocery and redistribution businesses. Operating profit was £343.6 million with the operating margin 6.3%. On an IAS 17 basis operating profit was £331.0 million, up 0.6%, with the operating margin unchanged at 6.0%.

Our business serving the US grocery sector, which had experienced significant growth over the last two years due to additional business won with our largest customer towards the end of 2016, was impacted by reduced revenue with the same customer as well as a net reduction in sales as additional business gains during the year were more than offset by some losses. The business has recently been enhanced by the acquisition of Joshen Paper & Packaging at the beginning of 2020 which has further consolidated our position both in this market and also in the foodservice and cleaning & hygiene sectors and will provide a number of synergies and efficiencies going forward.

Revenue in the redistribution business serving the foodservice and cleaning & hygiene sectors was broadly flat as we focused on profitable organic growth within our value-added category management programmes which resulted in us moving away from some unprofitable business with a large foodservice customer during the second quarter of the year. Our programmes, which are designed to support our larger national and regional foodservice customers, enable us to operate as their category manager for packaging and other supplies, providing category assortment, sourcing expertise, end-user sales support and digital tools. By doing so, we help our customers manage their supply chains from end to end and connect our supplier base to their own end user customers, pulling organic sales growth through our customers. We are able to deliver significant working capital benefits for our customers through our broad range of foodservice and cleaning & hygiene disposable items, delivered on a just in time basis. Consolidation has continued amongst our redistribution customer base, with two large foodservice broadline customers being acquired during the second half of the year by larger competitors who are also our customers.

The more focused and streamlined organisation structure implemented across our grocery and redistribution businesses to enhance our customer proposition and improve efficiency has primarily focused on cost savings and the creation of distribution capacity through inventory reductions while moving to align with our customers' evolving business models. An increased concentration on sourcing and leveraging our scale across both manufacturer and own brands will support organic growth initiatives as we move forward.

Despite tough trading conditions in our customers' end markets which have led to a number of store closures and the failure of some retailers, our retail supplies business has held up well with revenue slightly ahead of the prior year. The integration of DDS, which we acquired in 2017, with our other retail sector focused businesses has continued to yield sourcing and operational synergies ahead of our expectations, although the additional savings achieved during the year were broadly offset by cost increases.

Our safety business has grown well against the backdrop of generally favourable, but more recently moderating, economic conditions. During the year we have faced product cost increases from import tariffs, the impact of which has been successfully mitigated through a combination of price increases to customers, purchase price concessions from suppliers and some resourcing of products to countries which do not attract import tariffs. We continued to invest in this sector with the acquisition in February 2019 of Liberty Glove & Safety, a supplier of personal protection equipment to smaller distributors across the US.

In our business focused on the agricultural sector, we have invested in infrastructure and capacity to support the migration of many of our customers to more cost-effective growing areas, principally Mexico, providing us with a broader footprint through which to provide our value-added distribution services. We have also continued to benefit from the acquisition in 2018 of Monte Package Company, a regional supplier of packaging to growers in the central and southeast of the US.

Our food processor business continued to drive organic growth and improve margins by concentrating on product innovation and expanding the product range. While consolidation in this sector continues, our focus on own label alternatives allows our processor teams to offer our broad assortment of high quality, cost-effective solutions to manage our customers' safety and facility management programmes effectively. We have continued to diversify our customer base, utilising industry leading e-commerce and digital engagement to drive significant sales volumes with our local and regional customer bases.

Our business serving the convenience store sector has continued its recent history of growth, working directly with convenience store chains to build packaging and supply programmes, which are then pulled through our wholesale customer partners. Revenue growth also came from expanding our distribution of certain branded grocery item categories to our wholesale customers. We also offer category management and managed inventories, providing our customers with an industry-leading variety of products with minimal investment.

Our business in Canada has faced challenging market conditions across several sectors. Our grocery business has been impacted by a significant cost saving initiative at a large customer, our redistribution business has been affected by a transition away from lower margin, less profitable volume and our cleaning & hygiene business, while performing well in many markets, has faced a challenging economy in Western Canada. Our industrial packaging business has however continued its strong performance.

Continental Europe

	IFRS 16 2019 £m	**IAS 17 2019 £m**	IAS 17 2018 £m	IAS 17 growth at constant exchange
Revenue	**1,829.8**	**1,829.8**	1,797.5	3.0%
Adjusted operating profit*	**182.1**	**178.8**	176.8	2.6%
Operating margin*	**10.0%**	**9.8%**	9.8%	

* Alternative performance measure (see Note 3)

Revenue in Continental Europe rose by 3.0% to £1,829.8 million due to organic growth of 1.8% and the full year impact of the three acquisitions made in 2018 and the part year contribution of Coolpack acquired in April 2019, partly offset by the disposal of OPM in France in February 2018. Operating profit was £182.1 million with operating margin of 10.0%. On an IAS 17 basis, operating profit was £178.8 million, up 2.6%, with the operating margin of 9.8% unchanged at both constant and actual exchange rates.

In France, total revenue (excluding OPM) was marginally higher as growth in the cleaning & hygiene and foodservice sectors offset a decline in sales of personal protection equipment. Overall our cleaning & hygiene businesses traded well with sales ahead in most sectors and the full year impact of a significant contract catering customer win in 2018 more than offsetting the impact of the loss of a contract cleaning customer. Our safety business saw lower sales due to the loss of one larger account although growth with other larger accounts and good export sales offset lower sales to smaller customers. Our foodservice businesses have enjoyed good sales growth in France but saw a decline in exports with increasing competition in these markets.

In the Netherlands, sales grew well with particularly strong performance in the non-food retail, e-fulfilment, food processor, healthcare, cleaning & hygiene and packaging sectors. We successfully consolidated three businesses in the healthcare sector into one business which was relocated into a single modern site to gain efficiencies and provide an enhanced service to our customers. Given growth in recent years in the grocery, non-food retail and e-fulfilment sectors, we also combined three warehouses serving these sectors into one new facility. In addition, we have relocated our De Ridder business into a larger warehouse. Coolpack, acquired in April 2019, is trading ahead of expectations. In Belgium, revenue was ahead of the prior year as we continue to grow in the facilities management, foodservice, healthcare and public sectors, offset by lower sales to other sectors.

In Germany, against the background of slowing GDP growth, sales were lower in all sectors other than in cleaning & hygiene. In Switzerland, we have seen continued growth in the medical and industrial sectors although this was insufficient to offset continued pressure in the foodservice sector following the loss of two larger accounts. In Austria, our business saw sales decline, in particular related to the meat packaging sector.

In Denmark, revenue increased principally due to good performances in the food processor, foodservice and leisure sectors partly offset by lower sales to grocery and redistribution customers. CM Supply, which we acquired at the end of 2018 and which specialises in own brand and customised products and packaging for the foodservice sector, has exceeded expectations and continues to grow well. In July 2018 we acquired our first business in Norway, Enor, which sells light catering equipment to hotels and restaurants. It is also trading well and has benefited from a number of larger refurbishment projects. Towards the end of 2019 we entered into an agreement to acquire ICM, a distributor of personal protection equipment to a variety of customers including a number operating in the wind energy sector. The acquisition is expected to be completed at the end of March.

Sales have continued to grow well in Spain. The cleaning & hygiene business has increased revenue in the contract cleaning, foodservice, food processor, grocery and industrial sectors more than offsetting slight declines in the public and healthcare sectors. In the safety sector, after a slow start, sales finished slightly ahead of last year despite lower levels of industrial activity in the country. Our online medical business continues to grow very strongly due to new product launches and the enhanced use of e-marketing tools. Our industrial and disposable packaging business also recorded high levels of growth, particularly in the foodservice sector. In Italy, our safety business has seen a decline in sales as a result of the downturn in the Italian economy.

In Turkey, sales have grown due to a combination of price inflation and higher volumes in the healthcare sector as numerous new tenders have been won. In Israel, sales were ahead in the foodservice sector following several customer wins but lower in the bakery sector following the bankruptcy of one major customer.

In central Europe, sales have progressed well in the redistribution, agriculture, food processor, contract cleaning and foodservice sectors, partly offset by declines in the industrial sector, principally driven by the current difficulties in the automotive sector, and lower sales in the grocery sector as one of our major customers is restructuring its operations.

UK & Ireland

	IFRS 16 2019 £m	**IAS 17 2019 £m**	IAS 17 2018 £m	IAS 17 growth at constant exchange
Revenue	**1,242.1**	**1,242.1**	1,263.6	(1.7)%
Adjusted operating profit*	**87.1**	**83.3**	86.8	(4.1)%
Operating margin*	**7.0%**	**6.7%**	6.9%	

* Alternative performance measure (see Note 3)

In UK & Ireland, revenue decreased by 1.7% to £1,242.1 million, almost entirely due to the impact of the disposal of the higher than average operating margin marketing services business in June 2018. Organic revenue was down 0.2% against the background of continuing political and economic uncertainty and challenging market conditions and operating profit was £87.1 million with operating margin of 7.0%. On an IAS 17 basis, operating profit was £83.3 million, down 4.1%, with the operating margin down from 6.9% to 6.7% at both constant and actual exchange rates. More than half (£2.2 million) of the decline in operating profit was as a result of the disposal last year. After adjusting for this, operating profit was down 1.7%.

Our safety business was adversely impacted by the slowdown in both the industrial and construction markets which resulted in reduced spend by existing customers. Despite this, we were able to secure a number of new customers and some new business within the transport sector during the latter part of the year, launching some innovative new bespoke products. Investment in the business continued with the implementation of new warehouse management systems and through the introduction of several new e-commerce initiatives.

Our cleaning & hygiene supplies business grew well as we won several new customers during the year. Investment in new digital functionality has further enabled customers to manage their costs and, in particular, product compliance. We also launched a number of new sustainable product ranges which allow our customers to support their own and their customers' sustainability objectives going forward. Further investment in stock availability and service flexibility is facilitating business growth with both existing and new customers.

Within our grocery business we have now successfully onboarded a large supermarket chain customer which we lost in 2016. In addition, we have secured a number of category wins with existing customers, building on our extensive range of goods-not-for-resale products. Ongoing investment in both warehouse automation and workflow management tools, together with improved digital features on e-commerce platforms, have continued to enhance our value proposition for customers. Staying close to the marketplace and continuing to work on both cost effective and innovative products is helping provide more sustainable solutions. Our non-food speciality retail supply businesses continued to be impacted by a challenging market. However, by offering innovative, new and more sustainable materials we have been able to enhance customers' brands both in-store and online. Investing in technical expertise has improved our ability to recommend and supply suitable packaging that protects both customers' products and their reputations.

The catering industry has continued to experience rising food and labour costs combined with excess capacity amongst many high street chains. This has resulted in difficult trading conditions in certain areas of the hospitality sector and a number of high-profile well-known brands either ceasing to trade or scaling back their operations. These trends have particularly impacted our catering supplies business as many customers have reduced their number of trading outlets. Despite this, as part of our service offering, we have continued to provide specialist and added-value advice to customers on the most suitable sustainable product ranges available in the marketplace, together with future-proofing customers' businesses against the background of environmental and legislative pressures. We have also now completed the enhancement of our vehicle telematics platforms, giving real time delivery information and greater transparency.

As previously reported, the introduction of the new centrally-funded NHS operating model in April has resulted in a major reduction in sales to NHS Hospital Trust customers in England. As a result, we have worked hard to rightsize this part of our healthcare business. Against this background, we have successfully focused our attention on winning new business in both the private healthcare market and with nursing homes. At the same time our own brand product supply business has grown with new customer wins in both wound care and procedure packs, together with an expansion in export business.

In Ireland our business has continued to grow. Work is nearing completion to open a new purpose-built distribution facility close to Dublin airport during the first half of this year which will provide more efficient space for our Republic of

Ireland based businesses. In addition, investment in modern warehouse management systems in all our businesses is improving our efficiency and providing customers with an enhanced service. Improved digital platforms allow customers to benefit from more functionality which in turn permits them to focus on their businesses. Further investment in our sustainability expertise has resulted in the successful launch of an extended range of new sustainable product offerings for the catering and cleaning sectors. This, together with the provision of valuable expert advice and our detailed understanding of customers' needs, allows them to realise their own environmental goals and ambitions.

Rest of the World

	IFRS 16 2019 £m	**IAS 17 2019 £m**	IAS 17 2018 £m	IAS 17 growth at constant exchange
Revenue	**781.6**	**781.6**	740.5	8.8%
Adjusted operating profit*	**61.6**	**59.0**	56.4	8.3%
Operating margin*	**7.9%**	**7.5%**	7.6%	

* Alternative performance measure (see Note 3)

In Rest of the World, revenue increased 8.8% to £781.6 million due to organic growth of 2.2% and the impact of the acquisition of Volk do Brasil at the beginning of 2019. Operating profit was £61.6 million with operating margin 7.9%. On an IAS 17 basis, operating profit was £59.0 million, up 8.3%, with the operating margin down 7.6% to 7.5% at both constant and actual exchange rates.

Despite slower than expected GDP growth during the year, trading conditions in Brazil were more positive as some measure of optimism returned and currency volatility decreased in the second half. Our safety businesses continued to enjoy strong growth due to the strength of their brands, high service levels and continual optimisation of operating costs. Our foodservice business grew sales strongly despite increased competition in the market. Volk do Brasil, which serves both the safety and foodservice sectors, has been integrated smoothly and performed ahead of expectations. In our cleaning & hygiene business, measures taken in 2018 to turnaround the business were successful such that operating profit grew strongly despite flat sales growth. In our healthcare businesses, although our medical supplies business had a difficult year, our dental supplies business achieved good growth. Our operations in this sector were also bolstered at the end of January 2020 with the acquisition of Medcorp, a distributor of a broad range of branded medical products to leading private hospitals and redistributors throughout Brazil.

In Chile, relatively low copper prices and a weaker local currency led to slower economic growth. The country also suffered its worst anti-government protests in recent years which caused widespread disruption. Against this backdrop, our full-range safety business performed well but our specialist safety footwear business declined significantly and was restructured. In the foodservice sector, our catering supplies business also experienced difficult trading although conditions improved slightly in the fourth quarter.

The Mexican economy worsened as the year progressed which negatively impacted infrastructure projects and manufacturing output. As a result, our safety business, which is more exposed to these sectors, saw sales decline as demand for its products lessened and customers became more price-sensitive.

In Colombia, a weaker currency and security concerns in border regions resulted in more difficult trading conditions for our safety businesses but significant cost reductions and improvements were implemented during the year and the performance improved marginally during the second half. Our other safety businesses in Peru and Argentina saw strong growth in favourable trading conditions although political uncertainty returned in both countries towards the end of the year.

In Australia, we saw a moderate increase in revenue against the background of slower GDP growth which impacted several of the sectors in which we operate. Margins came under pressure as product purchase prices were adversely impacted by the weaker Australian dollar. However this was partly addressed through a combination of selling price increases, changes in product mix and ongoing product resourcing which, together with the implementation of some cost saving initiatives, enabled the business overall to deliver good profit improvement.

During the year we completed an internal restructuring by consolidating our food processor operations with our largest distribution business predominantly focused on the cleaning & hygiene, foodservice and healthcare sectors, thereby combining the strengths and infrastructure of each business with resultant cost savings while retaining their specialist market sector focus. We have also continued to develop our position in the resilient healthcare sector. The business is seeing significant benefits from investment in digital technology and resources in our quest to improve our service offering and enhance customers' experience.

Our Australian safety business experienced some growth but has also been impacted by margin pressures from the weaker currency. Trading has benefited from new contract wins and the successful opening of a new facility in North West Queensland serving major customers in this region. During the year we rationalised our operational footprint and closed two facilities as the property leases expired. At the end of November we acquired FRSA which specialises in the distribution of safety and personal protection equipment focused on fire, rescue and emergency services. Our specialty healthcare business delivered another strong performance this year.

In Asia, our domestic safety business in China has continued to focus on its diversification strategy to improve its profitability, while our export business faced challenging market conditions but continues to make progress to rebuild its customer base. Our safety business in Singapore, which is focused on the oil and gas and pharmaceutical sectors, experienced a slowdown within their customer base during the second half of the year but this was largely offset through careful margin management and cost control.

FINANCIAL REVIEW

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

Impact of IFRS 16 'Leases'

The main impact of adopting IFRS 16 with effect from 1 January 2019 has been for the Group to recognise right-of-use assets at transition of £449.4 million together with lease liabilities of £498.3 million. As at 31 December 2019 the right-of-use assets were £432.9 million and the lease liabilities were £480.0 million. Further details about the impact of the adoption of IFRS 16 are shown in Note 1b and Note 2. Note 2 shows the Group's financial results for the year ended 31 December 2019 presented in accordance with IAS 17 'Leases', the accounting standard that was applicable for the year ended 31 December 2018, in order to provide a meaningful comparison with the prior year.

Currency translation

Currency translation has had a positive impact on the Group's reported results, increasing revenue, profits and earnings by between 1% and 2%. The positive exchange rate impact was principally due to the effect on average exchange rates of the weakening of sterling against certain currencies during the year, particularly the US dollar and Canadian dollar, partly offset by the strengthening of sterling against the euro, Australian dollar and Brazilian real.

Average exchange rates	**2019**	2018
US$	**1.28**	1.33
Euro	**1.14**	1.13
Canadian$	**1.69**	1.73
Brazilian real	**5.04**	4.87
Australian$	**1.84**	1.79

Closing exchange rates	**2019**	2018
US$	**1.32**	1.27
Euro	**1.18**	1.11
Canadian$	**1.72**	1.74
Brazilian real	**5.33**	4.94
Australian$	**1.88**	1.81

Revenue

Revenue increased to £9,326.7 million (2018: £9,079.4 million), up 1.0% at constant exchange rates (up 2.7% at actual exchange rates), reflecting the benefit of acquisitions, partly offset by the impact of disposals in 2018 and a small decrease in organic revenue, which was down 0.2%.

Movement in revenue	**£m**
2018 revenue	9,079.4
Currency translation	154.1
Disposals	(21.2)
2018 revenue rebased	9,212.3
Organic revenue	(21.3)
Acquisitions	135.7
2019 revenue	**9,326.7**

Operating profit

Adjusted operating profit was £653.3 million. On an IAS 17 basis, adjusted operating profit increased to £630.9 million (2018: £614.0 million), an increase of 1.5% at constant exchange rates (up 2.8% at actual exchange rates).

The adjusted operating profit margin was 7.0%. On an IAS 17 basis and at constant exchange rates, the adjusted operating profit margin increased from 6.7% to 6.8% (unchanged at actual exchange rates).

Movement in adjusted operating profit	£m
2018 adjusted operating profit as reported under IAS 17	614.0
Currency translation	7.4
Growth in the year under IAS 17	9.5
2019 adjusted operating profit under IAS 17	**630.9**
Impact of IFRS 16 'Leases'	22.4
2019 adjusted operating profit	**653.3**

Operating profit was £528.4 million. On an IAS 17 basis, operating profit was £506.0 million, an increase of 7.0% at constant exchange rates (up 8.5% at actual exchange rates).

Movement in operating profit	£m
2018 operating profit as reported under IAS 17	466.2
Currency translation	6.9
Non-repeat of GMP equalisation charge in 2018	3.3
2018 rebased under IAS 17	476.4
Growth in adjusted operating profit under IAS 17	9.5
Decrease in customer relationships amortisation and acquisition related items	20.1
2019 operating profit under IAS 17	**506.0**
Impact of IFRS 16 'Leases'	22.4
2019 operating profit	**528.4**

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

Customer relationships amortisation, acquisition related items and the GMP equalisation charge in 2018 are excluded from the calculation of adjusted operating profit as they do not relate to the underlying operating performance and distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating adjusted operating profit and other alternative performance measures by which management assess the performance of the Group.

Interest

The net finance expense was £75.1 million including interest on lease liabilities of £23.3 million. On an IAS 17 basis, the net finance expense of £51.8 million decreased by £4.1 million at constant exchange rates, mainly from a lower average level of net debt and lower average interest rates in the year.

Profit before income tax

Adjusted profit before income tax was £578.2 million. On an IAS 17 basis, adjusted profit before income tax was £579.1 million (2018: £559.0 million), up 2.4% at constant exchange rates (up 3.6% at actual exchange rates), due to the growth in adjusted operating profit and the reduction in net interest expense.

Movement in adjusted profit before income tax	**£m**
2018 adjusted profit before income tax as reported under IAS 17	559.0
Currency translation	6.5
Growth in adjusted operating profit under IAS 17	9.5
Decrease in net finance expense under IAS 17	4.1
2019 adjusted profit before income tax under IAS 17	**579.1**
Impact of IFRS 16 ‘Leases’	(0.9)
2019 adjusted profit before income tax	**578.2**

Profit before income tax was £453.3 million. On an IAS 17 basis, profit before income tax was £454.2 million (2018: £424.8 million), an increase of 5.4% at constant exchange rates (up 6.9% at actual exchange rates).

Movement in profit before income tax	**£m**
2018 profit before income tax as reported under IAS 17	424.8
Currency translation	6.0
Non-repeat of GMP equalisation charge in 2018	3.3
Non-repeat of profit on disposal of businesses in 2018	(13.6)
2018 rebased under IAS 17	420.5
Growth in adjusted profit before income tax under IAS 17	13.6
Decrease in customer relationships amortisation and acquisition related items	20.1
2019 profit before income tax under IAS 17	**454.2**
Impact of IFRS 16 ‘Leases’	(0.9)
2019 profit before income tax	**453.3**

The profit on disposal of businesses of £13.6 million in 2018 was the pre-tax profit on disposal of OPM in France and the marketing services business in the UK, two non-core businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. There have been no disposals of businesses in 2019. Disposal of businesses is a non-recurring item and does not relate to underlying operating performance and is therefore not taken into account by management when assessing the performance of the Group. Accordingly, it is removed in calculating adjusted profit before income tax and other alternative performance measures by which management assesses the performance of the Group.

Taxation

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

The effective tax rate (being the tax rate on adjusted profit before income tax) for the year was 23.8% (2018: 23.1%) and the reported tax rate on statutory profit before income tax was 23.0% (2018: 23.1%). The increase in the effective tax rate from the prior year is mainly due to a reduction in the tax relief available for share options. The adoption of IFRS 16 did not have a significant impact on either the effective tax rate or the reported tax rate.

The effective tax rate is expected to remain at around 24% in 2020. However, as explained in Note 17 (Principal risks and uncertainties), the Group identifies an increase in taxation as a principal risk for the Group and the tax rate could be affected by legislative changes or the resolution of prior year tax matters.

One of the tax risks affecting the Group is the European Commission’s assertion that part of the UK’s tax regime amounts to State aid. Further details about this risk, and other aspects of taxation, are given in Note 6. In addition, the Group is required to make an additional cash tax payment in 2020 of approximately £19 million for tax plus interest and penalties in relation to a tax dispute in Brazil. The Group has provided for the best estimate of the ultimate liability in this matter and expects to recover the remainder once the legal process is completed.

Earnings per share

Profit after tax was £349.2 million. On an IAS 17 basis, profit after tax increased to £349.9 million (2018: £326.5 million), up 5.7% and an increase of £18.8 million at constant exchange rates (up 7.2% at actual exchange rates), due to a £23.4 million increase in profit before income tax, partly offset by a £4.6 million increase in the tax charge.

Adjusted profit after tax was £440.6 million. On an IAS 17 basis, adjusted profit after tax was £441.3 million (2018: £429.9 million), up 1.5% and an increase of £6.4 million at constant exchange rates (up 2.7% at actual exchange rates), due to a £13.6 million increase in adjusted profit before income tax, partly offset by an increase in the effective tax rate, with tax on adjusted profit before income tax increasing by £7.2 million at constant exchange rates.

The weighted average number of shares increased to 333.3 million from 331.7 million in 2018 due to employee share option exercises, partly offset by share purchases into the employee benefit trust.

Basic earnings per share were 104.8p. On an IAS 17 basis, basic earnings per share were 105.0p (2018: 98.4p), up 5.2% at constant exchange rates (up 6.7% at actual exchange rates). Adjusted earnings per share were 132.2p. On an IAS 17 basis, adjusted earnings per share were 132.4p (2018: 129.6p), an increase of 1.0% at constant exchange rates (up 2.2% at actual exchange rates).

Movement in basic earnings per share	**Pence**
2018 basic earnings per share as reported under IAS 17	98.4
Currency translation	1.4
Non-repeat of 2018 one-off items*	(2.4)
Increase in adjusted profit before income tax under IAS 17	3.2
Decrease in customer relationships amortisation and acquisition related items	4.7
Decrease in reported tax rate	0.2
Increase in weighted average number of shares	(0.5)
2019 basic earnings per share under IAS 17	**105.0**
Impact of IFRS 16 ‘Leases’	(0.2)
2019 basic earnings per share	**104.8**

* Non-repeat of 2018 one-off items relates to the GMP equalisation charge and profit on disposal of businesses

Movement in adjusted earnings per share	**Pence**
2018 adjusted earnings per share as reported under IAS 17	129.6
Currency translation	1.5
Increase in adjusted profit before income tax under IAS 17	3.2
Increase in effective tax rate	(1.3)
Increase in weighted average number of shares	(0.6)
2019 adjusted earnings per share under IAS 17	**132.4**
Impact of IFRS 16 ‘Leases’	(0.2)
2019 adjusted earnings per share	**132.2**

Dividends

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

	2019	2018	Growth
Interim dividend (p)	**15.5**	15.2	2.0%
Final dividend (p)	**35.8**	35.0	2.3%
Total dividend (p)	**51.3**	50.2	2.2%
Dividend cover (times)*	**2.6**	2.6	

* Based on adjusted earnings per share on an IAS 17 basis.

The Company's practice has been to pay a progressive dividend, delivering year-on-year increases with the dividend growing at approximately the same rate as the growth in adjusted earnings per share. The 2019 dividend is 2.2% higher than the 2018 dividend, which compares with the adjusted earnings per share growth of 2.2% at actual exchange rates and 1.0% at constant exchange rates.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Group's long term track record of strong cash generation, coupled with the Group's substantial borrowing facilities, provides the Company with the financial flexibility to fund a growing dividend. After the further growth in 2019, Bunzl has sustained a growing dividend to shareholders over the past 27 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in Note 17 (Principal risks and uncertainties). The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2019 Bunzl plc had sufficient distributable reserves to cover more than four years of dividends at the cost of the 2019 dividends, which is expected to be approximately £171 million.

Acquisitions

The Group completed four acquisitions during the year ended 31 December 2019 with a total committed spend of £159.4 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £136.7 million and £17.0 million respectively.

Excluding the Volk do Brasil acquisition that had been agreed at 31 December 2018, but completed in January 2019, the estimated annualised revenue of the acquisitions was £96.6 million, with committed acquisition spend of £124.3 million. Acquisition spend reflects the cash consideration paid, which in certain instances includes amounts paid for the benefit of tax deductions for amortisation of intangible assets and estimated earnout consideration for future profit growth.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	103.2
Goodwill	39.8
Consideration	143.0
Satisfied by:	
cash consideration	138.6
deferred consideration	4.4
	143.0
Contingent payments relating to the retention of former owners	13.4
Net cash acquired	(1.1)
Transaction costs and expenses	4.1
Total committed spend in respect of acquisitions completed in the current year	**159.4**
Spend on acquisitions committed but not completed at the year end	-
Spend on acquisitions committed at prior year end but completed in the current year	(35.1)
Total committed spend in respect of acquisitions agreed in the current year	**124.3**

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

	£m
Cash consideration	138.6
Net cash acquired	(1.1)
Deferred consideration in respect of prior year acquisitions	6.1
Net cash outflow in respect of acquisitions	143.6
Acquisition related items*	19.2
Total cash outflow in respect of acquisitions	**162.8**

* Acquisition related items comprise £3.8 million of transaction costs and expenses paid and £15.4 million of payments relating to retention of former owners.

Cash flow

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

	2019 £m	2018 £m	Movement £m
Cash generated from operations†	**814.1**	607.1	207.0
Payment of lease liabilities	**(151.6)**	-	(151.6)
Net capital expenditure	**(28.8)**	(28.6)	(0.2)
Operating cash flow†	**633.7**	578.5	55.2
Net interest excluding interest on lease liabilities	**(51.2)**	(49.1)	(2.1)
Tax	**(125.6)**	(113.2)	(12.4)
Free cash flow	**456.9**	416.2	40.7
Dividends	**(167.3)**	(152.2)	(15.1)
Acquisitions◊	**(162.8)**	(184.2)	21.4
Disposal of businesses	**-**	55.1	(55.1)
Employee share schemes	**(27.7)**	50.0	(77.7)
Net cash inflow	**99.1**	184.9	(85.8)

† Before acquisition related items.
◊ Including acquisition related items.

The Group's free cash flow of £456.9 million was £40.7 million higher than in 2018, principally due to the increase in operating cash flow of £55.2 million, partly offset by higher cash outflows relating to interest and tax. The Group's free cash flow was principally used to finance dividend payments of £167.3 million in respect of 2018 (2018: £152.2 million in respect of 2017) and an acquisition cash outflow of £162.8 million (2018: £184.2 million).

As a result of the adoption of IFRS 16, for meaningful comparison with prior periods, the Group has updated its definition of cash conversion to be operating cash flow, which now includes the payment of lease liabilities as a deduction, as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities. Cash conversion in 2019 was 101% (2018: 94%).

	2019 £m	2018 £m
Operating cash flow	**633.7**	578.5
Adjusted operating profit	**653.3**	614.0
Add back depreciation of right-of-use assets	**128.1**	-
Deduct payment of lease liabilities	**(151.6)**	-
Lease adjusted operating profit	**629.8**	614.0
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**101%**	94%

Net debt

Net debt excluding lease liabilities decreased by £139.5 million during the year to £1,247.0 million (2018: £1,386.5 million), due to the net cash inflow of £99.1 million and a £40.4 million decrease due to currency translation.

Movement in net debt	**£m**
Net debt at 31 December 2018	1,386.5
Net cash inflow	(99.1)
Currency translation	(40.4)
Net debt excluding lease liabilities at 31 December 2019	**1,247.0**
Lease liabilities	480.0
Net debt including lease liabilities at 31 December 2019	**1,727.0**

As noted previously, the Group adopted IFRS 16 with effect from 1 January 2019 and as a result now recognises lease liabilities, which are initially based on the present value of the future payments required under each lease discounted at either the interest rate implicit in the lease or the incremental borrowing rate of the lessee. The movement in the lease liabilities from the transition date of 1 January 2019 to 31 December 2019 was as follows:

Movement in lease liabilities	**£m**
Lease liabilities at 31 December 2018	-
Lease liabilities on transition	498.3
Acquisitions	6.5
New leases	105.2
Interest charge in the year	23.3
Payment of lease liabilities	(151.6)
Remeasurement adjustments	14.4
Currency translation	(16.1)
Lease liabilities at 31 December 2019	**480.0**

Net debt to EBITDA calculated at average exchange rates based on historical accounting standards, in accordance with the Group's external debt covenants, was 1.9 times (2018: 2.0 times).

Balance sheet

Summary balance sheet as at 31 December	2019 £m	2018 £m
Intangible assets	**2,290.9**	2,382.5
Right-of-use-assets	**432.9**	-
Property, plant and equipment	**118.3**	122.4
Working capital	**943.4**	948.3
Other net liabilities	**(278.2)**	(333.7)
	3,507.3	3,119.5
Net pensions deficit	**(36.0)**	(38.5)
Net debt excluding lease liabilities	**(1,247.0)**	(1,386.5)
Lease liabilities	**(480.0)**	-
Equity	**1,744.3**	1,694.5
Return on average operating capital under IAS 17*	**48.4%**	50.7%
Return on invested capital under IAS 17*	**14.6%**	15.0%

* On an IFRS 16 basis, at 31 December 2019, return on average operating capital was 36.9% and return on invested capital was 13.6%.

On an IAS 17 basis, return on average operating capital decreased to 48.4% from 50.7% in 2018 and return on invested capital of 14.6% was down from 15.0% in 2018, both due to a lower return in the underlying business driven by an increase in average capital employed.

Intangible assets decreased by £91.6 million to £2,290.9 million due to an amortisation charge of £114.7 million and a decrease from currency translation of £98.2 million, partly offset by intangible assets arising on acquisitions in the year of £111.5 million and software additions of £9.8 million.

As a result of the adoption of IFRS 16 'Leases' on 1 January 2019, the Group now recognises right-of-use assets. The right-of-use assets at 31 December 2019 were £432.9 million, arising from £449.4 million recognised on the transition to IFRS 16 'Leases' on 1 January 2019, additional right-of-use assets from new leases during the year of £105.2 million, an increase from acquisitions of £6.5 million and an increase from remeasurement adjustments of £14.4 million, partly offset by a depreciation charge of £128.1 million and a decrease from currency translation of £14.5 million.

Working capital decreased from the prior year end by £4.9 million to £943.4 million due to decreases from currency translation and the underlying business, partly offset by increases from acquisitions and the impact of the adoption of IFRS 16 due to the removal of accruals and prepayments relating to leases.

The Group's net pension deficit of £36.0 million at 31 December 2019 was £2.5 million lower than at 31 December 2018, principally due to contributions of £14.9 million during the year and a decrease from currency translation more than offsetting increases from service cost and net interest expense and an actuarial loss of £8.3 million. The actuarial loss principally arose from an increase in pension liabilities due to a decrease in discount rates, partly offset by higher than expected returns on pension scheme assets.

Shareholders' equity increased by £49.8 million during the year to £1,744.3 million.

Movement in shareholders' equity	**£m**
Shareholders' equity at 31 December 2018	1,694.5
Impact of transition to IFRS 16	(23.9)
Restated shareholders' equity at 1 January 2019	1,670.6
Profit for the year	349.2
Dividends	(167.3)
Currency (net of tax)	(91.2)
Actuarial loss on pension schemes (net of tax)	(6.1)
Share based payments (net of tax)	13.8
Employee share schemes (net of tax)	(24.7)
Shareholders' equity at 31 December 2019	**1,744.3**

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. The Group's approach to the balance sheet is to maintain an investment grade credit rating and the Company's current credit rating with Standard & Poor's is BBB+. All of the borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the borrowings have a range of maturities, are competitively priced and meet the demands of the business over time. There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Treasury policies and controls

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

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt to EBITDA, calculated at average exchange rates and in accordance with the debt covenants, of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During 2019 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and a senior bond. At 31 December 2019 the nominal value of US private placement notes outstanding was £1,012.1 million (2018: £1,120.6 million) with maturities ranging from 2020 to 2028. The £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2021 and 2024. At 31 December 2019 the available committed bank facilities totalled £1,062.4 million (2018: £1,043.8 million) of which £63.0 million (2018: £104.3 million) was drawn down, providing headroom of £999.4 million (2018: £939.5 million).

Consolidated income statement

for the year ended 31 December 2019

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition and, in accordance with the standard, the Group's financial results for the prior year have not been restated. As a result, with the exception of revenue, the financial results shown below for the year ended 31 December 2019 are not directly comparable with the prior year. To provide a meaningful comparison with the prior year an alternative presentation of the Group's results prepared under IAS 17 'Leases', the previous accounting standard for leases, is shown in Note 2.

	Notes	**2019 £m**	2018 £m
Revenue	4	**9,326.7**	9,079.4
Operating profit	4	**528.4**	466.2
Finance income	5	**12.4**	11.6
Finance expense	5	**(87.5)**	(66.6)
Profit on disposal of businesses	14	**-**	13.6
Profit before income tax		**453.3**	424.8
Income tax	6	**(104.1)**	(98.3)
Profit for the year attributable to the Company's equity holders		**349.2**	326.5
Earnings per share attributable to the Company's equity holders			
Basic	8	**104.8p**	98.4p
Diluted	8	**104.5p**	97.8p
Dividend per share	7	**51.3p**	50.2p

Alternative performance measures[†]			
Operating profit	4	**528.4**	466.2
Adjusted for:			
Customer relationships amortisation	4	**107.3**	111.1
Acquisition related items	4	**17.6**	33.4
GMP equalisation charge		**-**	3.3
Adjusted operating profit[◊]		**653.3**	614.0
Finance income	5	**12.4**	11.6
Finance expense	5	**(87.5)**	(66.6)
Adjusted profit before income tax[◊]		**578.2**	559.0
Tax on adjusted profit	6	**(137.6)**	(129.1)
Adjusted profit for the year[◊]		**440.6**	429.9
Adjusted earnings per share[◊]	8	**132.2p**	129.6p

[†] See Note 3 for further details of the alternative performance measures.
[◊] Excluding the profit on disposal of businesses and associated tax where relevant.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	2019 £m	2018 £m
Profit for the year	**349.2**	326.5
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit pension schemes	**(8.3)**	11.0
Tax on items that will not be reclassified to profit or loss	**2.2**	(3.7)
Total items that will not be reclassified to profit or loss	**(6.1)**	7.3
Items that may be reclassified to profit or loss:		
Foreign currency translation differences on foreign operations	**(104.1)**	3.0
Movement from translation reserve to income statement on disposal of foreign operation	**-**	(2.4)
Gain/(loss) taken to equity as a result of effective net investment hedges	**16.9**	(7.5)
(Loss)/gain recognised in cash flow hedge reserve	**(0.5)**	7.9
Movement from cash flow hedge reserve to inventory/income statement	**(4.3)**	(4.4)
Tax on items that may be reclassified to profit or loss	**0.8**	(0.4)
Total items that may be reclassified subsequently to profit or loss	**(91.2)**	(3.8)
Other comprehensive (expense)/income for the year	**(97.3)**	3.5
Total comprehensive income attributable to the Company's equity holders	**251.9**	330.0

Consolidated balance sheet
at 31 December 2019

	Notes	**2019 £m**	2018 £m
Assets			
Property, plant and equipment		**118.3**	122.4
Right-of-use assets	9	**432.9**	-
Intangible assets	10	**2,290.9**	2,382.5
Defined benefit pension assets		**10.8**	3.4
Derivative financial assets		**11.5**	5.9
Deferred tax assets		**3.7**	4.0
Total non-current assets		**2,868.1**	2,518.2
Inventories		**1,177.2**	1,213.6
Trade and other receivables		**1,254.1**	1,330.0
Income tax receivable		**6.7**	4.0
Derivative financial assets		**3.4**	12.6
Cash at bank and in hand	12	**610.5**	477.7
Total current assets		**3,051.9**	3,037.9
Total assets		**5,920.0**	5,556.1
Equity			
Share capital		**108.3**	108.1
Share premium		**184.0**	178.5
Translation reserve		**(111.8)**	(24.6)
Other reserves		**16.2**	20.2
Retained earnings		**1,547.6**	1,412.3
Total equity attributable to the Company's equity holders		**1,744.3**	1,694.5
Liabilities			
Interest bearing loans and borrowings	12	**1,314.2**	1,456.3
Defined benefit pension liabilities		**46.8**	41.9
Other payables		**19.5**	29.4
Income tax payable		**2.4**	2.9
Provisions		**33.9**	41.3
Lease liabilities	11	**358.2**	-
Derivative financial liabilities		**-**	5.1
Deferred tax liabilities		**127.5**	153.7
Total non-current liabilities		**1,902.5**	1,730.6
Bank overdrafts	12	**469.7**	333.5
Interest bearing loans and borrowings	12	**83.7**	74.9
Trade and other payables		**1,502.8**	1,613.6
Income tax payable		**81.0**	91.9
Provisions		**6.5**	6.1
Lease liabilities	11	**121.8**	-
Derivative financial liabilities		**7.7**	11.0
Total current liabilities		**2,273.2**	2,131.0
Total liabilities		**4,175.7**	3,861.6
Total equity and liabilities		**5,920.0**	5,556.1

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Share capital £m	**Share premium £m**	**Translation reserve £m**	**Other reserves◊ £m**	**Retained earnings† £m**	**Total equity £m**
At 31 December 2018	**108.1**	**178.5**	**(24.6)**	**20.2**	**1,412.3**	**1,694.5**
Impact of transition to IFRS 16					**(23.9)**	**(23.9)**
Restated equity at 1 January 2019	**108.1**	**178.5**	**(24.6)**	**20.2**	**1,388.4**	**1,670.6**
Profit for the year					**349.2**	**349.2**
Actuarial loss on defined benefit pension schemes					**(8.3)**	**(8.3)**
Foreign currency translation differences on foreign operations			**(104.1)**			**(104.1)**
Gain taken to equity as a result of effective net investment hedges			**16.9**			**16.9**
Loss recognised in cash flow hedge reserve				**(0.5)**		**(0.5)**
Movement from cash flow hedge reserve to inventory/income statement				**(4.3)**		**(4.3)**
Income tax credit on other comprehensive expense			**-**	**0.8**	**2.2**	**3.0**
Total comprehensive income			**(87.2)**	**(4.0)**	**343.1**	**251.9**
2018 interim dividend					**(50.7)**	**(50.7)**
2018 final dividend					**(116.6)**	**(116.6)**
Issue of share capital	**0.2**	**5.5**				**5.7**
Employee trust shares					**(30.4)**	**(30.4)**
Share based payments					**13.8**	**13.8**
At 31 December 2019	**108.3**	**184.0**	**(111.8)**	**16.2**	**1,547.6**	**1,744.3**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2018	108.0	171.4	(17.9)	17.3	1,169.8	1,448.6
Profit for the year					326.5	326.5
Actuarial gain on defined benefit pension schemes					11.0	11.0
Foreign currency translation differences on foreign operations			3.0			3.0
Movement from translation reserve to income statement on disposal of foreign operation			(2.4)			(2.4)
Loss taken to equity as a result of effective net investment hedges			(7.5)			(7.5)
Gain recognised in cash flow hedge reserve				7.9		7.9
Movement from cash flow hedge reserve to inventory/income statement				(4.4)		(4.4)
Income tax credit/(charge) on other comprehensive income			0.2	(0.6)	(3.7)	(4.1)
Total comprehensive income			(6.7)	2.9	333.8	330.0
2017 interim dividend					(46.2)	(46.2)
2017 final dividend					(106.0)	(106.0)
Issue of share capital	0.1	7.1				7.2
Employee trust shares					45.6	45.6
Share based payments					15.3	15.3
At 31 December 2018	108.1	178.5	(24.6)	20.2	1,412.3	1,694.5

◊ Other reserves comprise merger reserve of £2.5m (2018: £2.5m), capital redemption reserve of £16.1m (2018: £16.1m) and a negative cash flow hedge reserve of £2.4m (2018: positive £1.6m).

† Retained earnings comprise earnings of £1,617.5m (2018: £1,476.2m), offset by own shares of £69.9m (2018: £63.9m).

Consolidated cash flow statement
for the year ended 31 December 2019

	Notes	**2019 £m**	2018 £m
Cash flow from operating activities			
Profit before income tax		**453.3**	424.8
Adjusted for:			
net finance expense	5	**75.1**	55.0
customer relationships amortisation	10	**107.3**	111.1
acquisition related items	4	**17.6**	33.4
profit on disposal of businesses		**-**	(13.6)
GMP equalisation charge		**-**	3.3
Adjusted operating profit		**653.3**	614.0
Adjustments:			
depreciation and software amortisation	15	**160.0**	32.6
other non-cash items	15	**(3.5)**	(0.8)
working capital movement	15	**4.3**	(38.7)
Cash generated from operations before acquisition related items		**814.1**	607.1
Cash outflow from acquisition related items	13	**(19.2)**	(13.9)
Income tax paid		**(125.6)**	(113.2)
Cash inflow from operating activities		**669.3**	480.0
Cash flow from investing activities			
Interest received		**9.8**	2.0
Purchase of property, plant and equipment and software		**(36.9)**	(31.1)
Sale of property, plant and equipment		**8.1**	2.5
Purchase of businesses	13	**(143.6)**	(170.3)
Disposal of businesses	14	**-**	55.1
Cash outflow from investing activities		**(162.6)**	(141.8)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(61.0)**	(51.1)
Dividends paid		**(167.3)**	(152.2)
Increase in borrowings		**75.5**	71.6
Repayment of borrowings		**(173.7)**	(228.5)
Realised gains on foreign exchange contracts		**13.6**	3.3
Payment of lease liabilities – principal	11	**(128.3)**	-
Payment of lease liabilities – interest	11	**(23.3)**	-
Proceeds from issue of ordinary shares to settle share options		**5.7**	7.2
Proceeds from exercise of market purchase share options		**15.8**	42.8
Purchase of employee trust shares		**(49.2)**	-
Cash outflow from financing activities		**(492.2)**	(306.9)
Increase in cash and cash equivalents		**14.5**	31.3
Cash and cash equivalents at start of year		**144.2**	112.3
Increase in cash and cash equivalents		**14.5**	31.3
Currency translation		**(17.9)**	0.6
Cash and cash equivalents at end of year	12	**140.8**	144.2

Consolidated cash flow statement (continued)
for the year ended 31 December 2019

Alternative performance measures†	Notes	**2019* £m**	2018 £m
Cash generated from operations before acquisition related items		**814.1**	607.1
Purchase of property, plant and equipment and software		**(36.9)**	(31.1)
Sale of property, plant and equipment		**8.1**	2.5
Payment of lease liabilities	11	**(151.6)**	-
Operating cash flow		**633.7**	578.5
Adjusted operating profit		**653.3**	614.0
Add back depreciation of right-of-use assets	9	**128.1**	-
Deduct payment of lease liabilities	11	**(151.6)**	-
Lease adjusted operating profit		**629.8**	614.0
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)◊		**101%**	94%

† See Note 3 for further details of the alternative performance measures.

* The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 which, while having no overall net cash flow impact, significantly distorts comparisons with previous periods for certain line items, particularly because the payment of lease liabilities is now included as a deduction within financing activities whereas previously under IAS 17 'Leases' operating lease charges were included as a deduction within cash flow from operating activities. See Note 1b for further details of the impact of the transition to IFRS 16.

◊ Following the adoption of IFRS 16 the Group has updated its definition of cash conversion to be operating cash flow, which now includes the payment of lease liabilities as a deduction, as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back depreciation of right-of-use assets and deducting the payment of lease liabilities.

Notes

1. Basis of preparation and accounting policies

a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with (i) EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the IFRS Interpretations Committee ('IFRIC') and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) IFRS as issued by the International Accounting Standards Board ('IASB'). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value. The directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Bunzl plc's 2019 Annual Report will be published in March 2020. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 December 2019 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 15 April 2020. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

The comparative figures for the year ended 31 December 2018 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

b) Newly adopted accounting policies

i) IFRS 16 'Leases'

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. The new standard requires that the Group's leased assets are recorded as right-of-use assets together with their corresponding lease liabilities. Adoption of the new standard has had a material impact on the Group's consolidated financial statements, with right-of-use assets of £449.4m recognised on transition together with lease liabilities of £498.3m. As at 31 December 2019 the right-of-use assets were £432.9m and the lease liabilities were £480.0m.

The Group's lease portfolio consists of approximately 5,000 leases principally for warehouses, offices, vehicles and equipment for which the Group has been collating data for a number of years in preparation for the new standard. This data has been used in conjunction with a lease accounting tool specifically developed for the Group to provide the accounting entries required under IFRS 16.

On transition the lease liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate on the date of transition. The right-of-use assets have been measured at the carrying amounts that would have been in place had the standard been applied since the commencement of each lease, discounted using the incremental borrowing rate at the date of transition. The weighted average incremental borrowing rate applied to the Group's lease portfolio on 1 January 2019 was 4.8%.

On transition the Group elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made in applying IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. In addition, the Group applied the following available practical expedients permitted by the standard:

- the exclusion of leases relating to low value assets (less than £5,000 when new);
- the exclusion of short term leases, being those with a lease term of 12 months or less;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- reliance on its assessment of whether leases are onerous immediately prior to the date of transition.

1. Basis of preparation and accounting policies (continued)

The impact of the adoption of IFRS 16 on the opening balance sheet as at 1 January 2019 is shown in the table below:

	As at 31.12.2018 £m	Impact of IFRS 16* £m	Restated 1.1.2019 £m
Right-of-use assets	-	449.4	449.4
Net deferred tax liabilities	(149.7)	7.6	(142.1)
Other receivables	74.2	(3.0)	71.2
Accruals	(277.2)	20.4	(256.8)
Lease liabilities	-	(498.3)	(498.3)
Equity	(1,694.5)	23.9	(1,670.6)

* Since the Group's half yearly financial report for the six months ended 30 June 2019 there have been refinements to some of the Group's lease assumptions relating to term changes and rent changes up to the date of transition. This has changed the transition disclosures previously disclosed as part of the Group's half yearly financial report for the six months ended 30 June 2019, though the differences are not significant.

Under IFRS 16, the operating lease expense previously recorded in operating costs has been replaced by a depreciation charge, which is lower than the operating lease expense recognised under IAS 17, the previous accounting standard for leases, and a separate interest expense, recorded in finance expense. This significantly impacts certain line items in the Group's Consolidated income statement and distorts comparisons with the prior year since, in accordance with the standard, as a result of the Group transitioning to IFRS 16 using the modified retrospective approach, the prior year has not been restated. However, in order to provide a meaningful comparison with the prior year, the Group's financial results for the year ended 31 December 2019 have also been presented in accordance with IAS 17. The results for the year ended 31 December 2019 under IAS 17 are referred to as 'Proforma IAS 17'. Note 2 includes a Consolidated income statement showing the results for the year ended 31 December 2019 both as reported under IFRS 16 and on a Proforma IAS 17 basis.

A summary of the impact of the adoption of IFRS 16 on the Group's results for the year ended 31 December 2019 compared to the results under IAS 17 is shown in the table below:

	Proforma IAS 17 2019 £m	Impact of IFRS 16 £m	IFRS 2019 £m
Adjusted operating profit*	630.9	22.4	653.3
Finance income	12.4	-	12.4
Finance expense	(64.2)	(23.3)	(87.5)
Adjusted profit before income tax*	579.1	(0.9)	578.2
Tax on adjusted profit	(137.8)	0.2	(137.6)
Adjusted profit for the year*	441.3	(0.7)	440.6
Adjusted earnings per share*	132.4p	(0.2)p	132.2p

***** Alternative performance measures – see Note 3.

There is no net cash flow impact arising from the adoption of the new standard. The Group has however updated the definition of cash conversion, one of its alternative performance measures, to give meaningful comparisons with prior periods (see Note 3). The Group's principal debt covenants, which are net debt to EBITDA and interest cover, are measured against debt covenants based on historical accounting standards and are therefore unaffected by the adoption of IFRS 16. The Group does not intend to alter its approach going forward as to whether assets should be leased or bought.

1. Basis of preparation and accounting policies (continued)

The lease liabilities as at the transition date of 1 January 2019 are reconciled to the operating lease commitments reported as at 31 December 2018 as follows:

	1 January 2019 **£m**
Operating lease commitments disclosed as at 31 December 2018	623.7
Discounted using the lessee's incremental borrowing rate at 1 January 2019	(77.5)
Leases committed not yet started	(68.9)
Adjustments from different treatment of extension and termination options	33.2
Short term and low value leases recognised on a straight line basis as an expense	(12.2)
Lease liability recognised as at 1 January 2019	**498.3**
Ageing of lease liabilities recognised:	
Current lease liabilities	119.3
Non-current lease liabilities	379.0
Lease liability recognised as at 1 January 2019	**498.3**

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019. Until 31 December 2018, the Group applied IAS 17, the previous accounting standard for leases. From 1 January 2019, the Group's accounting policy for leases under IFRS 16 is as follows:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot readily be determined, as is the case in the vast majority of the leasing activities of the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index/rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Judgements are involved in determining the lease term, particularly because termination options are included in a number of property leases across the Group to facilitate operational flexibility. The majority of termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Periods after the date of a termination option are only included in the lease term if it is reasonably certain that the lease will not be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Group.

Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are assets with a value of less than £5,000 when new, typically small items of IT equipment, office equipment and office furniture.

ii) IFRIC 23 'Uncertainty over Income Tax Treatments'

The Group applied IFRIC 23 'Uncertainty over Income Tax Treatments' with effect from 1 January 2019. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' where there is uncertainty over income tax treatments. The interpretation provides guidance on determining whether uncertain tax positions should be considered separately or together and that measurement should be either the single most likely outcome or the probability weighted sum of a range of outcomes, whichever better predicts the resolution. There was no material impact on the Group's consolidated financial statements as a result of the application of IFRIC 23.

There are no other new standards or amendments to existing standards that are effective that have had a material impact on the Group, nor does the Group anticipate any new or revised standards and interpretations that are effective from 1 January 2020 and beyond to have a material impact on its consolidated results or financial position.

2. Proforma IAS 17 Consolidated income statement

As referred to in Note 1b, the Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. In accordance with the standard, the prior year has not been restated and, as a result, the financial results for the year ended 31 December 2019 are not directly comparable with the prior year. However, in order to provide a meaningful comparison with the prior year which was accounted for under IAS 17 'Leases', the table below, and also other Notes where relevant, show the Group's financial results for the year ended 31 December 2019 presented in accordance with IAS 17 under the heading 'Proforma IAS 17'.

	Notes	**IFRS 2019 £m**	**Impact of IFRS 16 £m**	**Proforma IAS 17 2019 £m**	IAS 17 2018 £m	IAS 17 Growth* Actual exchange	Constant exchange
Revenue	4	**9,326.7**	**-**	**9,326.7**	9,079.4	2.7%	1.0%
Operating profit	4	**528.4**	**22.4**	**506.0**	466.2	8.5%	7.0%
Finance income	5	**12.4**	**-**	**12.4**	11.6		
Finance expense	5	**(87.5)**	**(23.3)**	**(64.2)**	(66.6)		
Profit on disposal of businesses	14	**-**	**-**	**-**	13.6		
Profit before income tax		**453.3**	**(0.9)**	**454.2**	424.8	6.9%	5.4%
Income tax	6	**(104.1)**	**0.2**	**(104.3)**	(98.3)		
Profit for the year attributable to the Company's equity holders		**349.2**	**(0.7)**	**349.9**	326.5	7.2%	5.7%
Earnings per share attributable to the Company's equity holders							
Basic	8	**104.8p**	**(0.2)p**	**105.0p**	98.4p	6.7%	5.2%
Diluted	8	**104.5p**	**(0.2)p**	**104.7p**	97.8p	7.1%	5.5%
Dividend per share	7	**51.3p**	**-**	**51.3p**	50.2p	2.2%	
Alternative performance measures†							
Operating profit	4	**528.4**	**22.4**	**506.0**	466.2	8.5%	7.0%
Adjusted for:							
Customer relationships amortisation	10	**107.3**	**-**	**107.3**	111.1		
Acquisition related items	4	**17.6**	**-**	**17.6**	33.4		
GMP equalisation charge		**-**	**-**	**-**	3.3		
Adjusted operating profit◊		**653.3**	**22.4**	**630.9**	614.0	2.8%	1.5%
Finance income	5	**12.4**	**-**	**12.4**	11.6		
Finance expense	5	**(87.5)**	**(23.3)**	**(64.2)**	(66.6)		
Adjusted profit before income tax◊		**578.2**	**(0.9)**	**579.1**	559.0	3.6%	2.4%
Tax on adjusted profit	6	**(137.6)**	**0.2**	**(137.8)**	(129.1)		
Adjusted profit for the year◊		**440.6**	**(0.7)**	**441.3**	429.9	2.7%	1.5%
Adjusted earnings per share◊	8	**132.2p**	**(0.2)p**	**132.4p**	129.6p	2.2%	1.0%

* Growth rates shown at both constant and actual exchange rates are on a like-for-like basis under IAS 17.
† See Note 3 for further details of the alternative performance measures.
◊ Excluding the profit on disposal of businesses and associated tax where relevant.

3. Alternative performance measures

In addition to the various performance measures defined under IFRS, the Group reports a number of other measures that are designed to assist with the understanding of the underlying performance of the Group and its businesses. These measures are not defined under IFRS and, as a result, do not comply with Generally Accepted Accounting Practice ('GAAP') and are therefore known as 'alternative performance measures'. Accordingly, these measures, which are not designed to be a substitute for any of the IFRS measures of performance, may not be directly comparable with other companies' alternative performance measures. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliation to equivalent IFRS measures are shown and defined in the table below:

Adjusted operating profit	Operating profit before customer relationships amortisation, acquisition related items, the GMP equalisation charge and profit or loss on disposal of businesses (reconciled in the following table and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships amortisation, acquisition related items, the GMP equalisation charge and profit or loss on disposal of businesses (reconciled in the following table)
Adjusted profit for the year	Profit for the year before customer relationships amortisation, acquisition related items, the GMP equalisation charge, profit or loss on disposal of businesses and the associated tax (reconciled in the following table)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 6)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the following table and in Note 8)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 8)
Operating cash flow*	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion*	Operating cash flow as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Return on average operating capital*	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, software, right-of-use assets, inventories and trade and other receivables less trade and other payables)
Return on invested capital*	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit on an historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposal of businesses
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2018 at the average rates for the year ended 31 December 2019 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2019 and 2018 can be found in the Financial review

* Following the adoption of IFRS 16 on a modified retrospective basis with effect from 1 January 2019 the definitions of these alternative performance measures have been updated.

3. Alternative performance measures (continued)

These alternative performance measures exclude the charge for customer relationships amortisation, acquisition related items, the GMP equalisation charge, profit or loss on disposal of businesses and any associated tax, where relevant.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs and interest on acquisition related income tax. Customer relationships amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The GMP equalisation charge was a non-recurring cost in 2018 of the equalisation of guaranteed minimum pension between male and female members of the Group's UK defined benefit pension scheme following the High Court judgment in 2018 in the case of Lloyds Banking Group Pensions Trustees Limited vs Lloyds Bank plc and others. Disposal of businesses represents the profit or loss on disposal of non-core businesses. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group.

All alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2018, with the exception of the definition of cash conversion and its components, return on average operating capital and return on invested capital, which have been updated following the adoption of IFRS 16.

For 2019, both the statutory measures and the alternative performance measures are also shown on a Proforma IAS 17 basis to enable a meaningful comparison with prior periods.

Reconciliation of alternative performance measures to statutory measures

The principal profit related alternative performance measures, being adjusted operating profit, adjusted profit before income tax, adjusted profit for the year and adjusted earnings per share, are reconciled to the most directly reconcilable statutory measures in the tables below, both on an IFRS and on a Proforma IAS 17 basis.

Year ended 31 December 2019

IFRS	Alternative performance measures £m	Adjusting items: Customer relationships amortisation £m	Adjusting items: Acquisition related items £m	Adjusting items: GMP equalisation charge £m	Adjusting items: Disposal of businesses £m	Statutory measures £m	
Adjusted operating profit	653.3	(107.3)	(17.6)	-		528.4	**Operating profit**
Finance income	12.4					12.4	Finance income
Finance expense	(87.5)					(87.5)	Finance expense
Disposal of businesses	-				-	-	Disposal of businesses
Adjusted profit before income tax	578.2	(107.3)	(17.6)	-	-	453.3	**Profit before income tax**
Tax on adjusted profit	(137.6)	29.1	4.4	-	-	(104.1)	Income tax
Adjusted profit for the year	440.6	(78.2)	(13.2)	-	-	349.2	**Profit for the year**
Adjusted earnings per share	132.2p	(23.4)p	(4.0)p	-	-	104.8p	**Basic earnings per share**

Proforma IAS 17	Alternative performance measures £m	Adjusting items: Customer relationships amortisation £m	Adjusting items: Acquisition related items £m	Adjusting items: GMP equalisation charge £m	Adjusting items: Disposal of businesses £m	Statutory measures* £m	
Adjusted operating profit	630.9	(107.3)	(17.6)	-		506.0	**Operating profit**
Finance income	12.4					12.4	Finance income
Finance expense	(64.2)					(64.2)	Finance expense
Disposal of businesses	-				-	-	Disposal of businesses
Adjusted profit before income tax	579.1	(107.3)	(17.6)	-	-	454.2	**Profit before income tax**
Tax on adjusted profit	(137.8)	29.1	4.4	-	-	(104.3)	Income tax
Adjusted profit for the year	441.3	(78.2)	(13.2)	-	-	349.9	**Profit for the year**
Adjusted earnings per share	132.4p	(23.4)p	(4.0)p	-	-	105.0p	**Basic earnings per share**

* See Note 2 for the reconciliation of the Proforma IAS 17 statutory measures for the year ended 31 December 2019 to the equivalent IFRS statutory measures.

3. Alternative performance measures (continued)

Year ended 31 December 2018

As previously reported under IAS 17	Alternative performance measures £m	Adjusting items: Customer relationships amortisation £m	Adjusting items: Acquisition related items £m	Adjusting items: GMP equalisation charge £m	Adjusting items: Disposal of businesses £m	Statutory measures £m	
Adjusted operating profit	614.0	(111.1)	(33.4)	(3.3)		466.2	Operating profit
Finance income	11.6					11.6	Finance income
Finance expense	(66.6)					(66.6)	Finance expense
Disposal of businesses					13.6	13.6	Disposal of businesses
Adjusted profit before income tax	559.0	(111.1)	(33.4)	(3.3)	13.6	424.8	Profit before income tax
Tax on adjusted profit	(129.1)	29.6	3.5	0.5	(2.8)	(98.3)	Income tax
Adjusted profit for the year	429.9	(81.5)	(29.9)	(2.8)	10.8	326.5	Profit for the year
Adjusted earnings per share	129.6p	(24.6)p	(9.0)p	(0.9)p	3.3p	98.4p	Basic earnings per share

4. Segment analysis

The Group results are reported as four business areas based on geographical regions which are reviewed regularly by the Company's chief operating decision maker, the Board of directors. The principal results reviewed for each business area are revenue and adjusted operating profit. During the year ended 31 December 2019 segmental results have been reviewed on both an IFRS and Proforma IAS 17 basis. The segmental results for the year ended 31 December 2019 are therefore shown under both bases.

Year ended 31 December 2019

IFRS	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**5,473.2**	**1,829.8**	**1,242.1**	**781.6**		**9,326.7**
Adjusted operating profit/(loss)	**343.6**	**182.1**	**87.1**	**61.6**	**(21.1)**	**653.3**
Customer relationships amortisation	**(36.8)**	**(40.9)**	**(8.2)**	**(21.4)**		**(107.3)**
Acquisition related items	**(6.6)**	**(5.9)**	**(2.0)**	**(3.1)**		**(17.6)**
Operating profit/(loss)	**300.2**	**135.3**	**76.9**	**37.1**	**(21.1)**	**528.4**
Finance income						**12.4**
Finance expense						**(87.5)**
Profit before income tax						**453.3**
Adjusted profit before income tax						**578.2**
Income tax						**(104.1)**
Profit for the year						**349.2**
Purchase of property, plant and equipment	**8.8**	**8.8**	**5.7**	**3.7**	**0.1**	**27.1**
Depreciation of property, plant and equipment	**8.8**	**8.2**	**4.1**	**3.3**	**0.1**	**24.5**
Additions to right-of-use assets	**56.6**	**29.2**	**12.4**	**7.0**	**-**	**105.2**
Depreciation of right-of-use assets	**61.8**	**29.9**	**20.4**	**15.5**	**0.5**	**128.1**
Purchase of software	**4.8**	**2.1**	**1.4**	**1.5**	**-**	**9.8**
Software amortisation	**2.4**	**2.6**	**0.9**	**1.3**	**0.2**	**7.4**

Proforma IAS 17	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	**5,473.2**	**1,829.8**	**1,242.1**	**781.6**		**9,326.7**
Adjusted operating profit/(loss)	**331.0**	**178.8**	**83.3**	**59.0**	**(21.2)**	**630.9**
Customer relationships amortisation	**(36.8)**	**(40.9)**	**(8.2)**	**(21.4)**		**(107.3)**
Acquisition related items	**(6.6)**	**(5.9)**	**(2.0)**	**(3.1)**		**(17.6)**
Operating profit/(loss)	**287.6**	**132.0**	**73.1**	**34.5**	**(21.2)**	**506.0**
Finance income						**12.4**
Finance expense						**(64.2)**
Profit before income tax						**454.2**
Adjusted profit before income tax						**579.1**
Income tax						**(104.3)**
Profit for the year						**349.9**

4. Segment analysis (continued)

Year ended 31 December 2018

As previously reported under IAS 17	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,277.8	1,797.5	1,263.6	740.5		9,079.4
Adjusted operating profit/(loss)	317.1	176.8	86.8	56.4	(23.1)	614.0
Customer relationships amortisation	(34.1)	(51.0)	(9.4)	(16.6)		(111.1)
Acquisition related items	(11.8)	(14.5)	(3.0)	(4.1)		(33.4)
GMP equalisation charge					(3.3)	(3.3)
Operating profit/(loss)	271.2	111.3	74.4	35.7	(26.4)	466.2
Finance income						11.6
Finance expense						(66.6)
Disposal of businesses						13.6
Profit before income tax						424.8
Adjusted profit before income tax						559.0
Income tax						(98.3)
Profit for the year						326.5

Purchase of property, plant and equipment	6.6	8.0	4.0	3.1	0.2	21.9
Depreciation of property, plant and equipment	9.1	8.2	4.1	3.0	0.1	24.5
Purchase of software	4.2	2.9	1.3	0.7	0.1	9.2
Software amortisation	1.9	3.6	1.2	1.2	0.2	8.1

Acquisition related items	2019 £m	2018 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**13.3**	19.1
Transaction costs and expenses	**4.1**	5.5
Adjustments to previously estimated earn outs	**(0.3)**	8.3
Interest on acquisition related income tax	**0.5**	0.5
	17.6	33.4

5. Finance income/(expense)

	IFRS 2019 £m	**Proforma IAS 17 2019 £m**	2018 £m
Interest on cash and cash equivalents	**4.4**	**4.4**	5.3
Interest income from foreign exchange contracts	**7.2**	**7.2**	5.7
Net interest income on defined benefit pension schemes in surplus	**0.2**	**0.2**	0.1
Other finance income	**0.6**	**0.6**	0.5
Finance income	**12.4**	**12.4**	11.6
Interest on loans and overdrafts	**(56.6)**	**(56.6)**	(59.8)
Lease interest expense	**(23.3)**	**-**	-
Interest expense from foreign exchange contracts	**(3.9)**	**(3.9)**	(3.6)
Net interest expense on defined benefit pension schemes in deficit	**(1.3)**	**(1.3)**	(1.4)
Fair value (loss)/gain on US private placement notes in a hedge relationship	**(10.7)**	**(10.7)**	8.3
Fair value gain/(loss) on interest rate swaps in a hedge relationship	**10.8**	**10.8**	(8.2)
Foreign exchange (loss)/gain on intercompany funding	**(42.6)**	**(42.6)**	43.5
Foreign exchange gain/(loss) on external debt and foreign exchange forward contracts	**42.7**	**42.7**	(43.5)
Interest related to income tax	**(1.5)**	**(1.5)**	(1.2)
Other finance expense	**(1.1)**	**(1.1)**	(0.7)
Finance expense	**(87.5)**	**(64.2)**	(66.6)
Net finance expense	**(75.1)**	**(51.8)**	(55.0)

5. Finance income/(expense) (continued)

The foreign exchange loss or gain on intercompany funding arises as a result of the retranslation of foreign currency intercompany loans. This loss or gain on intercompany funding is substantially matched by the foreign exchange gain or loss on external debt and foreign exchange forward contracts not in a hedge relationship, which minimises the foreign currency exposure in the consolidated income statement.

6. Income tax

In assessing the underlying performance of the Group, management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 3) is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below. The Group's expectations for the effective tax rate in 2020 are included in the Financial review.

	IFRS 2019 £m	**Proforma IAS 17 2019 £m**	2018 £m
Income tax on profit	**104.1**	**104.3**	98.3
Tax associated with adjusting items	**33.5**	**33.5**	30.8
Tax on adjusted profit	**137.6**	**137.8**	129.1
Profit before income tax	**453.3**	**454.2**	424.8
Adjusting items	**124.9**	**124.9**	134.2
Adjusted profit before income tax	**578.2**	**579.1**	559.0
Reported tax rate	**23.0%**	**23.0%**	23.1%
Effective tax rate	**23.8%**	**23.8%**	23.1%

Future tax liabilities may be affected by the European Commission's ('the Commission') assertion that part of the UK's tax regime amounts to State aid. Management has considered the Commission's decision of 2 April 2019 and does not agree with their conclusion that the UK tax legislation up until December 2018 partially represents State aid. The Group has filed an appeal with the EU General Court for annulment of this decision and notes that HM Government has also lodged an appeal. The potential amount payable for this risk is estimated to be between £nil and £36m as at 31 December 2019 depending on the outcome of the legal appeal process and the basis of calculation. The final impact on the Group remains uncertain but based on the current legal analysis the Group does not consider any provision to be required for this risk. Resolution of this issue will depend on the decision of the EU General Court and any further legal appeals.

In addition, the Group is required to make an additional cash tax payment in 2020 of approximately £19m for tax plus interest and penalties in relation to a tax dispute in Brazil. The Group has provided for the best estimate of the ultimate liability in this matter and expects to recover the remainder once the legal process is completed.

7. Dividends

	2019 £m	2018 £m
2017 interim		46.2
2017 final		106.0
2018 interim	**50.7**	
2018 final	**116.6**	
Total	**167.3**	152.2

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

	Per share **2019**	Per share 2018
Interim	**15.5p**	15.2p
Final	**35.8p**	35.0p
Total	**51.3p**	50.2p

The 2019 interim dividend of 15.5p per share was paid on 2 January 2020 and comprised £51.7m of cash. The 2019 final dividend of 35.8p per share will be paid on 1 July 2020 to shareholders on the register at the close of business on 22 May 2020. The 2019 final dividend will comprise approximately £119m of cash.

8. Earnings per share

	IFRS 2019 £m	Proforma IAS 17 2019 £m	2018 £m
Profit for the year	**349.2**	349.9	326.5
Adjusted for:			
customer relationships amortisation	**107.3**	107.3	111.1
acquisition related items	**17.6**	17.6	33.4
GMP equalisation charge	**-**	-	3.3
profit on disposal of businesses	**-**	-	(13.6)
tax credit on adjusting items	**(33.5)**	(33.5)	(30.8)
Adjusted profit for the year	**440.6**	441.3	429.9
Basic weighted average number of ordinary shares in issue (million)	**333.3**	333.3	331.7
Dilutive effect of employee share plans (million)	**1.0**	1.0	2.2
Diluted weighted average number of ordinary shares (million)	**334.3**	334.3	333.9

	IFRS 2019	Proforma IAS 17 2019	2018
Basic earnings per share	**104.8p**	105.0p	98.4p
Adjustment	**27.4p**	27.4p	31.2p
Adjusted earnings per share	**132.2p**	132.4p	129.6p
Diluted basic earnings per share	**104.5p**	104.7p	97.8p
Adjustment	**27.3p**	27.3p	31.0p
Adjusted diluted earnings per share	**131.8p**	132.0p	128.8p

9. Right-of-use assets

Year ended 31 December 2019

Net book value	**Property £m**	**Motor Vehicles £m**	**Equipment £m**	**Total £m**
At beginning of year	**-**	**-**	**-**	**-**
Right-of-use assets on transition to IFRS 16	**359.4**	**65.4**	**24.6**	**449.4**
Acquisitions (Note 13)	**5.7**	**0.2**	**0.6**	**6.5**
Additions	**65.3**	**30.4**	**9.5**	**105.2**
Depreciation charge in the year	**(91.4)**	**(27.8)**	**(8.9)**	**(128.1)**
Remeasurement adjustments	**13.8**	**0.6**	**-**	**14.4**
Currency translation	**(11.3)**	**(2.4)**	**(0.8)**	**(14.5)**
As at 31 December 2019	**341.5**	**66.4**	**25.0**	**432.9**

10. Intangible assets

Goodwill	2019 £m	2018 £m
Beginning of year	**1,420.4**	1,378.0
Acquisitions	**39.8**	33.9
Disposal of businesses	**-**	(10.1)
Currency translation	**(56.6)**	18.6
End of year	**1,403.6**	1,420.4

Customer relationships		
Cost		
Beginning of year	**1,719.2**	1,613.8
Acquisitions	**71.7**	96.7
Disposal of businesses	**-**	(15.9)
Currency translation	**(80.0)**	24.6
End of year	**1,710.9**	1,719.2
Accumulated amortisation		
Beginning of year	**778.0**	659.2
Charge in year	**107.3**	111.1
Disposal of businesses	**-**	(3.9)
Currency translation	**(39.3)**	11.6
End of year	**846.0**	778.0
Net book value of Customer relationships	**864.9**	941.2
Net book value of Software	**22.4**	20.9
Total net book value of Intangible assets	**2,290.9**	2,382.5

Both goodwill and customer relationships have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 13.

The carrying amount of goodwill is allocated across 11 CGUs and is tested annually for impairment. Based on our impairment testing, no impairments were identified to the carrying value of goodwill within the Group. As part of the annual impairment testing for goodwill, the Group also considered whether there were any indicators that individual customer relationships assets were impaired. An impairment charge of £4.0m relating to the customer relationships intangible asset of a business in China within the Asia Pacific CGU was recognised in the year. This charge is included within the customer relationship charge for the year. There were no other such impairments.

11. Lease liabilities

The Group leases certain property, plant, equipment and vehicles under non-cancellable operating lease agreements. These leases have varying terms and renewal rights. From 1 January 2019, on adoption of IFRS 16 ‘Leases’, the Group has recognised right-of-use assets and lease liabilities for these leases, except for short term and low value leases.

Movement in lease liabilities	2019 £m
Beginning of year	**-**
Lease liabilities on transition to IFRS 16	**498.3**
Acquisitions (Note 13)	**6.5**
New leases	**105.2**
Interest charge in the year	**23.3**
Payment of lease liabilities	**(151.6)**
Remeasurement adjustments	**14.4**
Currency translation	**(16.1)**
End of year	**480.0**
Ageing of lease liabilities:	
Current lease liabilities	**121.8**
Non-current lease liabilities	**358.2**
End of year	**480.0**

12. Cash and cash equivalents and net debt

	2019 £m	2018 £m
Cash at bank and in hand	**610.5**	477.7
Bank overdrafts	**(469.7)**	(333.5)
Cash and cash equivalents	**140.8**	144.2
Interest bearing loans and borrowings - current liabilities	**(83.7)**	(74.9)
Interest bearing loans and borrowings - non-current liabilities	**(1,314.2)**	(1,456.3)
Derivatives managing the interest rate risk and currency profile of the debt	**10.1**	0.5
Net debt excluding lease liabilities	**(1,247.0)**	(1,386.5)
Lease liabilities	**(480.0)**	-
Net debt including lease liabilities	**(1,727.0)**	(1,386.5)

The cash at bank and in hand and bank overdrafts amounts included in the table above include the amounts associated with the Group's cash pool. The cash pool enables the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group has the legal right of set-off of balances within the cash pool which is an enforceable right which the Group intends to use. The cash at bank and in hand and bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2019 £m	2018 £m
Cash at bank and in hand net of amounts in the cash pool	**180.6**	187.8
Bank overdrafts net of amounts in the cash pool	**(39.8)**	(43.6)
Cash and cash equivalents	**140.8**	144.2

Movement in net debt	2019 £m	2018 £m
Beginning of year	**(1,386.5)**	(1,523.6)
Net cash inflow	**99.1**	184.9
Realised gains on foreign exchange contracts	**13.6**	3.3
Currency translation	**26.8**	(51.1)
End of year excluding lease liabilities	**(1,247.0)**	(1,386.5)
Lease liabilities	**(480.0)**	-
End of year including lease liabilities	**(1,727.0)**	(1,386.5)

13. Acquisitions

Year ended 31 December 2019
Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2019 are shown in the table below:

Business	**Sector**	**Country**	**Acquisition date 2019**	**Annualised revenue £m**
Volk do Brasil*	Safety	Brazil	2 January	40.1
Liberty Glove & Safety	Safety	US	21 February	73.4
Coolpack	Foodservice	Netherlands	4 April	3.1
FRSA◊	Safety	Australia	29 November	20.1
Acquisitions completed in the current year				**136.7**
Volk do Brasil*	Safety	Brazil	2 January	(40.1)
Acquisition agreed in the current year				**96.6**

* Acquisition committed at 31 December 2018.
◊ Acquisition of 80% of share capital.

There were no significant acquisitions in 2019 (2018: none).

13. Acquisitions (continued)

A summary of the effect of acquisitions completed in 2019 and 2018 is shown below:

	2019 **£m**	2018 £m
Customer relationships	**71.7**	96.7
Property, plant and equipment and software	**1.2**	3.2
Right-of-use assets	**6.5**	-
Inventories	**25.9**	26.8
Trade and other receivables	**17.4**	23.5
Trade and other payables	**(10.8)**	(21.0)
Net cash	**1.1**	3.6
Provisions	**(1.4)**	(5.3)
Lease liabilities	**(6.5)**	-
Income tax payable and deferred tax liabilities	**(1.9)**	(10.8)
Fair value of net assets acquired	**103.2**	116.7
Goodwill	**39.8**	33.9
Consideration	**143.0**	150.6
Satisfied by:		
cash consideration	**138.6**	148.5
deferred consideration	**4.4**	2.1
	143.0	150.6
Contingent payments relating to retention of former owners	**13.4**	12.7
Net cash acquired	**(1.1)**	(3.6)
Transaction costs and expenses	**4.1**	5.5
Total committed spend in respect of acquisitions completed in the current year	**159.4**	165.2
Spend on acquisitions committed but not completed at the year end	**-**	39.5
Spend on acquisition committed at prior year end but completed in the current year	**(35.1)**	(22.0)
Total committed spend in respect of acquisitions agreed in the current year	**124.3**	182.7

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

	2019 **£m**	2018 £m
Cash consideration	**138.6**	148.5
Net cash acquired	**(1.1)**	(3.6)
Deferred consideration in respect of prior year acquisitions	**6.1**	25.4
Net cash outflow in respect of acquisitions	**143.6**	170.3
Transaction costs and expenses paid	**3.8**	7.8
Payments relating to retention of former owners	**15.4**	6.1
Total cash outflow in respect of acquisitions	**162.8**	184.2

Acquisitions completed in the year ended 31 December 2019 contributed £109.0m (2018: £151.2m) to the Group's revenue and £14.5m (2018: £19.2m) to the Group's adjusted operating profit for the year ended 31 December 2019.

The estimated contributions from acquisitions completed during the year to the results of the Group for the year ended 31 December if such acquisitions had been made at the beginning of the year, are as follows:

	2019 **£m**	2018 £m
Revenue	**136.7**	162.0
Adjusted operating profit	**17.0**	20.7

The estimated revenue which would have been contributed by the acquisitions agreed during the current year to the results for the year ended 31 December 2019 if such acquisitions had been made at the beginning of the year is £96.6m (2018: £148.1m).

13. Acquisitions (continued)

Year ended 31 December 2018

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2018 are shown in the table below:

Business	**Sector**	**Country**	**Acquisition date 2018**	**Annualised revenue £m**
Aggora	Foodservice	UK	2 January	27.0
Talge	Foodservice	Brazil	3 January	28.4
Revco	Safety	US	9 January	28.6
QS◊	Cleaning & hygiene	Netherlands	1 March	4.9
Monte Package Company	Foodservice	US	9 March	43.4
Enor	Foodservice	Norway	12 July	25.7
CM Supply	Foodservice	Denmark	11 December	4.0
Acquisitions completed in 2018				162.0
Aggora*	Foodservice	UK	2 January 2018	(27.0)
Talge*	Foodservice	Brazil	3 January 2018	(28.4)
Volk do Brasil†	Safety	Brazil	2 January 2019	41.5
Acquisitions agreed in 2018				148.1

◊ Acquisition of 85% of share capital.

* Acquisitions committed at 31 December 2017.

† Acquisition committed at 31 December 2018.

Although not considered to be individually material, Revco accounted for approximately 25% of the total cash outflow in respect of acquisitions during the year ended 31 December 2018.

14. Disposal of businesses

The Group did not dispose of any businesses during the year ended 31 December 2019. Disposal of businesses in 2018 related to OPM in France and marketing services in the UK, two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. The disposals were completed on 2 February 2018 and 7 June 2018 respectively.

15. Cash flow from operating activities

The tables below give further details on the adjustments for depreciation and software amortisation, other non-cash items and the working capital movement shown in the Consolidated cash flow statement.

Depreciation and software amortisation	**2019 £m**	**2018 £m**
Depreciation of right-of-use assets	**128.1**	-
Other depreciation and software amortisation	**31.9**	32.6
	160.0	32.6

Other non-cash items	**2019 £m**	2018 £m
Share based payments	**13.5**	12.9
Provisions	**(6.3)**	(6.4)
Retirement benefit obligations	**(9.7)**	(8.0)
Other	**(1.0)**	0.7
	(3.5)	(0.8)

Working capital movement	**2019 £m**	2018 £m
Decrease/(increase) in inventories	**15.2**	(96.6)
Decrease/(increase) in trade and other receivables	**38.9**	(44.6)
(Decrease)/increase in trade and other payables	**(49.8)**	102.5
	4.3	(38.7)

16. Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no transactions with those related parties during the year ended 31 December 2019 that have materially affected the financial position or performance of the Group during this period. All transactions with subsidiaries are eliminated on consolidation.

17. Principal risks and uncertainties

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

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

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

O Organic growth
A Acquisition growth
M Operating model improvements

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

Overall, the nature and type of the principal risks and uncertainties affecting the Group, and the likelihood and impact of each of the principal risks crystallising, are considered to be materially unchanged compared to the 2018 Annual Report, with one exception. Last year it was reported that an area of emerging risk that Bunzl was proactively monitoring was the increase in legislation and changes in consumer preferences discouraging the use of certain single-use plastic products. The Group has focused in particular on the grocery and foodservice sectors in the UK & Ireland and Continental Europe where there is a high customer and consumer awareness of sustainability concerns and the legislation is strictest. The Group expects that the level of sustainability concerns of customers and consumers is likely to increase and additional legislation will be introduced covering new product groups or countries. As a result, a new significant strategic risk has been included below as risk 6, *Sustainability driven market changes*.

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

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

- foreign exchange volatility on the Group's translated results which, as noted in risk 9, *Currency translation*, is not hedged. Therefore, a strengthening or weakening of sterling will result in a change in the Group's reported results;

- the imposition of trade tariffs could result in an increase in product costs in the UK. This is reflected in risk 3, *Cost inflation*, and mitigated by the actions noted for that risk; and

17. Principal risks and uncertainties (continued)

- supply chain disruption as UK ports are unable to cope with additional border checks leading to inventory shortages. Selected UK warehouses are applying for simplified customs freight procedures authorisation (CFSP) to attempt to minimise port delays. Additional stocks of certain items will be held to minimise the risk of inventory shortages.

The Board is also monitoring the ongoing situation with respect to trade tariffs in the United States of America ('US'). During 2019 the impact of additional trade tariffs levied on products imported into the US were mitigated through price increases or by identifying alternative sources of supply. Since the year end the US has signed a preliminary agreement with China which will reduce the impact of some of these tariffs in the future. Based on these mitigations and recent developments, and the assessment of the potential risks associated with Brexit explained above, the Group does not consider that its principal risks and uncertainties have changed as a result of the Brexit or US trade tariff related risks.

Finally, the Board is continuing to keep the developing situation relating to the Coronavirus (COVID-19) in China under review. Although the Group only has a relatively small distribution business in China and is not a manufacturer, Group companies around the world do import products from China for onward sale to their customers. At the present time, the Group's supply chain is not considered to be at risk since the Group's businesses had previously built up higher levels of stocks than usual in advance of the Chinese New Year and, in any event, tend to hold higher stock levels of many of the products whose production has been affected by the factory shutdowns in China. In addition, alternative sources of supply are being sought. However, should the impact of the virus continue to restrict manufacturing activities in China for a sustained period of time, the Group may face some shortages of certain products.

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

Principal risks facing the Group	**Description of risk and how it might affect the Group's prospects**	**How the risk is managed or mitigated**
Strategic Risks		
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures O	• The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates. • Unforeseen changes in the competitive landscape could also occur such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market. • Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, switch to a competitor or ultimately choose to deal directly with suppliers. • Any of these competitive pressures could lead to a loss of market share and a reduction in the Group's revenue and profits.	• The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs. • The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to enhance further its service offering to customers. • The Group maintains strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering at competitive prices.

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
Strategic Risks (cont.)		
2. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions O, M	• A reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) or other price reductions, lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, especially those on indexed or cost-plus pricing arrangements, resulting in a reduction in the Group's revenue and profits. • Operating profits may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in revenue.	• The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits. • Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.
3. Cost inflation Profits are reduced from the Group's inability to pass on product or operating cost increases O, M	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers. • Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs.	• The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices. • The majority of the Group's transactions are carried out in the functional currency of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility. • If necessary, the Group will, where possible, pass on price increases from its suppliers to its customers. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
Strategic Risks (cont.)		
4. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies A	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made more than 160 acquisitions since 2004. • Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth.	• The Group maintains a large acquisition pipeline which continues to grow with targets identified by managers of current Bunzl businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and information received from banking and corporate finance contacts. • The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl.
5. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration O, A	• Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value. • Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment charge against any associated intangible assets.	• The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof. • The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. • The Group endeavours to maximise the performance of its acquisitions through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
Strategic Risks (cont.)		
6. Sustainability driven market changes Revenue and profits are reduced from the Group's inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment O	• Regulations have been announced in the EU and UK that target reductions or prohibitions of certain plastic-based products and new legislation discouraging the use of certain single-use plastic products is being considered in other countries. • An increasing number of consumers are making changes to their behaviour in response to environmental and sustainability concerns, often in advance of changes in legislation. These changes are likely to lead to a reduction in demand for single-use plastic-based products that the Group sells while, at the same time, increase demand for sustainably sourced, recyclable or reusable alternatives. • The Group's revenue and profits could be reduced if it is unable to offer more sustainably sourced, recyclable, compostable, biodegradable or re-useable alternatives that replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences.	• Bunzl's scale and unique position as a distributor at the centre of the supply chain, supported by dedicated sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are sustainably sourced, recyclable, compostable, biodegradable or reusable, or a combination of these. • The Group maintains strong relationships with a variety of different suppliers enabling the Group to innovate, source and offer the broadest possible range of products that meet a variety of sustainability objectives, whether in response to legislative changes, consumer preference driven changes or a desire to offer market-leading products to the Group's customers. • The Group maintains high service levels and close contact with its customers. Data on customer product usage, coupled with the Group's detailed product knowledge, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies (such as a reduction in single-use plastics).
Operational Risks		
7. Cyber security failure Revenue and profits are reduced as the Group is unable to operate and serve its customers' needs due to being impacted by a cyber-attack O, M	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems. • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers and/or a fine under applicable data protection legislation.	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats. • Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks. • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group CIO and Group Head of Information Security coordinate activity in this area.

17. Principal risks and uncertainties (continued)

<table>
<tr><th>Principal risks facing the Group</th><th>Description of risk and how it might affect the Group’s prospects</th><th>How the risk is managed or mitigated</th></tr>
<tr><td colspan="3">Financial risks</td></tr>
<tr><td>8. Availability of funding
Insufficient liquidity in financial markets leading to insolvency

O, A, M</td><td>• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends.</td><td>• 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.</td></tr>
<tr><td>9. Currency translation
Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants

O, A, M</td><td>• The majority of the Group’s revenue and profits are earned in currencies other than sterling, the Group’s presentation currency.
• As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group’s reported results and/or lead to a breach of net debt to EBITDA banking covenants.</td><td>• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks.
• Results are reported at constant exchange rates so that investors can observe the underlying performance of the Group excluding the translation impact on the Group’s reported results.
• The Group’s borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group’s EBITDA. This reduces the volatility of the ratio of net debt to EBITDA from foreign exchange movements. In addition, net debt for the purposes of covenant calculations in the Group’s financing documents is calculated using average rather than closing exchange rates. Consequently, any significant movement in exchange rates towards the end of an accounting period should not materially affect the ratio of net debt to EBITDA. Both these factors minimise the risk that banking covenants will be breached as a result of foreign currency fluctuations.</td></tr>
</table>

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated
Financial risks (cont.)		
10. Increase in taxation Increases in Group tax rate and/or cash tax O, A	• The resolution of uncertain prior year tax matters or the introduction of legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's profits and cash flows. • In particular, changes could result from the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions.	• Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee. • The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties. • The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms. • At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so.

18. Forward-looking statements

This announcement contains certain statements about the future outlook for the Group. Although the Company believes that the expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

19. Responsibility statements

The Annual Report, which includes the financial statements, complies with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority in respect of the requirement to produce an annual financial report.

Each of the directors, whose names and functions are set out in the 2019 Annual Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union - Dual IFRS (European Union and IASB), give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Frank van Zanten Chief Executive Officer 24 February 2020	**Richard Howes** Chief Financial Officer