BUNZL

News Release

28 August 2018

HALF YEARLY FINANCIAL REPORT FOR SIX MONTHS ENDED 30 JUNE 2018

Bunzl plc, the specialist international distribution and services Group, today publishes its half yearly financial report for the six months ended 30 June 2018.

Financial results	**H1 18**	H1 17	Growth as reported	Growth at constant exchange
Revenue	**£4,343.7m**	£4,119.2m	5%	12%
Adjusted operating profit*	**£285.0m**	£272.6m	5%	10%
Adjusted profit before income tax$^{\Delta}$	**£257.9m**	£248.3m	4%	10%
Adjusted earnings per share$^{\Delta}$	**59.4p**	55.1p	8%	14%
Interim dividend	**15.2p**	14.0p	9%	

Statutory results			
Operating profit	**£210.8m**	£206.2m	2%
Profit before income tax	**£197.3m**	£181.9m	8%
Basic earnings per share	**45.1p**	40.0p	13%

Highlights include:

- Double digit percentage increases at constant exchange rates in revenue, adjusted operating profit* and adjusted earnings per share$^{\Delta}$
- Organic revenue growth increased to 5.2%
- Group operating margin* unchanged at 6.6%
- Four acquisitions announced to date, including one announced today, with a total committed spend of £132 million; disposal of two non-core businesses in France and the UK
- Return on average operating capital of 52.0% with return on invested capital of 15.4%
- Continued strong cash conversion (operating cash flow† to adjusted operating profit*) of 94%
- 25 year track record of dividend growth continues with a 9% increase in the interim dividend

* Before customer relationships amortisation and acquisition related items (see Note 1 on pages 25 to 27)
$^{\Delta}$ Before customer relationships amortisation, acquisition related items, disposal of businesses and associated tax where relevant (see Note 1 on pages 25 to 27)
† Before acquisition related items (see Consolidated cash flow statement)

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

"Bunzl has delivered another good set of results with double digit increases at constant exchange rates in revenue, adjusted operating profit and adjusted earnings per share. I am particularly pleased to report a further improvement in the level of organic revenue growth to 5.2% during the first half of 2018.

Looking forward to the rest of the year, the Board is confident that the prospects for the Group are positive and that the Company will continue to develop the business and build shareholder value through a combination of organic growth and further acquisitions as the year progresses."

Business area highlights:

	Revenue (£m) H1 18	H1 17	Growth at constant exchange	Adjusted operating profit* (£m) H1 18	H1 17	Growth at constant exchange	Operating margin* H1 18	H1 17
North America	**2,459.6**	2,432.6	10%	**140.1**	148.0	3%	**5.7%**	6.1%
Continental Europe	**890.2**	769.0	15%	**88.6**	73.1	22%	**10.0%**	9.5%
UK & Ireland	**625.9**	566.1	11%	**39.7**	37.9	5%	**6.3%**	6.7%
Rest of the World	**368.0**	351.5	14%	**28.2**	25.1	23%	**7.7%**	7.1%

North America (57% of revenue and 47% of adjusted operating profit◊)

- Revenue growth driven by strong organic growth and impact of acquisitions
- Reduction in margin from significant business previously won in grocery and operating cost pressures
- More focused and streamlined organisation structure being implemented in grocery and redistribution to enhance customer proposition and improve operational efficiency
- Integration of DDS continuing with synergies on track
- Growth in agriculture supported by acquisition of Monte Package Company
- Good progress in safety from improving market conditions, boosted by acquisition of Revco

Continental Europe (21% of revenue and 30% of adjusted operating profit◊)

- Substantial increases in revenue and profit with improved operating margin
- Significant overall growth in France due to integration of Hedis and strong performances in safety and foodservice, partly offset by weaker performance in cleaning & hygiene and disposal of OPM
- Good growth in the Netherlands from new customer wins and acquisition of QS
- Continued strong performance in Spain
- Strong performance in Turkey with good progress in Italy

UK & Ireland (14% of revenue and 13% of adjusted operating profit◊)

- Strong organic revenue growth with operating margin impacted by a challenging market
- Trading in safety affected by variable market conditions
- Good revenue growth in cleaning & hygiene
- Strong growth in grocery and retail from new customer wins
- Sale of non-core marketing services business
- Growth in hospitality from existing customers and the acquisition of Aggora

Rest of the World (8% of revenue and 10% of adjusted operating profit◊)

- Substantial improvement in operating margin
- Overall strong results in Latin America
- Significant improvement in performance in Australasia

* Before customer relationships amortisation and acquisition related items (see Notes 1 and 2 on pages 25 to 28)
◊ Before customer relationships amortisation, acquisition related items and corporate costs (see Note 2 on pages 27 and 28)

Enquiries:

Bunzl plc
Frank van Zanten, Chief Executive
Brian May, Finance Director
Tel: +44 (0)20 7725 5000

Tulchan
David Allchurch
Martin Robinson
Tel: +44 (0)20 7353 4200

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

Results

I am pleased to report that Bunzl has produced another good set of results for the first half of 2018 against the background of mixed macroeconomic and market conditions across the countries and sectors in which we operate.

Group revenue for the first half of 2018 increased 5% to £4,343.7 million (2017 H1: £4,119.2 million) and adjusted operating profit was up 5% to £285.0 million (2017 H1: £272.6 million). Adjusted earnings per share were 59.4p (2017 H1: 55.1p), an increase of 8%.

Overall currency translation movements, principally the strengthening of sterling against the US dollar, had a negative impact on the reported Group growth rates at actual exchange rates. At constant exchange rates, revenue increased by 12% and adjusted operating profit rose by 10% with the Group operating margin unchanged at 6.6%. Adjusted earnings per share were up 14%.

Return on average operating capital decreased to 52.0% from 53.1% at 31 December 2017 driven by a lower return in the underlying business. Return on invested capital of 15.4% was down from 16.0% at 31 December 2017 as a result of the impact of recent acquisitions, a lower return in the underlying business and an adverse impact from exchange rate movements.

Dividend

The Board has decided to increase the interim dividend by 9% to 15.2p. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

We continue to pursue our consistent and proven strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions and continuously improving the quality of our operations and making our businesses more efficient. Acquisition activity has continued in 2018, albeit at a slower pace compared to the record year of 2017. Including the acquisition announced today, but excluding Aggora in the UK and Talge in Brazil which we agreed to acquire in 2017 and completed at the beginning of January 2018, we have acquired four businesses so far this year with a total committed spend of £132 million, thereby adding annualised revenue of £101 million.

During the first half of the year we also completed the sale of two non-core businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. OPM was involved in the sale of SodaStream products to retailers in France and the marketing services business in the UK had limited opportunities to expand overseas. The aggregate cash consideration received was £59 million.

Board

As announced earlier this year, Patrick Larmon, who has been an executive director of the Company and Chief Executive Officer of the North America business area since 2004, will be retiring from the Board and the Company with effect from 31 December 2018. I would like to thank Pat for his significant contribution to Bunzl over the last 28 years. In addition to overseeing the successful development of our largest business area, he has also been responsible for building a strong leadership team and developing a robust succession plan. Pat will leave the Group with our gratitude and best wishes for the future and will be succeeded in his role as Chief Executive Officer of North America by James McCool who has held a number of senior management positions since joining Bunzl in 1998.

CHIEF EXECUTIVE'S REVIEW

Operating performance

With more than 85% of the Group's revenue generated outside the UK, the strengthening of sterling against many currencies, particularly the US dollar, has had a negative translation impact of approximately 6% on the Group's reported results. As in previous reporting periods, the operations, including the relevant growth rates and changes in operating margin, are therefore reviewed below at constant exchange rates to remove the distorting impact of these currency movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for the first half of 2017 at the average rates used for 2018. Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit (being operating profit before customer relationships amortisation and acquisition related items) while operating margin refers to adjusted operating profit as a percentage of revenue.

Revenue increased 12% (5% at actual exchange rates) to £4,343.7 million due to the benefit of acquisitions, partly offset by the impact of disposals, as well as strong organic growth of 5.2% with good contributions from all business areas. Operating profit was £285.0 million, an increase of 10% (5% at actual exchange rates). Operating margin of 6.6% was unchanged at both constant and actual exchange rates.

In North America revenue rose 10% (1% at actual exchange rates) due to the impact of organic growth together with the effect of acquisitions, while operating profit increased 3% (down 5% at actual exchange rates) as the operating margin declined 40 basis points at both constant and actual exchange rates to 5.7%. Revenue in Continental Europe rose 15% (16% at actual exchange rates) as a result of organic growth and the impact of acquisitions, partly offset by the disposal of OPM in France in February 2018, with operating profit up 22% (21% at actual exchange rates) as the operating margin improved 60 basis points at constant exchange rates (50 basis points at actual exchange rates) to 10.0%. In UK & Ireland revenue was up 11% due to the impact of organic growth and acquisitions, partly offset by the disposal of the marketing services business in June 2018, and operating profit increased 5% with the operating margin decreasing by 40 basis points to 6.3%. In Rest of the World revenue increased 14% (5% at actual exchange rates) and operating profit was up 23% (12% at actual exchange rates) with the business area operating margin increasing 60 basis points at both constant and actual exchange rates to 7.7%.

Adjusted profit before income tax (being profit before income tax, customer relationships amortisation, acquisition related items and disposal of businesses) was £257.9 million, up 10% (4% at actual exchange rates) due to the growth in adjusted operating profit partly offset by an increase in the net interest charge. Profit before income tax was £197.3 million, an increase of 15% (8% at actual exchange rates). Basic earnings per share were 20% higher (13% at actual exchange rates) at 45.1p. Adjusted earnings per share, which exclude the effect of customer relationships amortisation, acquisition related items, disposal of businesses and the associated tax, were 59.4p, an increase of 14% (8% at actual exchange rates).

Once again the operating cash flow, which is before acquisition related items, was very strong with cash conversion (the ratio of operating cash flow to adjusted operating profit) at 94%. The ratio of net debt to EBITDA calculated at average exchange rates decreased from 2.3 times at the end of 2017 to 2.2 times.

Acquisitions

So far this year, including the purchase of Enor which we have announced today but excluding Aggora and Talge which we agreed to purchase in 2017 and completed in early January 2018, we have acquired four businesses for a total committed spend of £132 million.

In January we acquired Revco which supplies workplace safety and personal protection equipment to redistributors in the US. Revenue in 2017 was £27 million.

QS, a provider of hygiene solution services primarily for washrooms with a focus on customers operating in the government, healthcare and foodservice sectors, was acquired in March. Revenue in 2017 was £5 million. Monte Package Company, which was also purchased in March, is engaged in the distribution of a variety of packaging products to fresh food growers and packers, principally in the Eastern US. Revenue in 2017 was £42 million.

Today we are also announcing the acquisition of Enor in Norway which was purchased in July. The business is engaged in the supply of a broad range of catering equipment to end user customers in Norway. Enor represents our first step into the Norwegian market and means that we now have businesses operating in 31 countries globally. Revenue in 2017 was £27 million.

Disposals

During the period we sold OPM in France and our marketing services business in the UK. These were non-core businesses that were no longer considered to be a strategic fit within the Group. The aggregate revenue of both businesses in 2017 was £94 million. The total cash consideration received was £59 million with a pre-tax profit on disposal of £14 million and an associated tax charge of £3 million which have not been included in calculating adjusted profit before income tax and adjusted earnings per share.

North America

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Growth at constant exchange
Revenue	**2,459.6**	2,432.6	10%
Adjusted operating profit*	**140.1**	148.0	3%
Operating margin*	**5.7%**	6.1%	

* Before customer relationships amortisation and acquisition related items (see Notes 1 and 2 on pages 25 to 28)

In North America, revenue increased by 10% to £2,459.6 million due to strong organic growth of 5% as well as the impact of recent acquisitions, with operating profit increasing by 3% to £140.1 million. Organic growth was achieved across all businesses with the largest contribution from the additional grocery business won towards the end of 2016, albeit at a below average operating margin. As anticipated, this additional business, combined with pressure on our operating costs against the backdrop of historically low unemployment rates, contributed to a reduction in the operating margin which declined 40 basis points to 5.7%. We are in the process of implementing a more focused and streamlined organisation structure across our two largest businesses, grocery and redistribution, in order to enhance our customer proposition and improve our operational efficiency.

In our largest business serving the grocery sector, as anticipated, the underlying revenue growth returned to more normal levels during the second quarter as the additional business won with an existing customer in 2016 was fully absorbed. We continue to focus on our operational excellence and agility to match our customers' evolving business models. Our ability to customise outsourcing programmes provides us with the opportunity to serve our customers with a broad range of value-added distribution alternatives in order to manage more effectively their large volume, low value, not-for-resale items.

Our retail supplies business has benefited from the purchase in May 2017 of DDS which complements our existing business by providing additional merchandising and delivery capabilities to multi-channel retailers. We have continued to integrate DDS into our retail business which, when combined with our existing value-added service offering, will provide a more holistic offering for our customers and a reduced operating cost base as we achieve significant synergies from the acquisition.

The redistribution business serving the foodservice and janitorial and sanitation ('jan-san') sectors has seen good underlying revenue growth during the first half of the year as a result of broader organic growth as well as the expansion of our category management programme to several larger regional customers. This enables us to manage the supply chain from supplier to our customers' own end user customers for a broad range of consumables, as well as provide significant working capital benefits. Additionally, our central warehouse system for a broad range of jan-san items benefits our customers since it in turn allows them to offer more products to their own customers.

Our food processor business has also achieved strong organic revenue growth with both large national accounts as well as our local and regional customer bases although consolidation amongst the large national customers has continued. Our investment in 2017 in a new facility with state-of-the-art automation has provided operating efficiencies and the automated pick and pack system can also be used across all business sectors to manage and deliver the tail items more efficiently. In addition we have continued to invest in an expanded digital platform which provides our customers with a broad range of marketing tools and integration points.

Our agriculture sector businesses made good progress with improved organic revenue growth and also benefited substantially from the recent acquisition of Monte Package Company which has added a new product range and given us access to customers in new regions. We continue to evolve our distribution footprint to match our customers' migration to more cost effective growing areas, such as Mexico, allowing us to provide our value added services as our customers' own operating footprints expand.

Against the backdrop of improving market conditions in the oil and gas sector, the performance of our safety business improved significantly through a combination of organic revenue growth and the impact of acquisitions. The purchase of well positioned businesses, such as Kishigo in March 2017 and Revco in early 2018, has complemented our existing range of safety products and enabled us to benefit from our expanding scale in the safety sector.

We have continued to grow in the convenience store sector, executing our pull-through strategy with regional and national chains on behalf of our wholesale customer partners as well as redistributing selected grocery items. Our service levels and category management programme also provide ongoing value for our wholesale customers.

Finally, our business in Canada has shown good underlying revenue growth, primarily from geographic expansion with a large customer in the grocery sector, albeit at lower margins. In addition, recent acquisitions continue to favourably impact the business, particularly in the cleaning & hygiene sector.

Continental Europe

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Growth at constant exchange
Revenue	**890.2**	769.0	15%
Adjusted operating profit*	**88.6**	73.1	22%
Operating margin*	**10.0%**	9.5%	

* Before customer relationships amortisation and acquisition related items (see Notes 1 and 2 on pages 25 to 28)

Revenue in Continental Europe rose by 15% to £890.2 million. Organic revenue growth remained strong at 5% and this was complemented by the incremental impact of the five acquisitions completed in 2017 as well as the acquisition of QS during the first half of 2018, partly offset by the disposal of OPM in France in February 2018. Operating profit was up 22% to £88.6 million with the operating margin increasing 60 basis points at constant exchange rates to 10.0% as a result of the recent acquisitions earning above average operating margins.

In France, the Hedis cleaning & hygiene business that was acquired in November 2017 is integrating well and the combination with our existing business has already delivered considerable synergy benefits. Sales at our existing cleaning and hygiene business declined as good growth in the hotel, restaurant and catering (‘horeca’), industry and food sectors could not fully offset the impact of two larger account losses last year leading to lower operating profit. However a recent significant customer gain should deliver revenue growth in the remainder of the year. Our safety business in France continues to deliver strong revenue and operating profit growth following recent customer wins. Comatec, our foodservice business which is focused on the sale of high-end, innovative tableware to the horeca sector, has also delivered strong growth, particularly in the domestic market where it enjoys higher margins, such that operating profit has risen well. In February 2018 we disposed of OPM, a non-core business which was involved in the sale of SodaStream products to retailers in France.

In the Netherlands, revenue has increased in all businesses, with particularly good growth in healthcare following the gain of a major customer in the middle of 2017, and operating profit has increased substantially. In Belgium, sales have progressed well in the cleaning & hygiene sector although revenue declined in the retail sector where customers continue to seek cost reductions as they face competition from low-cost chains such that overall operating profit was lower.

In Germany, sales were down in all sectors other than to the larger accounts in the horeca business, leading to a reduction in operating profit. Our business in Switzerland has seen sales growth in the industrial, medical and retail sectors which has offset a weaker performance in the horeca sector as tourism in Switzerland continues to struggle with the strength of the Swiss franc. Margins remained under pressure, in particular from imported products from neighbouring countries selling in euros, and operating profit has declined. In Austria, sales increased in the dairy, fruit and vegetable packaging sectors, offsetting declines in meat packaging.

In Denmark, sales grew well in the horeca, food processor, safety, public and redistribution sectors although were lower in the retail sector. Margins remained steady but costs were adversely impacted by one-off items relating to implementation of new ERP systems at two of the Danish businesses.

Our business in Spain has continued to perform strongly. Sales grew well across all sectors and margins benefited from favourable exchange rates, particularly in the safety businesses. As a result, operating profit increased significantly. In Italy, Neri, our safety business acquired in March 2017, has continued to trade well with improved margins.

In Central Europe, revenue increased in Hungary, Romania and in the safety sector in the Czech Republic driven by higher sales to industrial customers but sales were lower in the grocery sector in the Czech Republic. Margins improved and operating profit rose significantly.

In Turkey, revenue has increased substantially from new customer wins, extending the product range at existing customers and price rises with operating profit increasing strongly. In Israel, increased revenue in the horeca sector has been offset by lower sales in the bakery sector.

UK & Ireland

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Growth at constant exchange
Revenue	**625.9**	566.1	11%
Adjusted operating profit*	**39.7**	37.9	5%
Operating margin*	**6.3%**	6.7%	

* Before customer relationships amortisation and acquisition related items (see Notes 1 and 2 on pages 25 to 28)

In UK & Ireland, revenue increased by 11% to £625.9 million as a result of both organic growth and the impact of acquisitions made at the end of last year and early this year, partly offset by the disposal of the marketing services business in June 2018. The organic revenue growth, which has continued the upward trend started in the second half of 2017, increased to 6% for the period. Operating profit was up 5% to £39.7 million with the operating margin declining 40 basis points to 6.3% as the UK market continues to be challenging due to political and economic uncertainty.

Both sales and operating profit in our safety business were held back as market conditions remained variable. Work has continued on improving our digital and service offerings available locally from a network of branches. In the cleaning & hygiene sector, we have seen good revenue growth with several new customer wins in addition to further investment in our machine supply and service business. Providing efficient and effective mobilisations for our facilities management customers, combined with the provision of expert advice on the most suitable cleaning solutions, remains at the heart of our value proposition.

Our grocery and retail businesses have all shown strong sales growth during the first half of the year as a result of new customer wins and product range extensions with existing customers. Despite the challenges currently faced by the traditional bricks and mortar retailers, we have managed to grow strongly, providing additional product categories as we consolidate supply through our digital and service-based capabilities. Our Woodway packaging supplies business has also grown significantly due to an increase in the online activity of our customers, coupled with our ability to offer and design bespoke and innovative solutions saving our customers both time and money. We have further strengthened our digital and data services to provide customers with real time bespoke management information, specifically tailored to help our individual customers manage their businesses more efficiently and cost effectively. In June we sold our marketing services business as the opportunities to expand overseas in the short to medium term were limited and, as a result, the business was no longer considered to be a good strategic fit.

Sales have continued to grow within our hospitality business due to the continued roll-out of a major customer win last year. The difficult trading environment surrounding the sector has continued and has put pressure on our customers' operating margins. As such, the development of competitively priced product ranges coupled with sophisticated budget controlled ordering systems for our customers have improved our value in this competitive marketplace. We have also responded positively to the market's desire for more sustainable products by improving our offering in this area, while at the same time providing much needed expert advice to customers. Our latest acquisition Aggora, which was purchased in January this year, has further enhanced our proposition by adding a valuable suite of services for our customers which now includes full servicing of catering equipment and asset tagging capabilities that provide them with invaluable management information through a custom built database.

In our healthcare business, the UK government initiative to simplify the procurement processes within NHS England and reduce costs has provided an opportunity to focus on added value products. In addition, our growth in the private healthcare sector, in particular the care and nursing home market, is starting to gain momentum with several recent new customer wins providing additional products and services which have contributed to an overall improvement in performance.

In Ireland our catering, cleaning, safety and retail businesses have all grown well. We continue to invest in digital capabilities with the launch of new websites and data models to help our customers run their businesses more successfully. The introduction of additional product categories, such as textiles and bedding in the hospitality sector, has increased our sales to existing customers who are looking for a consolidated offering for all of their needs.

Rest of the World

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Growth at constant exchange
Revenue	**368.0**	351.5	14%
Adjusted operating profit*	**28.2**	25.1	23%
Operating margin*	**7.7%**	7.1%	

* Before customer relationships amortisation and acquisition related items (see Notes 1 and 2 on pages 25 to 28)

In Rest of the World, revenue increased 14% to £368.0 million with operating profit up 23% to £28.2 million as the operating margin increased 60 basis points to 7.7%. Although trading conditions have continued to improve as the economic environments in the countries in which we operate have stabilised, market conditions remain variable across the business area. Of the total increase in revenue, more than 4% was from organic growth with acquisitions accounting for the balance.

In Brazil, the recent economic recovery has been held back by renewed political uncertainty surrounding the upcoming presidential elections and a recent national distribution strike. Business confidence suffered as the currency devalued considerably and unemployment once again started to rise. In our safety sector, sales and operating profit grew well as a number of key competitors in the market faced shortages and we were able to gain more business. Sales increased in the cleaning & hygiene sector due to the impact of a new account win last year.

In our Brazilian healthcare business, flat sales and lower margins in our medical business caused a decline in operating profit leading us to implement additional cost controls. However our dental business saw good sales growth and significant operating profit growth as last year's investments in the business yielded positive results.

Our new foodservice business in Brazil, Talge which was acquired in early January 2018, has traded well and in line with our expectations.

In Chile, economic activity has picked up and the mining sector has benefited from increased investment. Our safety business Vicsa saw strong sales growth and substantial operating profit growth as both volumes and profitability increased. Vicsa also saw strong growth in its existing digital trading channels and successfully launched a new digital trading platform for its distributor customers. Our other safety business, Tecno Boga, saw modest growth in sales and operating profit as it continued to adjust its portfolio to the changing demands of the market and has positioned itself to grow well in the second half of 2018. In the foodservice sector, our catering supplies business was able to increase sales despite the loss of a large account and further improved operating margins such that operating profit grew strongly.

In Mexico, our safety business grew sales and operating profit and profitability increased as exchange rates stabilised. The business has begun pilot testing a new digital trading platform with encouraging results.

In Colombia, our safety business Solmaq successfully completed its restructuring plan following a challenging 2017 and registered significant growth in both sales and operating profit. Cost reductions implemented last year yielded substantial improvements in operating margin while improved service levels allowed the business to recover lost sales. Our other Colombian safety business, Vicsa, delivered strong sales and operating profit growth despite some uncertainty in the Colombian market in advance of the presidential elections.

Elsewhere in Latin America, our Vicsa operations in Peru saw good growth, while in Argentina sales and operating profit were up significantly from the combination of strong volume growth and inflation-driven price increases.

In Australasia, our business significantly improved its performance with renewed confidence in the resources sector, government investment in infrastructure projects and the region's growth in tourism.

Our largest business, Bunzl Outsourcing Services, continued to develop its sector focus in healthcare, cleaning & hygiene and hospitality with sales and operating profit both increasing. The business is benefiting from the ongoing investment and development of resources and capability that supports our specialisation strategy within these sectors. Our largest sector, healthcare, continues to grow as we develop our capability in medical consumables and clinical support which is delivered to the market through our national distribution footprint. Our business serving the hospitality sector is benefiting from increased investment in hotel accommodation in the region. We have developed a growing reputation for being able to innovate and successfully manage the supplies required for major capital projects on time, in full and on budget.

Our food processor business has also continued to grow sales and operating profit. We have been able to capitalise on several new product initiatives and been successful in securing some large supply contracts with leading food processor customers across Australia and New Zealand. We are also starting to leverage our new digital trading platform which we are implementing across our customer base. This platform will enhance our current offering by creating an efficient ordering platform for our customers and a mobile portal for our sales teams.

Our safety business has made further progress by streamlining its operational platform and processes which has enabled us to drive productivity and enhance our competitive position, allowing the business to benefit from the continued resources sector recovery and government investment in infrastructure projects. We have also continued to innovate with new product development across our major product categories and have successfully secured an exclusive supply partnership with an indigenous-owned company to distribute some well known branded product ranges which will create opportunities for new and existing customers to achieve their statutory procurement targets.

Our new speciality healthcare business, Interpath which was acquired in the second half of 2017, has enhanced our portfolio within the growing and resilient healthcare sector. The business, which is based in Melbourne, is a leading national distributor of laboratory and healthcare related consumables to the pathology, medical research and life science markets.

Our businesses in Singapore and China, which were acquired in 2017, have continued to settle in and become more integrated into the Group. Both businesses supply personal protection equipment to the South East Asian markets where we are looking to develop regional relationships with our customers and suppliers.

Prospects

Although we continue to face mixed macroeconomic and market conditions, our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further are expected to lead to continued growth. If exchange rates remain at their current levels, despite the recent weakening of sterling, it is anticipated that there will be an adverse currency translation effect on the reported results for 2018.

In North America, the combination of organic revenue growth, which has recently returned to more normal levels, and the impact of acquisitions should lead to good overall growth for the year. In Continental Europe, we expect to see a strong performance due to the benefit of organic growth and acquisitions, net of the disposal of OPM. Despite a challenging market in the UK and the sale of the marketing services business in June, we expect UK & Ireland to develop further. In Rest of the World we expect to see strong growth for the year.

The pipeline for acquisitions remains active and, with ongoing discussions taking place, we expect to complete further transactions during the remainder of the year.

The Board is confident that the prospects for the Group are positive and that the Company will continue to develop the business and build shareholder value through a combination of organic growth and acquisitions.

FINANCIAL REVIEW

Currency translation

Currency translation had a negative impact on the Group's reported results, decreasing revenue, profits and earnings by approximately 6%. The adverse exchange rate impact was principally due to the strengthening of sterling against the US dollar, Canadian dollar, Australian dollar and Brazilian real, partly offset by the weakening of sterling against the euro.

Average exchange rates	**Six months to 30.6.18**	Six months to 30.6.17
US$	**1.38**	1.26
Euro	**1.14**	1.16
Canadian$	**1.76**	1.68
Australian$	**1.78**	1.67
Brazilian real	**4.71**	4.00

Closing exchange rates	**30.6.18**	30.6.17
US$	**1.32**	1.30
Euro	**1.13**	1.14
Canadian$	**1.74**	1.69
Australian$	**1.79**	1.69
Brazilian real	**5.08**	4.30

Revenue

Revenue increased to £4,343.7 million (2017 H1: £4,119.2 million), up 12% at constant exchange rates (up 5% at actual exchange rates), due to organic growth of 5.2% and the benefit of acquisitions, partly offset by the impact of disposals.

Movement in revenue	**£m**
2017 H1 revenue	4,119.2
Currency translation	(226.4)
2017 H1 at constant exchange rates	3,892.8
Organic growth	199.9
Acquisitions	276.2
Disposals	(25.2)
2018 H1 revenue	**4,343.7**

Operating profit

Adjusted operating profit (being operating profit before customer relationships amortisation and acquisition related items) increased to £285.0 million (2017 H1: £272.6 million), an increase of 10% at constant exchange rates (up 5% at actual exchange rates).

At both constant and actual exchange rates the adjusted operating profit margin remained unchanged at 6.6%.

Movement in adjusted operating profit	**£m**
2017 H1 adjusted operating profit	272.6
Currency translation	(14.4)
2017 H1 at constant exchange rates	258.2
Growth in the period	26.8
2018 H1 adjusted operating profit	**285.0**

Reconciliation of adjusted operating profit to operating profit	**£m**
2018 H1 adjusted operating profit	285.0
Customer relationships amortisation	(55.6)
Acquisition related items	(18.6)
2018 H1 operating profit	**210.8**

Customer relationships amortisation and acquisition related items are items which are not taken into account by management when assessing the results of the business as they are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions and therefore do not relate to the underlying operating performance and distort comparability between businesses and reporting periods. Accordingly, these items are removed in calculating the profitability measures by which management assesses the performance of the Group. Further details on this and on other alternative performance measures are set out in Note 1 on pages 25 to 27.

Interest

The net finance expense of £27.1 million increased by £4.0 million at constant exchange rates (up £2.8 million at actual exchange rates), mainly from the higher level of average net debt during the period which was principally due to the funding of acquisitions made during the last 12 months.

Profit before income tax

Adjusted profit before income tax (being profit before income tax, customer relationships amortisation, acquisition related items and disposal of businesses) was £257.9 million (2017 H1: £248.3 million), up 10% at constant exchange rates (up 4% at actual exchange rates) due to the growth in adjusted operating profit, partly offset by the increase in net finance expense.

Movement in adjusted profit before income tax	**£m**
2017 H1 adjusted profit before income tax	248.3
Currency translation	(13.2)
2017 H1 at constant exchange rates	235.1
Growth in adjusted operating profit	26.8
Increase in net finance expense	(4.0)
2018 H1 adjusted profit before income tax	**257.9**

The profit on disposal of businesses is excluded in calculating adjusted profit before income tax as it is a non-recurring item resulting from the disposal of two non-core businesses and does not relate to underlying operating performance. Profit before income tax increased by £15.4 million to £197.3 million, up 15% at constant exchange rates (up 8% at actual exchange rates) due to an increase of £9.6 million in adjusted profit before income tax, the profit on disposal of businesses of £13.6 million (2017 H1: £nil) and a £0.4 million decrease in acquisition related items, partly offset by an increase of £8.2 million in customer relationships amortisation.

Taxation

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

The effective tax rate (being the tax rate on adjusted profit) for the period was 23.8% (2017 H1: 26.9%) and the reported tax rate on statutory profit was 24.4% (2017 H1: 27.6%). The effective and reported tax rates have decreased from the prior period principally due to the reduction in the US federal tax rate effective from 1 January 2018.

Earnings per share

Profit after tax increased by £17.5 million to £149.2 million, up 20% at constant exchange rates (up 13% at actual exchange rates) due to a £15.4 million increase in profit before income tax and a £2.1 million decrease in the tax charge.

The weighted average number of shares in issue increased from 329.5 million in the prior period to 330.5 million due to employee share option exercises, partly offset by shares being purchased from the market for the Group's employee benefit trust during the first half of 2017. Basic earnings per share were 45.1p, up 20% at constant exchange rates (up 13% at actual exchange rates).

After adjusting for customer relationships amortisation, acquisition related items, disposal of businesses and the associated tax, adjusted profit after tax increased by £14.9 million from £181.5 million in the prior period to £196.4 million. Adjusted earnings per share were 59.4p, an increase of 14% at constant exchange rates and 8% at actual exchange rates.

Movement in adjusted earnings per share	**Pence**
2017 H1 adjusted earnings per share	55.1
Currency translation	(2.9)
2017 H1 at constant exchange rates	52.2
Increase in adjusted operating profit	5.9
Increase in net finance expense	(0.9)
Decrease in effective tax rate	2.4
Increase in weighted average number of shares	(0.2)
2018 H1 adjusted earnings per share	**59.4**

Dividends

The interim dividend has increased by 9% to 15.2p from 14.0p in 2017.

Acquisitions

The Group completed five acquisitions during the period ended 30 June 2018. The estimated annualised revenue of the acquisitions completed during the period was £130.6 million. Excluding the two acquisitions that had been agreed at 31 December 2017 but completed in January 2018, the estimated annualised revenue of the acquisitions was £74.2 million.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	85.6
Goodwill	36.9
Consideration	122.5
Satisfied by:	
cash consideration	121.4
deferred consideration	1.1
	122.5
Contingent payments relating to the retention of former owners	9.8
Net cash acquired	(4.8)
Transaction costs and expenses	3.1
Total committed spend in respect of acquisitions completed in the current period	**130.6**
Spend on acquisitions committed as at 31 December 2017 but completed in January 2018	(22.8)
Total committed spend in respect of acquisitions agreed in the current period	**107.8**

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

	£m
Cash consideration	121.4
Net cash acquired	(4.8)
Deferred consideration in respect of prior year acquisitions	22.4
Net cash outflow in respect of acquisitions	139.0
Acquisition related items*	11.7
Total cash outflow in respect of acquisitions	150.7

*Acquisition related items comprised £5.7 million of transaction costs and expenses paid and £6.0 million of payments relating to the retention of former owners.

Disposals

During the period the Group completed the disposal of two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses, these being OPM, which is a distributor of SodaStream products to retailers throughout France, and Marketing Services, which provides marketing services in the UK. The disposals were completed on 2 February 2018 and 7 June 2018 respectively. As a result, the net assets of the Group increased by £10.5 million, representing the profit on disposal of £13.6 million and an associated tax charge of £3.1 million, with a net cash inflow of £55.3 million.

Cash flow

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

	Six months to 30.6.18 £m	Six months to 30.6.17 £m
Cash generated from operations†	**279.7**	276.1
Net capital expenditure	**(12.7)**	(13.9)
Operating cash flow†	**267.0**	262.2
Net interest	**(24.9)**	(21.7)
Tax	**(60.5)**	(53.1)
Free cash flow	**181.6**	187.4
Dividends	**(46.2)**	(42.8)
Acquisitions◊	**(150.7)**	(312.0)
Disposal of businesses	**55.3**	-
Employee share schemes	**20.0**	(30.2)
Net cash inflow/(outflow)	**60.0**	(197.6)

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

The Group's free cash flow of £181.6 million was £5.8 million lower than in the comparable period at actual exchange rates. At constant exchange rates, free cash flow was £5.1 million higher than in the comparable period, primarily due to an increase in operating cash flow, partly offset by increases in the cash outflows relating to tax and interest. The Group's free cash flow was primarily used to finance dividend payments of £46.2 million in respect of 2017 (2017 H1: £42.8 million in respect of 2016) and an acquisition cash outflow of £150.7 million (2017 H1: £312.0 million). Cash conversion (being the ratio of operating cash flow to adjusted operating profit) was 94% (2017 H1: 96%).

Net debt

Net debt decreased by £45.9 million during the period to £1,477.7 million (31 December 2017: £1,523.6 million), principally due to the net cash inflow of £60.0 million.

Movement in net debt	**£m**
Net debt at 1 January 2018	1,523.6
Net cash inflow	(60.0)
Currency translation	14.1
Net debt at 30 June 2018	**1,477.7**

Net debt to EBITDA, calculated at average exchange rates and in accordance with our external banking covenants, was 2.2 times (31 December 2017: 2.3 times).

Balance sheet

Summary balance sheet	**30 June 2018 £m**	30 June 2017 £m	31 December 2017 £m
Intangible assets	**2,365.5**	2,140.6	2,351.7
Tangible assets	**119.8**	122.6	125.2
Working capital	**914.4**	888.7	871.9
Other net liabilities	**(424.1)**	(394.3)	(325.6)
	2,975.6	2,757.6	3,023.2
Net pensions deficit	**(26.9)**	(78.7)	(51.0)
Net debt	**(1,477.7)**	(1,402.5)	(1,523.6)
Equity	**1,471.0**	1,276.4	1,448.6
Return on average operating capital %	**52.0%**	54.3%	53.1%
Return on invested capital %	**15.4%**	16.4%	16.0%

Return on average operating capital decreased to 52.0% from 53.1% at 31 December 2017, driven by a lower return in the underlying business. Return on invested capital of 15.4% was down from 16.0% at 31 December 2017 due to the impact of recent acquisitions, a lower return in the underlying business and an adverse impact from exchange rate movements.

Intangible assets increased by £13.8 million from 31 December 2017 to £2,365.5 million due to intangible assets arising on acquisitions in the period of £100.9 million and software additions of £3.1 million, partly offset by an amortisation charge of £59.2 million, a decrease from disposal of businesses of £22.3m and an adverse exchange rate impact of £8.7 million.

Working capital increased by £42.5 million from 31 December 2017 to £914.4 million primarily from acquisitions and an increase in the underlying business, partly offset by a decrease from disposal of businesses and exchange rate movements.

The Group's net pension deficit of £26.9 million at 30 June 2018 was £24.1 million lower than at 31 December 2017, largely due to an actuarial gain of £24.6 million. The actuarial gain arose as a result of a decrease in the present value of scheme liabilities from changes in assumptions, principally a higher discount rate applied to the UK and US schemes.

Shareholders' equity increased by £22.4 million from 31 December 2017 to £1,471.0 million.

Movement in shareholders' equity	**£m**
Shareholders' equity at 1 January 2018	1,448.6
Profit for the period	149.2
Dividends	(152.2)
Currency (net of tax)	(23.0)
Actuarial gain on pension schemes (net of tax)	19.4
Share based payments (net of tax)	7.6
Employee share schemes (net of tax)	21.4
Shareholders' equity at 30 June 2018	**1,471.0**

Capital management

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

Treasury policies and controls

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

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, 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 six months to 30 June 2018 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.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and the senior bond issued during 2017. At 30 June 2018 the nominal value of US private placement notes outstanding was £1,087.2 million with maturities ranging from 2019 to 2028. The £300 million senior bond issued in 2017 matures in 2025 and the Group's committed bank facilities mature between 2018 and 2023. At 30 June 2018 the available committed bank facilities totalled £1,007.0 million of which £215.6 million was drawn down, providing headroom of £791.4 million.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group for the remaining six months of the financial year are unchanged from those detailed in the section entitled 'Principal risks and uncertainties' on pages 51 to 55 of the Annual Report for the year ended 31 December 2017. These include the risks of competitive pressures in the countries and markets in which the Group operates, product cost deflation and inflation, the ability of the Group to complete and successfully integrate acquisitions, the risk of cyber-attacks on the Group's operations and the financial risks associated with the availability of funding, the currency translation impact on the Group's results and banking covenants and increases in taxation. A copy of the 2017 Annual Report is available on the Company's website at www.bunzl.com.

As disclosed in the 2017 Annual Report, the Board is continuing to monitor the potential risks associated with the UK leaving the European Union ('Brexit'). As exit negotiations are ongoing, the final outcome remains unclear and it is too early to understand fully the impact that Brexit will have on the Group's operations. At the present time, it is anticipated that the risks arising from Brexit will include foreign exchange volatility, a reduction in economic activity in the UK and the operational and trading consequences of the imposition of trade tariffs. The Board is also monitoring the developing situation with respect to trade tariffs in North America. However, the Group does not consider that its principal risks and uncertainties have changed as a result of these matters.

Consolidated income statement
for the period ended 30 June 2018

	Notes	**Six months to 30.6.18 £m**	Six months to 30.6.17 £m	Growth Actual exchange rates	Growth Constant exchange rates	Year to 31.12.17 £m
Revenue	2	**4,343.7**	4,119.2	5%	12%	8,580.9
Operating profit	2	**210.8**	206.2	2%	8%	456.0
Finance income	3	**5.0**	4.9			10.6
Finance expense	3	**(32.1)**	(29.2)			(57.3)
Disposal of businesses	10	**13.6**	-			-
Profit before income tax		**197.3**	181.9	8%	15%	409.3
Income tax	4	**(48.1)**	(50.2)			(98.8)
Profit for the period attributable to the Company's equity holders		**149.2**	131.7	13%	20%	310.5
Earnings per share attributable to the Company's equity holders						
Basic	6	**45.1p**	40.0p	13%	20%	94.2p
Diluted	6	**44.8p**	39.5p	13%	20%	93.5p
Dividend per share	5	**15.2p**	14.0p	9%		46.0p

Alternative performance measures*						
Operating profit	2	**210.8**	206.2	2%	8%	456.0
Adjusted for:						
Customer relationships amortisation	2	**55.6**	47.4			96.6
Acquisition related items	2	**18.6**	19.0			36.7
Adjusted operating profit◊	2	**285.0**	272.6	5%	10%	589.3
Finance income	3	**5.0**	4.9			10.6
Finance expense	3	**(32.1)**	(29.2)			(57.3)
Adjusted profit before income tax◊		**257.9**	248.3	4%	10%	542.6
Tax on adjusted profit	4	**(61.5)**	(66.8)			(149.2)
Adjusted profit for the period◊		**196.4**	181.5	8%	14%	393.4
Adjusted earnings per share◊	6	**59.4p**	55.1p	8%	14%	119.4p

***** See Note 1 on pages 25 to 27 for further details of the alternative performance measures.

◊ Does not include the profit on disposal of businesses and associated tax where relevant.

Consolidated statement of comprehensive income
for the period ended 30 June 2018

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
Profit for the period	**149.2**	131.7	310.5
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit pension schemes	**24.6**	4.1	27.0
Tax on items that will not be reclassified to profit or loss	**(5.2)**	(1.0)	(9.6)
Total items that will not be reclassified to profit or loss	**19.4**	3.1	17.4
Items that may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations	**(31.9)**	(10.0)	(53.3)
Movement from translation reserve to income statement on disposal of foreign operation	**(2.4)**	-	-
Gain/(loss) taken to equity as a result of effective net investment hedges	**6.7**	(0.2)	7.2
Gain/(loss) recognised in cash flow hedge reserve	**4.8**	(4.2)	2.4
Movement from cash flow hedge reserve to inventory/income statement	**0.3**	(2.0)	(7.0)
Tax on items that may be reclassified to profit or loss	**(0.5)**	1.4	1.3
Total items that may be reclassified subsequently to profit or loss	**(23.0)**	(15.0)	(49.4)
Other comprehensive expense for the period	**(3.6)**	(11.9)	(32.0)
Total comprehensive income attributable to the Company's equity holders	**145.6**	119.8	278.5

Consolidated balance sheet
at 30 June 2018

	Notes	**30.6.18 £m**	30.6.17 £m	31.12.17 £m
Assets				
Property, plant and equipment		**119.8**	122.6	125.2
Intangible assets	7	**2,365.5**	2,140.6	2,351.7
Defined benefit pension assets		**18.4**	-	-
Derivative financial assets	11	**2.3**	12.8	10.0
Deferred tax assets		**4.0**	2.5	3.4
Total non-current assets		**2,510.0**	2,278.5	2,490.3
Inventories		**1,079.3**	1,003.3	1,064.9
Trade and other receivables		**1,268.8**	1,228.6	1,258.4
Income tax receivable		**3.8**	4.5	4.4
Derivative financial assets	11	**13.5**	7.7	10.3
Cash at bank and in hand	8	**519.5**	297.0	333.6
Assets classified as held for sale		**-**	-	27.7
Total current assets		**2,884.9**	2,541.1	2,699.3
Total assets		**5,394.9**	4,819.6	5,189.6
Equity				
Share capital		**108.1**	108.0	108.0
Share premium		**176.7**	170.5	171.4
Translation reserve		**(45.1)**	17.8	(17.9)
Other reserves		**21.5**	16.0	17.3
Retained earnings		**1,209.8**	964.1	1,169.8
Total equity attributable to the Company’s equity holders		**1,471.0**	1,276.4	1,448.6
Liabilities				
Interest bearing loans and borrowings	8	**1,475.3**	1,386.5	1,499.2
Defined benefit pension liabilities		**45.3**	78.7	51.0
Other payables		**29.9**	35.6	30.7
Income tax payable		**2.9**	-	3.0
Provisions		**37.6**	41.0	39.0
Derivative financial liabilities	11	**8.6**	0.3	0.9
Deferred tax liabilities		**156.6**	128.0	158.0
Total non-current liabilities		**1,756.2**	1,670.1	1,781.8
Bank overdrafts	8	**384.3**	180.3	221.3
Interest bearing loans and borrowings	8	**132.8**	134.0	145.1
Trade and other payables		**1,545.8**	1,449.2	1,468.4
Income tax payable		**88.1**	82.1	90.5
Provisions		**8.3**	5.7	6.2
Derivative financial liabilities	11	**8.4**	21.8	12.4
Liabilities classified as held for sale		**-**	-	15.3
Total current liabilities		**2,167.7**	1,873.1	1,959.2
Total liabilities		**3,923.9**	3,543.2	3,741.0
Total equity and liabilities		**5,394.9**	4,819.6	5,189.6

Consolidated statement of changes in equity

for the period ended 30 June 2018

	Share capital £m	**Share premium £m**	**Translation reserve £m**	**Other reserves◊ £m**	**Retained earnings† £m**	**Total equity £m**
At 1 January 2018	**108.0**	**171.4**	**(17.9)**	**17.3**	**1,169.8**	**1,448.6**
Profit for the period					**149.2**	**149.2**
Actuarial gain on defined benefit pension schemes					**24.6**	**24.6**
Foreign currency translation differences on foreign operations			**(31.9)**			**(31.9)**
Movement from translation reserve to income statement on disposal of foreign operation			**(2.4)**			**(2.4)**
Gain taken to equity as a result of effective net investment hedges			**6.7**			**6.7**
Gain recognised in cash flow hedge reserve				**4.8**		**4.8**
Movement from cash flow hedge reserve to inventory				**0.3**		**0.3**
Income tax credit/(charge) on other comprehensive income			**0.4**	**(0.9)**	**(5.2)**	**(5.7)**
Total comprehensive income/(expense)			**(27.2)**	**4.2**	**168.6**	**145.6**
2017 interim dividend					**(46.2)**	**(46.2)**
2017 final dividend					**(106.0)**	**(106.0)**
Issue of share capital	**0.1**	**5.3**				**5.4**
Employee trust shares					**16.0**	**16.0**
Share based payments					**7.6**	**7.6**
At 30 June 2018	**108.1**	**176.7**	**(45.1)**	**21.5**	**1,209.8**	**1,471.0**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2017	107.9	167.5	27.7	21.1	988.3	1,312.5
Profit for the period					131.7	131.7
Actuarial gain on defined benefit pension schemes					4.1	4.1
Foreign currency translation differences on foreign operations			(10.0)			(10.0)
Loss taken to equity as a result of effective net investment hedges			(0.2)			(0.2)
Loss recognised in cash flow hedge reserve				(4.2)		(4.2)
Movement from cash flow hedge reserve to income statement				(2.0)		(2.0)
Income tax credit/(charge) on other comprehensive income			0.3	1.1	(1.0)	0.4
Total comprehensive income/(expense)			(9.9)	(5.1)	134.8	119.8
2016 interim dividend					(42.8)	(42.8)
2016 final dividend					(95.4)	(95.4)
Issue of share capital	0.1	3.0				3.1
Employee trust shares					(32.0)	(32.0)
Share based payments					11.2	11.2
At 30 June 2017	108.0	170.5	17.8	16.0	964.1	1,276.4

Consolidated statement of changes in equity (continued)
for the period ended 30 June 2018

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2017	107.9	167.5	27.7	21.1	988.3	1,312.5
Profit for the year					310.5	310.5
Actuarial gain on defined benefit pension schemes					27.0	27.0
Foreign currency translation differences on foreign operations			(53.3)			(53.3)
Gain taken to equity as a result of effective net investment hedges			7.2			7.2
Gain recognised in cash flow hedge reserve				2.4		2.4
Movement from cash flow hedge reserve to income statement				(7.0)		(7.0)
Income tax credit/(charge) on other comprehensive income			0.5	0.8	(9.6)	(8.3)
Total comprehensive income/(expense)			(45.6)	(3.8)	327.9	278.5
2016 interim dividend					(42.8)	(42.8)
2016 final dividend					(95.4)	(95.4)
Issue of share capital	0.1	3.9				4.0
Employee trust shares					(20.8)	(20.8)
Share based payments					12.6	12.6
At 31 December 2017	108.0	171.4	(17.9)	17.3	1,169.8	1,448.6

◊ Other reserves comprise merger reserve of £2.5m (30 June 2017: £2.5m; 31 December 2017: £2.5m), capital redemption reserve of £16.1m (30 June 2017: £16.1m; 31 December 2017: £16.1m) and a positive cash flow hedge reserve of £2.9m (30 June 2017: £2.6m negative; 31 December 2017: £1.3m negative).

† Retained earnings comprise earnings of £1,314.4m (30 June 2017: £1,117.7m; 31 December 2017: £1,292.7m), offset by own shares of £104.6m (30 June 2017: £153.6m; 31 December 2017: £122.9m).

Consolidated cash flow statement
for the period ended 30 June 2018

	Notes	**Six months to 30.6.18 £m**	Six months to 30.6.17 £m	Year to 31.12.17 £m
Cash flow from operating activities				
Profit before income tax		**197.3**	181.9	409.3
Adjusted for:				
net finance expense	3	**27.1**	24.3	46.7
customer relationships amortisation	7	**55.6**	47.4	96.6
acquisition related items	2	**18.6**	19.0	36.7
disposal of businesses	10	**(13.6)**	-	-
Adjusted operating profit		**285.0**	272.6	589.3
Adjustments:				
non-cash items	12	**18.5**	19.6	28.9
working capital movement	12	**(23.8)**	(16.1)	(15.6)
Cash generated from operations before acquisition related items		**279.7**	276.1	602.6
Cash outflow from acquisition related items	9	**(11.7)**	(11.4)	(13.9)
Income tax paid		**(60.5)**	(53.1)	(113.1)
Cash inflow from operating activities		**207.5**	211.6	475.6
Cash flow from investing activities				
Interest received		**4.7**	4.8	2.3
Purchase of property, plant and equipment and software		**(13.1)**	(14.6)	(33.8)
Sale of property, plant and equipment		**0.4**	0.7	0.9
Purchase of businesses	9	**(139.0)**	(300.6)	(574.6)
Disposal of businesses	10	**55.3**	-	-
Cash outflow from investing activities		**(91.7)**	(309.7)	(605.2)
Cash flow from financing activities				
Interest paid		**(29.6)**	(26.5)	(46.8)
Dividends paid		**(46.2)**	(42.8)	(138.2)
Increase in borrowings		**95.4**	246.3	418.7
Repayment of borrowings		**(139.3)**	(61.1)	(87.3)
Realised gains/(losses) on foreign exchange contracts		**5.4**	0.8	(10.2)
Proceeds from issue of ordinary shares to settle share options		**5.4**	3.1	4.0
Proceeds from exercise of market purchase share options		**14.6**	14.8	24.7
Purchase of employee trust shares		**-**	(48.1)	(48.1)
Cash (outflow)/inflow from financing activities		**(94.3)**	86.5	116.8
Increase/(decrease) in cash and cash equivalents		**21.5**	(11.6)	(12.8)
Cash and cash equivalents at beginning of the period		**112.3**	126.7	126.7
Increase/(decrease) in cash and cash equivalents		**21.5**	(11.6)	(12.8)
Currency translation		**1.4**	1.6	(1.6)
Cash and cash equivalents at end of the period	8	**135.2**	116.7	112.3

Alternative performance measures*			
Cash generated from operations before acquisition related items	**279.7**	276.1	602.6
Purchase of property, plant and equipment and software	**(13.1)**	(14.6)	(33.8)
Sale of property, plant and equipment	**0.4**	0.7	0.9
Operating cash flow	**267.0**	262.2	569.7
Cash conversion % (operating cash flow to adjusted operating profit)	**94%**	96%	97%

***** See Note 1 for further details of the alternative performance measures.

Notes

1. Basis of preparation

The condensed set of financial statements of Bunzl plc ('the Company') for the six months ended 30 June 2018, with comparative figures for the six months ended 30 June 2017, is unaudited and does not constitute statutory accounts. However the external auditors have carried out a review of the condensed set of financial statements and their report in respect of the six months ended 30 June 2018 is set out in the Independent review report on page 37. The comparative figures for the year ended 31 December 2017 do not constitute the Company's statutory accounts for the year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498(2)(3) of the Companies Act 2006.

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 condensed set of financial statements. The condensed set of financial statements has been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as adopted by the EU and as issued by the International Accounting Standards Board ('IASB') and the Disclosure Guidance and Transparency Rules Sourcebook of the UK's Financial Conduct Authority. Except as described below, the condensed set of financial statements has been prepared on the basis of the accounting policies set out in the Company's 2017 statutory accounts which were prepared in accordance with (i) International Financial Reporting Standards ('IFRS') as adopted by the EU and interpretations of the IFRS Interpretations Committee ('IFRS IC') and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) IFRS as issued by the IASB.

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' retrospectively from 1 January 2018. IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The vast majority of the Group's revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. The Group's other revenue generating activities represent approximately 1% of total revenue. The majority of this other revenue relates to design and fit out services for foodservice customers and fulfilment services where the Group does not take title to inventory. For these and other services performed by the Group, the recognition of revenue under IFRS 15 does not differ materially from the previous accounting practices. Accordingly, the adoption of IFRS 15 has not had a material impact on the timing of revenue recognition and has not had a material impact on the Group's operating profit or financial position. Prior year comparatives have not been restated.

The Group has adopted IFRS 9, 'Financial Instruments' retrospectively from 1 January 2018 except where prospective application is required as specified in the standard. The adoption of IFRS 9 resulted in a change to the Group's accounting estimates to reflect the new expected credit loss impairment model for financial assets, particularly in relation to the provision for trade receivables, but did not have a material impact on the Group's operating profit or financial position. Prior year comparatives have not been restated.

During the period the Group completed the disposal of two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. The profit on disposal was calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the carrying amount of the assets and liabilities of the subsidiary on the date of disposal. On the disposal of the subsidiary with assets and liabilities denominated in foreign currency, the cumulative translation difference associated with that subsidiary in the translation reserve was credited to the gain on disposal recognised in the income statement.

In September 2017 an agenda decision of the IFRS IC was issued which provided clarity over the treatment of interest and penalties related to income taxes. This confirmed that entities do not have an accounting policy choice between applying IAS 12 'Income Taxes' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and that the treatment should be determined on a case by case basis. As a result, the Group's finance expense now includes a charge for interest related to income tax whereas in prior years all such items were shown in income tax. The amounts involved are not material and prior year comparatives have not been restated.

There are no other new standards or amendments to existing standards that are effective that have had an impact on the Group.

1. Basis of preparation (continued)

IFRS 16 'Leases' will be effective in the consolidated financial statements for the year ending 31 December 2019. The Group will adopt IFRS 16 on 1 January 2019 and intends to use the modified retrospective approach to transition utilising the practical expedients outlined in the standard. To prepare for the transition to this new accounting standard, data has been collated on all of the Group's leases which are principally for warehouses, offices and vehicles. Based on the Group's assessment, which is ongoing, the application of IFRS 16 will have a material impact on the consolidated financial statements.

The new standard will require that the Group's leased assets are recorded within property, plant and equipment as 'right of use assets' with a corresponding lease liability which is based on the present value of the future payments required under each lease. Whilst the actual impact will not be known until IFRS 16 is adopted on 1 January 2019, using projections based on leases in place at 30 June 2018 and assuming an adoption date of 1 January 2018, it is currently estimated that adoption of IFRS 16 would increase lease liabilities by between £400m and £450m. The existing operating lease expense currently recorded in operating costs will be replaced by a depreciation charge, which will be lower than the current operating lease expense, and a separate financing expense, which will be recorded in interest expense. It is currently estimated that there will be a small positive impact on profit before tax and earnings per share but there will be no net cash flow impact arising from the new standard.

Net debt to EBITDA (being earnings before interest, tax, depreciation, customer relationships and software amortisation, acquisition related items and disposal of businesses) calculated at average exchange rates is expected to increase by approximately 0.2 times but performance against current banking covenants will not be affected because these are based on historical accounting standards. The Group does not currently intend to alter its approach as to whether assets should be leased or bought going forward.

Alternative performance measures

Further to the various performance measures defined under IFRS, the Group reports a number of alternative performance 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 (and are therefore known as 'alternative performance measures') and may not be directly comparable with other companies' alternative performance measures. They are not designed to be a substitute for any of the IFRS measures of performance.

The principal alternative performance measures used within this half yearly financial report and the location of the reconciliations to equivalent IFRS measures are:

- adjusted operating profit, adjusted profit before income tax and adjusted profit for the period (as reconciled on the face of the consolidated income statement);
- effective tax rate, being tax on adjusted profit as a percentage of adjusted profit before income tax (as shown in Note 4);
- adjusted earnings per share and adjusted diluted earnings per share (as reconciled in Note 6);
- cash conversion % (operating cash flow, as reconciled on the face of the consolidated cash flow statement, to adjusted operating profit);
- 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 and software, inventories and trade and other receivables less trade and other payables)); and
- 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, defined benefit pension schemes, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)).

These measures exclude the charge for customer relationships amortisation, acquisition related items, disposal of businesses and any associated tax, where relevant. Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs and interest on acquisition related income taxes. Customer relationships amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. Disposal of businesses represents the profit or loss on disposal of non-core businesses. Accordingly, these items are not taken into account by management when assessing the results of the business as they do not relate to the underlying operating performance and distort comparability between businesses and reporting periods and are removed in calculating the profitability measures by which management assess the performance of the Group.

1. Basis of preparation (continued)

Other alternative performance measures are used to monitor the performance of the Group and a number of these are based on, or derived from, the alternative performance measures noted above. With the exception of the modifications made as a result of the disposal of businesses and the agenda decision of the IFRS IC relating to interest on income taxes, all alternative performance measures in this half yearly financial report have been calculated consistently with the methods applied in the 2017 Annual Report. Growth rates at constant exchange rates are calculated by retranslating the results for the first half of 2017 at the average rates for the first half of 2018 so that they can be compared without the distorting impact of changes caused by foreign exchange translation.

2. Segment analysis

Six months ended 30 June 2018	**North America £m**	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**2,459.6**	**890.2**	**625.9**	**368.0**		**4,343.7**
Adjusted operating profit/(loss)	**140.1**	**88.6**	**39.7**	**28.2**	**(11.6)**	**285.0**
Customer relationships amortisation	**(16.6)**	**(25.2)**	**(5.2)**	**(8.6)**		**(55.6)**
Acquisition related items	**(9.7)**	**(4.7)**	**(1.6)**	**(2.6)**		**(18.6)**
Operating profit/(loss)	**113.8**	**58.7**	**32.9**	**17.0**	**(11.6)**	**210.8**
Finance income						**5.0**
Finance expense						**(32.1)**
Disposal of businesses						**13.6**
Profit before income tax						**197.3**
Adjusted profit before income tax						**257.9**
Income tax						**(48.1)**
Profit for the period						**149.2**
Purchase of property, plant and equipment and software	**3.5**	**4.6**	**2.9**	**1.9**	**0.2**	**13.1**
Depreciation of property, plant and equipment and software amortisation	**5.2**	**5.8**	**2.8**	**2.1**	**0.1**	**16.0**

Six months ended 30 June 2017	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	2,432.6	769.0	566.1	351.5		4,119.2
Adjusted operating profit/(loss)	148.0	73.1	37.9	25.1	(11.5)	272.6
Customer relationships amortisation	(13.8)	(19.6)	(5.1)	(8.9)		(47.4)
Acquisition related items	(8.8)	(5.2)	(2.0)	(3.0)		(19.0)
Operating profit/(loss)	125.4	48.3	30.8	13.2	(11.5)	206.2
Finance income						4.9
Finance expense						(29.2)
Profit before income tax						181.9
Adjusted profit before income tax						248.3
Income tax						(50.2)
Profit for the period						131.7
Purchase of property, plant and equipment and software	4.4	4.7	2.6	2.9	-	14.6
Depreciation of property, plant and equipment and software amortisation	5.2	5.3	2.4	2.1	0.2	15.2

2. Segment analysis (continued)

Year ended 31 December 2017	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,061.1	1,610.4	1,190.8	718.6		8,580.9
Adjusted operating profit/(loss)	318.3	151.1	88.5	53.9	(22.5)	589.3
Customer relationships amortisation	(28.1)	(41.0)	(10.5)	(17.0)		(96.6)
Acquisition related items	(15.6)	(12.7)	(4.2)	(4.2)		(36.7)
Operating profit/(loss)	274.6	97.4	73.8	32.7	(22.5)	456.0
Finance income						10.6
Finance expense						(57.3)
Profit before income tax						409.3
Adjusted profit before income tax						542.6
Income tax						(98.8)
Profit for the year						310.5
Purchase of property, plant and equipment and software	12.6	9.1	6.5	5.4	0.2	33.8
Depreciation of property, plant and equipment and software amortisation	10.7	10.9	5.0	4.4	0.3	31.3

The Group's results are reported as four business areas based on geographical regions, with revenue generated in a number of different countries. Across the Group, the vast majority of revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. The Group's revenue and financial results have not historically been subject to significant seasonal trends.

Acquisition related items comprise the following:

Acquisition related items	**Six months to 30.6.18 £m**	Six months to 30.6.17 £m	Year to 31.12.17 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**10.0**	13.8	28.5
Transaction costs and expenses	**3.1**	8.1	12.1
Adjustments to previously estimated earn outs	**5.3**	(2.9)	(3.9)
Interest on acquisition related income tax	**0.2**	-	-
Total	**18.6**	19.0	36.7

3. Finance income/(expense)

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
Interest on cash and cash equivalents	**2.2**	1.8	4.1
Interest income from foreign exchange contracts	**2.8**	2.6	5.2
Other finance income	**-**	0.5	1.3
Finance income	**5.0**	4.9	10.6
Interest on loans and overdrafts	**(28.1)**	(25.1)	(50.9)
Interest expense from foreign exchange contracts	**(1.6)**	(0.7)	(1.6)
Net interest expense on defined benefit pension schemes in deficit	**(1.1)**	(1.2)	(2.3)
Fair value gain/(loss) on US private placement notes in a hedge relationship	**15.2**	(0.8)	2.3
Fair value (loss)/gain on interest rate swaps in a hedge relationship	**(15.0)**	0.3	(2.9)
Foreign exchange gain/(loss) on intercompany funding	**13.8**	(22.8)	(46.0)
Foreign exchange (loss)/gain on external debt not in a hedge relationship	**(14.0)**	21.4	44.7
Interest related to income tax	**(0.6)**	-	-
Other finance expense	**(0.7)**	(0.3)	(0.6)
Finance expense	**(32.1)**	(29.2)	(57.3)
Net finance expense	**(27.1)**	(24.3)	(46.7)

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

As explained in Note 1 on page 25, as a result of an agenda decision of the IFRS IC the Group now determines on a case by case basis whether interest related to income tax is classified within finance expense or income tax. In the six months to 30 June 2018, finance expense includes £0.6m of interest related to income tax. In previous years all interest related to income tax was classified as income tax.

4. Income tax

In assessing the underlying performance of the Group, management uses adjusted profit which excludes customer relationships amortisation, acquisition related items and disposal of businesses. Similarly the tax effect of these items 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:

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
Income tax on profit	**48.1**	50.2	98.8
Tax associated with customer relationships amortisation, acquisition related items and disposal of businesses	**13.4**	16.6	50.4
Tax on adjusted profit	**61.5**	66.8	149.2
Profit before income tax	**197.3**	181.9	409.3
Customer relationships amortisation, acquisition related items and disposal of businesses	**60.6**	66.4	133.3
Adjusted profit before income tax	**257.9**	248.3	542.6
Reported tax rate	**24.4%**	27.6%	24.1%
Effective tax rate	**23.8%**	26.9%	27.5%

5. Dividends

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
2016 interim		42.8	42.8
2016 final		95.4	95.4
2017 interim	**46.2**		
2017 final	**106.0**		
Total	**152.2**	138.2	138.2

Dividends per share for the periods to which they relate are:

			Per share
	Six months to 30.6.18	Six months to 30.6.17	Year to 31.12.17
2017 interim		14.0p	14.0p
2017 final			32.0p
2018 interim	**15.2p**		
Total	**15.2p**	14.0p	46.0p

The 2018 interim dividend of 15.2p per share will be paid on 2 January 2019 to shareholders on the register at the close of business on 16 November 2018. The 2018 interim dividend will comprise approximately £50m of cash. The 2017 final dividend was paid on 2 July 2018, comprising £106.0m of cash.

6. Earnings per share

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
Profit for the period	**149.2**	131.7	310.5
Adjusted for:			
customer relationships amortisation	**55.6**	47.4	96.6
acquisition related items	**18.6**	19.0	36.7
disposal of businesses	**(13.6)**	-	-
tax credit on adjusting items	**(13.4)**	(16.6)	(50.4)
Adjusted profit for the period	**196.4**	181.5	393.4
Basic weighted average ordinary shares in issue (million)	**330.5**	329.5	329.5
Dilutive effect of employee share plans (million)	**2.2**	3.7	2.6
Diluted weighted average ordinary shares (million)	**332.7**	333.2	332.1
Basic earnings per share	**45.1p**	40.0p	94.2p
Adjustment	**14.3p**	15.1p	25.2p
Adjusted earnings per share	**59.4p**	55.1p	119.4p
Diluted basic earnings per share	**44.8p**	39.5p	93.5p
Adjustment	**14.2p**	15.0p	25.0p
Adjusted diluted earnings per share	**59.0p**	54.5p	118.5p

7. Intangible assets

Goodwill	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
Beginning of the period	**1,378.0**	1,191.5	1,191.5
Acquisitions	**36.9**	92.9	217.8
Disposal of businesses	**(10.1)**	-	-
Transfer to assets held for sale	**-**	-	(4.1)
Currency translation	**(5.1)**	(8.9)	(27.2)
End of the period	**1,399.7**	1,275.5	1,378.0

Customer relationships			
Cost			
Beginning of the period	**1,613.8**	1,306.4	1,306.4
Acquisitions	**64.0**	162.7	338.3
Disposal of businesses	**(15.9)**	-	-
Currency translation	**(6.0)**	(8.9)	(30.9)
End of the period	**1,655.9**	1,460.2	1,613.8
Accumulated amortisation			
Beginning of the period	**659.2**	568.7	568.7
Charge in the period	**55.6**	47.4	96.6
Disposal of businesses	**(3.9)**	-	-
Currency translation	**(2.5)**	1.7	(6.1)
End of the period	**708.4**	617.8	659.2
Net book value of Customer relationships	**947.5**	842.4	954.6
Net book value of Software	**18.3**	22.7	19.1
Total net book value of Intangible assets	**2,365.5**	2,140.6	2,351.7

Both goodwill and customer relationships have been acquired as part of business combinations. Further details of acquisitions made in the period are set out in Note 9 and details of the disposal of businesses are shown in Note 10.

8. Cash and cash equivalents and net debt

	30.6.18 £m	30.6.17 £m	31.12.17 £m
Cash at bank and in hand	**519.5**	297.0	333.6
Bank overdrafts	**(384.3)**	(180.3)	(221.3)
Cash and cash equivalents	**135.2**	116.7	112.3
Interest bearing loans and borrowings - current liabilities	**(132.8)**	(134.0)	(145.1)
Interest bearing loans and borrowings - non-current liabilities	**(1,475.3)**	(1,386.5)	(1,499.2)
Derivatives managing interest rate risk and currency profile of the debt	**(4.8)**	1.3	8.4
Net debt	**(1,477.7)**	(1,402.5)	(1,523.6)

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. The Cash at bank and in hand and Bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	30.6.18 £m	30.6.17 £m	31.12.17 £m
Cash at bank and in hand net of amounts in the cash pool	**188.6**	140.9	141.4
Bank overdrafts net of amounts in the cash pool	**(53.4)**	(24.2)	(29.1)
Cash and cash equivalents	**135.2**	116.7	112.3

8. Cash and cash equivalents and net debt (continued)

Movement in net debt	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
Beginning of the period	**(1,523.6)**	(1,228.6)	(1,228.6)
Net cash inflow/(outflow)	**60.0**	(197.6)	(334.0)
Realised gains/(losses) on foreign exchange contracts	**5.4**	0.8	(10.2)
Currency translation	**(19.5)**	22.9	49.2
End of the period	**(1,477.7)**	(1,402.5)	(1,523.6)

9. Acquisitions

Acquisitions, involving the purchase of the acquiree's share capital or, as the case may be, the relevant assets of the businesses acquired, have been accounted for under the acquisition method of accounting. Part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. At 30 June 2018 the allocation period for all acquisitions completed since 1 July 2017 remained open and accordingly the fair values presented are provisional.

Adjustments are made to the assets acquired and liabilities assumed during the allocation period to the extent that further information and knowledge come to light that more accurately reflect conditions at the acquisition date. To date, the adjustments made have impacted assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly, adjustments have been made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments have also been made to reflect the associated tax effects.

The consideration paid or payable in respect of acquisitions comprises amounts paid on completion, deferred consideration and payments which are contingent on the retention of former owners of businesses acquired. IFRS 3 requires that any payments that are contingent on future employment, including payments which are contingent on the retention of former owners of businesses acquired, are charged to the income statement. All other consideration has been allocated against the identified net assets, with the balance recorded as goodwill. Transaction costs and expenses such as professional fees are charged to the income statement. The acquisitions provide opportunities for further development of the Group's activities and create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses do not translate to separately identifiable intangible assets but do represent much of the assessed value that supports the recognised goodwill.

For each of the businesses acquired during the period, the name of the business, the market sector served, its location and date of acquisition, as well as its estimated annualised revenue are separately disclosed. The remaining disclosures required by IFRS 3 are provided separately for those individual acquisitions that are considered to be material and in aggregate for individually immaterial acquisitions. An acquisition would generally be considered individually material if the impact on the Group's revenue or profit measures (on an annualised basis) or the relevant amounts on the balance sheet is greater than 5%. Management also applies judgement in considering whether there are any material qualitative differences from other acquisitions made.

There were no individually significant acquisitions during the six months ended 30 June 2018. The acquisition of Groupe Hedis on 22 November 2017 was considered to be individually significant due to its impact on intangible assets and was therefore disclosed separately for the year ended 31 December 2017.

9. Acquisitions (continued)

2018

Summary details of the acquisitions completed and the acquisitions agreed during the six months ended 30 June 2018 are shown in the table below:

Business	**Sector**	**Country**	**Acquisition date 2018**	**Estimated annualised revenue £m**
Aggora	Foodservice	UK	2 January 2018	27.0
Talge	Foodservice	Brazil	3 January 2018	29.4
Revco	Safety	USA	9 January 2018	27.5
QS	Cleaning & hygiene	Netherlands	1 March 2018	4.9
Monte Package Company	Foodservice	USA	9 March 2018	41.8
Acquisitions completed in the current period				**130.6**
Aggora*	Foodservice	UK	2 January 2018	(27.0)
Talge*	Foodservice	Brazil	3 January 2018	(29.4)
Acquisitions agreed in the current period				**74.2**

*Acquisitions committed at 31 December 2017.

A summary of the effect of acquisitions completed in the six months ended 30 June 2018 and 30 June 2017 and for the year ended 31 December 2017 is shown below:

Provisional fair value of assets acquired	**30.6.18 £m**	30.6.17 £m	Total 31.12.17 £m	*Groupe Hedis 31.12.17 £m*	*Other 31.12.17 £m*
Customer relationships	**64.0**	162.7	338.3	*131.7*	*206.6*
Property, plant and equipment and software	**1.8**	5.8	5.3	*1.3*	*4.0*
Inventories	**21.3**	53.1	66.4	*10.6*	*55.8*
Trade and other receivables	**17.6**	59.3	103.2	*38.1*	*65.1*
Trade and other payables	**(14.4)**	(42.5)	(78.9)	*(25.2)*	*(53.7)*
Net cash	**4.8**	15.2	29.1	*11.0*	*18.1*
Provisions	**(1.2)**	(10.9)	(14.6)	*(3.1)*	*(11.5)*
Defined benefit pension liabilities	**-**	-	(3.1)	*(3.1)*	-
Income tax payable and deferred tax liabilities	**(8.3)**	(16.5)	(61.9)	*(36.4)*	*(25.5)*
Fair value of net assets acquired	**85.6**	226.2	383.8	*124.9*	*258.9*
Goodwill	**36.9**	92.9	217.8	*119.0*	*98.8*
Consideration	**122.5**	319.1	601.6	*243.9*	*357.7*
Satisfied by:					
cash consideration	**121.4**	308.4	594.2	*243.9*	*350.3*
deferred consideration	**1.1**	10.7	7.4	-	*7.4*
	122.5	319.1	601.6	*243.9*	*357.7*
Contingent payments relating to the retention of former owners	**9.8**	18.6	23.3	*2.2*	*21.1*
Net cash acquired	**(4.8)**	(15.2)	(29.1)	*(11.0)*	*(18.1)*
Transaction costs and expenses	**3.1**	8.1	12.1	*2.2*	*9.9*
Total committed spend in respect of acquisitions completed in the current period	**130.6**	330.6	607.9	*237.3*	*370.6*
Spend on acquisitions committed but not completed at the period end	**-**	-	32.6	-	*32.6*
Spend on acquisitions committed at prior period end but completed in the current period	**(22.8)**	(23.9)	(24.4)	-	*(24.4)*
Total committed spend in respect of acquisitions agreed in the current period	**107.8**	306.7	616.1	*237.3*	*378.8*

The spend on acquisitions committed at 31 December 2017 was an estimate of the final amount of consideration payable based on information available at the time.

9. Acquisitions (continued)

The net cash outflow in respect of acquisitions comprised:

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Total Year to 31.12.17 £m	*Groupe Hedis Total Year to 31.12.17 £m*	*Other Total Year to 31.12.17 £m*
Cash consideration	**121.4**	308.4	594.2	*243.9*	*350.3*
Net cash acquired	**(4.8)**	(15.2)	*(29.1)*	*(11.0)*	*(18.1)*
Deferred consideration in respect of prior year acquisitions	**22.4**	7.4	9.5	-	*9.5*
Net cash outflow in respect of acquisitions	**139.0**	300.6	574.6	*232.9*	*341.7*
Transaction costs and expenses paid	**5.7**	7.2	9.2	*0.8*	*8.4*
Payments relating to retention of former owners	**6.0**	4.2	4.7	-	*4.7*
Total cash outflow in respect of acquisitions	**150.7**	312.0	588.5	*233.7*	*354.8*

Acquisitions completed in the six months ended 30 June 2018 contributed £61.1m (six months ended 30 June 2017: £57.3m; year ended 31 December 2017: £297.4m) to the Group's revenue and £8.2m (six months ended 30 June 2017: £5.6m; year ended 31 December 2017: £25.4m) to the Group's adjusted operating profit for the six months ended 30 June 2018.

The estimated contributions from acquisitions completed to the results of the Group if such acquisitions had been made at the beginning of the respective periods, are as follows:

	Six months to 30.6.18 £m	Six months to 30.6.17 £m	Year to 31.12.17 £m
Revenue	**66.8**	199.3	587.7
Adjusted operating profit	**8.7**	16.1	57.0

2017

Summary details of the acquisitions acquired during the year ended 31 December 2017 are included in the table below:

Business	Sector	Country	Acquisition date 2017	Annualised revenue £m
Sæbe Compagniet	Foodservice	Denmark	2 January	13.3
Packaging Film Sales	Foodservice	USA	9 January	4.7
LSH	Safety	Singapore	31 January	5.1
Prorisk and GM Equipement	Safety	France	31 January	6.8
ML Kishigo	Safety	USA	31 March	26.0
Neri	Safety	Italy	31 March	41.2
DDS	Retail	USA	23 May	241.9
AMFAS	Safety	Canada	31 May	5.8
Western Safety	Safety	Canada	31 May	4.2
Tecnopacking	Foodservice, retail, other	Spain	31 May	37.5
Pixel Inspiration	Retail	UK	30 June	7.3
HSESF	Safety	China	1 August	25.6
Interpath	Healthcare	Australia	31 October	13.4
Groupe Hedis	Cleaning & hygiene, foodservice	France	22 November	140.2
Lightning packaging	Retail	UK	30 November	14.7
Acquisitions completed in 2017				**587.7**
Sæbe Compagniet*	Foodservice	Denmark	2 January 2017	(13.3)
Prorisk and GM Equipement*	Safety	France	31 January 2017	(6.8)
Aggora	Foodservice	UK	2 January 2018	27.0
Talge	Foodservice	Brazil	3 January 2018	26.3
Acquisitions agreed in 2017				**620.9**

*Acquisitions committed at 31 December 2016.

The annualised revenue of acquisitions completed in the six months ended 30 June 2017 was £393.8m.

10. Disposal of businesses

During the period the Group completed the disposal of two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. OPM, the assets and liabilities of which were classified as held for sale at 31 December 2017, was considered to be a non-core business which has most recently focused on the distribution and sale of SodaStream products to retailers throughout France. Marketing Services was also a non-core group of businesses focused on marketing services in the UK with limited opportunities to expand overseas.

The disposals were completed on 2 February 2018 and 7 June 2018 respectively. As a result, the net assets of the Group increased by £10.5m representing the profit on disposal of £13.6m offset by an associated tax charge of £3.1m. The profit on disposal reflects the cash consideration received of £58.9m offset by the net book value of the assets disposed (£43.1m), including the associated customer relationships intangible assets (£12.0m) and the carrying value of allocated goodwill (£14.2m), and the associated transaction costs of £2.2m.

The net cash inflow in the period in respect of disposal of businesses comprised:

Cash flow from disposal of businesses	Six months to 30.6.18 £m
Cash consideration received	**58.9**
Transaction costs paid	**(1.2)**
Cash and cash equivalents disposed	**(2.4)**
Net cash inflow	**55.3**

11. Financial instruments

The following financial assets and liabilities are held at fair value:

Financial assets	30.6.18 £m	30.6.17 £m	31.12.17 £m
Interest rate derivatives in fair value hedges	**2.3**	13.1	10.1
Foreign exchange derivatives in cash flow hedges	**3.7**	0.4	0.6
Foreign exchange derivatives in net investment hedges	**6.4**	0.8	5.8
Other foreign exchange and interest rate derivatives	**3.4**	6.2	3.8
	15.8	20.5	20.3

Financial liabilities	30.6.18 £m	30.6.17 £m	31.12.17 £m
US private placement notes carried at fair value	**(360.7)**	(382.9)	(363.1)
Interest rate derivatives in fair value hedges	**(8.6)**	(0.3)	(0.9)
Foreign exchange derivatives in cash flow hedges	**(0.2)**	(3.5)	(2.3)
Foreign exchange derivatives in net investment hedges	**(2.6)**	(10.0)	(7.3)
Other foreign exchange derivatives	**(5.6)**	(8.3)	(2.8)
	(377.7)	(405.0)	(376.4)

All financial assets and liabilities in the tables above have carrying amounts where the fair value is, and has been throughout the relevant period, a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The fair values of both financial assets and liabilities are calculated by discounting expected future cash flows translated at the appropriate balance sheet date exchange rates and adjusted for counterparty credit risk as applicable.

The fair values of all financial instruments equate to their book values, with the exception of those US private placement notes held at amortised cost and the senior unsecured bond which is held at amortised cost. The fair value of all US private placement notes including both those carried at fair value and those held at amortised cost, using market prices at 30 June 2018, was £1,104.3m (30 June 2017: £1,204.9m; 31 December 2017: £1,158.2m), compared to a carrying value of £1,081.5m (30 June 2017: £1,169.0m; 31 December 2017: £1,117.6m). The fair value of the senior unsecured bond which is held at amortised cost, using market prices at 30 June 2018, was £294.4m (30 June 2017: £nil, 31 December 2017: £304.4m) compared to a carrying value of £297.4m (30 June 2017: £nil, 31 December 2017: £297.2m).

12. Cash flow from operating activities

The tables below give further details on the non-cash items and the working capital movement shown in the consolidated cash flow statement:

Non-cash items	**Six months to 30.6.18 £m**	Six months to 30.6.17 £m	Year to 31.12.17 £m
Depreciation and software amortisation	**16.0**	15.2	31.3
Share based payments	**6.4**	6.2	11.8
Provisions	**(4.2)**	(2.4)	(7.5)
Retirement benefit obligations	**(1.2)**	(0.7)	(8.3)
Other	**1.5**	1.3	1.6
	18.5	19.6	28.9

Working capital movement	**Six months to 30.6.18 £m**	Six months to 30.6.17 £m	Year to 31.12.17 £m
Decrease/(increase) in inventories	**5.1**	(11.2)	(94.3)
Increase in trade and other receivables	**(7.9)**	(33.8)	(62.8)
(Decrease)/increase in trade and other payables	**(21.0)**	28.9	141.5
	(23.8)	(16.1)	(15.6)

13. Related party transactions

As disclosed in the Annual Report for the year ended 31 December 2017, the Group has identified the directors of the Company, their close family members, the Group pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no material transactions with those related parties during the six months ended 30 June 2018. Details of the relevant relationships with those related parties will be disclosed in the Annual Report for the year ending 31 December 2018. All transactions with subsidiaries are eliminated on consolidation.

Responsibility statement of the directors in respect of the half yearly financial report

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the half yearly financial report includes a fair review of the important events during the first six months of the year, and their impact on the condensed set of financial statements, and a description of principal risks and uncertainties for the remaining six months of the year as required by Disclosure and Transparency Rule ('DTR') 4.2.7R; and
- the half yearly financial report includes a fair review of the disclosure of related party transactions and changes therein as required by DTR4.2.8R.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of a condensed set of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Board

Frank van Zanten
Chief Executive
28 August 2018

Brian May
Finance Director

Independent review report to Bunzl plc
Report on the condensed interim financial statements

Our conclusion
We have reviewed Bunzl plc's condensed interim financial statements (the 'interim financial statements') in the half yearly financial report of Bunzl plc for the six month period ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and as issued by the International Accounting Standards Board ('IASB') and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed
The interim financial statements comprise:

- the consolidated income statement and consolidated statement of comprehensive income for the six month period ended 30 June 2018;
- the consolidated balance sheet as at 30 June 2018;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and as issued by the IASB and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and as issued by the IASB.

As disclosed in Note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as issued by the IASB.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for Bunzl plc for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
28 August 2018