News Release

27 February 2023

ANNUAL RESULTS ANNOUNCEMENT

Bunzl plc, the specialist international distribution and services Group, today publishes its annual results for the year ended 31 December 2022.

Financial results	**2022**	2021	Growth as reported	Growth at constant exchange◊
Revenue	**£12,039.5m**	£10,285.1m	17.1%	9.8%
Adjusted operating profit*	**£885.9m**	£752.8m	17.7%	11.1%
Adjusted profit before income tax*	**£818.0m**	£698.2m	17.2%	10.5%
Adjusted earnings per share*	**184.3p**	162.5p	13.4%	7.0%
Dividend for the year∆	**62.7p**	57.0p	10.0%	

Statutory results			
Operating profit	**£701.6m**	£623.3m	12.6%
Profit before income tax	**£634.6m**	£568.7m	11.6%
Basic earnings per share	**141.7p**	132.7p	6.8%

Highlights include:

- Very strong performance with revenue growth of 9.8% at constant exchange rates, driven by product cost inflation, volume recovery in the first half and growth from acquisitions
- Adjusted operating profit* increase of 11.1% at constant exchange rates, with slightly higher operating margin year-on-year; reported operating profit up 12.6%
- Adjusted earnings per share* up 7.0% at constant exchange rates; reported basic earnings per share up 6.8%
- Strong free cash flow* generation; cash conversion of 107% supported by working capital improvement
- 30th consecutive year of annual dividend growth; total dividend per share growth of 10.0%
- 12 acquisitions agreed over 2022, with a total committed spend of £322 million; two additional acquisitions announced today
- Net debt to EBITDA*† of 1.2 times provides substantial headroom for further acquisitions; robust return on invested capital* of 15.0%
- 2023 outlook unchanged

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

"I am truly proud that Bunzl has delivered another excellent year, with strong profit growth and an increase in dividend per share for the 30th consecutive year, a track record that demonstrates the resilience and diversity of our business and its ability to consistently deliver growth. This would not be possible without the continued hard work and dedication of Bunzl's teams around the world, who have successfully managed both global supply chain disruption and inflation, allowing us to end 2022 with adjusted operating profit 37% higher than in 2019 at constant exchange rates, with the Group's diversification also supportive to the resilience of performance over this period. We have made further strategic progress, increasing the percentage of digital customer orders, and further supporting customers with the transition towards products that are better suited to the circular economy. We agreed to acquire 12 businesses in 2022, ending the year with substantial headroom for further self-funded acquisitions and an active pipeline, with two additional acquisitions announced today."

* Alternative performance measure (see Note 2).
◊ Growth at constant exchange rates is calculated by comparing the 2022 results to the 2021 results retranslated at the average exchange rates used for 2022.
† At average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants.
∆ The Board is recommending a 2022 final dividend of 45.4p per share. Including the 2022 interim dividend per share of 17.3p the total dividend per share of 62.7p represents a 10.0% increase compared to the 2021 total dividend per share.

2022 performance highlights:

Underlying revenue growth*Ɨ contribution	2022
Base business♯	11.6%
Covid-19 related orders	(5.0)%
Group total	**6.6%**

Underlying revenue growth*Ɨ by sector	2022
Foodservice and Retail	13%
Cleaning & Hygiene, Safety and Healthcare	(3)%
Grocery and other	9%

- Group underlying revenue growth of 6.6% reflected the very strong growth in the base business, driven by product cost inflation and supported by volume recovery in the first half, which more than offset the expected decline in Covid-19 related sales
- A reversion to a more typical level of Covid-19 related sales which is substantially lower than at the peak of the pandemic
- Growth of the foodservice, retail and grocery sectors was particularly supported by significant product cost inflation
- The cleaning & hygiene, safety and healthcare sectors were impacted by the year-on-year decline in Covid-19 related sales, but underlying revenues of these sectors combined remain ahead of the comparable period in 2019
- In addition to underlying revenue growth, Group revenues were further supported by 3.1% growth from the incremental impact of acquisitions⌂

Business area highlights:

	Revenue (£m)		Growth at constant	Underlying revenue	Operating profit* (£m)		Growth at constant	Operating margin*	
	2022	2021	exchange*◊	growth*Ɨ	**2022**	2021	exchange*◊	**2022**	2021
North America	**7,366.0**	6,144.7	8.1%	6.1%	**511.5**	401.3	15.0%	**6.9%**	6.5%
Continental Europe	**2,173.4**	1,972.9	13.2%	7.9%	**195.1**	191.8	5.6%	**9.0%**	9.7%
UK & Ireland	**1,442.5**	1,254.2	15.0%	12.2%	**95.3**	67.0	42.0%	**6.6%**	5.3%
Rest of the World	**1,057.6**	913.3	8.5%	0.6%	**111.7**	116.5	(10.6)%	**10.6%**	12.8%

North America (61% of revenue and 56% of adjusted operating profit*†)

- Good underlying revenue growth, driven by substantial product cost inflation in the base business, particularly in grocery, foodservice and retail. Expected Covid-19 related sales decline was a headwind to underlying growth
- High operating cost inflation was driven by fuel and freight costs. Whilst wage rates, which rose significantly in 2021, remained high, their year-on-year impact on operating costs reduced through the year
- Overall, the impact of revenue and margin growth attributable to product cost inflation more than offset operating cost inflation in 2022. Operating margin increased from 6.5% to 6.9%

Continental Europe (18% of revenue and 21% of adjusted operating profit*†)

- Underlying revenue grew strongly, driven by product cost inflation and a recovery in base business volumes which was attributable to the relaxation of the Covid-19 related restrictions that had impacted the comparable prior year period. Expected Covid-19 related sales decline was a headwind within underlying growth
- Operating margin decline was largely driven by the introduction of hyperinflation accounting in Turkey in 2022, as well as the decline in Covid-19 related sales

UK & Ireland (12% of revenue and 11% of adjusted operating profit*†)

- Underlying revenue grew very strongly, driven by product cost inflation as well as continued recovery in the base business, although partially offset by an expected decline in Covid-19 related sales
- The strong improvement in the base business drove a meaningful improvement in operating margin

Rest of the World (9% of revenue and 12% of adjusted operating profit*†)

- Underlying revenue grew strongly in Asia Pacific, supported by inflation driven growth in the base business, as well as larger Covid-19 related orders
- In Latin America underlying revenue, operating profit and margin were strongly impacted by the reduction in high margin Covid-19 related sales, although all remain significantly higher than in the comparable 2019 period

2022 strategic progress

- 12 acquisitions signed during 2022 across multiple sectors and geographies, highlighting the breadth of opportunity
- Strong capital discipline and portfolio optimisation demonstrated through the disposal of our UK healthcare business
- 15 warehouse relocations and consolidations over the year to drive continued operating efficiencies
- Further support provided to customers looking to transition to packaging which is better suited to the circular economy, with 53% of Bunzl's packagingΔ sales made from alternative materials. Science Based Targets initiative (SBTi) approval also received for Bunzl's carbon emissions reduction targets, which include Scope 3 emissions
- We processed 69% of orders digitally compared to 67% in 2021, supporting customer retention and enhancing operational efficiency

* Alternative performance measure which excludes charges for customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges and the profit or loss on disposal of businesses and any associated tax, where relevant. 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. Further details of these alternative performance measures are set out in Note 2. Unless otherwise stated operating margin in this review refers to adjusted operating profit as a percentage of revenue.

◊ Growth at constant exchange rates is calculated by comparing the 2022 results to the results for 2021 retranslated at the average exchange rates used for 2022.

ƚ Underlying revenue is a measure of revenue over comparative periods at constant exchange rates, excluding the incremental impact of acquisitions and disposals and adjusted for differences in trading days between periods as well as for growth delivered in excess of 26% per annum in hyperinflationary economies.

♯ Base business defined as underlying revenue excluding the top Covid-19 related products (including, masks, sanitisers, disposable gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection).

⌂ In addition to underlying revenue growth of 6.6% and acquisition growth of 3.1%, growth at constant exchange benefited from an additional 0.2% related to the impact of growth in excess of 26% per annum in hyperinflationary economies, largely attributable to Turkey, and was impacted negatively by 0.1% due to a disposal made in 2022.

† Based on adjusted operating profit and before corporate costs (see Note 3).

∆ Packaging refers to packaging and other products within the foodservice, grocery and retail sectors which are facing legislation or consumer pressure. We continue to exercise judgement to allocate the sales in 2022 to non-packaging products and the four packaging categories, which are taken at a point in time in the context of rapidly changing legislation and changes in product composition across a vast range of products.

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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.

CHAIRMAN'S STATEMENT

Bunzl has had another successful year, delivering very strong financial results, making further strategic progress across the business, and announcing a 30th consecutive year of annual dividend growth. At constant exchange rates, Bunzl delivered strong revenue growth in 2022 of 9.8% (17.1% at actual exchange rates), an increase of 11.1% in adjusted operating profit and growth of 7.0% in adjusted earnings per share, with basic earnings per share at actual exchange rates increasing 6.8%. This has resulted, at constant exchange rates, in adjusted operating profit being 37% higher than the comparable period in 2019 and is equivalent to 11% Compound Annual Growth Rate ('CAGR') over that period, which is ahead of the 10% CAGR achieved between 2004 and 2022. The resilience of the Group's performance, despite significant inflation, pandemic-related business mix shifts and supply chain disruptions demonstrates the strength of the Bunzl model. This performance over the last three years gives me even greater confidence in the Group's ability to adapt to changing circumstances, the benefits of the Group's diversification, the dedication of our people, and the depth of our partnerships with customers, all of which continue to support the longer term growth of the business. I am confident these elements will continue to support future performance.

Strategic priorities

We continue to pursue a strategy of developing the business through a combination of organic growth, operational improvements and acquisition growth. 2022 was another year of successful strategic progress, with the Group signing agreements to acquire 12 businesses which span multiple sectors, including specialist healthcare distributors and warehouse solutions providers, from across nine different countries. In July 2022, the Group announced a key acquisition in Germany to provide a platform for expansion into this high-potential market, which we have already built upon with the German acquisition we have announced today. Bunzl's depth of opportunity is significant and further consolidation of its fragmented end markets is a key driver of growth for the Group. Demonstrating Bunzl's focus on portfolio optimisation and returns focused capital allocation, we disposed of our UK healthcare business in 2022. The Group also continued to undertake projects to drive operational efficiencies, including further warehouse relocations and consolidations and investments into automation.

Furthermore, Bunzl's operating companies have continued to enhance their value-added offering by partnering with customers to help them achieve their sustainability goals, including a focus on transitioning to alternative packaging products and materials that are better suited to the circular economy and reducing carbon emissions associated with our deliveries. Packaging made from alternative materials now accounts for 53% of the Group's total packaging revenue. Similarly, a focus on driving digital sales, which improve user experience, customer retention and Bunzl's operational efficiency, has been steadily increasing over the last few years, now accounting for 69% of orders.

Bunzl ended the year with a net debt to EBITDA of 1.2 times, affording us the balance sheet strength to invest in our longer term strategic growth priorities despite some near term macroeconomic uncertainties.

People and culture

Our people are a key asset and it is their commitment to providing customers with a reliable service that has helped Bunzl to navigate the supply chain challenges faced over the year and the impact of inflation. Our decentralised structure also utilised a network of colleagues to drive strategic progress, with a number of acquisitions made over 2022 introduced by our local teams. People at Bunzl continue to find it a fulfilling place to work, and it is pleasing to see the Group's sustainable engagement score increase a further 5% to 85% in 2022. Over the last year we accelerated our diversity, equity and inclusion agenda to ensure that we have a working environment which supports individual well-being, growth and career progression. In 2022 the percentage of women within our senior leadership group (comprising 470 individuals) increased for the sixth year running to 21%, compared to 19% in the prior year, and more than double the level in 2016.

Shareholder returns

The Board is recommending a final dividend of 45.4p, 11.3% higher than the prior year, resulting in a full year dividend of 62.7p. This represents a 10.0% increase compared to the 2021 total dividend and is Bunzl's 30th consecutive year of dividend growth. The Group remains committed to ensuring sustainable dividend growth. Since 2004, Bunzl has returned £2.0 billion to shareholders through dividends and has committed £4.7 billion in acquisitions to support a growth strategy that has delivered an adjusted earnings per share CAGR of 10% over the period.

Governance

In July we announced the appointment of Pam Kirby as a non-executive director with effect from 1 August 2022. Pam has significant knowledge and experience in global businesses, having worked in several international roles for over 30 years. She brings a wealth of international distribution, strategic and UK listed company experience to the Board. In February 2023 Bunzl also announced the appointment of Jacky Simmonds as a non-executive director with effect from 1 March 2023. Jacky has significant knowledge and experience working in international and listed companies, and across all aspects of HR, with particular expertise in employee engagement and talent and succession planning. Following this appointment, the proportion of female directors on the Board will be 44%, whilst representation on our executive committee remains at 40%.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

The very strong results we have achieved once again demonstrate Bunzl's operational and financial resilience. Our people have been instrumental to our success, with our teams working hard to pass through price increases, while also successfully managing supply chain disruption so that our customers can continue to rely on us to deliver the essential products and solutions they need. Our capabilities in the face of disruption continue to be recognised by customers, and have supported some new business wins over the year. I am very pleased that our acquisition strategy continues to complement the organic growth of the business, with the range and breadth of acquisitions made this year highlighting our opportunities to consolidate across the diversified end markets and regions in which we operate. Over the year we also concluded negotiations with our largest customer by revenue, securing improved structural terms and extending this long-standing partnership. Furthermore, the strength and success of the Group's long term strategy has enabled Bunzl to reach a milestone of 30 years of consecutive annual dividend increases.

Operating performance

With approximately 90% of adjusted operating profit generated outside the UK, profits and earnings were positively impacted between 6% and 7% by currency translation over the period. The commentary below is stated at constant exchange rates unless otherwise highlighted.

In 2022 revenue increased by 9.8% (17.1% at actual exchange rates) to £12,039.5 million. Within this, underlying revenue growth was 6.6%, while acquisitions contributed revenue growth of 3.1%. Our disposal of the UK healthcare business in December 2022 impacted revenue by 0.1%, while excess growth in hyperinflationary economies, largely in Turkey, contributed a small increase of 0.2%.

Underlying revenue growth of 6.6% during the year was driven by very strong growth of the base business, which benefited the Group's underlying revenue growth by 11.6% and was driven by very strong inflation in addition to the benefit of volume recovery in Continental Europe and UK & Ireland earlier in the year. This was partially offset by the expected reduction in sales of the top Covid-19 related products, which contributed an underlying revenue decrease of 5.0%. Covid-19 related sales have returned to a more typical level, being c.£200 million greater than in 2019 on an underlying basis, and significantly lower than the peak of Covid-19 related sales in 2020.

With both product cost inflation, as well as continued post-pandemic recovery of the base business in Continental Europe and UK & Ireland earlier in the year, the foodservice and retail sectors combined delivered underlying revenue growth of 13% compared to the prior year, despite the decline in Covid-19 related sales. Similarly, total underlying revenue in the grocery and other sectors grew by 9%, driven by product cost inflation. Overall, total underlying revenue in the cleaning & hygiene, safety and healthcare sectors declined by 3% year-on-year due to lower Covid-19 related sales, but remained 6% higher than in 2019, benefiting from Covid-19 related sales remaining higher than in 2019 and good growth delivered in the healthcare sector. Our healthcare base businesses are performing well, with the growing backlog of elective surgeries expected to remain a tailwind. The base business in safety started to see some improvement as supply chain and labour shortages have started to ease for customers; we expect the safety business to benefit from increased infrastructure spend in the medium term. The cleaning & hygiene sector, whilst continuing to be impacted by work from home trends which have hampered the base business recovery, benefited from inflation and saw some improvement in office-based activity towards the end of the year.

The Group has managed inflation on plastics, paper and chemicals well and successfully implemented selling price increases. While inflation trends remained strong to the end of the year, product cost inflation had started to annualise in North America in the second half of the year and inflation in other regions, which had lagged North America, also started to see some annualisation towards the end of the year. Over 2022, tender activity remained below pre-pandemic levels, with this expected to pick up going forward.

Although we experienced operating cost inflation over the year, this has been more than offset by revenue growth driven by implementation of price increases related to product cost inflation, and achieving further operational efficiencies. Operating cost inflation in North America has been high, driven by fuel and freight costs, despite some support from fuel surcharges, as well as wage inflation and property inflation linked to lease renewals. However, wage rates, which rose particularly strongly in 2021, saw their year-on-year impact moderate over the course of the year, and exited the year closer to more typical historical levels of inflation. While wage inflation remained more benign in Continental Europe over 2022, this is starting to increase, although it is expected to be significantly less than the inflation we had experienced in North America. Driving operational efficiencies is a core component of our compounding strategy and is particularly important during periods of higher operating cost inflation. Overall, combined with the positive contribution that product cost inflation has made to revenue, inflation dynamics have been somewhat supportive to margins.

Adjusted operating profit was £885.9 million, an increase of 11.1% (17.7% at actual exchange rates), and operating margin increased to 7.4% compared to 7.3% in the prior year, remaining well ahead of historical levels. Within this margin movement, inflation trends and acquisitions more than offset the dilutive impact: of (i) reduced Covid-19 related sales, which are largely own brand or unbranded; (ii) a recovery in typically lower margin sectors within our base business; and (iii) the impact of hyperinflation accounting in Turkey. Reported operating profit was £701.6 million, an increase of 6.0% (12.6% at actual exchange rates), reflecting the 11.1% increase in adjusted operating profit and an increase in customer relationships, brands and technology amortisation and acquisition related items due to acquisition activity over the last 12 months.

Adjusted profit before income tax was £818.0 million, an increase of 10.5% (17.2% at actual exchange rates) due to the growth in adjusted operating profit. The £10.3 million increase in net finance expense, at constant exchange rates, to £67.9 million largely reflected a non-cash charge of £10.7 million from hyperinflation accounting primarily related to operations in Turkey. In total, hyperinflation accounting has impacted adjusted profit before income tax by £18.7 million pounds. The Group expects a net finance expense in 2023 of £90 million to £95 million, predominantly reflecting the non-repeat of financial derivative benefit and higher interest rates on the floating portion of Bunzl's Group debt. Reported profit before income tax was £634.6 million, an increase of 5.0% (11.6% at actual exchange rates).

The effective tax rate of 24.6% was higher than the 22.3% in the prior year, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. The effective tax rate is expected to be between 25.0% and 25.5% in 2023, reflective of the UK corporate tax increase. Adjusted earnings per share were 184.3p, an increase of 7.0% (13.4% at actual exchange rates), and basic earnings per share were 141.7p, an increase of 0.5% (6.8% at actual exchange rates).

The Group's cash generation continues to be strong, with £705.7 million of free cash flow generated, representing 34% growth at actual exchange rates compared to the comparable period in 2021. The level of cash generation reflects strong underlying cash generation, but also an improvement in working capital in the second half of the year, enabled by easing supply chain constraints. The strength of our underlying free cash flow generation continues to enable our investment in the business and acquisitions. Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) over the period was 107%. The Group ended the period with net debt, excluding lease liabilities, of £1,160.1 million compared to £1,337.4 million in December 2021. 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 1.2 times compared to 1.6 times at the end of 2021. This provides substantial headroom for further acquisitions. Net debt in 2022 also benefited from disposal proceeds received through the sale of our UK healthcare business; excluding this benefit, net debt to EBITDA would have been 1.3 times. Due to the structure of recent acquisitions, with increasing earn-outs and options to be exercised to buy out minorities in future years, we hold deferred consideration payable on our balance sheet based on the expected earnings to be achieved by these businesses over the respective earn-out and option terms. At the end of the period, a liability of £139.9 million was held compared to £107.8 million at the end of 2021. This liability is not included within the Group's external debt covenant definition. In March the Group successfully completed a US private placement issue of US dollar 400 million which refinances near-term US private placement maturities, extending the Group debt maturity profile.

Return on average operating capital decreased slightly to 43.0% compared to 43.3% at 31 December 2021, driven by an adverse impact from currency. Return on invested capital was 15.0% compared to 15.1% at 31 December 2021, with an adverse impact from currency translation and acquisitions partly offset by higher returns in the underlying business. Return on average operating capital and return on invested capital both remain significantly higher than in December 2019, with 36.9% and 13.6% respectively achieved at the end of 2019.

Organic growth and operational efficiency

We remain committed to delivering growth through our consistent compounding strategy which focuses on organic growth, operational efficiency and acquisitions. Our colleagues have continued to provide our customers with innovative products and services, with a growing sustainability offering being a particular focus. Furthermore, digital sales accounted for 69% of orders over 2022 compared to 67% in 2021 and 62% in 2019, with penetration above this level in the latter part of the year following the acquisition of hygi.de, a digital business. Our continued focus on operational efficiencies included the consolidation of 10 warehouses and the relocation of five warehouses, as well as the further implementation of technologies and automation that drive more efficient processes.

Acquisitions

In 2022 Bunzl signed 12 acquisitions with total committed spend of £322 million, adding estimated annualised revenue of £299 million. The strength of the Group's cash conversion and balance sheet continues to enable the Group to fund further acquisitions, largely through cash generated in the year.

The high quality acquisitions we made in 2022, spanning 9 countries and 5 sectors, further expand our customer reach and strategic capabilities, as well as geographic and sector diversification. Within this Bunzl acquired hygi.de, a fast growing online distributor in Germany, which materially increased Bunzl's presence in this high potential market, establishing a platform which we are already building upon with the acquisition of Arbeitsschutz-Express, announced today. Furthermore, we have continued to acquire businesses in the specialist healthcare sector in Australia and New Zealand, an attractive end market which we have been expanding into over the last few years and where we see continued opportunity. Acquisitions made during the year have also enhanced the Group's digital capabilities and expanded our own brand and sustainability related product ranges and expertise.

During 2022, Bunzl sold its UK healthcare division, which in 2021 generated £216 million of revenue. This decision reflected Bunzl's commitment to ensuring optimal capital allocation across the Group.

Acquisition	Completion	Description
USL	May 2022	New Zealand distributor of medical consumables to the healthcare sector, including hospitals, aged care, and community health services, with revenue of NZD114 million (c.£59 million) in 2021
hygi.de	July 2022	Leading and fast-growing online distributor of cleaning and hygiene products in Germany to a fragmented customer base, with revenue of EUR107 million (c.£92 million) in 2021
AFL Groep	July 2022	Distributor of logistics and warehouse related supplies to customers in the Benelux region, with revenue of EUR19 million (c.£16 million) in 2021
London Catering & Hygiene Solutions	July 2022	Distributor of catering supplies and cleaning and hygiene products in the UK with revenue of £5 million in the 12 months to May 2022
Containit	August 2022	Fast-growing distributor of warehouse storage solutions to the resource and defence sectors in Australia, with revenue of AUD17 million (c.£9 million) in 2021
Corsul Group	September 2022	Leading distributor of personal protective equipment ('PPE') in the south of Brazil, with revenue of BRL260 million (c.£35 million) in 2021
Enviropack	October 2022	Online distributor of reusable, recyclable and compostable packaging products to foodservice customers in the UK, with revenue of c.£7million in the 12 months to August 2022.
VM Footwear	October 2022	Distributor of PPE based in the Czech Republic, specialising in own brand footwear throughout Central and Eastern Europe, with revenue of CZK366 million (c.£13 million) in the 12 months to June 2022
PM Pack	November 2022	Distributor of packaging products in Denmark to food processor customers, with revenue of DKK142 million (c.£16 million) in the 12 months to September 2022
Toomac Ophthalmic & Solutions	December 2022	Distributor of ophthalmology products in New Zealand with revenue of NZD11 million (c.£6 million) in the 12 months to March 2022
Grupo R. Queralto	December 2022	Online distributor of healthcare products based in Spain, with a strong own brand portfolio and revenue of EUR27 million (c.£23 million) in 2022
GRC	January 2023	Distributor of innovative medical technology devices in Australia, with revenue of AUD4 million (c.£3 million) in the 12 months to June 2022

Bunzl ended 2022 with net debt to EBITDA of 1.2 times, providing the Group with substantial capacity to fund further acquisitions. Our pipeline is active, and we see significant opportunities for continued acquisition growth in our existing markets where we have opportunity to increase our presence, as well as potential to expand into new markets.

In January 2023, Bunzl completed the acquisition of Capital Paper, a distributor of foodservice packaging and consumables, cleaning & hygiene supplies, and industrial packaging products in Canada. The acquisition of Capital Paper strongly complements our existing business in Canada and in 2022 generated revenue of CAD 26 million (c.£16 million).

In February 2023, Bunzl also entered into an agreement to acquire Arbeitsschutz-Express, a fast-growing online distributor of workwear and PPE in Germany, which generated EUR 41 million (c.£35 million) of revenue in 2022. This acquisition, combined with hygi.de, will more than double our presence in the market, with significant further opportunity remaining.

Our capital allocation priorities are to: reinvest our cash into the business to support organic growth and operational efficiencies; pay a progressive dividend; and self-fund value accretive acquisitions. Whilst our framework favours these three methods of investment, with £2.0 billion of cash distributed to shareholders through dividends and £4.7 billion committed acquisition spend since 2004, and a return on invested capital of 15.0%, if leverage continues to consistently fall, the Board would consider other mechanisms for distributing excess cash to shareholders.

Equitable and sustainable growth

We understand our role as a proactive leader in the transition to a more sustainable and equitable future. As we have previously laid out, sustainability is a key strategic priority, and we have directed our efforts into four key areas where we believe we can make the greatest positive contribution: providing alternative packaging solutions; ensuring responsible supply chains; investing in our people; and taking action on climate change.

The Group continues to focus on transitioning customers to packaging that is better suited to a circular economy, with revenue from packaging made from alternative materials accounting for 53% of the Group's total packaging sales. The proportion of total Group revenue attributable to non-packaging products or packaging made from alternative materials remained high at 83%, with the Group continuing to have very limited exposure to single-use plastic consumables where some volume reduction is possible. Our strength in sourcing innovative products, including from within our own brand portfolio, as well as our expert advice, data tools and supply chain investments, are increasingly competitive advantages for Bunzl.

Over the year we completed an exercise to calculate our Scope 3 emissions in detail for the first time, allowing Bunzl to set a new target for carbon reduction in its supply chain. This, along with our Scope 1 and 2 emissions reduction targets, were approved by the Science Based Targets initiative ('SBTi'). We continue to aim to be net zero by 2050 at the latest, inclusive of Scope 3 emissions. Since 2019 we have reduced our absolute carbon emissions (Scope 1 and 2) by 15% and are on track to reach our target of a 27.5% reduction by 2030.

The Group completed 930 ethical and quality audits through our Shanghai based Global Supply Chain Solutions team, which is responsible for auditing our suppliers. These audits largely occurred in Asia, the most significant high risk sourcing market for Bunzl by spend, but have expanded to include other high-risk regions. In total, c.96% of our purchasing spend today is either in low risk regions, with assessed or compliant suppliers in high risk regions, or on other non-product related costs.

Our people strategy also continues to drive strong engagement, as indicated by our latest employee engagement scores, with encouraging retention levels across the Group in a climate of much tighter labour markets in many parts of the world. Furthermore, we have made pleasing progress on our diversity plans. With our support of communities inherent to our locally driven business model, across our Group, businesses have been donating essential products to help with the relief efforts in Ukraine and its neighbouring countries, and are coordinating product donations after the recent earthquakes in Turkey and Syria. In total the Group has donated £250,000 to Disasters Emergency Committee Appeals, through the British Red Cross, to support the aid needed across both catastrophes.

Prospects

While we see continued uncertainty relating to the macroeconomic environment, our 2023 guidance remains unchanged from that published in our pre-close statement on 21 December 2022. At constant exchange rates the Group expects revenue in 2023 to be slightly higher than in 2022, driven by both organic growth and announced acquisitions, and partially offset by a small impact from the UK healthcare disposal. We expect Group adjusted operating profit in 2023 to be resilient, with operating margin slightly higher than historical levels. Adjusted earnings per share is expected to be moderately lower year-on-year due to higher interest rates and an increased effective tax rate.

The Group's longer term prospects remain attractive, with the Group committed to its proven and consistent strategy which supports Bunzl's continued track record of value creation. Organic growth, which is driven by activity in our markets, is further supported by new business opportunities, continual product innovation, and the Group's daily focus on becoming more efficient. Our acquisition growth is driven by our position as the leading operator of scale in highly fragmented markets, with a strong balance sheet and demonstrable track record of our ability to consolidate. We have an active pipeline of acquisition opportunities in our existing markets, supplemented by potential acquisitions in new geographies and adjacent sectors. Our capital allocation and portfolio optimisation discipline ensures we are investing to drive a good return. We believe the merits of businesses joining Bunzl have only been further evidenced as a result of the pandemic and supply chain disruptions, and this is reflected in our recent acquisition success and the conversations we are having with a number of acquisition targets.

BUSINESS AREA REVIEW

North America

	2022 £m	**2021 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**7,366.0**	**6,144.7**	8.1%	6.1%
Adjusted operating profit*	**511.5**	**401.3**	15.0%	
Operating margin*	**6.9%**	**6.5%**		

* Alternative performance measure (see Note 2)

In North America, revenue increased 8.1% to £7,366.0 million, with underlying growth contributing 6.1%. Substantial product cost inflation in the base business, particularly in grocery, foodservice and retail, was further supported by the positive impact of acquisitions, although a decline in Covid-19 related sales was a headwind. Adjusted operating profit was £511.5 million with an operating margin of 6.9%, up from 6.5% in 2021, driven by improved margins in our grocery and foodservice segments, supported by inflation, as well as the impact of acquisitions. While cost inflation was high over the period, driven by fuel and freight costs, the year-on-year impact on wages moderated over the year, with year-on-year wage inflation exiting closer to more typical historical levels of inflation. Overall, the impact of operating cost inflation in 2022 was more than offset by revenue and margin growth attributable to product cost inflation. Despite supply chain disruption over the period, the resilience of Bunzl's teams and network, as well as its global sourcing expertise, provided customers strong service levels across a broad product assortment, enhanced by several new own brand product categories.

Our largest business, in the US grocery sector, saw continued strong revenue growth from significant product cost inflation and steady demand. Sales relating to salad and hot food bars that largely shut down during the pandemic and have since gradually reopened, remain below pre-pandemic levels. Our convenience store sector business enjoyed strong growth, as travel and related store traffic improved.

Despite the impact of Covid-19 related sales decline our foodservice redistribution business also delivered strong growth, driven by significant inflation in foodservice packaging categories as well as a more consistently open in-person dining environment and continued demand for takeaway packaging. Our food processor and agricultural sectors also experienced continued strong growth, driven by consistent consumer demand, product cost inflation and acquisition benefit. Our processor business was awarded a contract for significant new volume with a national food processing customer, Tyson Foods, which will onboard in the first half of 2023.

Our cleaning & hygiene redistribution business benefited from strong net product cost inflation, partially offsetting declines in Covid-19 related categories as well as the ongoing impact of remote working.

Our retail supplies business was impacted by actions taken to focus on more profitable business, but this was offset by certain new business wins and the benefit of product cost inflation. Online ordering growth moderated, but we continue to benefit from packaging related to store level fulfilment of online orders.

Our safety business grew strongly, with the favourable impact of acquisitions more than offsetting the decline in Covid-19 related sales. Base business growth was modest as certain end markets remain slow to return to pre-pandemic levels, in part driven by supply chain and labour capacity issues, although these are easing.

Lastly, our business in Canada saw very good growth, benefiting from significant product cost inflation in the grocery and industrial segments, which more than offset the impact of the decline in Covid-19 related sales in safety. Our cleaning & hygiene business recovered modestly, despite the ongoing impact of remote working.

Continental Europe

	2022 £m	**2021 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**2,173.4**	**1,972.9**	13.2%	7.9%
Adjusted operating profit*	**195.1**	**191.8**	5.6%	
Operating margin*	**9.0%**	**9.7%**		

* Alternative performance measure (see Note 2)

Revenue in Continental Europe grew by 13.2% to £2,173.4 million, due to the benefit of strong product cost inflation, a recovery in the foodservice and retail sectors, and the benefit of acquisitions. Within underlying growth, base business growth was partially offset by the expected reduction in Covid-19 related sales. Hyperinflation in Turkey was a further support to overall revenue growth, although underlying revenue growth of 7.9% is adjusted to exclude growth delivered in excess of 26% per annum in Turkey. Adjusted operating profit increased by 5.6% to £195.1m with operating margin decreasing from 9.7% to 9.0% driven by the introduction of hyperinflation accounting in 2022 to our Turkish businesses, as well as the decline in Covid-19 related sales.

In France, revenue grew moderately in our cleaning & hygiene businesses as the recovery by foodservice customers within this sector and inflation offset a reduction in Covid-19 related sales. We also saw some improvement in office-based activity later in the year. Our safety business saw a significant reduction in sales of Covid-19 related products and was impacted by supply chain disruptions in the first half of 2022. However, our foodservice businesses have seen significantly higher sales following the reduction in Covid-19 related restrictions compared to 2021, and were supported by inflation.

In the Netherlands, there was very strong growth in our foodservice and non-food retail businesses, driven by inflation and a number of new business wins, despite the decline in Covid-19 related sales, with the non-food retail business successfully relocating to a larger facility in the first half that will enable further growth. Good growth continued in the grocery and e-commerce fulfilment sectors and our healthcare business grew with inflation which was partially offset by reduced volumes of Covid-19 related products. In our safety business, sales of Covid-19 related items were significantly lower and supply chain disruptions also impacted sales in the first half of the year. In Belgium, our cleaning & hygiene businesses have grown strongly with catering and contract cleaning customers benefiting from fewer Covid-19 related restrictions throughout the year and some improvement in office-based activity toward the end of the year.

In Denmark, our foodservice business has grown strongly in the absence of Covid-19 lockdown restrictions. Revenues in our safety business have delivered good growth while our grocery business was broadly stable given the impact of lower Covid-19 related sales.

Sales grew strongly in Spain, driven by foodservice recovery as well as strong growth in the industrial and disposable packaging business. Our safety redistribution businesses were impacted by the reduction of Covid-19 related sales, in addition to reduced inventory availability given extended lead times on imported products, although this issue eased a little in the second half.

In Turkey, high inflation is driving increased revenue across most channels and our businesses have taken actions in the second half of the year to limit the impact of the hyperinflationary environment as we move into 2023.

In all other countries we have seen growth driven by the recovery in foodservice and inflation be partially offset by lower Covid-19 related sales. Over the period we also significantly increased the number of digital orders from customers, supporting improved customer retention and enhancing the efficiency of our business.

UK & Ireland

	2022 £m	**2021 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**1,442.5**	**1,254.2**	15.0%	12.2%
Adjusted operating profit*	**95.3**	**67.0**	42.0%	
Operating margin*	**6.6%**	**5.3%**		

* Alternative performance measure (see Note 2)

In UK & Ireland, revenue increased by 15.0% to £1,442.5 million, with underlying growth of 12.2% driven by strong product cost inflation, alongside continued recovery in certain markets, most notably foodservice, as well as the benefit of acquisitions. Across our office related businesses, we saw an improvement in footfall towards the end of the year, although this continues to remain below 2019 levels. Due to the strength of base business recovery, despite the decline in higher margin Covid-19 related sales over the period, operating margin increased from 5.3% to 6.6%. Adjusted operating profit increased to £95.3 million, up 42.0% year-on-year. The UK healthcare business, which generated £216 million of revenue in 2021, was disposed of in December 2022, resulting in minimal impact on 2022 reported results due to the timing of the sale.

In our cleaning & hygiene businesses, which include businesses servicing care homes, we saw strong revenue growth throughout the year. Our product range continued to develop, offering more sustainable solutions to our customers including the launch of a new award-winning Eco Cleaning range of chemicals.

Our safety businesses were impacted by a lack of major infrastructure investment during 2022, with construction and manufacturing industry customers also impacted by a shortage of raw materials and labour availability particularly earlier in the year. Despite this challenging backdrop, our businesses continued to secure new customers and develop more sustainable product ranges throughout the year.

Our retail businesses witnessed good growth over the year, supported by high levels of product cost inflation. Online packaging sales weakened throughout 2022 as more shoppers returned to 'bricks and mortar' traditional shopping methods which aided our luxury packaging supplies businesses. Our grocery business saw good growth, benefiting from inflation and expanded product ranges supplied to some of our larger grocery customers.

Our foodservice businesses saw very strong growth, driven by both volume recovery as well as inflation. Office catering remains well below pre-pandemic levels given work from home trends, although the return of leisure and sporting activity and consumer desire to return to dining out helped bolster sales, which, supported by inflation, finished close to 2019 levels. We secured new customers, launched a new webshop, and continued to roll out both sustainable products and services throughout the year.

Our businesses in Ireland performed well during 2022. Further improvements have been made during the year to both our digital and sustainability offerings. We continue to improve our operating model with the introduction of new stock management software and new transport management software in some businesses.

Rest of the World

	2022 £m	**2021 £m**	Growth at constant exchange*	Underlying growth*
Revenue	**1,057.6**	**913.3**	8.5%	0.6%
Adjusted operating profit*	**111.7**	**116.5**	(10.6)%	
Operating margin*	**10.6%**	**12.8%**		

* Alternative performance measure (see Note 2)

In Rest of the World, revenue increased 8.5% to £1,057.6 million, driven by acquisitions, with underlying revenue growth of 0.6% as a result of strong revenue growth in Asia Pacific being offset by a decline in Latin America caused by a strong reduction in Covid-19 related sales. Asia Pacific continued to benefit from Covid-19 related sales growth, driven by some larger orders. Adjusted operating profit declined by 10.6% to £111.7 million with operating margin decreasing from 12.8% to 10.6%, due to the strong reduction in higher margin Covid-19 related sales in Latin America, despite very strong adjusted operating profit growth in Asia Pacific which was supported by acquisitions. However, operating margin remains well ahead of 2019 levels, with adjusted operating profit in 2022 double that achieved in 2019 at constant exchange rates, with this growth supported equally by growth in Asia Pacific and Latin America.

In Brazil, our safety and foodservice businesses were significantly impacted by a decline in Covid-19 related sales although we saw strong growth across other categories. Our healthcare businesses, which were impacted by lower sales of vaccine related products, saw a strong performance across the remaining portfolio as supply chains improved and demand for medical procedures increased.

In Chile, our safety businesses, which sold limited Covid-19 related products in the prior year, saw good sales growth as a result of new product launches, product cost inflation and a weakening currency. Our catering supplies business also saw very strong, inflation-driven sales growth.

Our largest business in Asia Pacific continued to perform well, benefiting from its position in the more resilient healthcare and cleaning & hygiene sectors. The business did, however, see a downturn in the aged care sector due to a release of surplus Covid-19 related inventory to our customers by the government.

Our Australian specialty healthcare business continued with another strong year, benefiting from improved supply chain performance from its major suppliers and the return to more traditional trading as pathology patients resumed normal testing protocols.

Our Australian safety business continued to see good momentum in its underlying business and was supported by Covid-19 Rapid Antigen Testing opportunities into government and industry customers in the first half. The underlying business benefited as its supply chain improved, and from continued strong performance of some of its traditional customers in the resource industry. Our emergency services business, FRSA, finished the year strongly and saw the business returning to a more traditional sales mix with the government redirecting spend into fire and emergency services budgets.

In New Zealand, our MedTech healthcare business experienced an extended slowdown, with hospitals initially delaying elective surgeries to allow beds for potential Covid-19 outbreaks and then subsequently impacted by a shortage of clinical staff. This was compounded by delays from its traditional labour pool due to immigration restrictions, impacting waiting lists within the healthcare system.

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 2.

Currency translation

Currency translation has had a positive impact on the Group's reported results, increasing revenue, profits and earnings by between 6% and 7%. 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, Australian dollar, Canadian dollar and Brazilian real, partly offset by the strengthening of sterling against the Euro.

Average exchange rates	**2022**	2021
US$	**1.24**	1.38
Euro	**1.17**	1.16
Canadian$	**1.61**	1.72
Brazilian real	**6.38**	7.42
Australian$	**1.78**	1.83

Closing exchange rates	**2022**	2021
US$	**1.20**	1.35
Euro	**1.13**	1.19
Canadian$	**1.63**	1.71
Brazilian real	**6.35**	7.54
Australian$	**1.77**	1.86

Revenue

Revenue increased to £12,039.5 million (2021: £10,285.1 million), an increase of 9.8% at constant exchange rates and 17.1% at actual exchange rates, due to underlying growth of 6.6%, from very strong growth in the base business driven by product cost inflation, which was partly offset by the expected reduction in sales of the top Covid-19 related products. Acquisitions net of disposals added 3.0% and excess growth in hyperinflationary economies added 0.2%.

Movement in revenue	**£m**
2021 revenue	10,285.1
Currency translation	676.0
Excess growth in hyperinflationary economies	20.9
Underlying revenue growth	723.6
Acquisitions net of disposals	333.9
2022 revenue	**12,039.5**

Operating profit

Adjusted operating profit was £885.9 million (2021: £752.8 million), an increase of 11.1% at constant exchange rates and 17.7% at actual exchange rates, including an £8.0 million adverse impact from hyperinflation accounting adjustments. At both constant and actual exchange rates operating margin increased to 7.4% from 7.3% in 2021. This improvement in operating margin reflects a positive impact from inflation and acquisitions partially offset by the reduction in profits relating to Covid-19 related products, a recovery in typically lower margin sectors within our base business and the impact of hyperinflation accounting.

During 2022, the Group has seen a net utilisation of approximately £5 million in trade receivables and slow moving inventory provisions, with usage of these provisions exceeding net charges to increase the provisions. In addition, the Group has seen some utilisation of the additional provisions set up in the prior year as a result of market price movements on certain Covid-19 products.

Movement in adjusted operating profit	£m
2021 adjusted operating profit	752.8
Currency translation	44.8
Hyperinflation accounting adjustments	(8.0)
2022 growth◊	96.3
2022 adjusted operating profit	**885.9**

◊Excluding hyperinflation accounting adjustments

Operating profit was £701.6 million (2021: £623.3 million), an increase of 6.0% at constant exchange rates and 12.6% at actual exchange rates. Operating profit in the year is after a £22.8 million adverse impact from hyperinflation accounting adjustments and impairment. This comprises a £9.8 million adverse impact from hyperinflation accounting adjustments, including an £8.0 million charge to adjusted operating profit and a £1.8 million charge to customer relationships amortisation, and also a £13.0 million impairment charge relating to the customer relationships assets of the Group's businesses in Turkey.

Movement in operating profit	£m
2021 operating profit	623.3
Currency translation	38.6
Hyperinflation accounting adjustments and impairment	(22.8)
Growth in adjusted operating profit◊	96.3
Increase in customer relationships, brands and technology amortisation and acquisition related items*	(33.8)
2022 operating profit	**701.6**

*Excluding hyperinflation accounting adjustments and impairment charges

Customer relationships, brands and technology amortisation and acquisition related items 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.

Net finance expense

The net finance expense for the year was £67.9 million, an increase of £10.3 million at constant exchange rates (up £13.3 million at actual exchange rates), mainly due to a net monetary loss from hyperinflation accounting of £10.7 million, with the impact of higher interest rates and higher average debt offset by fair value gains on interest rate derivatives.

Profit before income tax

Adjusted profit before income tax was £818.0 million (2021: £698.2 million), up 10.5% at constant exchange rates (up 17.2% at actual exchange rates), due to the growth in adjusted operating profit partly offset by the increase in net finance expense. Profit before income tax was £634.6 million (2021: £568.7 million), an increase of 5.0% at constant exchange rates (up 11.6% at actual exchange rates).

Taxation

The Group's tax strategy is to comply with tax laws in all countries in which it operates and to balance its responsibilities for controlling the tax costs with its responsibilities to pay the appropriate level of tax where it does business. No companies are established in tax havens or other countries for tax purposes where the Group does not have an operational presence and the Group's de-centralised operational structure means that the level of intragroup trading transactions is very low. The Group does not use intragroup transfer prices to shift profit into low tax jurisdictions. The Group's tax strategy has been approved by the Board and tax risks are 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 24.6% (2021: 22.3%) and the reported tax rate on statutory profit was 25.2% (2021: 22.1%). The effective and reported tax rates for 2022 are higher than for 2021 as expected due to a lower benefit from removing prior year exposures. The Group's effective tax rate is expected to increase to be between 25.0% and 25.5% in 2023 due to the rise in the UK corporation tax rate from 19% to 25% from April 2023.

The Group no longer identifies an increase in taxation as a principal risk for the Group, although the future tax rate could still be affected by legislative changes or the resolution of prior year tax matters.

The Group is monitoring the progress of draft legislation for a global minimum tax rate, as proposed by the OECD, to be set at 15% and expected to take effect from 2024. Profits generated in countries with a tax rate below this level are likely to be an insignificant proportion of the Group's profit as a whole, and the Group does not benefit to any significant extent from any tax incentives. Further analysis of the potential impact on the Group's effective tax rate will be carried out during 2023, when the rules are expected to be finalised and enacted.

Earnings per share

Profit after tax increased to £474.4 million (2021: £442.8 million), up 0.8% and an increase of £3.8 million at constant exchange rates (up 7.1% at actual exchange rates), due to a £30.3 million increase in profit before income tax, partly offset by a £26.5 million increase in the tax charge at constant exchange rates. Profit after tax for the year bears a £21.2 million adverse impact from hyperinflation accounting adjustments, and also a hyperinflation accounting related impairment charge of £13.0 million to the customer relationships assets in the Group's businesses in Turkey partly offset by a tax credit of £2.5 million related to the impairment charge.

Adjusted profit after tax was £616.8 million (2021: £542.5 million), up 7.3% and an increase of £41.8 million at constant exchange rates (up 13.7% at actual exchange rates), due to a £78.0 million increase in adjusted profit before income tax, partly offset by a £36.2 million increase in the tax on adjusted profit before income tax at constant exchange rates. Adjusted profit before income tax for the year bears a £19.4 million adverse impact from hyperinflation accounting adjustments, comprising an £18.7 million adverse impact to adjusted profit before tax and a £0.7 million increase in the tax charge.

The weighted average number of shares in issue increased to 334.7 million from 333.8 million in 2021 due to employee share option exercises partly offset by share purchases into the employee benefit trust.

Basic earnings per share were 141.7p (2021: 132.7p), up 0.5% at constant exchange rates (up 6.8% at actual exchange rates). Adjusted earnings per share were 184.3p (2021: 162.5p), an increase of 7.0% at constant exchange rates (up 13.4% at actual exchange rates).

Movement in basic earnings per share	**Pence**
2021 basic earnings per share	132.7
Currency translation	8.3
Increase in adjusted profit before income tax excluding hyperinflation accounting adjustments	22.5
Increase in adjusting items*	(7.5)
Hyperinflation accounting adjustments and impairment	(9.5)
Increase in reported tax rate	(4.4)
Increase in weighted average number of shares	(0.4)
2022 basic earnings per share	**141.7**

*Excluding hyperinflation accounting adjustments and impairment charges

Movement in adjusted earnings per share	Pence
2021 adjusted earnings per share	162.5
Currency translation	9.8
Increase in adjusted profit before income tax excluding hyperinflation accounting adjustments	22.5
Hyperinflation accounting adjustments	(5.9)
Increase in effective tax rate	(4.1)
Increase in weighted average number of shares	(0.5)
2022 adjusted earnings per share	**184.3**

Dividends

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

	2022	2021	Growth
Interim dividend (p)	**17.3**	16.2	6.8%
Final dividend (p)	**45.4**	40.8	11.3%
Total dividend (p)	**62.7**	57.0	10.0%
Dividend cover (times)	**2.9**	2.9	

The Company's practice in recent years has been to pay a progressive dividend, delivering year-on-year increases with the dividend usually growing at a similar rate to the growth in adjusted earnings per share. The Board is proposing a 2022 final dividend of 45.4p, an increase of 11.3% on the amount paid in relation to the 2021 final dividend. The 2022 total dividend of 62.7p is 10.0% higher than the 2021 total dividend.

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 2022, Bunzl has sustained 30 years of consecutive annual dividend growth to shareholders.

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 18 (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 2022 Bunzl plc had sufficient distributable reserves to cover more than seven years of dividends at the levels of those delivered in 2022, which is expected to be approximately £210 million.

Acquisitions

The Group completed 11 acquisitions during the year ended 31 December 2022 with a total committed spend of £319.3 million. Including the acquisition of GRC, which was agreed in 2022 but completed on 1 January 2023, total committed spend on acquisitions agreed and completed during the year was £322.2 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed and agreed during the year were £299 million and £29 million respectively.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	128.6
Goodwill	106.6
Consideration	235.2
Satisfied by:	
cash consideration	180.6
deferred consideration	54.6
	235.2
Contingent payments relating to retention of former owners	66.4
Net overdrafts acquired	6.8
Transaction costs and expenses	10.9
Total committed spend in respect of acquisitions completed in the current year	**319.3**
Spend on acquisition committed but not completed at year end	2.9
Total committed spend in respect of acquisitions agreed in the current year	**322.2**

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

	£m
Cash consideration	180.6
Net overdrafts acquired	6.8
Deferred consideration payments	56.2
Net cash outflow in respect of acquisitions	243.6
Acquisition related items*	20.6
Total cash outflow in respect of acquisitions	**264.2**

* Acquisition related items comprise £11.0 million of transaction costs and expenses paid and £9.6 million of payments relating to retention of former owners.

Disposal

The Group completed the disposal of its UK Healthcare division on 19 December 2022. As a result, the net assets of the Group increased by £0.9 million, representing the profit on disposal of £0.9 million, with a net cash inflow of £49.9 million.

Cash flow

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

	2022 £m	2021 £m
Cash generated from operations†	**1,145.8**	930.5
Payment of lease liabilities	**(175.1)**	(158.9)
Net capital expenditure	**(45.7)**	(30.0)
Operating cash flow†	**925.0**	741.6
Net interest excluding interest on lease liabilities	**(45.7)**	(34.8)
Income tax paid	**(173.6)**	(181.4)
Free cash flow	**705.7**	525.4
Dividends paid	**(190.5)**	(180.4)
Net (payments)/receipts relating to employee share schemes	**(31.9)**	19.5
Net cash inflow before acquisitions and disposals	**483.3**	364.5
Acquisitions◊	**(264.2)**	(452.7)
Disposals	**49.9**	-
Net cash inflow/(outflow)	**269.0**	(88.2)

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

The Group's free cash flow of £705.7 million was £180.3 million higher than in 2021, primarily due to the increase in operating cash flow of £183.4 million and a lower cash outflow relating to tax, partly offset by an increase in net interest paid excluding interest on lease liabilities. The Group's free cash flow was used to finance an acquisition cash outflow of £264.2 million (2021: £452.7 million), dividend payments of £190.5 million in respect of 2021 (2021: £180.4 million in respect of 2020) and net payments of £31.9 million (2021: net receipts of £19.5 million) relating to employee share schemes. Cash conversion (being the ratio of operating cash flow as a percentage of lease adjusted operating profit) was 107% (2021: 102%).

	2022 £m	2021 £m
Operating cash flow	**925.0**	741.6
Adjusted operating profit	**885.9**	752.8
Add back depreciation of right-of-use assets	**151.1**	134.8
Deduct payment of lease liabilities	**(175.1)**	(158.9)
Lease adjusted operating profit	**861.9**	728.7
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**107%**	102%

Net debt

Net debt excluding lease liabilities decreased by £177.3 million during the year to £1,160.1 million (2021: £1,337.4 million), due to a net cash inflow of £269.0 million and a non-cash decrease in debt of £8.2 million partly offset by a £99.9 million increase due to currency translation. Net debt including lease liabilities was £1,730.0 million (2021: £1,826.1 million).

Net debt to EBITDA calculated at average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants, was 1.2 times (2021: 1.6 times) and would have been 1.3 times excluding the benefit from the disposal of the UK healthcare division. Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.5 times (2021: 1.9 times).

Balance sheet

Summary balance sheet at 31 December:

	2022 £m	2021 £m
Intangible assets	**3,093.9**	2,766.8
Right-of-use-assets	**529.6**	448.3
Property, plant and equipment	**137.2**	120.9
Working capital	**1,096.6**	1,027.6
Deferred consideration	**(139.9)**	(107.8)
Other net liabilities	**(306.4)**	(257.0)
	4,411.0	3,998.8
Net pension surplus	**39.9**	31.2
Net debt excluding lease liabilities	**(1,160.1)**	(1,337.4)
Lease liabilities	**(569.9)**	(488.7)
Equity	**2,720.9**	2,203.9
Return on average operating capital	**43.0%**	43.3%
Return on invested capital	**15.0%**	15.1%

Return on average operating capital decreased slightly to 43.0% from 43.3% in 2021, driven by an adverse impact from currency translation. Return on invested capital of 15.0% was slightly down from 15.1% in 2021 with an adverse impact from currency translation and acquisitions partly offset by higher returns in the underlying business.

Intangible assets increased by £327.1 million to £3,093.9 million due to intangible assets arising on acquisitions in the year of £235.7 million, an increase from currency translation of £220.3 million, a net increase from hyperinflation adjustments of £28.7 million and software additions of £12.0 million, partly offset by an amortisation charge of £137.2 million, a decrease from disposal of business of £19.4 million, and an impairment charge of £13.0 million relating to the customer relationships assets in the Group's Turkish businesses.

Right-of-use assets increased by £81.3 million to £529.6 million due to additional right-of-use assets from new leases during the year of £123.3 million, an increase from remeasurement adjustments of £56.6 million, an increase from currency translation of £32.7 million and an increase from acquisitions of £21.5 million, partly offset by a depreciation charge of £151.1 million and a decrease from disposal of business of £1.7 million.

Working capital increased from the prior year end by £69.0 million to £1,096.6 million mainly due to an increase from currency translation of £100.8 million, £41.0 million from acquisitions, and £2.6 million from hyperinflation adjustments in Turkey and Argentina, partly offset by an underlying decrease of £54.5 million as shown in the cash flow statement and a decrease from disposal of business of £27.5 million.

Deferred consideration increased by £32.1 million to £139.9 million due to charges relating to the retention of former owners and adjustments to previously estimated earn outs of £30.2 million, £54.6 million of deferred consideration recognised on current year acquisitions and an increase from currency translation of £8.2 million, partly offset by deferred consideration and retention payments of £60.9 million.

The Group's net pension surplus of £39.9 million at 31 December 2022 has increased by £8.7 million from the net pension surplus of £31.2 million at 31 December 2021, principally due to cash contributions of £9.2 million and an actuarial gain of £6.9 million partly offset by £4.8 million of current service costs. The actuarial gain principally arose from a decrease in pension liabilities due to an increase in discount rates partly offset by lower than expected returns on pension scheme assets.

Shareholders' equity increased by £517.0 million during the year to £2,720.9 million.

Movement in shareholders' equity	**£m**
Shareholders' equity at 31 December 2021	2,203.9
Currency (net of tax)	193.7
Profit for the year	474.4
Dividends	(190.5)
Hyperinflation accounting adjustments	47.5
Actuarial gain on pension schemes (net of tax)	5.5
Share based payments (net of tax)	15.3
Employee share schemes (net of tax)	(28.9)
Shareholders' equity at 31 December 2022	**2,720.9**

Capital management

The Group's policy is to maintain a strong capital base 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 funding strategy is to maintain an investment grade credit rating and the Company's current credit rating with Standard & Poor's is BBB+. All 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 Board. Controls over exposure changes and transaction authenticity are in place.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the year ended 31 December 2022 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 USPPs issued in March 2022 contain a clause whereby upon maturity of the previously issued USPPs, the latest maturity being in 2028, the principal financial covenants referred to above will no longer apply. In addition, during August 2022, these principal financial covenants were removed from the Group's committed bank facilities.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and senior bonds. At 31 December 2022 the nominal value of US private placement notes outstanding was £1,126.4 million (2021: £834.7 million) with maturities ranging from 2023 to 2032. At 31 December 2022 the available committed bank facilities totalled £963.6 million (2021: £996.2 million) of which none (2021: £14.5 million) was drawn down, providing headroom of £963.6 million (2021: £981.7 million). During 2022, the Group issued $400m of US private placement notes which mature in three tranches in 2029, 2031 and 2032. During the year, £100 million of bank facilities were extended from 2025 to 2026 and the Group expects to extend additional bank maturities further during 2023. The Group expects to make repayments in 2023 of approximately £161 million relating to maturing US private placement notes.

Going concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. In reaching this conclusion, the directors noted the Group's strong cash performance in the year, the substantial funding available to the Group as described above and the resilience of the Group to a range of severe but plausible downside scenarios. Further details are set out in Note 1.

Consolidated income statement
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Revenue	3	**12,039.5**	10,285.1
Operating profit	3	**701.6**	623.3
Finance income	4	**22.3**	10.7
Finance expense	4	**(90.2)**	(65.3)
Disposal of business	9	**0.9**	-
Profit before income tax		**634.6**	568.7
Income tax	5	**(160.2)**	(125.9)
Profit for the year attributable to the Company's equity holders		**474.4**	442.8
Earnings per share attributable to the Company's equity holders			
Basic	7	**141.7p**	132.7p
Diluted	7	**140.7p**	131.8p
Dividend per share	6	**62.7p**	57.0p

Alternative performance measures†			
Operating profit	3	**701.6**	623.3
Adjusted for:			
Customer relationships, brands and technology amortisation	3	**128.4**	106.5
Acquisition related items	3	**55.9**	23.0
Adjusted operating profit		**885.9**	752.8
Finance income	4	**22.3**	10.7
Finance expense	4	**(90.2)**	(65.3)
Adjusted profit before income tax		**818.0**	698.2
Tax on adjusted profit	5	**(201.2)**	(155.7)
Adjusted profit for the year		**616.8**	542.5
Adjusted earnings per share	7	**184.3p**	162.5p

† See Note 2 for further details of the alternative performance measures.

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	2022 **£m**	2021 £m
Profit for the year	**474.4**	442.8
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit pension schemes	**6.9**	74.1
Gain recognised in cash flow hedge reserve	**10.3**	4.4
Tax on items that will not be reclassified to profit or loss	**(4.0)**	(19.3)
Total items that will not be reclassified to profit or loss	**13.2**	59.2
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences on foreign operations	**232.9**	(89.8)
(Loss)/gain taken to equity as a result of effective net investment hedges	**(38.2)**	11.5
Tax on items that may be reclassified to profit or loss	**0.3**	-
Total items that may be reclassified subsequently to profit or loss	**195.0**	(78.3)
Other comprehensive income/(expense) for the year	**208.2**	(19.1)
Total comprehensive income attributable to the Company’s equity holders	**682.6**	423.7

Consolidated balance sheet
at 31 December 2022

	Notes	**2022 £m**	2021 £m
Assets			
Property, plant and equipment		**137.2**	120.9
Right-of-use assets	10	**529.6**	448.3
Intangible assets	11	**3,093.9**	2,766.8
Defined benefit pension assets		**60.5**	63.6
Derivative financial assets		**-**	6.9
Deferred tax assets		**4.0**	2.8
Total non-current assets		**3,825.2**	3,409.3
Inventories		**1,748.6**	1,474.0
Trade and other receivables		**1,557.4**	1,431.0
Income tax receivable		**12.6**	8.0
Derivative financial assets		**19.0**	14.9
Cash at bank and in hand	14	**1,504.0**	776.9
Total current assets		**4,841.6**	3,704.8
Total assets		**8,666.8**	7,114.1
Equity			
Share capital		**108.5**	108.4
Share premium		**199.4**	194.2
Translation reserve		**(74.2)**	(269.2)
Other reserves		**17.7**	19.0
Retained earnings		**2,469.5**	2,151.5
Total equity attributable to the Company's equity holders		**2,720.9**	2,203.9
Liabilities			
Interest bearing loans and borrowings	14	**1,574.0**	1,433.7
Defined benefit pension liabilities		**20.6**	32.4
Other payables		**117.2**	72.9
Income tax payable		**1.1**	1.5
Provisions		**50.5**	56.3
Lease liabilities	13	**424.0**	359.6
Derivative financial liabilities		**100.5**	27.9
Deferred tax liabilities		**192.7**	151.0
Total non-current liabilities		**2,480.6**	2,135.3
Bank overdrafts	14	**825.9**	551.6
Interest bearing loans and borrowings	14	**161.0**	111.9
Trade and other payables		**2,249.4**	1,921.3
Income tax payable		**40.6**	42.1
Provisions		**24.2**	8.5
Lease liabilities	13	**145.9**	129.1
Derivative financial liabilities		**18.3**	10.4
Total current liabilities		**3,465.3**	2,774.9
Total liabilities		**5,945.9**	4,910.2
Total equity and liabilities		**8,666.8**	7,114.1

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 31 December 2021	**108.4**	**194.2**	**(269.2)**	**19.0**	**2,151.5**	**2,203.9**
Adjustment to 2021 closing equity in respect of hyperinflation in Turkey[1]					**12.6**	**12.6**
Restated equity at 1 January 2022	**108.4**	**194.2**	**(269.2)**	**19.0**	**2,164.1**	**2,216.5**
Profit for the year					**474.4**	**474.4**
Actuarial gain on defined benefit pension schemes					**6.9**	**6.9**
Foreign currency translation differences on foreign operations			**232.9**			**232.9**
Loss taken to equity as a result of effective net investment hedges			**(38.2)**			**(38.2)**
Gain recognised in cash flow hedge reserve				**10.3**		**10.3**
Income tax charge on other comprehensive income			**0.3**	**(2.6)**	**(1.4)**	**(3.7)**
Total comprehensive income			**195.0**	**7.7**	**479.9**	**682.6**
2021 interim dividend					**(54.3)**	**(54.3)**
2021 final dividend					**(136.2)**	**(136.2)**
Movement from cash flow hedge reserve to inventory				**(9.0)**		**(9.0)**
Hyperinflation accounting adjustments[1]					**34.9**	**34.9**
Issue of share capital	**0.1**	**5.2**				**5.3**
Employee trust shares					**(34.2)**	**(34.2)**
Share based payments					**15.3**	**15.3**
At 31 December 2022	**108.5**	**199.4**	**(74.2)**	**17.7**	**2,469.5**	**2,720.9**

[1]During the year to 31 December 2022, IAS 29 'Financial Reporting in Hyperinflationary Economies' became applicable for entities with a functional currency of the Turkish Lira. Following this, the results of the Group's businesses in Turkey, along with its business in Argentina which has been subject to hyperinflation accounting since 2018, have been adjusted for the effects of inflation in accordance with IAS 29. See Note 1 for further details.

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2021	108.3	187.7	(190.9)	14.3	1,799.7	1,919.1
Profit for the year					442.8	442.8
Actuarial gain on defined benefit pension schemes					74.1	74.1
Foreign currency translation differences on foreign operations			(89.8)			(89.8)
Gain taken to equity as a result of effective net investment hedges			11.5			11.5
Gain recognised in cash flow hedge reserve				4.4		4.4
Income tax charge on other comprehensive expense			-	(0.8)	(18.5)	(19.3)
Total comprehensive income			(78.3)	3.6	498.4	423.7
2020 interim dividend					(52.8)	(52.8)
2020 final dividend					(127.6)	(127.6)
Movement from cash flow hedge reserve to inventory				1.1		1.1
Issue of share capital	0.1	6.5				6.6
Employee trust shares					15.5	15.5
Share based payments					18.3	18.3
At 31 December 2021	108.4	194.2	(269.2)	19.0	2,151.5	2,203.9

◊ Other reserves comprise merger reserve of £2.5m (2021: £2.5m), capital redemption reserve of £16.1m (2021: £16.1m) and a negative cash flow hedge reserve of £0.9m (2021: positive £0.4m).

† Retained earnings comprise earnings of £2,532.9m (2021: £2,204.4m), offset by own shares of £63.4m (2021: £52.9m).

Consolidated cash flow statement
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Cash flow from operating activities			
Profit before income tax		**634.6**	568.7
Adjusted for:			
net finance expense	4	**67.9**	54.6
customer relationships, brands and technology amortisation		**128.4**	106.5
acquisition related items	3	**55.9**	23.0
disposal of business	9	**(0.9)**	-
Adjusted operating profit		**885.9**	752.8
Adjustments:			
depreciation and software amortisation	16	**189.5**	171.2
other non-cash items	16	**15.9**	4.4
working capital movement	16	**54.5**	2.1
Cash generated from operations before acquisition related items		**1,145.8**	930.5
Cash outflow from acquisition related items	8	**(20.6)**	(16.0)
Income tax paid		**(173.6)**	(181.4)
Cash inflow from operating activities		**951.6**	733.1
Cash flow from investing activities			
Interest received		**16.2**	8.7
Purchase of property, plant and equipment and software		**(46.7)**	(32.7)
Sale of property, plant and equipment		**1.0**	2.7
Purchase of businesses	8	**(243.6)**	(436.7)
Disposal of business	9	**49.9**	-
Cash outflow from investing activities		**(223.2)**	(458.0)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(61.9)**	(43.5)
Dividends paid		**(190.5)**	(180.4)
Increase in borrowings		**346.4**	14.5
Repayment of borrowings		**(131.8)**	(134.9)
Realised (losses)/gains on foreign exchange contracts		**(86.2)**	25.0
Payment of lease liabilities – principal	13	**(153.1)**	(138.6)
Payment of lease liabilities – interest	13	**(22.0)**	(20.3)
Proceeds from issue of ordinary shares to settle share options		**5.3**	6.6
Proceeds from exercise of market purchase share options		**36.8**	47.1
Purchase of employee trust shares		**(74.0)**	(34.2)
Cash outflow from financing activities		**(331.0)**	(458.7)
Increase/(decrease) in cash and cash equivalents		**397.4**	(183.6)
Cash and cash equivalents at start of year		**225.3**	429.7
Increase/(decrease) in cash and cash equivalents		**397.4**	(183.6)
Currency translation		**55.4**	(20.8)
Cash and cash equivalents at end of year	14	**678.1**	225.3

Consolidated cash flow statement (continued)
for the year ended 31 December 2022

Alternative performance measures†	Notes	**2022 £m**	2021 £m
Cash generated from operations before acquisition related items		**1,145.8**	930.5
Purchase of property, plant and equipment and software		**(46.7)**	(32.7)
Sale of property, plant and equipment		**1.0**	2.7
Payment of lease liabilities	13	**(175.1)**	(158.9)
Operating cash flow		**925.0**	741.6
Adjusted operating profit		**885.9**	752.8
Add back depreciation of right-of-use assets	10	**151.1**	134.8
Deduct payment of lease liabilities	13	**(175.1)**	(158.9)
Lease adjusted operating profit		**861.9**	728.7
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**107%**	102%
Operating cash flow		**925.0**	741.6
Net interest excluding interest on lease liabilities		**(45.7)**	(34.8)
Income tax paid		**(173.6)**	(181.4)
Free cash flow		**705.7**	525.4

† See Note 2 for further details of the alternative performance measures.

Notes

1. Basis of preparation and accounting policies

a) Basis of accounting

The consolidated financial statements for the year ended 31 December 2022 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with UK-adopted International Accounting Standards ('IASs') in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements also comply fully with International Financial Reporting Standards ('IFRSs') 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.

Bunzl plc's 2022 Annual Report will be published in March 2023. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 December 2022 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 26 April 2023. 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 2021 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.

(i) Going Concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

In reaching this conclusion, the directors noted the Group's strong operating cash flow performance in the year and the substantial funding available to the Group as described in the Financial review. The directors also considered a range of different forecast scenarios for the 18 month period from the date of these financial statements to the end of June 2024 starting with a base case projection derived from the Group's 2023 Budget excluding any non-committed acquisition spend or changes in funding. The resilience of the Group to a range of severe but plausible downside scenarios was factored into the directors' considerations through two levels of stress testing against the base case projection.

These severe but plausible downside scenarios included the following assumptions:

- A 15% reduction in adjusted operating profit from the potential for adverse impacts from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 10% increase in working capital
- A 25% reduction in adjusted operating profit from a more severe impact from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 20% increase in working capital

In addition, the Group has carried out reverse stress tests against the base case to determine the level of performance that would result in a breach of financial covenants. In order for a breach of covenants to occur during the 18 month period to the end of June 2024 the Group would need to experience a reduction in EBITDA of over 55% compared to the base case.

In the first two stress tests it was found that the Group was resilient and in particular it remained in compliance with the relevant financial covenants. The conditions required to create the reverse stress test scenario were so severe that they were considered to be implausible. The directors are therefore satisfied that the Group's forecasts, which take into account reasonably possible changes in trading performance, show that there are no material uncertainties over going concern, including no anticipated breach of covenants, and therefore the going concern basis of preparation continues to be appropriate.

(ii) Impact of Hyperinflation on the financial statements at 31 December 2022

During the year to 31 December 2022 the three-year cumulative inflation in Turkey exceeded 100% and as a result, IAS 29 'Financial Reporting in Hyperinflationary Economies' became applicable for entities with a functional currency of the Turkish Lira.

The Group's financial statements include the results and financial position of its Turkish operations restated to the measuring unit current at the end of the year with hyperinflationary gains and losses in respect of monetary items being reported in finance expense. Comparative amounts presented in the financial statements have not been restated. In accordance with IAS 29, hyperinflationary accounting has been applied as if Turkey has always been a hyperinflationary economy, and as an accounting policy choice allowed under IAS 29, the differences between equity at 31 December 2021 as reported and the equity after the restatement of the non-monetary items to the measuring unit current at

1. Basis of preparation and accounting policies (continued)

31 December 2021 have been recognised directly in retained earnings, rather than in other comprehensive income. The inflation rate used by the Group is the official rate published by the Turkish Statistical Institute, TurkStat. The movement in the publicly available official price index for the year to 31 December 2022 was an increase of 64% (12 months to 31 December 2021: increase of 36%).

The impact of the continuing application of hyperinflationary accounting to the Group's business in Argentina was immaterial both in the current and comparative years.

IAS 29 requires that the income statement is adjusted for inflation in the year and translated at the year-end foreign exchange rates and that non-monetary assets and liabilities on the balance sheet are inflated to reflect the change in purchasing power caused by inflation from the date of initial recognition. For the year ended 31 December 2022, this resulted in an increase in goodwill of £16.4m and a net increase in other intangibles of £12.3m before impairment charges. The impacts on other non-monetary assets and liabilities were immaterial. The total impact to retained earnings during the year was a gain of £47.5m, comprising the adjustment to opening balances for our businesses in Turkey of £12.6m and the impact of inflation in the current year for our businesses in Turkey and Argentina of £34.9m. The total impact to the Consolidated income statement during the year was a charge of £21.2m to profit after tax from hyperinflation accounting adjustments, comprising an £18.7m adverse impact on adjusted profit before tax, increased customer relationships amortisation of £1.8m and an increased tax charge of £0.7m, and also a hyperinflation accounting related impairment charge of £13.0m to the customer relationships assets in the Group's businesses in Turkey partly offset by a tax credit of £2.5m related to the impairment charge.

When applying IAS 29 on an ongoing basis, comparatives in a stable currency are not restated with the translation effect presented within other comprehensive income during the year, and the effect of inflating opening balances to the measuring unit current at the end of the reporting period presented as a change in equity.

b) Newly adopted accounting policies

There are no 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 2023 and beyond to have a material impact on its consolidated results or financial position.

2. 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:

Underlying revenue growth	Revenue excluding the incremental impact of acquisitions and disposals compared to revenue in prior years at constant exchange, adjusted for differences in trading days between years and adjusted to exclude growth in excess of 26% per annum in hyperinflationary economies (reconciled in the Financial Review)
Adjusted operating profit	Operating profit before customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables 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, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables)
Adjusted profit for the year	Profit for the year before customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and the associated tax (reconciled in the following tables)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 5)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the following tables and in Note 7)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 7)

2. Alternative performance measures (continued)

Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Free cash flow	Operating cash flow after deducting payments for tax and net interest excluding interest on lease liabilities (as shown in the Consolidated cash flow statement)
Lease adjusted operating profit	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)
Cash conversion	Operating cash flow as a percentage of lease adjusted operating profit (as shown in the Consolidated cash flow statement)
Working capital	Inventories and trade and other receivables less trade and other payables, excluding non-operating related receivables, non-operating related payables (including those relating to acquisition payments) and dividends payable (reconciled in Note 12)
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, right-of-use assets, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships, brands and technology amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit on a 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
Net debt excluding lease liabilities	Net debt excluding the carrying value of lease liabilities (reconciled in Note 14)
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for prior years at the average rates for the year ended 31 December 2022 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2022 and 2021 can be found in the Financial review.

Cumulative inflation over 100% (26% per annum compounded) over three years is one of the key indicators within IAS 29 to assess whether an economy is deemed to be hyperinflationary. As a result, the definition of 'Underlying revenue growth' has been updated to exclude growth in hyperinflationary economies above 26% per annum at constant exchange rates. In addition, the list of adjusting items excluded from the profitability alternative performance measures has been amended to include amortisation of technology intangibles recognised on acquisition.

Except for the amendments noted above, there have been no new alternative performance measures during the year and all other alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2021.

The alternative performance measures listed above exclude the charge for customer relationships, brands and technology amortisation, acquisition related items, non-recurring pension scheme charges, 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, customer relationships asset impairment charges, goodwill impairment charges and interest on acquisition related income tax. Customer relationships, brands and technology 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 non-recurring pension scheme charges relate to non-recurring charges arising from the Group's participation in a number of defined benefit pension schemes. In the year ended 31 December 2022 and the year ended

2. Alternative performance measures (continued)

31 December 2021 there were no non-recurring pension scheme charges. Disposal of business relates to the profit on disposal of the Group's UK Healthcare division in the year ended 31 December 2022. 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. However it should be noted that they do exclude charges that nevertheless do impact the Group's cash flow and GAAP financial performance.

Reconciliation of alternative performance measures to IFRS 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:

Year ended 31 December 2022

		Adjusting items				
	Alternative performance measures £m	**Customer relationships, brands and technology amortisation £m**	**Acquisition related items £m**	**Disposal of business £m**	**Statutory measures £m**	
Adjusted operating profit	**885.9**	**(128.4)**	**(55.9)**		**701.6**	**Operating profit**
Finance income	**22.3**				**22.3**	Finance income
Finance expense	**(90.2)**				**(90.2)**	Finance expense
Disposal of business	**-**			**0.9**	**0.9**	Disposal of business
Adjusted profit before income tax	**818.0**	**(128.4)**	**(55.9)**	**0.9**	**634.6**	**Profit before income tax**
Tax on adjusted profit	**(201.2)**	**34.7**	**6.3**	**-**	**(160.2)**	Income tax
Adjusted profit for the year	**616.8**	**(93.7)**	**(49.6)**	**0.9**	**474.4**	**Profit for the year**
Adjusted earnings per share	**184.3p**	**(28.0)p**	**(14.8)p**	**0.2p**	**141.7p**	**Basic earnings per share**

Year ended 31 December 2021

		Adjusting items				
	Alternative performance measures £m	Customer relationships, brands and technology amortisation £m	Acquisition related items £m	Disposal of business £m	Statutory measures £m	
Adjusted operating profit	752.8	(106.5)	(23.0)		623.3	Operating profit
Finance income	10.7				10.7	Finance income
Finance expense	(65.3)				(65.3)	Finance expense
Disposal of business	-			-	-	Disposal of business
Adjusted profit before income tax	698.2	(106.5)	(23.0)	-	568.7	Profit before income tax
Tax on adjusted profit	(155.7)	27.3	2.5	-	(125.9)	Income tax
Adjusted profit for the year	542.5	(79.2)	(20.5)	-	442.8	Profit for the year
Adjusted earnings per share	162.5p	(23.7)p	(6.1)p	-	132.7p	Basic earnings per share

3. 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.

Year ended 31 December 2022

	North America £m	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**7,366.0**	**2,173.4**	**1,442.5**	**1,057.6**		**12,039.5**
Adjusted operating profit/(loss)	**511.5**	**195.1**	**95.3**	**111.7**	**(27.7)**	**885.9**
Customer relationships, brands and technology amortisation	**(57.3)**	**(40.6)**	**(11.0)**	**(19.5)**		**(128.4)**
Acquisition related items	**(15.8)**	**(27.5)**	**(7.4)**	**(5.2)**		**(55.9)**
Operating profit/(loss)	**438.4**	**127.0**	**76.9**	**87.0**	**(27.7)**	**701.6**
Finance income						**22.3**
Finance expense						**(90.2)**
Disposal of business						**0.9**
Profit before income tax						**634.6**
Adjusted profit before income tax						**818.0**
Income tax						**(160.2)**
Profit for the year						**474.4**
Operating margin	**6.9%**	**9.0%**	**6.6%**	**10.6%**		**7.4%**
Return on average operating capital	**45.4%**	**43.7%**	**52.2%**	**35.3%**		**43.0%**
Purchase of property, plant and equipment	**13.0**	**9.7**	**5.9**	**5.8**	**0.3**	**34.7**
Depreciation of property, plant and equipment	**11.3**	**9.1**	**4.8**	**4.3**	**0.1**	**29.6**
Additions to right-of-use assets	**65.8**	**15.3**	**18.9**	**23.3**	**-**	**123.3**
Depreciation of right-of-use assets	**74.7**	**33.6**	**23.8**	**18.4**	**0.6**	**151.1**
Purchase of software	**3.1**	**5.2**	**2.6**	**0.9**	**0.2**	**12.0**
Software amortisation	**3.7**	**2.2**	**1.6**	**1.1**	**0.2**	**8.8**

Year ended 31 December 2021

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	6,144.7	1,972.9	1,254.2	913.3		10,285.1
Adjusted operating profit/(loss)	401.3	191.8	67.0	116.5	(23.8)	752.8
Customer relationships, brands and technology amortisation	(44.5)	(36.4)	(9.1)	(16.5)		(106.5)
Acquisition related items	(7.6)	(8.2)	(3.1)	(4.1)		(23.0)
Operating profit/(loss)	349.2	147.2	54.8	95.9	(23.8)	623.3
Finance income						10.7
Finance expense						(65.3)
Profit before income tax						568.7
Adjusted profit before income tax						698.2
Income tax						(125.9)
Profit for the year						442.8
Operating margin	6.5%	9.7%	5.3%	12.8%		7.3%
Return on average operating capital	42.9%	47.3%	38.4%	48.9%		43.3%
Purchase of property, plant and equipment	7.7	8.1	4.3	4.6	0.1	24.8
Depreciation of property, plant and equipment	9.7	8.8	5.2	4.2	0.1	28.0
Additions to right-of-use assets	55.2	32.0	8.8	16.6	-	112.6
Depreciation of right-of-use assets	65.1	31.8	22.3	15.1	0.5	134.8
Purchase of software	2.8	2.9	1.6	0.6	-	7.9
Software amortisation	3.5	2.4	1.0	1.3	0.2	8.4

3. Segment analysis (continued)

Acquisition related items	2022 £m	2021 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**24.9**	15.0
Transaction costs and expenses	**10.9**	8.3
Adjustments to previously estimated earn outs	**7.1**	(0.3)
	42.9	23.0
Customer relationships impairment charges (Note 11)	**13.0**	-
	55.9	23.0

4. Finance income/(expense)

	2022 £m	2021 £m
Interest on cash and cash equivalents	**10.5**	3.5
Interest income from foreign exchange contracts	**9.2**	5.0
Net interest income on defined benefit pension schemes in surplus	**1.2**	0.1
Interest related to income tax	**-**	0.7
Other finance income	**1.4**	1.4
Finance income	**22.3**	10.7
Interest on loans and overdrafts	**(58.5)**	(40.7)
Lease interest expense	**(22.0)**	(20.3)
Interest expense from foreign exchange contracts	**(0.8)**	(1.5)
Net interest expense on defined benefit pension schemes in deficit	**(0.8)**	(0.8)
Fair value gain on US private placement notes and senior bond in a hedge relationship	**83.2**	33.3
Fair value loss on interest rate swaps in a hedge relationship	**(79.2)**	(33.1)
Foreign exchange gain/(loss) on intercompany funding	**126.7**	(25.3)
Foreign exchange (loss)/gain on external debt and foreign exchange forward contracts	**(126.7)**	25.2
Interest related to income tax	**(0.5)**	(0.5)
Monetary loss from hyperinflation accounting[1]	**(10.7)**	(0.2)
Other finance expense	**(0.9)**	(1.4)
Finance expense	**(90.2)**	(65.3)
Net finance expense	**(67.9)**	(54.6)

[1]See Note 1 for further details.

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

5. Income tax

The Group operates in many countries and is subject to different rates of income tax in those countries. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, most of which are higher than the UK statutory rate for the year of 19.0% (2021: 19.0%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2022 £m	2021 £m
Profit before income tax	**634.6**	568.7
Weighted average rate	**24.6%**	24.9%
Tax charge at weighted average rate	**156.1**	141.7
Effects of:		
non-deductible expenditure	**8.9**	2.4
impact of intercompany finance	**(2.0)**	(0.2)
change in tax rates	**0.4**	(0.7)
hyperinflation accounting adjustments	**4.7**	-
prior year adjustments	**(7.7)**	(16.4)
other current year items	**(0.2)**	(0.9)
Income tax on profit	**160.2**	125.9

5. Income tax (continued)

In assessing the underlying performance of the Group, management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 2) 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.

	2022 £m	2021 £m
Income tax on profit	**160.2**	125.9
Tax associated with adjusting items	**41.0**	29.8
Tax on adjusted profit	**201.2**	155.7
Profit before income tax	**634.6**	568.7
Adjusting items	**183.4**	129.5
Adjusted profit before income tax	**818.0**	698.2
Reported tax rate	**25.2%**	22.1%
Effective tax rate	**24.6%**	22.3%

6. Dividends

Total dividends for the years in which they are recognised are:

	2022 £m	2021 £m
2020 interim		52.8
2020 final		127.6
2021 interim	**54.3**	
2021 final	**136.2**	
Total	**190.5**	180.4

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

	Per share	
	2022	2021
Interim	**17.3p**	16.2p
Final	**45.4p**	40.8p
Total	**62.7p**	57.0p

The 2022 interim dividend of 17.3p per share was paid on 4 January 2023 and comprised £57.9m of cash. The 2022 final dividend of 45.4p per share will be paid on 4 July 2023 to shareholders on the register at the close of business on 19 May 2023. The 2022 final dividend will comprise approximately £152m of cash.

7. Earnings per share

	2022 £m	2021 £m
Profit for the year	**474.4**	442.8
Adjusted for:		
customer relationships, brands and technology amortisation	**128.4**	106.5
acquisition related items	**55.9**	23.0
profit on disposal of business	**(0.9)**	-
tax credit on adjusting items	**(41.0)**	(29.8)
Adjusted profit for the year	**616.8**	542.5

	2022	2021
Basic weighted average number of ordinary shares in issue (million)	**334.7**	333.8
Dilutive effect of employee share plans (million)	**2.5**	2.2
Diluted weighted average number of ordinary shares (million)	**337.2**	336.0
Basic earnings per share	**141.7p**	132.7p
Adjustment	**42.6p**	29.8p
Adjusted earnings per share	**184.3p**	162.5p
Diluted basic earnings per share	**140.7p**	131.8p
Adjustment	**42.2p**	29.7p
Adjusted diluted earnings per share	**182.9p**	161.5p

8. Acquisitions

2022

Summary details of the businesses acquired during the year ended 31 December 2022 are shown in the table below:

Business	**Sector**	**Country**	**Acquisition date 2022**	**Percentage of share capital acquired**	**Annualised revenue £m**
USL	Healthcare	New Zealand	31 May	90%	**56.0**
Hygi.de	Cleaning & Hygiene	Germany	11 July	75%	**94.3**
AFL Groep	Other	Netherlands	20 July	90%	**18.1**
LCHS	Cleaning & Hygiene	United Kingdom	29 July	100%	**5.4**
Containit	Safety	Australia	1 August	80%	**12.9**
Corsul Group	Safety	Brazil	2 September	100%	**42.3**
Enviropack	Foodservice	United Kingdom	13 October	85%	**6.9**
VM Footwear	Safety	Czech Republic	31 October	70%	**14.2**
PM Pack	Foodservice	Denmark	30 November	70%	**16.3**
Toomac	Healthcare	New Zealand	2 December	100%	**6.6**
Grupo R. Queralto	Healthcare	Spain	21 December	85%	**23.3**
Acquisitions completed in the current year					**296.3**
GRC	Healthcare	Australia	1 January 2023	100%	**2.7**
Acquisitions agreed in the current year					**299.0**

There were no individually significant acquisitions in 2022. In 2021 the acquisition of McCue Corporation was considered to be significant and is shown separately in the table below. A summary of the effect of acquisitions in 2022 and 2021 is shown below:

	2022	2021		
	Total £m	Total £m	McCue £m	Other £m
Customer relationships	**107.7**	234.8	107.1	127.7
Brands	**11.6**	11.8	8.6	3.2
Technology	**9.1**	-	-	-
Property, plant and equipment and software	**4.8**	7.7	1.2	6.5
Right-of-use assets	**21.5**	12.6	3.4	9.2
Inventories	**44.9**	32.8	10.1	22.7
Trade and other receivables	**27.0**	63.8	25.1	38.7
Trade and other payables	**(30.9)**	(60.9)	(18.5)	(42.4)
Net (overdrafts)/cash	**(6.8)**	11.3	5.0	6.3
Provisions	**(7.9)**	(4.7)	(0.4)	(4.3)
Lease liabilities	**(21.5)**	(12.9)	(3.6)	(9.3)
Derivative assets/(liabilities)	**0.4**	(0.1)	-	(0.1)
Income tax payable and deferred tax liabilities	**(31.3)**	(57.3)	(29.1)	(28.2)
Fair value of net assets acquired	**128.6**	238.9	108.9	130.0
Goodwill	**106.6**	240.8	132.5	108.3
Consideration	**235.2**	479.7	241.4	238.3
Satisfied by:				
cash consideration	**180.6**	442.8	234.3	208.5
deferred consideration	**54.6**	36.9	7.1	29.8
	235.2	479.7	241.4	238.3
Contingent payments relating to retention of former owners	**66.4**	30.9	8.4	22.5
Net overdrafts/(cash) acquired	**6.8**	(11.3)	(5.0)	(6.3)
Transaction costs and expenses	**10.9**	8.3	1.7	6.6
Total committed spend in respect of acquisitions completed in the year	**319.3**	507.6	246.5	261.1
Spend on acquisitions committed but not completed at the year end	**2.9**	-	-	-
Total committed spend in respect of acquisitions agreed in the year	**322.2**	507.6	246.5	261.1

8. Acquisitions (continued)

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

	2022	2021		
	Total £m	Total £m	McCue £m	Other £m
Cash consideration	**180.6**	442.8	234.3	208.5
Net overdrafts/(cash) acquired	**6.8**	(11.3)	(5.0)	(6.3)
Deferred consideration payments	**56.2**	5.2	-	5.2
Net cash outflow in respect of acquisitions	**243.6**	436.7	229.3	207.4
Transaction costs and expenses paid	**11.0**	9.1	1.5	7.6
Payments relating to retention of former owners	**9.6**	6.9	-	6.9
Total cash outflow in respect of acquisitions	**264.2**	452.7	230.8	221.9

Acquisitions completed in the year ended 31 December 2022 contributed £115.8m (2021: £123.2m) to the Group's revenue, £9.5m (2021: £17.3m) to the Group's adjusted operating profit and £5.9m (2021: £10.6m) to the Group's operating profit for the year ended 31 December 2022.

The estimated contributions from acquisitions completed and agreed 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:

	2022 £m	2021 £m
Revenue	**299.0**	322.4
Adjusted operating profit	**29.3**	46.3

Deferred consideration

The table below gives further details of the Group's deferred consideration liabilities:

	2022 £m	2021 £m
Minority options	**92.4**	41.9
Earn outs	**39.3**	57.7
Deferred consideration held at fair value	**131.7**	99.6
Other	**8.2**	8.2
Total deferred consideration	**139.9**	107.8
Current	**42.0**	46.5
Non-current	**97.9**	61.3
Total deferred consideration	**139.9**	107.8

Including expected future payments which are contingent on the continued retention of former owners of businesses acquired of £76.3m, total deferred and contingent consideration as at 31 December 2022 is £216.2m.

8. Acquisitions (continued)

2021

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2021 are shown in the table below:

Business	Sector	Country	Acquisition date 2021	Percentage of share capital acquired	Annualised revenue £m
Deliver Net	Healthcare	UK	31 January	100%	**19.5**
Pinnacle	Cleaning & Hygiene	Canada	1 February	100%	**11.3**
Disposable Discounter	Foodservice	Netherlands	2 February	75.1%	**23.6**
Comax	Cleaning & Hygiene	UK	31 May	100%	**16.4**
Harvey Distributors	Cleaning & Hygiene	Australia	31 May	100%	**4.4**
Obex Medical Holdings	Healthcare	New Zealand	1 June	99.1%	**28.7**
Proin Pinilla	Safety	Spain	22 July	100%	**14.3**
Arprosa	Safety	Spain	31 July	100%	**6.6**
Medshop	Healthcare	Australia	8 September	75.1%	**14.4**
Intergro	Foodservice	US	30 September	100%	**22.3**
McCue Corporation	Safety	US	15 October	96.9%	**72.6**
Workwear Express	Safety	UK	26 October	96.3%	**33.2**
Hydropac[1]	Foodservice	UK	4 November	100%	**8.4**
Tingley Rubber	Safety	US	21 December	100%	**46.7**
Acquisitions agreed and completed in 2021					**322.4**

[1] Located in the UK, but reporting through Continental Europe

9. Disposal of business

The Group completed the disposal of its UK Healthcare division on 19 December 2022. As a result, the net assets of the Group increased by £0.9m representing the profit on disposal of £0.9m. The profit on disposal reflects the cash consideration received of £63.7m, offset by the net book value of the assets disposed of £53.0m, including the associated customer relationships intangible assets of £2.2m and the carrying value of allocated goodwill of £17.0m, less the associated transaction costs.

The net cash inflow in the year in respect of disposal of business comprised:

Cash flow from disposal of business	2022 £m
Cash consideration received	**63.7**
Cash and cash equivalents disposed	**(10.2)**
Net cash proceeds	**53.5**
Transaction costs paid	**(3.6)**
Net cash inflow	**49.9**

10. Right-of-use assets

2022	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	**366.4**	**57.8**	**24.1**	**448.3**
Acquisitions (Note 8)	**20.9**	**0.3**	**0.3**	**21.5**
Disposal of business (Note 9)	**(1.5)**	**(0.2)**	**-**	**(1.7)**
Additions	**84.2**	**28.1**	**11.0**	**123.3**
Depreciation charge in the year	**(111.7)**	**(28.6)**	**(10.8)**	**(151.1)**
Remeasurement adjustments	**54.7**	**1.9**	**-**	**56.6**
Currency translation	**26.6**	**4.0**	**2.1**	**32.7**
Net book value as at 31 December 2022	**439.6**	**63.3**	**26.7**	**529.6**

10. Right-of-use assets (continued)

2021	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	358.3	66.4	28.7	453.4
Acquisitions (Note 8)	12.5	0.1	-	12.6
Additions	81.3	24.3	7.0	112.6
Depreciation charge in the year	(96.4)	(28.6)	(9.8)	(134.8)
Remeasurement adjustments	16.5	(3.5)	(1.5)	11.5
Currency translation	(5.8)	(0.9)	(0.3)	(7.0)
Net book value as at 31 December 2021	366.4	57.8	24.1	448.3

11. Intangible assets

Year ended 31 December 2022

	Goodwill £m	**Customer relationships £m**	**Brands £m**	**Technology £m**	**Software £m**	**Total £m**
Cost						
At 31 December 2021	**1,710.9**	**2,055.2**	**25.0**	**-**	**90.2**	**3,881.3**
Adjustment for hyperinflation accounting in Turkey[1]	**6.7**	**10.0**	**-**	**-**	**-**	**16.7**
Restated as at 1 January 2022	**1,717.6**	**2,065.2**	**25.0**	**-**	**90.2**	**3,898.0**
Acquisitions (Note 8)	**106.6**	**107.7**	**11.6**	**9.1**	**0.7**	**235.7**
Disposal of business (Note 9)	**(17.0)**	**(5.1)**	**-**	**-**	**(0.8)**	**(22.9)**
Adjustment for hyperinflation accounting[1]	**9.7**	**13.5**	**-**	**-**	**-**	**23.2**
Additions					**12.0**	**12.0**
Disposals					**(3.4)**	**(3.4)**
Currency translation	**127.5**	**167.7**	**3.1**	**0.4**	**8.7**	**307.4**
End of year	**1,944.4**	**2,349.0**	**39.7**	**9.5**	**107.4**	**4,450.0**
Accumulated amortisation and impairment						
At 31 December 2021	**12.4**	**1,033.2**	**1.0**	**-**	**67.9**	**1,114.5**
Adjustment for hyperinflation accounting in Turkey[1]	**-**	**4.4**	**-**	**-**	**-**	**4.4**
Restated as at 1 January 2022	**12.4**	**1,037.6**	**1.0**	**-**	**67.9**	**1,118.9**
Amortisation charge in the year	**-**	**124.8**	**3.2**	**0.4**	**8.8**	**137.2**
Impairment charge in the year	**-**	**13.0**	**-**	**-**	**-**	**13.0**
Disposal of business (Note 9)	**-**	**(2.9)**	**-**	**-**	**(0.6)**	**(3.5)**
Adjustment for hyperinflation accounting[1]	**-**	**6.8**	**-**	**-**	**-**	**6.8**
Disposals					**(3.4)**	**(3.4)**
Currency translation	**0.4**	**78.8**	**0.6**	**-**	**7.3**	**87.1**
End of year	**12.8**	**1,258.1**	**4.8**	**0.4**	**80.0**	**1,356.1**
Net book value at 31 December 2022	**1,931.6**	**1,090.9**	**34.9**	**9.1**	**27.4**	**3,093.9**

[1] See Note 1 for further details.

11. Intangible assets (continued)

Year ended 31 December 2021

	Goodwill £m	Customer relationships £m	Brands £m	Technology £m	Software £m	Total £m
Cost						
Beginning of year	1,506.7	1,874.2	12.8	-	85.5	3,479.2
Acquisitions (Note 8)	240.8	234.8	11.8	-	0.5	487.9
Additions					7.9	7.9
Disposals		-	-	-	(1.9)	(1.9)
Currency translation	(36.6)	(53.8)	0.4	-	(1.8)	(91.8)
End of year	1,710.9	2,055.2	25.0	-	90.2	3,881.3
Accumulated amortisation and impairment						
Beginning of year	12.1	961.5	0.3	-	63.4	1,037.3
Amortisation charge in year		105.5	1.0	-	8.4	114.9
Disposals		-	-	-	(1.9)	(1.9)
Currency translation	0.3	(33.8)	(0.3)	-	(2.0)	(35.8)
End of year	12.4	1,033.2	1.0	-	67.9	1,114.5
Net book value at 31 December 2021	1,698.5	1,022.0	24.0	-	22.3	2,766.8

Goodwill, customer relationships, brands and technology intangible assets have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 8.

Following the application of hyperinflation accounting to Turkey in the year, the Group completed an impairment assessment in relation to the carrying value of customer relationship assets held in the Group's businesses in Turkey. As a result of this impairment assessment an impairment of £13.0m was recognised in relation to these assets.

12. Working capital

	2022 £m	2021 £m
Inventories	**1,748.6**	1,474.0
Trade and other receivables	**1,557.4**	1,431.0
Trade and other payables – current	**(2,249.4)**	(1,921.3)
Add back net non-trading related receivables and payables	**40.0**	43.9
	1,096.6	1,027.6

See Note 16 for the cash flow impact of movements in working capital which exclude the impact from foreign exchange movements, acquisitions and the disposal of business.

13. 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. Details of the Group's right-of-use assets recognised under these lease agreements are shown in note 10.

Movement in lease liabilities	2022 £m	2021 £m
Beginning of year	**488.7**	497.5
Acquisitions (Note 8)	**21.5**	12.9
Disposal of business (Note 9)	**(2.1)**	-
New leases	**123.3**	112.6
Interest charge in the year	**22.0**	20.3
Payment of lease liabilities	**(175.1)**	(158.9)
Remeasurement adjustments	**56.6**	11.5
Currency translation	**35.0**	(7.2)
End of year	**569.9**	488.7
Ageing of lease liabilities:		
Current lease liabilities	**145.9**	129.1
Non-current lease liabilities	**424.0**	359.6
End of year	**569.9**	488.7

14. Cash and cash equivalents and net debt

	2022 £m	2021 £m
Cash at bank and in hand	**1,504.0**	776.9
Bank overdrafts	**(825.9)**	(551.6)
Cash and cash equivalents	**678.1**	225.3
Interest bearing loans and borrowings - current liabilities	**(161.0)**	(111.9)
Interest bearing loans and borrowings - non-current liabilities	**(1,574.0)**	(1,433.7)
Derivatives managing the interest rate risk and currency profile of the debt	**(103.2)**	(17.1)
Net debt excluding lease liabilities	**(1,160.1)**	(1,337.4)
Lease liabilities	**(569.9)**	(488.7)
Net debt including lease liabilities	**(1,730.0)**	(1,826.1)

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:

	2022 £m	2021 £m
Cash at bank and in hand net of amounts in the cash pool	**700.5**	274.6
Bank overdrafts net of amounts in the cash pool	**(22.4)**	(49.3)
Cash and cash equivalents	**678.1**	225.3

15. Movement in net debt

2022	**Net debt £m**	**Cash and cash equivalents £m**	**Other components £m**
Beginning of year excluding lease liabilities	**(1,337.4)**	**225.3**	**(1,562.7)**
Net cash inflow	**269.0**	**397.4**	**(128.4)**
Non-cash movement in debt	**8.2**	**-**	**8.2**
Realised losses on foreign exchange contracts	**(86.2)**	**-**	**(86.2)**
Currency translation	**(13.7)**	**55.4**	**(69.1)**
End of year excluding lease liabilities	**(1,160.1)**	**678.1**	**(1,838.2)**
Lease liabilities	**(569.9)**	**-**	**(569.9)**
End of year including lease liabilities	**(1,730.0)**	**678.1**	**(2,408.1)**

2021	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of year excluding lease liabilities	(1,255.0)	429.7	(1,684.7)
Net cash outflow	(88.2)	(183.6)	95.4
Realised gains on foreign exchange contracts	25.0	-	25.0
Currency translation	(19.2)	(20.8)	1.6
End of year excluding lease liabilities	(1,337.4)	225.3	(1,562.7)
Lease liabilities	(488.7)	-	(488.7)
End of year including lease liabilities	(1,826.1)	225.3	(2,051.4)

16. 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	**2022 £m**	2021 £m
Depreciation of right-of-use assets	**151.1**	134.8
Other depreciation and software amortisation	**38.4**	36.4
	189.5	171.2

Other non-cash items	**2022 £m**	2021 £m
Share based payments	**14.1**	12.7
Provisions	**(3.9)**	(8.0)
Retirement benefit obligations	**(3.9)**	(1.9)
Hyperinflation accounting adjustments	**8.0**	-
Other	**1.6**	1.6
	15.9	4.4

Working capital movement	**2022 £m**	2021 £m
Increase in inventories	**(118.7)**	(32.9)
Increase in trade and other receivables	**(13.0)**	(10.7)
Increase in trade and other payables	**186.2**	45.7
	54.5	2.1

17. 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 2022 that have materially affected the financial position or performance of the Group during this period. All transactions with subsidiaries are eliminated on consolidation.

18. Principal risks and uncertainties

The Group operates in six core market sectors in 31 countries which exposes it to many risks and uncertainties, many of which are not fully within the Group's control. The risks summarised below represent the principal risks and uncertainties faced by the Group, being those which are material to the development, performance, position or future prospects of the Group, and the steps taken to mitigate such risks. However, these risks do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive.

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

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

O Organic growth
A Acquisition growth
M Operating model improvements
S Sustainability

The nature and type of the principal risks and uncertainties affecting the Group have changed slightly since the 2021 Annual Report. The risk presented by climate change is now considered a principal risk. As with most companies, climate change could present some challenges to our business over the medium and long term. Although we have mitigating actions in place, Bunzl may face increasing physical risks from climate change, including potential damage to our assets from extreme weather and indirect physical risks in our supply chains or for customers. In addition to the physical risks associated with climate change, the transition to a low carbon or net zero economy may, to some extent, impact Bunzl's operating and commercial environments through policy, legal, technology and market changes (transition risk).

Monitoring risks
The Board reviews each risk and assesses the gross impact, applying the hypothetical assumption there are no mitigating controls in place, net impact and probability to set the Group's mitigation priorities. The register of principal risks and uncertainties was updated following review by the Executive Committee and approval by the Board.

Emerging risks
In addition to the principal risks faced by the Group, there are risks which are more uncertain in nature and difficult to assess or that have the potential to develop and increase in severity over time.

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

18. 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	Developments in 2022
Strategic risks			
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes 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	• The Group's large sales force connected with customers to help them understand the range of products available to meet their needs • The Group continued to invest in technology to streamline customers' experience • The Group continued to develop its sustainable product assortment and tools to assist customers in meeting their sustainability goals

18. 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	Developments in 2022
Strategic risks (cont.)			
2. Financial collapse of either a large customer and/or a significant number of small customers Revenue and profits are reduced as the Group loses customers **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O	• An unexpected insolvency of either a large customer or a significant number of small customers, particularly within the retail and foodservice sectors, could lead to a sudden reduction in revenue and profits, including the cost of impairing any irrecoverable receivables balances, as well as operating margin erosion due to under-used capacity • The Group's revenue and profits may be affected as well as receivables and inventory (if customer specific inventory is held)	• The Group monitors significant developments in relationships with key customers, including credit checks and limits set for each customer • Delegation of authority limits mean that there is oversight of all material customer contracts at business area and local level	• In 2022 the Group did not encounter material insolvencies of either a large customer or a significant number of smaller customers. However, this remains a significant risk given the potential for global economic downturn • In 2022, provisions relating to the Group's credit exposure from customers remained broadly unchanged

18. 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	Developments in 2022
Strategic risks (cont.)			
3. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions **Risk owner:** CEO and Business Area Heads **Change to risk level:** Increasing **Included in viability statement:** Yes O, M	• In the event of 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 or customers, indexed or cost plus contracts may require the Group to pass on such cost reductions to customers, 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	• In 2022 the Group experienced a higher level of price volatility compared to recent years. In particular, significant product cost inflation was seen in paper and plastic products due to a range of factors including energy price increases. The outlook for product costs, however, remains uncertain

18. 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	Developments in 2022
Strategic risks (cont.)			
4. Cost inflation Profits are reduced due to the Group's inability to pass on product or operating cost increases **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes 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 currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility • 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	• The Group experienced inflation of both product cost and operating costs in 2022 at a significantly higher rate than in the recent past. Selling prices to customers were continually evaluated and updated to ensure that profitability levels were at least maintained. In addition, cost plus arrangements facilitate the automatic increase in prices. Overall, the Group was very successful in passing on product cost inflation • The Group continues to focus on own brand product development as part of the discussion with customers about price increases • To mitigate the operating costs increases the Group drives efficiencies by consolidating facilities and implementing IT systems and solutions to improve productivity

18. 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	Developments in 2022
Strategic risks (cont.)			
5. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes 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 195 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 database 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	• The acquisition pipeline is closely monitored with continued research of any available opportunities for investment • During 2022, the Group's committed acquisition spend was £322 million and the pipeline remains active

18. 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	Developments in 2022
Strategic risks (cont.)			
6. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes 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	• The Board reviews performance of recent acquisitions annually. In 2022 the Board reviewed the principal acquisitions made in 2020 and noted that performance was in line with expectations

18. 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	Developments in 2022
Strategic risks (cont.)			
7. Sustainability driven market changes Revenue and profits are reduced due to the Group's inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, S	• New legislation introduced outside Europe and the UK in countries where Bunzl operates mirrors (and in some cases goes further than) the legislation previously introduced in Europe and the UK. The scope of new legislation tends to cover a wider range of products than that previously introduced. Legislation related to packaging still remains extremely fragmented across different regions • Consumer awareness of the environmental impact of certain single-use plastic products continues to grow and the concept of single-use consumable items and society's reliance on them is regularly questioned. The issue is now widespread in all of Bunzl's regions and is growing in importance from a customer perspective. 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 renewable, recyclable, or reusable alternatives • The Group's revenue and profits could be reduced if it is unable to offer packaging and products made from alternative materials that will replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences, for example a move to more reusable packaging	• Bunzl is well positioned to support its customers with the legislative complexity thanks to its material agnostic position and network strength, allowing it to deliver the right products across large multi-site customer operations • Bunzl's scale and unique position at the centre of the supply chain, supported by expert sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are recyclable, compostable, biodegradable or reusable • The Group has access to an extensive supply chain of product and packaging manufacturers that are innovating the range of products they produce to satisfy the increased focus on sustainability. This means the Group can offer the broadest possible range of products 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 has access to the proprietary data on the packaging and products our customers need. That, Coupled with the Group's detailed product knowledge and data on customer product usage, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies	• The majority of the Group's businesses in the retail, foodservice and grocery sectors now employ material footprint tools that explain how legislation will impact the products and packaging a customer uses, while promoting the alternatives we have in our ranges • In response to a larger number of customers setting increasingly ambitious targets for their packaging, the Group has continued to strengthen its expert sustainability teams who train customers on incoming legislation, hold customer forums where they showcase the latest products, and support customers to report effectively against their goals and participate in industry-leading external schemes such as the New Plastics Economy and B-Corp certification • The Group continued to expand and introduced new ranges of own brand products made from alternative materials

18. 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	Developments in 2022
Operational risks			
8. 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 **Risk owner:** CIO **Change to risk level:** No change **Included in viability statement:** Yes 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 Chief Information Officer and Chief Information Security Officer coordinate activity in this area	• The Group continued to improve cyber security and data privacy governance, architecture, and controls, along with increasing awareness of both cyber security and data privacy across the Group • Investments were made in modern cyber security technologies that address current and emerging threats while improving operational processes and procedures • The Group focused on improving cyber security and data privacy due diligence processes during the acquisition process, along with improving security posture for acquired companies
Financial risks			
9. Availability of funding Insufficient liquidity in financial markets leading to insolvency **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** Yes O, A, M	• 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	• 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	• The availability of funding to the Group remains strong • The Group issued a $400 million US private placement during 2022 with three tranches maturing in 2029, 2031 and 2032. This debt issuance contained an MFN clause whereby the financial covenants in this bond will fall away when the existing last US private placement matures in 2028. There is £161 million of debt maturing in the next 12 months which can be repaid from free cash flow. The Group maintains a BBB+ rating from S&P and therefore access to the Eurobond public market

18. 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	Developments in 2022
Financial risks (cont.)			
10. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** No O, A, M	• 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	• 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 • 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	• In 2022 currency translation had a positive impact on the Group's reported results, increasing revenue, profits and earnings by between 6% and 7% • The Group's results are reviewed at constant exchange rates to show the underlying performance of the Group excluding the currency translation impact

18. 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**	**Developments in 2022**
Financial risks (cont.)			
11. Climate change Change in temperature and climate conditions that causes business disruption and economic loss for the Group **Risk owner:** CEO and Business Area Heads **Change to risk level:** New Risk **Included in viability statement:** No O, M, S	• Certain markets and regions are increasingly affected by extreme weather (e.g. suppliers and customers in areas impacted by wildfires and flooding) which could, in some areas, impact the Group's commercial strategy • Failure to align with customers' ambitions could lead to reputational damage and loss of sales • The Group may face indirect costs from carbon intensive products where carbon prices increase and no suitable substitute materials exist	• Bunzl's supply chain flexibility and lack of fixed manufacturing assets provide operational resilience to the physical impacts of climate change. Our established business continuity planning has helped to ensure continued service to customers in cases of weather-related disruptions, such as Hurricane Katrina in North America and the Australian wildfires • Setting emissions reduction targets to decarbonise our operations and those of the supply chain helps to ensure our activities meet or exceed customer expectations • The ability to pass through any increased costs of products in our supply chain (for example due to carbon pricing mechanisms) to customers	• The Group has reclassified the impact of climate change as a principal risk, based on our modelling of its impacts on Group profit under various scenarios • The Group's modelling of the impact of climate change has been updated to include the latest data available from the Network for Greening the Financial System (NGFS) and now assesses the impact of climate change on GDP at the regional level, the impact of carbon pricing on total supply chain carbon dioxide emissions rather than emissions relating only to the purchase of plastic and rubber products, and the trajectory of the reduction of carbon dioxide emissions over time based upon NGFS data rather than a standalone forecast of emissions from the plastics and rubber industries • The Group has re-evaluated the different transition scenarios in light of COP26 and other commitments by leading nations and now considers the likelihood of the Orderly scenario, reflecting Net Zero 2050, to be 'probable' (previously considered 'possible')

19. 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.

20. 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 2022 Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards and International Financial Reporting Standards issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

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

- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and 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
27 February 2023

Richard Howes
Chief Financial Officer