News Release

24 August 2020

HALF YEARLY FINANCIAL REPORT FOR SIX MONTHS ENDED 30 JUNE 2020

Bunzl plc, the specialist international distribution and services Group, today publishes its half yearly financial report for the six months ended 30 June 2020.

Financial results	**H1 20**	H1 19	Growth as reported	Growth at constant exchange
Revenue	**£4,846.3m**	£4,528.4m	7.0%	6.7%
Adjusted operating profit*	**£340.8m**	£302.7m	12.6%	13.0%
Adjusted profit before income tax*	**£306.8m**	£264.2m	16.1%	16.6%
Adjusted earnings per share*	**70.1p**	60.4p	16.1%	16.4%
Interim dividend	**15.8p**	15.5p	1.9%	
Additional 2019 interim dividend	**35.8p**			

Statutory results			
Operating profit	**£279.4m**	£239.0m	16.9%
Profit before income tax	**£245.4m**	£200.5m	22.4%
Basic earnings per share	**55.6p**	46.5p	19.6%

Highlights include:

- Strong and resilient performance despite Covid-19 challenges with revenue up 7.0%, 6.7% at constant exchange rates, and double digit increases in adjusted operating profit* and adjusted earnings per share*
- Adjusted profit before income tax* up 16.6% at constant exchange rates to £306.8 million
- Operating margin* 7.0%, up 30 basis points on a reported basis and 40 basis points at constant exchange rates
- Return on average operating capital* and return on invested capital* increased to 39.7% and 14.4% respectively
- Continued strong cash conversion* of 112% with net debt to EBITDA only 1.6x (1.9x at end of 2019)
- 27 year track record of dividend growth continues with the reinstatement of the 2019 final dividend of 35.8p per share as an additional interim dividend for 2019 and interim dividend for 2020 up 1.9% to 15.8p per share
- Acquisition activity has resumed with the proposed acquisition of MCR Safety and Abco Kovex announced today and a number of ongoing discussions taking place with a promising pipeline of potential opportunities

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

"Despite the unprecedented challenges experienced as a result of the Covid-19 pandemic during the first half of the year, these results have once again demonstrated the strength of our customer proposition and supply chain and the resilience of our business model and consistent and proven strategy. Throughout this period, a key priority has been the continued safety and wellbeing of people connected with our business including Bunzl colleagues, customers and suppliers. I have been greatly impressed by our tireless, dedicated and hardworking colleagues around the world as they have had to adapt their usual working practices to respond to the unprecedented demands placed on our business.

Looking forward, although there remains considerable uncertainty, we expect to face challenging trading conditions during the second half of the year. However the fundamental aspects of our business model remain attractive with the Group's strong cash generation allowing us to maintain Bunzl's long track record of dividend growth and continue our compounding strategy of consolidating the Group's fragmented markets through focused acquisitions."

* Alternative performance measure (see Note 2).

Bunzl plc, York House, 45 Seymour Street, London W1H 7JT. Telephone +44 (0)20-7725 5000

Business area highlights:

	Revenue (£m)		Growth at constant exchange	Adjusted operating profit* (£m)		Growth at constant exchange	Operating margin*	
	H1 20	H1 19		**H1 20**	H1 19		**H1 20**	H1 19
North America	**2,728.4**	2,634.5	1.5%	**154.2**	157.1	(3.7)%	**5.7%**	6.0%
Continental Europe	**1,088.7**	906.4	20.0%	**123.9**	91.1	36.3 %	**11.4%**	10.1%
UK & Ireland	**626.1**	602.5	3.8%	**29.4**	37.4	(21.4)%	**4.7%**	6.2%
Rest of the World	**403.1**	385.0	17.6%	**47.3**	28.7	90.0 %	**11.7%**	7.5%

North America (56% of revenue and 44% of adjusted operating profit◊)

- Underlying revenue down 3.9% with adjusted operating profit* also down due to adverse effect of Covid-19 principally on businesses serving the retail and foodservice sectors with additional provisions for increased customer credit exposure
- Grocery performed well, with a favourable margin mix and a marginal increase in sales despite lower sales to our largest grocery customer
- Mixed results in redistribution with significant decline in foodservice more than offset by substantial increase in cleaning & hygiene
- Strong performance in safety and food processor due to underlying revenue growth and strong demand for Covid-19 related products but convenience store adversely impacted by Covid-19 related shutdowns
- Acquisition of Joshen Paper & Packaging in January performing in line with expectations

Continental Europe (23% of revenue and 35% of adjusted operating profit◊)

- Substantial increases in revenue and adjusted operating profit* with strong underlying revenue growth of 18.9% driven by demand for Covid-19 related products
- Operating margin* up 130 basis points to 11.4% principally due to a mix change to higher margin sectors and own brand imported products
- The Netherlands up strongly aided by large government order for face masks and demand for other Covid-19 related products
- Strong performance in France despite slowdown in foodservice
- Turkey also up strongly due to increased sales of personal protection equipment, particularly gloves to hospitals, food processors and grocery stores

UK & Ireland (13% of revenue and 8% of adjusted operating profit◊)

- Underlying revenue growth of 2.5% but adjusted operating profit* down significantly due to Covid-19 related shutdowns in foodservice and non-food retail with additional provisions for increased customer credit exposure
- Strong performances in safety, cleaning & hygiene and healthcare driven by demand for Covid-19 related products
- Strong growth in grocery with new customer and product category wins
- Mixed results in Ireland due to relative exposure to foodservice
- Acquisition of Bodyguard Workwear at the end of February

Rest of the World (8% of revenue and 13% of adjusted operating profit◊)

- Strong underlying revenue growth of 13.2% with substantial increase in adjusted operating profit* in both Latin America and Asia Pacific
- Profit increase due to strong demand for Covid-19 related products and relatively high proportions of safety and healthcare businesses but also a relatively weak performance in the first half of 2019
- Strong safety driven performances in Brazil, Mexico and Chile
- Currency devaluation driven price increases in key markets
- Operating margin* up from 7.5% to 11.7%

* Alternative performance measure (see Note 2)
◊ Based on adjusted operating profit and before corporate costs (see Note 3)

Enquiries:

Bunzl plc
Frank van Zanten, Chief Executive Officer
Richard Howes, Chief Financial Officer
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 despite the unprecedented challenges presented by the Covid-19 pandemic and as indicated in our pre-close statement issued in June, Bunzl has produced a resilient performance for the first half of 2020.

Group revenue for the first half of 2020 was £4,846.3 million (2019 H1: £4,528.4 million), an increase of 7.0%, and adjusted operating profit was up 12.6% to £340.8 million (2019 H1: £302.7 million). Adjusted earnings per share were 70.1p (2019 H1: 60.4p), an increase of 16.1%.

Overall currency translation had a minimal impact on the Group's reported results, increasing revenue by 0.3% but decreasing profits and earnings by between 0% and 1%. The positive translation impact of the weakening of sterling against the US dollar, euro and Canadian dollar was largely offset by the adverse impact of the strengthening of sterling against the Australian dollar and Brazilian real. At constant exchange rates, revenue increased by 6.7% and adjusted operating profit rose by 13.0% with the Group operating margin up 40 basis points to 7.0%. Adjusted earnings per share were up 16.4%.

As a result of a higher net margin in the underlying business, the return on average operating capital increased to 39.7% (31 December 2019: 36.9%) and the return on invested capital rose to 14.4% (31 December 2019: 13.6%).

Covid-19

The Covid-19 pandemic has had a significant operational impact on us globally which has required our colleagues across the Group to change the way we do business and interact with our customers. However, our ability to respond successfully to the demands placed on our businesses with agility, flexibility and speed, combined with the significant benefits we are able to derive from the strength and depth of our supply chain and the expertise provided by our sourcing operation based in Shanghai, have together allowed us to deliver a very strong set of results with double digit percentage increases in adjusted operating profit and adjusted earnings per share. Given this we have decided to repay employee-related government support packages and bring forward the settlement of tax deferrals where possible to do so as referred to in the pre-close statement in June.

Dividend

As highlighted in the Company's first quarter trading statement issued at the beginning of April, due to the heightened uncertainty at that time relating to the macroeconomic environment in which the Company was trading, the Board decided it would no longer propose a final dividend for the year ended 31 December 2019 at the Annual General Meeting held on 15 April 2020. However, we stated at the time that the Board recognised the importance of dividends to shareholders and, as such, intended to consider the appropriateness, quantum and timing of an additional interim dividend payment relating to the year ended 31 December 2019 when the Board had a clearer view of the effects of Covid-19 on the Company's business.

As a result of the better than expected trading performance during the first half of the year and after due and careful consideration the Board has decided to reinstate and pay the final dividend for the year ended 31 December 2019 at the same level as originally proposed (35.8p). As it is no longer possible for this dividend to be approved by shareholders at the Annual General Meeting, it will be paid as an additional interim dividend for the year ended 31 December 2019 on 16 November 2020 to those shareholders on the register on 16 October 2020.

The Board has also decided to increase the 2020 interim dividend by 1.9% to 15.8p. Shareholders will again have the opportunity to participate in our dividend reinvestment plan in relation to both of these dividends.

Strategy

We have continued to implement our consistent and proven strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions and continuously improving the quality of our operations, thereby making our businesses more efficient. During the half year, organic revenue growth adjusted for the impact of the number of trading days during the period ('underlying growth'), was 2.8% with the Group benefiting from increased sales of Covid-19 related products. Although acquisition activity continued in the early part of the year, all ongoing discussions were paused in March as it became increasingly uncertain how our business and potential acquisition targets would be impacted by the onset of the Covid-19 pandemic. With those impacts now becoming clearer, we have recently re-engaged with a number of businesses that form part of our acquisition pipeline. Including the acquisitions announced today, we have acquired or agreed to acquire five businesses so far this year with a total committed spend of £335 million, thereby adding annualised revenue of £483 million.

Board

As previously announced, Richard Howes joined the Board and assumed the role of Chief Financial Officer on 1 January 2020 following the retirement of Brian May. Philip Rogerson and Eugenia Ulasewicz both retired from the Board at the conclusion of the Company's Annual General Meeting in April 2020 at which point I assumed the role of Chairman.

Vin Murria joined the Board as a non-executive director on 1 June 2020. She has more than 25 years' experience working in the digital and technology sectors which are key areas for Bunzl as we look to expand and develop going forward.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Against the backdrop of extremely challenging trading conditions caused by the Covid-19 pandemic across all of our geographies, the strength, resilience and reliability of our business model and strategy have together delivered a very strong set of results during the first half of the year.

The safety and wellbeing of our colleagues, customers and suppliers is of paramount importance to Bunzl. Over the last few months, I have felt a real sense of pride when I have witnessed the heroic dedication of all our colleagues who have remained hugely committed to keeping our operations going and serving our customers at this very difficult time. I would also like to praise our local leaders who have remained visible and supportive throughout, often putting support for their teams above their own isolation. As I have said before, in situations like this we really do appreciate the power of our decentralised model.

In addition, I have seen some fantastic inventiveness, creativity and collaboration across the business over the last few months. Different sites, and sometimes different operating companies, have supported each other and people have adapted to doing different roles, in many cases working from home. We have also had to implement changes to the way we work at great speed. For example, our IT teams have worked tirelessly to provide the right platforms for us to communicate with each other, keep basic business processes going and, most importantly, enable us to continue delivering for our customers. Everyone, from our delivery drivers and warehouse staff to the expert sales people and customer service specialists, has worked hard to ensure that we have been able to meet the urgent needs of our customers and frontline workers and support them in the supply of critical products required to fight the impact of the virus.

Our ability to respond quickly and effectively to such demands has been underpinned by the strength of our supply chain and our reliable, added-value sourcing operation in Shanghai which together have given our customers the confidence to trust their business with us.

Our trading performance has benefited significantly from the breadth of the customer sectors and geographies the Group operates in and the wide range of products supplied. The recent substantial declines in profitability in the lower margin foodservice and retail sectors were more than offset by strong performances in the generally higher margin safety, cleaning & hygiene and healthcare sectors, primarily driven by significant sales volumes of Covid-19 related products including masks, sanitisers, gloves, disinfectants, coveralls, disposables wipes, face shields and eye protection. We have also seen good growth in our grocery businesses. The Group, aided by the extensive knowledge, financial strength and experience of Bunzl's reliable, added-value sourcing operation in Shanghai, has helped healthcare providers and other customers to build their stock levels of key and essential products needed to support their response to the pandemic.

As announced in our pre-close statement in June, as a result of the better than expected trading performance, the Company intends to repay employee-related government support packages and bring forward the settlement of tax deferrals where possible to do so. We also announced in April that the Board, Executive Committee and Business Area Managing Directors had agreed to take a 20% reduction in fees and base salary during the second quarter of the year to help support the business. Further to the resilient trading performance in the first half and following consultation with those impacted by this reduction, the Company is pleased to support an initiative to pay the fees and base salary deducted to charities around the world chosen by the individuals concerned. In addition, we have decided to increase substantially our normal charitable spend this year by making additional payments to a number of specific Covid-19 related charities.

Operating performance

Although overall currency translation had a minimal impact on the Group's reported results during the period, with 89% of the Group's revenue generated outside the UK, as in previous reporting periods, the operations, including the relevant growth rates and changes in operating margin, are reviewed below at constant exchange rates to remove the impact of these currency movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for the first half of 2019 at the average rates used for 2020.

In addition, this review refers to alternative performance measures which exclude a number of non-operational items such as charges for customer relationships amortisation, acquisition related items and the profit or loss on disposal of businesses and any associated tax, where relevant. We do not take these items into account when considering the results of the business and they are therefore removed in calculating the profitability and other measures by which we assess the performance of the Group. Further details of these alternative performance measures are set out in Note 2. Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit while operating margin refers to adjusted operating profit as a percentage of revenue. A reconciliation between adjusted operating profit and statutory operating profit is set out in Note 2.

Revenue increased 6.7% (7.0% at actual exchange rates) to £4,846.3 million due to the benefit of acquisitions, a small positive impact from an additional trading day relative to the comparable period last year and underlying growth of 2.8%. The underlying growth was due to a 13.6% increase in revenue from the sale of key Covid-19 related products, partly offset by a 10.8% decline in other product sales. Operating profit was £340.8 million, an increase of 13.0% (12.6% at actual exchange rates), with operating margin of 7.0%, up from 6.6% at constant exchange rates and 6.7% at actual exchange rates.

During the period we have seen marked differences between the volume of sales to each of our key market sectors which has demonstrated the benefit of our diversified business model and strategy. As a result of the Covid-19 pandemic, there has been a significant shift in demand towards the higher margin sectors. At constant exchange rates, revenue in our businesses serving the safety, healthcare and cleaning & hygiene sectors was up 29% on the first half of 2019 but was down 9% in our businesses serving the retail and foodservice sectors. Sales to the grocery and other sectors were up 5%. These sectors variances have largely driven the results of the individual business areas with those that are more exposed to the safety, healthcare and cleaning & hygiene sectors performing better than those that have a higher proportion of retail and foodservice businesses, in respect of which it has been necessary to increase the level of provisions relating to our credit exposure from customers in these sectors.

In North America revenue was up 1.5% (up 3.6% at actual exchange rates) due to the effect of acquisitions and the additional trading day more than offsetting a 3.9% decline in underlying revenue which was largely due to the adverse effect of Covid-19, principally on our businesses serving the retail and foodservice sectors, as well as previously announced lower sales to a large grocery customer as a result of account specific price and product specification changes. Operating profit decreased 3.7% (1.8% at actual exchange rates) with the operating margin of 5.7% down 30 basis points at both constant and actual exchange rates. Revenue in Continental Europe rose 20.0% (20.1% at actual exchange rates) as a result of very strong Covid-19 driven underlying growth of 18.9%, the impact of acquisitions and the extra trading day, with operating profit up 36.3% (36.0% at actual exchange rates). The operating margin of 11.4% was up 140 basis points at constant exchange rates (up 130 basis points at and actual exchange rates). In UK & Ireland revenue was up 3.8% due to underlying growth of 2.5%, the impact of recent acquisitions and the additional trading day but operating profit decreased 21.4% at both constant and actual exchange rates due to the challenging Covid-19 related market conditions, particularly in the foodservice and non-food retail sectors, with the operating margin decreasing from 6.2% to 4.7%. In Rest of the World revenue increased 17.6% (4.7% at actual exchange rates) principally due to underlying growth of 13.2% as a result of very strong Covid-19 related demand, but also due to the effect of recent acquisitions and the extra trading day, and operating profit was up substantially by 90.0% (64.8% at actual exchange rates) reflecting the high proportion of higher margin safety and healthcare businesses within the business area and currency devaluation driven price increases in key markets. At constant exchange rates operating margin increased from 7.3% to 11.7% (up from 7.5% to 11.7% at actual exchange rates).

Adjusted profit before income tax was £306.8 million, an increase of 16.6% (16.1% at actual exchange rates) due to the growth in adjusted operating profit and a decrease in net finance expense. Profit before income tax was £245.4 million, an increase of 22.8% (up 22.4% at actual exchange rates). Basic earnings per share were 55.6p, an increase of 19.8% (19.6% at actual exchange rates), and adjusted earnings per share were 70.1p, up 16.4% (16.1% at actual exchange rates).

Operating cash flow, which is before acquisition related items, was strong with cash conversion (the ratio of operating cash flow to lease adjusted operating profit) at 112%. This benefited from advance payments from customers net of upfront payments to suppliers of £68m. Excluding these net advanced payments, cash conversion was 91%. The ratio of net debt to EBITDA calculated at average exchange rates and in accordance with the Group’s external debt covenants, which are based on historical accounting standards, was 1.6 times compared to 1.9 times at the end of 2019.

Acquisitions

Although we made a good start in 2020 with three businesses purchased by the end of February and a further committed acquisition which we had expected to complete at the end of March, the onset of the Covid-19 pandemic meant that all discussions with potential acquisition targets were temporarily paused in March.

At the beginning of January we purchased Joshen Paper & Packaging, a distributor of packaging and other goods-not-for-resale to customers operating in the grocery, foodservice and cleaning & hygiene sectors in the US. Revenue is expected to be approximately £249 million in 2020.

The acquisition of Medcorp in Brazil, a distributor of a broad range of medical products to leading private hospitals and redistributors in Brazil, was completed at the end of January. Revenue in 2020 is expected to be approximately £10 million.

At the end of February we acquired Bodyguard Workwear in the UK. The business is engaged in the distribution of safety workwear and other personal protection equipment, principally to end user customers operating in the rail sectors in the UK and Ireland. Revenue in 2020 is expected to be approximately £8 million.

Today we are announcing the proposed acquisition of two further businesses. MCR Safety is based in the US and is engaged in the distribution of a variety of largely own brand personal protection equipment and other safety products to distributors operating in a number of end user markets both in the US and internationally. Revenue in 2019 was US$248 million. The acquisition is due to be completed at the end of August 2020. Abco Kovex, a distributor of flexible packaging based in Ireland but with operations also in the UK, is principally engaged in the sale of items such as stretchfilm, polythene and paper packaging and pallet wrap to a variety of end users in the food, construction, packaging, foodservice and pharmaceutical sectors. Revenue in 2019 was €23.1 million. Completion of the acquisition is subject to clearance of the transaction by the Irish competition authority.

Further to the announcement on 24 February 2020 that the Company had entered into an agreement to acquire ICM, a distributor of personal protection equipment to both end users and redistributors in Denmark, as announced on 2 April 2020 completion of the proposed acquisition has been delayed until later in the year.

North America

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Growth at constant exchange
Revenue	**2,728.4**	2,634.5	1.5 %
Adjusted operating profit*	**154.2**	157.1	(3.7)%
Operating margin*	**5.7%**	6.0%	

* Alternative performance measure (see Note 2)

In North America, revenue increased 1.5% to £2,728.4 million as the positive impact of recent acquisitions and an additional trading day compared to the prior year more than offset a 3.9% decline in underlying revenue resulting from the adverse effect of Covid-19, principally on our businesses serving the retail and foodservice sectors as well as the previously announced account specific price and product specification changes. Operating profit was £154.2 million with the operating margin 5.7%, down 30 basis points from 6.0%, largely as a result of the favourable Covid-19 related mix impact of higher than average margin safety and cleaning & hygiene product categories and cost savings initiatives being more than offset by the negative operational leverage effect of lower revenue in retail and foodservice and an increase in provisions relating to our credit exposure from customers in these sectors.

In our largest business serving the US grocery sector, revenue increased marginally despite lower sales to our largest customer as well as some small account losses which together were more than offset by the impact of the purchase of Joshen Paper & Packaging at the beginning of the year, although this acquisition has had a short term dilutive effect on the business area operating margin. We saw a significant surge in volumes in the early stages of the Covid-19 pandemic, which subsequently stabilised modestly below prior year levels, albeit with a shift in the mix of products. Although demand for food packaging for freshly prepared foods declined significantly, this was offset by increases in product categories focused on personal protection equipment and cleaning & hygiene supplies, resulting in a more favourable margin mix.

At the beginning of the year, our redistribution business was trading strongly above prior year levels due to favourable underlying growth as well as the impact of the acquisition of Joshen Paper & Packaging, but the foodservice sector experienced a significant decline in revenue during the second quarter as Covid-19 related shutdowns impacted demand. A shift toward take-away packaging partly mitigated the foodservice decline, as did an increased focus on cleaning & hygiene product categories. Our redistribution business serving the cleaning & hygiene sector saw favourable Covid-19 related growth in addition to some underlying organic growth, as demand for personal protection equipment and cleaning & hygiene supplies increased substantially, resulting in growth across our overall redistribution business. We continue our focus on our category management programmes with our key customers, leveraging our broad range of inventories, responding quickly to rapidly changing category demand and providing enhanced working capital management.

We have continued to focus on eliminating excess capacity in our grocery and redistribution network, consolidating two facilities in the Chicago market and closing a facility in Indiana, and moved quickly to adjust our workforce in line with our sales volumes as Covid-19 related declines impacted the business. Our value as a distributor specialising in customised solutions with a continued focus on sourcing and own internal product category management is of increased importance, enabling us to collaborate with our customers through their category management programmes to adapt quickly to the changing demands and manage the supply chain more effectively for both domestic and import categories.

Our retail supplies business, which provides a broad range of value-added services including distribution, packaging, store opening and remodelling logistics, eCommerce packaging and visual/marketing support, was also significantly impacted by Covid-19 related closures of department stores and clothing-based retailers, although our ability to support their rapid shift to online trading with the necessary packaging provided a modest level of mitigation. However, we experienced significant growth with retail customers in the home improvement sector by providing them with the sourcing expertise and distribution of personal protection equipment and cleaning & hygiene items both for internal use as well as for resale, at higher than average margins. The optimisation of our distribution facilities footprint is ongoing, with the integration of two large facilities in Pennsylvania currently underway and which will be finalised during the third quarter.

Our safety business grew strongly due to a combination of some underlying revenue growth and strong Covid-19 related demand for personal protection equipment in certain businesses, partly offset by the unfavourable impact of declines in the industrial and oil & gas sectors. Together, the strong sales growth and well-controlled operating costs resulted in improved operating margins. We have today announced the proposed acquisition of MCR Safety. It is a high quality, own brand focused redistribution business which will significantly strengthen and expand our existing safety operations.

Our food processor business saw continued good underlying revenue growth across all product categories but also benefited significantly by an increased focus on own brand imported personal protection equipment and cleaning & hygiene categories which contributed higher than average margins. During the period we continued to leverage our digital platforms to allow us to engage more effectively with our customers, with a particular focus on our broad range of packaging and safety and cleaning & hygiene product categories.

Our business serving the agricultural sector enjoyed good underlying growth and improved margins as a result of an increased focus on sourcing and supply chain management. Our distribution footprint continues to evolve to match the migration of many of our customers to more cost-effective growing areas, principally Mexico, which has enabled us to use local in-market facilities to provide our value-added distribution services to customers.

Our business serving the convenience store sector was negatively impacted by Covid-19 related shutdowns and short term supply chain challenges which resulted in an overall decline in sales. The impact of some margin compression from a specific customer tender together with a product mix shift was largely mitigated by strong cost control, leaving operating margin slightly down. The pull-through strategy on behalf of our wholesale customer partners has continued to provide high service levels and category management programmes for a broad range of food packaging and cleaning & hygiene product categories, thereby increasing value both for our wholesale partners and their own convenience store chain customers.

Finally, our business in Canada also experienced Covid-19 related growth, principally in the safety and cleaning & hygiene sectors, resulting in an overall increase in revenue despite volume declines in the foodservice and retail sectors. Increased sales of own brand personal protection equipment and cleaning & hygiene related products, combined with operating cost control, resulted in a strong improvement in operating margin.

Continental Europe

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Growth at constant exchange
Revenue	**1,088.7**	906.4	20.0%
Adjusted operating profit*	**123.9**	91.1	36.3%
Operating margin*	11.4%	10.1%	

* Alternative performance measure (see Note 2)

Revenue in Continental Europe rose by 20.0% to £1,088.7 million, principally due to strong underlying growth of 18.9% as well as the positive impact from the additional trading day compared to the previous year and the acquisition of Coolpack which was purchased in April 2019. The negative impact of Covid-19 related lockdowns on our foodservice businesses in particular was more than offset by stronger trading at our healthcare, cleaning & hygiene and some safety businesses, assisted by several significant orders from governments and healthcare providers for face masks and other personal protection equipment items as they looked to build their stock levels of key and essential products needed to support their response to the pandemic. As a result, and despite an increase in provisions relating to our credit exposure from customers in the retail and foodservice sectors, operating profit rose significantly by 36.3% to £123.9 million with operating margin improving to 11.4% (up 140 basis points at constant exchange rates) principally due to a mix change to higher margin sectors and own brand imported products. We also benefited from substantially higher sales on a largely fixed cost base and from some temporary cost reductions relating in particular to fuel and travel.

In the Netherlands, there was good sales growth in the healthcare, cleaning & hygiene and e-commerce fulfilment sectors. Our foodservice and retail businesses saw significantly reduced demand due to the impact of Covid-19 related lockdowns although we won several large orders for hand sanitiser as retail stores start to reopen. Sales to the grocery sector were also down as some customers closed their fresh food stores and in-house bakeries. Our safety business supplied the Dutch government with a substantial quantity of face masks while sales to other customers in this sector also grew. Coolpack, which was acquired in April 2019, continues to trade strongly.

In France, revenue was higher in both of our cleaning & hygiene businesses as significantly lower sales to foodservice customers were more than compensated by strong demand from most other sectors, in particular those serving the healthcare, public and food processor markets. Our safety business benefited from a large order from the government purchasing body for face masks. Excluding this customer, sales to other customers nevertheless grew well as the negative impact of lower industrial activity during lockdown was more than offset by demand for Covid-19 related products. However, our foodservice businesses experienced a dramatic slowdown in activity in all sectors although this was partly mitigated by adding masks and sanitisers to the product range and from some additional sales to customers in the healthcare sector.

In Belgium, revenue increased substantially in our cleaning & hygiene businesses, partly due to some orders of Covid-19 related items from regional governments, although sales to other customers also grew well. Revenue at our grocery business declined due to the loss of one larger account during the second half of 2019.

In Germany, although sales grew well in our cleaning & hygiene business, this did not fully offset the Covid-19 related declines at our foodservice and safety workwear businesses. In Switzerland, however, lower sales to the foodservice sector were more than offset by improved sales to the medical and industrial sectors. In Austria, our food packaging business reported lower sales, in particular due to a reduction in sales of industrial packaging.

In Denmark, strong demand for Covid-19 related products in the safety, cleaning & hygiene and public sectors offset the impact of lower sales in the foodservice and fitness sectors. Sales of consumables to the grocery and food processor sectors were broadly flat although supermarkets invested less in capital equipment. In Norway, our catering equipment business saw significantly lower sales due to the Covid-19 pandemic.

Sales declined significantly in the foodservice and contract cleaning sectors in Spain but grew in the safety sector as Covid-19 related product sales more than offset the impact of reduced demand for our more traditional safety products. Our industrial and disposable packaging business saw marginally higher sales while our online medical business recorded strong growth from Covid-19 related items, which more than compensated for lower sales of other products. In Italy, our safety business suffered from lower industrial activity due to the lockdown, leading to lower revenue despite the increase demand for Covid-19 related products.

In Turkey, sales of safety products and personal protection equipment grew well and we saw a substantial increase in the sale of disposable gloves both to hospitals, food processors and grocery stores. In addition we have benefited from some product price inflation in the country. In Israel, sales were significantly lower in both the bakery and foodservice sectors due to the Covid-19 pandemic.

In central Europe, revenue grew well. In Hungary lower sales to foodservice and contract cleaning customers were more than offset by growth in sales of safety and cleaning & hygiene products while in Romania, strong sales of safety and cleaning & hygiene products offset the impact of reduced demand for packaging consumables. In the Czech Republic, good sales to customers in the grocery sector and of gloves and other personal protection equipment more than compensated for lower sales of other safety products.

UK & Ireland

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Growth at constant exchange
Revenue	**626.1**	602.5	3.8 %
Adjusted operating profit*	**29.4**	37.4	(21.4)%
Operating margin*	**4.7%**	6.2%	

* Alternative performance measure (see Note 2)

In UK & Ireland, revenue increased by 3.8% to £626.1 million due to underlying growth of 2.5%, the impact of the additional trading day relative to the prior year and the acquisition of Bodyguard Workwear in February 2020. Our businesses experienced mixed performances due to the impact of the Covid-19 pandemic, particularly during the second quarter. Our foodservice businesses in both the UK and Ireland suffered from substantial reductions in demand as a result of the lockdown while our non-food retail operations were adversely impacted by the closure of high street outlets, although this was partly offset by increased sales of online packaging as our customers moved their businesses forward digitally. However, our businesses serving the grocery, safety, cleaning & hygiene and healthcare sectors saw a significant increase in sales of Covid-19 related products. Despite this, operating profit fell significantly by 21.4% to £29.4 million as the losses in our foodservice and speciality retail businesses, which were partly due to an increase in provisions relating to our credit exposure from customers in these sectors, outweighed the profit improvement in our other sectors. As a result, the operating margin declined to 4.7% from 6.2% in the prior year.

Our safety businesses benefited from substantial increases in demand for Covid-19 related products for customers in industry and across the public sector including the UK government. We have worked closely with our customers to ensure that the right products, which are fit for purpose and meet all necessary legislation, have been sourced and delivered in a timely and efficient manner. As businesses start to bring their employees back to work, the provision of vital safety equipment has also seen a surge in demand. During the period we acquired the safety business Bodyguard Workwear which is based in Birmingham and has provided further penetration into the rail sectors in both the UK and Ireland.

Our cleaning & hygiene supplies business experienced good growth overall. Although we saw significant volume reductions in mainly paper-based products to contract cleaners and facility management companies as offices and other serviced sites were closed, this was more than offset by substantial growth in sales of disinfectants, hand sanitisers and cleansing wipes during the period.

Within our grocery business we saw growth in sales of Covid-19 related products ranging from social distancing signage, masks and cleaning chemicals, to key products needed to support a significant increase in demand for online home deliveries. Revenue also increased as a result of the large supermarket customer which was regained during the second half of 2019 following a tender process and the securing of a number of additional product category wins with existing customers. During the period we increased our warehouse capacity with a new facility in Northampton and started to deliver new product ranges to some of our largest customers. However, our non-food retail packaging businesses experienced mixed trading. Although our e-commerce packaging products such as mailers, cartons and void fill were very much in demand as retailers moved the focus to online offerings, sales of packaging into high street shops fell substantially as a result of shop closures resulting in a significant reduction in profitability.

The foodservice industry has been the most impacted by the Covid-19 crisis due to the closure of restaurants, pubs and hotels during lockdown as well as significantly reduced sales to contract caterers serving offices and other workplaces. Despite this, our businesses in this sector have shown their ability to be flexible and highly responsive by supplying Covid-19 related products and services to the frontline and key worker communities. They were heavily involved in the Nightingale Hospital mobilisations at the height of the pandemic and, using our sourcing expertise, were able to respond quickly to meet a large one-off order for face masks from the NHS in Wales.

The Covid-19 pandemic has seen our healthcare related businesses grow as a result of supplying hospitals and care homes with a vast array of products, ranging from masks and gowns to aprons and gloves. Despite a reduction in sales due to the cancellation of routine operations and hospital appointments, by combining our teams of product and technical experts with our extensive distribution network, we have been able consistently to deliver certified products to the NHS and associated health organisations throughout the crisis ensuring both continuity of supply and quality of products.

In Ireland our businesses have encountered variable trading conditions with our foodservice operations impacted significantly during the Covid-19 crisis and our safety and healthcare businesses seeing growth. We have started to relocate to our new purpose-built distribution facility close to Dublin airport which will provide the opportunity to invest further in modern warehouse management systems to improve our efficiencies and provide our customers with an enhanced service. Digital investment continues with more customers moving to online trading. We have today announced the proposed acquisition of Abco Kovex, a distributor of flexible packaging to end users based in Dublin which will enhance our product offering and expand our customer base both in Ireland and the UK.

Rest of the World

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Growth at constant exchange
Revenue	**403.1**	385.0	17.6%
Adjusted operating profit*	**47.3**	28.7	90.0%
Operating margin*	**11.7%**	7.5%	

* Alternative performance measure (see Note 2)

In Rest of the World, revenue increased 17.6% to £403.1 million due to underlying growth of 13.2%, as the business benefited from increased demand for Covid-19 related products, and the impact of an additional trading day, currency related price increases and recent acquisitions. Compared to a relatively weak performance during the first half of 2019 and reflecting a larger proportion of higher margin safety and healthcare businesses within the business area, operating profit rose substantially by 90.0% to £47.3 million with the operating margin at constant exchange rates increasing from 7.3% to 11.7%.

In Brazil, our safety businesses saw good growth as demand for personal protection equipment soared and significant currency devaluation generated product price inflation. In the foodservice sector, our business experienced strong trading as our sourcing expertise allowed us to meet the increased demand from our redistribution customers for disposable protection, particularly gloves, and cleaning & hygiene products without any material delays or interruption of supply. In our cleaning & hygiene business, sales were lower as declines due to the closure of many customer premises were not fully offset by growth from the increased use of cleaning products in other areas. In the healthcare sector, our dental business saw a fall in sales as dentists across the country were forced to close due to the pandemic but our medical business saw strong growth due to improvement and efficiency measures implemented during last year and increased demand for Covid-19 related products. In January we acquired Medcorp, a distributor of branded medical supplies in the Southeast of Brazil. The business has integrated smoothly into the Group and is trading in line with expectations.

In Chile, our safety businesses saw mixed results. While sales declined at our specialist safety footwear business as lockdowns reduced industrial demand across the country, our full-range safety business saw strong growth as its wider range of products and sales channels allowed it to reach markets experiencing high demand. Our catering supplies business also experienced strong growth as we looked to leverage our supply chain and logistics strength to meet the very high demand for personal protection equipment.

In Mexico, the Covid-19 pandemic hit a market which was already experiencing falling industrial demand and issues with product availability. Having already built up inventory for an anticipated upturn and by leveraging the strength of our supply chain, our safety business was able to meet the sharply higher demand for personal protection equipment which led to exceptional growth.

In Colombia, both our safety businesses grew significantly due to a combination of improvements implemented last year and an increased demand for Covid-19 related products. Our safety business in Argentina also continued its recent trend of strong growth, while in Peru, where the lockdowns were the most severe in the region, sales were flat.

In Australia, our largest business, which predominately focuses on the cleaning & hygiene, foodservice, healthcare, and food processor sectors, continued to perform well with strong Covid-19 related demand for hygiene products, hand sanitisers and personal protection equipment into the majority of our customer base who continued to provide essential services to the wider community. The business has continued to make progress with developments in digital technology and find new revenue streams and market opportunities for our products and services including an increased focus on sustainability solutions.

Our Australian safety businesses saw some parts of its business adversely impacted by the market downturn and business closures but were able to more than offset this due to strong demand for personal protection equipment and cleaning & hygiene products from our wider customer base supported by our supply chain expertise. These opportunities, coupled with the operating cost reductions implemented last year, led to a significant improvement in profitability. FRSA, which we acquired at the end of November 2019 and specialises in the distribution of safety and personal protection equipment focused on fire, rescue and emergency services, has integrated well.

Our speciality healthcare business benefited from strong demand for their products and services to support the implementation of Covid-19 related testing regimes.

In Asia, our domestic safety business in China saw a stronger performance and our export business was able to support other Bunzl businesses source and expedite Covid-19 related products during the period of high global demand. Our safety business in Singapore, which is focused on the oil & gas and pharmaceutical sectors, was able to expand its product offering across both new and existing customers which has offset some of the slowdown seen within other parts of our customer base.

Prospects

As highlighted in previous announcements, it is difficult to assess with any certainty the impact that the Covid-19 pandemic will have on the Group’s performance for the remainder of the year. However, looking forward, we currently expect revenue for 2020 to be slightly ahead of the prior year at constant exchange rates The high volume of orders for Covid-19 related products seen during the second quarter is not expected to be repeated during the second half of the year. Given the need of customers to build inventory in these products, there was an element of pull forward in our second quarter sales. As a result of fewer large orders and a reduced number of smaller orders, growth is expected to be limited in the second half of the year in Continental Europe and Rest of the World in particular.

Foodservice and retail, being those sectors that have been significantly adversely impacted by Covid-19 during the second quarter, are expected to recover partially as lockdown restrictions are gradually relaxed but we expect revenue in these sectors to remain below historic levels. Although the other main sectors served by the Group have been less affected by the Covid-19 crisis, we expect that these sectors will see underlying weakness persist, particularly in safety and healthcare, against the background of very challenging macroeconomic conditions. As a result of reduced Covid-19 related sales which in turn will lead to a lower weighting of own brand products being sold, and against the backdrop of continued macroeconomic weakness globally, we expect there to be a significant reduction in operating margin during the second half of the year compared to the same period last year.

However, the fundamental aspects of the business looking forward remain attractive. Our customer proposition and strength of our supply chain have been reinforced during these challenging times and our business model has proven its resilience in the most difficult of circumstances. The Group’s strong cash generation has allowed us to maintain our long track record of dividend growth and, with a promising pipeline, we expect to complete further acquisitions during the remainder of the year in line with our consistent and proven compounding strategy.

FINANCIAL REVIEW

As in previous years this review refers to a number of alternative performance measures which management uses to assess the performance of the Group. Details of the Group's alternative performance measures are set out in Note 2 to the interim financial statements.

Currency translation

Currency translation had a minimal impact on the Group's reported results, increasing revenue by 0.3% but decreasing profits and earnings by between 0% and 1%. The positive translation impact of the weakening of sterling against the US dollar, euro and Canadian dollar was largely offset by the adverse impact of the strengthening of sterling against the Australian dollar and Brazilian real.

Average exchange rates	**Six months to 30.6.20**	Six months to 30.6.19
US$	**1.26**	1.29
Euro	**1.14**	1.15
Canadian$	**1.72**	1.73
Brazilian real	**6.18**	4.97
Australian$	**1.92**	1.83

Closing exchange rates	**30.6.20**	30.6.19
US$	**1.24**	1.27
Euro	**1.10**	1.12
Canadian$	**1.68**	1.66
Brazilian real	**6.78**	4.87
Australian$	**1.79**	1.81

Revenue

Revenue increased to £4,846.3 million (2019 H1: £4,528.4 million), an increase of 6.7% at constant exchange rates (7.0% at actual exchange rates), due to underlying growth of 2.8%, the benefit of acquisitions and an additional trading day compared to the previous period due to this year being a leap year.

Movement in revenue	£m
2019 H1 revenue	4,528.4
Currency translation	12.3
2019 H1 at constant exchange rates	4,540.7
Impact of additional trading day	36.0
2019 H1 rebased	4,576.7
Underlying organic growth	129.2
Acquisitions	140.4
2020 H1 revenue	**4,846.3**

Operating profit

Adjusted operating profit increased to £340.8 million (2019 H1: £302.7 million), an increase of 13% at constant and actual exchange rates. At constant exchange rates the adjusted operating profit margin increased by 40 basis points from 6.6% to 7.0% (up 30 basis points at actual exchange rates). This improvement in operating margin was primarily driven by the strong demand for Covid-19 related products in the higher than average margin sectors of safety, healthcare and cleaning & hygiene and a reduction in the lower than average margin sectors of retail and foodservice, partly offset by charges relating to expected credit losses on trade receivables and inventory provisions.

During the first half of 2020, the Group has seen trade receivables more than 60 days overdue almost double to £60 million. The Group has also seen a number of customers either entering insolvency processes or illustrating specific credit stress indicators that impact the recoverability of receivables and customer specific inventory in the foodservice and retail sectors. This has resulted in a net charge of approximately £10 million being taken during the period to reflect the risks around recoverability. In addition, with a heightened risk of further recoverability issues with customers, predominantly in the foodservice and retail sectors, as government support is withdrawn and the trading uncertainty continues, the Group has taken an additional net charge of approximately £20 million in the period relating to aged receivables and customer specific inventory for those customers identified as high or medium credit risk.

At the outbreak of the Covid-19 pandemic, there was much uncertainty surrounding the Group's short-term trading outlook. The Group therefore accessed the various government support packages that were put in place across the countries in which it operates. As a result of the better than expected trading performance, where possible to do so, the Group intends to repay employee-related government support packages, the cost of which is included in the 2020 half year results, and bring forward the settlement of tax deferrals, the majority of which have now been repaid since the half year close.

Movement in adjusted operating profit	**£m**
2019 H1 adjusted operating profit	302.7
Currency translation	(1.0)
2019 H1 at constant exchange rates	301.7
Growth in the period	39.1
2020 H1 adjusted operating profit	**340.8**

Operating profit was £279.4 million (2019 H1: £239.0 million), an increase of 17% at constant and actual exchange rates.

Movement in operating profit	**£m**
2019 H1 operating profit	239.0
Currency translation	(0.5)
2019 H1 at constant exchange rates	238.5
Growth in adjusted operating profit	39.1
Decrease in customer relationships amortisation and acquisition related items	1.8
2020 H1 operating profit	**279.4**

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

Net finance expense

The net finance expense of £34.0 million decreased by £4.6 million at constant exchange rates (down £4.5 million at actual exchange rates), mainly from a lower average level of net debt in the period and lower average interest rates.

Profit before income tax

Adjusted profit before income tax was £306.8 million (2019 H1: £264.2 million), up 17% at constant exchange rates (up 16% at actual exchange rates) due to the growth in adjusted operating profit and the reduction in net finance expense.

Movement in adjusted profit before income tax	**£m**
2019 H1 adjusted profit before income tax	264.2
Currency translation	(1.1)
2019 H1 at constant exchange rates	263.1
Growth in adjusted operating profit	39.1
Decrease in net finance expense	4.6
2020 H1 adjusted profit before income tax	**306.8**

Profit before income tax increased to £245.4 million (2019 H1: £200.5 million), an increase of 23% at constant exchange rates (up 22% at actual exchange rates).

Movement in profit before income tax	£m
2019 H1 profit before income tax	200.5
Currency translation	(0.6)
2019 H1 at constant exchange rates	199.9
Growth in adjusted profit before income tax	43.7
Decrease in customer relationships amortisation and acquisition related items	1.8
2020 H1 profit before income tax	**245.4**

Taxation

The Group's tax strategy is to comply with tax laws in all countries in which it operates and to balance its responsibilities for controlling the tax costs with its responsibilities to pay 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 before income tax) for the period was 23.8% (2019 H1: 23.8%) and the reported tax rate on statutory profit was 24.4% (2019 H1: 22.6%). The reported tax rate has increased from the prior period mainly due to lower tax relief on acquisition related costs and also an increase compared to the previous period in the enacted rate of UK tax (19%) that will apply to the reversal of the deferred tax liability on customer lists.

As noted in the 2019 Annual Report, one of the tax risks affecting the Group is the European Commission's assertion that part of the UK's tax regime amounts to State aid. Further details on this risk are given in Note 5 to the interim financial statements. In addition and as expected, the Group made a cash payment during the period of BRL100.4 million (£16.2 million) for tax plus interest and penalties in relation to a tax dispute in Brazil. This had no effect on the tax charge for the period. The Group has appealed to the Federal Court against the BRL100.4m assessment and expects litigation on the matter to take several years.

Earnings per share

Adjusted profit after tax increased to £233.8 million (2019 H1: £201.3 million), up 17% and an increase of £33.3 million at constant exchange rates (up 16% at actual exchange rates), due to an increase in adjusted profit before income tax of £43.7 million and an unchanged effective tax rate.

Profit after tax increased to £185.5 million (2019 H1: £155.1 million), an increase of 20% at constant exchange rates (up 20% at actual exchange rates) due to a £45.5 million increase in profit before income tax partly offset by a £14.7 million increase in the tax charge.

The weighted average number of shares in issue increased from 333.3 million in the period ended 30 June 2019 to 333.5 million due to employee share option exercises.

Adjusted earnings per share were 70.1p (2019 H1: 60.4p), an increase of 16% at constant and actual exchange rates.

Movement in adjusted earnings per share	Pence
2019 H1 adjusted earnings per share	60.4
Currency translation	(0.2)
2019 H1 at constant exchange rates	60.2
Growth in adjusted profit before income tax	10.0
Increase in weighted average number of shares	(0.1)
2020 H1 adjusted earnings per share	**70.1**

Basic earnings per share for the period were 55.6p (2019 H1: 46.5p), up 20% at constant and actual exchange rates.

Movement in basic earnings per share	Pence
2019 H1 basic earnings per share	46.5
Currency translation	(0.1)
2019 H1 at constant exchange rates	46.4
Growth in adjusted profit before income tax	10.0
Decrease in customer relationships amortisation and acquisition related items	0.4
Increase in reported tax rate	(1.2)
Increase in weighted average number of shares	-
2020 H1 basic earnings per share	**55.6**

Dividends

The 2019 final dividend of 35.8p per share recommended by the Board in the 2019 Annual results announcement on 24 February 2020 was subsequently not proposed at the Annual General Meeting on 15 April 2020 as a result of the heightened uncertainty created by the Covid-19 pandemic. However, with the 2020 half year results demonstrating the resilience of the Group, the Board of Directors proposes to pay an additional 2019 interim dividend of 35.8p per share, equivalent to the 2019 final dividend, on 16 November 2020 to shareholders on the register at the close of business on 16 October 2020.

Furthermore, a 2020 interim dividend of 15.8p per share will be paid on 7 January 2021 to shareholders on the register at the close of business on 4 December 2020. This will represent an increase of 1.9% on the 2019 interim dividend of 15.5p, broadly in line with the 2.0% increase in the interim dividend in the prior year.

Acquisitions

The Group completed three acquisitions during the period ended 30 June 2020 with a total committed spend of £78.3 million. The estimated annualised revenue of the acquisitions completed during the period was £266.3 million.

A summary of the effect of acquisitions completed in the period is as follows:

	£m
Fair value of net assets acquired	60.1
Goodwill	12.5
Consideration	72.6
Satisfied by:	
cash consideration	60.9
deferred consideration	11.7
	72.6
Contingent payments relating to the retention of former owners	3.5
Net cash acquired	(2.7)
Transaction costs and expenses	4.9
Total committed spend in respect of acquisitions completed in the current period	**78.3**

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

	£m
Cash consideration	60.9
Net cash acquired	(2.7)
Deferred consideration payments	3.8
Net cash outflow in respect of acquisitions	62.0
Acquisition related items*	13.2
Total cash outflow in respect of acquisitions	75.2

*Acquisition related items comprised £5.0 million of transaction costs and expenses paid and £8.2 million of payments relating to the retention of former owners.

Cash flow

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

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Movement £m
Cash generated from operations†	**460.7**	367.9	92.8
Payment of lease liabilities	**(79.4)**	(75.1)	(4.3)
Net capital expenditure	**(14.3)**	(14.4)	0.1
Operating cash flow†	**367.0**	278.4	88.6
Net finance expense excluding interest on lease liabilities	**(30.1)**	(30.8)	0.7
Tax	**(68.6)**	(60.8)	(7.8)
Free cash flow	**268.3**	186.8	81.5
Dividends	**(51.7)**	(50.7)	(1.0)
Acquisitions◊	**(75.2)**	(144.8)	69.6
Employee share schemes	**2.0**	(29.3)	31.3
Net cash inflow/(outflow)	**143.4**	(38.0)	181.4

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

The Group's free cash flow of £268.3 million was £81.5 million higher than in the comparable period, due to an increase in operating cash flow, partly offset by an increase in tax paid. The Group's free cash flow was primarily used to finance an acquisition cash outflow of £75.2 million (2019 H1: £144.8 million) and dividend payments of £51.7 million in respect of 2019 (2019 H1: £50.7 million in respect of 2018). As a result of the Covid-19 pandemic, the Group ceased any non-essential capital expenditure during the second quarter of 2020, resulting in a decrease in gross capital expenditure (before fixed asset disposal proceeds) of £4.9 million to £14.5 million (H1 2019: £19.4 million).

Cash conversion (being the ratio of operating cash flow to lease adjusted operating profit) for the six months to 30 June 2020 was 112% (2019 H1: 96%). This was positively impacted by approximately £68 million of advanced payments from customers net of advanced payments to suppliers for large orders of personal protection equipment relating to Covid-19. Excluding these net advanced customer payments cash conversion was 91%, above the target of 90% despite the challenging market conditions.

	Six months to 30.6.20 £m	Six months to 30.6.19 £m
Operating cash flow	**367.0**	278.4
Adjusted operating profit	**340.8**	302.7
Add back depreciation of right-of-use assets	**66.8**	62.9
Deduct payment of lease liabilities	**(79.4)**	(75.1)
Lease adjusted operating profit	**328.2**	290.5
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**112%**	96%

Net debt

Net debt excluding lease liabilities decreased by £69.8 million during the period to £1,177.2 million (31 December 2019: £1,247.0 million), principally due to the net cash inflow of £143.4 million.

Movement in net debt	**£m**
Net debt at 31 December 2019	1,247.0
Net cash inflow	(143.4)
Currency translation	73.6
Net debt excluding lease liabilities at 30 June 2020	**1,177.2**
Lease liabilities	488.7
Net debt including lease liabilities at 30 June 2020	**1,665.9**

The movement in lease liabilities during the period was as follows:

Movement in lease liabilities	£m
Lease liabilities at 31 December 2019	480.0
Acquisitions	10.1
New leases	38.3
Interest charge in the period	11.5
Payment of lease liabilities	(79.4)
Remeasurement adjustments	10.0
Currency translation	18.2
Lease liabilities at 30 June 2020	**488.7**

Net debt to EBITDA calculated at average exchange rates and based on historical accounting standards, in accordance with the Group’s external debt covenants, was 1.6 times (31 December 2019: 1.9 times).

Balance sheet

Summary balance sheet	**30.6.2020 £m**	30.6.2019 £m	31.12.2019 £m
Intangible assets	**2,358.9**	2,427.2	2,290.9
Right-of-use assets	**440.5**	456.9	432.9
Property, plant and equipment	**122.5**	122.5	118.3
Working capital	**977.1**	1,021.0	943.4
Other net liabilities	**(277.7)**	(418.9)	(278.2)
	3,621.3	3,608.7	3,507.3
Net pensions deficit	**(57.1)**	(40.6)	(36.0)
Net debt excluding lease liabilities	**(1,177.2)**	(1,422.8)	(1,247.0)
Lease liabilities	**(488.7)**	(504.4)	(480.0)
Equity	**1,898.3**	1,640.9	1,744.3

Return on average operating capital	**39.7%**	N/a*	36.9%
Return on invested capital	**14.4%**	N/a*	13.6%
Return on average operating capital under IAS 17*	**52.3%**	48.8%	48.4%
Return on invested capital under IAS 17*	**15.4%**	14.7%	14.6%

*Return on average operating capital and return on invested capital are calculated based on 12 month averages of the Group's operating capital and invested capital. As a result of the adoption of IFRS 16 on 1 January 2019, it is not possible to derive meaningful 12 month averages for operating capital and invested capital as at 30 June 2019 calculated on a consistent basis with the period ended 30 June 2020 and the year ended 31 December 2019 under IFRS 16. The ratios on an IAS 17 basis are therefore also presented separately for all periods.

Return on average operating capital increased to 39.7% from 36.9% at 31 December 2019 and return on invested capital increased to 14.4% from 13.6% at 31 December 2019, both driven by an improvement in the operating capital in the underlying business and a higher underlying operating margin, partly offset by the impact of the lower return on operating capital from acquisitions.

Intangible assets increased by £68.0 million from 31 December 2019 to £2,358.9 million due to an increase from currency translation of £82.1 million, goodwill, customer relationships and software arising on acquisitions in the period of £37.4 million and software additions of £3.2 million, partly offset by an amortisation charge of £54.7 million.

Right-of-use assets increased by £7.6 million from 31 December 2019 to £440.5 million from new leases during the period of £38.3 million, an increase from acquisitions of £10.1 million, an increase from remeasurement adjustments of £10.0 million and an increase from currency translation of £16.0 million, partly offset by a depreciation charge of £66.8 million.

Working capital increased by £33.7 million from 31 December 2019 to £977.1 million primarily from acquisitions and currency translation, partly offset by a decrease in the underlying business.

The Group's net pension deficit of £57.1 million at 30 June 2020 was £21.1 million higher than at 31 December 2019, largely due to an actuarial loss of £18.2 million. The actuarial loss arose as a result of an increase in the present value of scheme liabilities from changes in assumptions, principally lower discount rates, partly offset by the actual return on scheme assets being higher than expected.

Shareholders' equity increased by £154.0 million from £1,744.3 million at 31 December 2019 to £1,898.3 million.

Movement in shareholders' equity	£m
Shareholders' equity at 31 December 2019	1,744.3
Profit for the period	185.5
Dividends	(51.7)
Currency (net of tax)	24.5
Actuarial loss on pension schemes (net of tax)	(14.6)
Share based payments (net of tax)	7.1
Employee share schemes (net of tax)	3.2
Shareholders' equity at 30 June 2020	**1,898.3**

Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. The Group's approach to the balance sheet is to maintain an investment grade credit rating and the Company's current credit rating with Standard & Poor's is BBB+. All 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 has a centralised treasury department to control external borrowings and manage liquidity, interest rate, foreign currency and credit risks. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. The treasury department is subject to periodic independent review by the internal audit department. Underlying policy assumptions and activities are periodically reviewed by the executive directors and the Board. Controls over exposure changes and transaction authenticity are in place.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, 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 ended 30 June 2020 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and a senior bond. At 30 June 2020 the nominal value of US private placement notes outstanding was £984.0 million with maturities ranging from 2020 to 2028. The £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2021 and 2025. At 30 June 2020 the available committed bank facilities totalled £1,083.6 million of which £104.0 million was drawn down, providing headroom of £979.6 million. Following the half year close, in July, the Group established a European Medium Term Note Programme ('EMTN'), giving the Group the flexibility to issue bonds up to a maximum value of £1 billion. The EMTN has been established to add to the range of financing facilities that the Company has in place to meet its funding requirements and provide additional flexibility as to how those requirements are met in the future.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group for the remaining six months of the financial year include those detailed in the section entitled ‘Principal risks and uncertainties’ on pages 50 to 55 of the Annual Report for the year ended 31 December 2019. These were 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 sustainability driven market changes, 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 debt covenants and increases in taxation. The aforementioned risks still remain relevant and significant to the Group. As a result of the Covid-19 pandemic, the Group has now also included an additional principal risk relating to the financial collapse of either a large customer and/or a significant number of small customers within the retail and foodservice sectors. Foodservice and retail customers across the world have been adversely impacted financially by the government imposed lockdowns and travel restrictions put in place to control the pandemic as they have been unable to operate at their normal levels. Therefore, there is a significant risk of a large customer and/or a large number of small customers in these sectors having financial difficulties, particularly in the second half of 2020 as government support for businesses comes to an end.

The Group has also considered broader risks relating to Covid-19 (e.g. physical and mental wellbeing of staff risk, supply chain disruption risk and warehouse closures risk due to high infection rates). However, these risks are not deemed to be sufficiently heightened to be significant risks, particularly given the successful management and mitigation of these risks during the first half of the year. The businesses in the Group are in the process of updating their Business Continuity Plans to, where possible, ensure they have captured the lessons learnt from the pandemic (e.g. from mobilisation of staff to work from home to provision of appropriate personal protection equipment for warehouse staff to operate).

A copy of the 2019 Annual Report is available on the Company’s website at www.bunzl.com.

Consolidated income statement
for the period ended 30 June 2020

	Notes	**Six months to 30.6.20 £m**	Six months to 30.6.19 £m	Year to 31.12.19 £m
Revenue	3	**4,846.3**	4,528.4	9,326.7
Operating profit	3	**279.4**	239.0	528.4
Finance income	4	**5.5**	7.1	12.4
Finance expense	4	**(39.5)**	(45.6)	(87.5)
Profit before income tax		**245.4**	200.5	453.3
Income tax	5	**(59.9)**	(45.4)	(104.1)
Profit for the period attributable to the Company's equity holders		**185.5**	155.1	349.2
Earnings per share attributable to the Company's equity holders				
Basic	7	**55.6p**	46.5p	104.8p
Diluted	7	**55.5p**	46.3p	104.5p
Dividend per share	6	**15.8p**	15.5p	15.5p
Additional dividend per share	6	**35.8p**	-	-
Alternative performance measures*				
Operating profit	3	**279.4**	239.0	528.4
Adjusted for:				
Customer relationships amortisation	3	**48.8**	54.4	107.3
Acquisition related items	3	**12.6**	9.3	17.6
Adjusted operating profit	3	**340.8**	302.7	653.3
Finance income	4	**5.5**	7.1	12.4
Finance expense	4	**(39.5)**	(45.6)	(87.5)
Adjusted profit before income tax		**306.8**	264.2	578.2
Tax on adjusted profit	5	**(73.0)**	(62.9)	(137.6)
Adjusted profit for the period		**233.8**	201.3	440.6
Adjusted earnings per share	7	**70.1p**	60.4p	132.2p

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

Consolidated statement of comprehensive income

for the period ended 30 June 2020

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Profit for the period	**185.5**	155.1	349.2
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension schemes	**(18.2)**	(3.0)	(8.3)
Tax on items that will not be reclassified to profit or loss	**3.6**	0.7	2.2
Total items that will not be reclassified to profit or loss	**(14.6)**	(2.3)	(6.1)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences on foreign operations	**54.3**	6.6	(104.1)
(Loss)/gain taken to equity as a result of effective net investment hedges	**(29.9)**	(0.1)	16.9
Gain/(loss) recognised in cash flow hedge reserve	**0.8**	1.0	(0.5)
Movement from cash flow hedge reserve to inventory/income statement	**(0.7)**	(2.2)	(4.3)
Tax on items that may be reclassified to profit or loss	**-**	0.1	0.8
Total items that may be reclassified subsequently to profit or loss	**24.5**	5.4	(91.2)
Other comprehensive income/(expense) for the period	**9.9**	3.1	(97.3)
Total comprehensive income attributable to the Company's equity holders	**195.4**	158.2	251.9

Consolidated balance sheet

at 30 June 2020

	Notes	**30.6.20 £m**	30.6.19 £m	31.12.19 £m
Assets				
Property, plant and equipment		**122.5**	122.5	118.3
Right-of-use assets	8	**440.5**	456.9	432.9
Intangible assets	9	**2,358.9**	2,427.2	2,290.9
Defined benefit pension assets		**3.9**	7.5	10.8
Derivative financial assets	13	**34.1**	21.1	11.5
Deferred tax assets		**2.5**	6.0	3.7
Total non-current assets		**2,962.4**	3,041.2	2,868.1
Inventories		**1,330.8**	1,201.1	1,177.2
Trade and other receivables		**1,358.9**	1,348.9	1,254.1
Income tax receivable		**7.3**	3.5	6.7
Derivative financial assets	13	**6.1**	9.0	3.4
Cash at bank and in hand	11	**830.9**	609.1	610.5
Total current assets		**3,534.0**	3,171.6	3,051.9
Total assets		**6,496.4**	6,212.8	5,920.0
Equity				
Share capital		**108.3**	108.2	108.3
Share premium		**185.0**	183.3	184.0
Translation reserve		**(87.4)**	(18.2)	(111.8)
Other reserves		**16.3**	19.2	16.2
Retained earnings		**1,676.1**	1,348.4	1,547.6
Total equity attributable to the Company's equity holders		**1,898.3**	1,640.9	1,744.3
Liabilities				
Interest bearing loans and borrowings	11	**1,347.6**	1,448.3	1,314.2
Defined benefit pension liabilities		**61.0**	48.1	46.8
Other payables		**29.9**	34.9	19.5
Income tax payable		**2.5**	2.9	2.4
Provisions		**36.3**	37.9	33.9
Lease liabilities	12	**359.7**	382.5	358.2
Deferred tax liabilities		**119.7**	136.7	127.5
Total non-current liabilities		**1,956.7**	2,091.3	1,902.5
Bank overdrafts	11	**597.2**	504.3	469.7
Interest bearing loans and borrowings	11	**85.3**	93.9	83.7
Trade and other payables		**1,716.6**	1,652.6	1,502.8
Income tax payable		**85.0**	85.2	81.0
Provisions		**7.3**	7.8	6.5
Lease liabilities	12	**129.0**	121.9	121.8
Derivative financial liabilities	13	**21.0**	14.9	7.7
Total current liabilities		**2,641.4**	2,480.6	2,273.2
Total liabilities		**4,598.1**	4,571.9	4,175.7
Total equity and liabilities		**6,496.4**	6,212.8	5,920.0

Consolidated statement of changes in equity

for the period ended 30 June 2020

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2020	**108.3**	**184.0**	**(111.8)**	**16.2**	**1,547.6**	**1,744.3**
Profit for the period					**185.5**	**185.5**
Actuarial loss on defined benefit pension schemes					**(18.2)**	**(18.2)**
Foreign currency translation differences on foreign operations			**54.3**			**54.3**
Loss taken to equity as a result of effective net investment hedges			**(29.9)**			**(29.9)**
Gain recognised in cash flow hedge reserve				**0.8**		**0.8**
Movement from cash flow hedge reserve to inventory/income statement				**(0.7)**		**(0.7)**
Income tax credit on other comprehensive income			**-**	**-**	**3.6**	**3.6**
Total comprehensive income			**24.4**	**0.1**	**170.9**	**195.4**
2019 interim dividend					**(51.7)**	**(51.7)**
Issue of share capital	**-**	**1.0**				**1.0**
Employee trust shares					**2.2**	**2.2**
Share based payments					**7.1**	**7.1**
At 30 June 2020	**108.3**	**185.0**	**(87.4)**	**16.3**	**1,676.1**	**1,898.3**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 31 December 2018	108.1	178.5	(24.6)	20.2	1,412.3	1,694.5
Impact of transition to IFRS 16*					(21.4)	(21.4)
Restated equity at 1 January 2019	108.1	178.5	(24.6)	20.2	1,390.9	1,673.1
Profit for the period					155.1	155.1
Actuarial loss on defined benefit pension schemes					(3.0)	(3.0)
Foreign currency translation differences on foreign operations			6.6			6.6
Loss taken to equity as a result of effective net investment hedges			(0.1)			(0.1)
Gain recognised in cash flow hedge reserve				1.0		1.0
Movement from cash flow hedge reserve to inventory/income statement				(2.2)		(2.2)
Income tax (charge)/credit on other comprehensive income			(0.1)	0.2	0.7	0.8
Total comprehensive income			6.4	(1.0)	152.8	158.2
2018 interim dividend					(50.7)	(50.7)
2018 final dividend					(116.6)	(116.6)
Issue of share capital	0.1	4.8				4.9
Employee trust shares					(32.7)	(32.7)
Share based payments					4.7	4.7
At 30 June 2019	108.2	183.3	(18.2)	19.2	1,348.4	1,640.9

Consolidated statement of changes in equity (continued)
for the period ended 30 June 2020

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

◊ Other reserves comprise merger reserve of £2.5m (30 June 2019: £2.5m; 31 December 2019: £2.5m), capital redemption reserve of £16.1m (30 June 2019: £16.1m; 31 December 2019: £16.1m) and a negative cash flow hedge reserve of £2.3m (30 June 2019: £0.6m; 31 December 2019: negative £2.4m).

† Retained earnings comprise earnings of £1,742.2m (30 June 2019: £1,421.6m; 31 December 2019: £1,617.5m), offset by own shares of £66.1m (30 June 2019: £73.2m; 31 December 2019: £69.9m).

* Between the Group's half yearly financial report for the six months ended 30 June 2019 and the Group's Annual Report for the year ended 31 December 2019, there were refinements to some of the Group's lease assumptions relating to term changes and rent changes up to the date of transition which changed the respective transition disclosures.

Consolidated cash flow statement

for the period ended 30 June 2020

	Notes	**Six months to 30.6.20 £m**	Six months to 30.6.19 £m	Year to 31.12.19 £m
Cash flow from operating activities				
Profit before income tax		**245.4**	200.5	453.3
Adjusted for:				
net finance expense	4	**34.0**	38.5	75.1
customer relationships amortisation	9	**48.8**	54.4	107.3
acquisition related items	3	**12.6**	9.3	17.6
Adjusted operating profit		**340.8**	302.7	653.3
Adjustments:				
depreciation and software amortisation	14	**85.3**	78.4	160.0
other non-cash items	14	**7.8**	2.2	(3.5)
working capital movement	14	**26.8**	(15.4)	4.3
Cash generated from operations before acquisition related items		**460.7**	367.9	814.1
Cash outflow from acquisition related items	10	**(13.2)**	(16.1)	(19.2)
Income tax paid		**(68.6)**	(60.8)	(125.6)
Cash inflow from operating activities		**378.9**	291.0	669.3
Cash flow from investing activities				
Interest received		**4.5**	5.9	9.8
Purchase of property, plant and equipment and software		**(14.5)**	(19.4)	(36.9)
Sale of property, plant and equipment		**0.2**	5.0	8.1
Purchase of businesses	10	**(62.0)**	(128.7)	(143.6)
Cash outflow from investing activities		**(71.8)**	(137.2)	(162.6)
Cash flow from financing activities				
Interest paid excluding interest on lease liabilities		**(34.6)**	(36.7)	(61.0)
Dividends paid	6	**(51.7)**	(50.7)	(167.3)
Increase in borrowings		**65.5**	92.1	75.5
Repayment of borrowings		**(107.7)**	(96.8)	(173.7)
Realised (losses)/gains on foreign exchange contracts		**(21.8)**	2.1	13.6
Payment of lease liabilities - principal	12	**(67.9)**	(63.5)	(128.3)
Payment of lease liabilities - interest	12	**(11.5)**	(11.6)	(23.3)
Proceeds from issue of ordinary shares to settle share options		**1.0**	4.9	5.7
Proceeds from exercise of market purchase share options		**1.0**	15.0	15.8
Purchase of employee trust shares		**-**	(49.2)	(49.2)
Cash outflow from financing activities		**(227.7)**	(194.4)	(492.2)
Increase/(decrease) in cash and cash equivalents		**79.4**	(40.6)	14.5
Cash and cash equivalents at start of the period		**140.8**	144.2	144.2
Increase/(decrease) in cash and cash equivalents		**79.4**	(40.6)	14.5
Currency translation		**13.5**	1.2	(17.9)
Cash and cash equivalents at end of the period	11	**233.7**	104.8	140.8

Consolidated cash flow statement (continued)
for the period ended 30 June 2020

Alternative performance measures*	Notes	**Six months to 30.6.20 £m**	Six months to 30.6.19 £m	Year to 31.12.19 £m
Cash generated from operations before acquisition related items		**460.7**	367.9	814.1
Purchase of property, plant and equipment and software		**(14.5)**	(19.4)	(36.9)
Sale of property, plant and equipment		**0.2**	5.0	8.1
Payment of lease liabilities	12	**(79.4)**	(75.1)	(151.6)
Operating cash flow		**367.0**	278.4	633.7
Adjusted operating profit		**340.8**	302.7	653.3
Add back depreciation of right-of-use assets	8	**66.8**	62.9	128.1
Deduct payment of lease liabilities	12	**(79.4)**	(75.1)	(151.6)
Lease adjusted operating profit		**328.2**	290.5	629.8
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**112%**	96%	101%

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

Notes

1. Basis of preparation and accounting policies

The condensed interim financial statements (the 'interim financial statements') of Bunzl plc ('the Company') for the six months ended 30 June 2020, with comparative figures for the six months ended 30 June 2019, are unaudited and do not constitute statutory accounts. However the external auditors have carried out a review of the interim financial statements and their report in respect of the six months ended 30 June 2020 is set out in the Independent review report on page 43. The comparative figures for the year ended 31 December 2019 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 interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. The interim financial statements have been prepared on the basis of the accounting policies set out in the Company's 2019 statutory accounts which were prepared in accordance with (i) International Financial Reporting Standards ('IFRS') as adopted by the European Union 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 all relevant amendments to existing standards issued by the IASB that are effective from 1 January 2020 with no material impact on its consolidated results or financial position.

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

In reaching this conclusion, the directors noted the Group's strong cash performance in the first half of the year and the substantial funding available to the Group as described in the Financial Review. The directors also considered a range of different forecast scenarios for the 12 month period to the end of 31 August 2021 starting with a base case which has been updated for the impact of the Covid-19 pandemic but excluding any non-committed acquisition spend or changes in funding. The resilience of the Group to a range of possible downside scenarios was factored into the directors' considerations through two levels of stress testing against the base case forecast to sensitise for greater than anticipated adverse impacts of the pandemic. In all scenarios modelled the Group maintains sufficient funding headroom and is in compliance with its debt covenants throughout the period of assessment. The directors are therefore satisfied that the Group's forecasts, which take into account reasonably possible changes in trading performance, show that there are no material uncertainties over going concern, including no anticipated breach of covenants, and therefore the going concern basis of preparation continues to be appropriate.

Impact of Covid-19 on the financial statements at 30 June 2020
The impact of the Covid-19 pandemic on the financial results for the Group for the six months ended 30 June 2020 are detailed elsewhere in this report, notably in the Chief Executive Officer's Review and the Financial Review.

The Group's accounting policies for inventories and trade and other receivables remain unchanged from those set out in the Company's 2019 statutory accounts. However, the Covid-19 pandemic has significantly increased the potential risks from credit losses on trade receivables and inventory, particularly in the businesses within the Group adversely affected by lockdown restrictions, notably in the foodservice and retail sectors.

During the first half of 2020, the Group has seen trade receivables more than 60 days overdue almost double to £60m. The Group has also seen a number of customers either entering insolvency processes or illustrating specific credit stress indicators that impact the recoverability of receivables and customer specific inventory in the foodservice and retail sectors. This has resulted in a net charge of approximately £10m being taken during the period to reflect the risks around recoverability. In addition, the Group is concerned that going forward, there is a heightened risk of further recoverability issues with customers, predominantly in the foodservice and retail sectors, as government support is withdrawn and the trading uncertainty continues. Consequently, the Group has taken an additional net charge of approximately £20m in the period relating to aged receivables and customer specific inventory for those customers identified as high or medium credit risk. The resultant level of receivables and inventory provisions relative to total balances at the end of June 2020 are marginally below the levels seen in the global financial crisis.

Impairment reviews of goodwill and customer relationships assets are normally undertaken annually in the second half of the year. Given the unprecedented challenges presented by the Covid-19 pandemic the Group has undertaken additional goodwill and customer relationships assets impairment reviews at the half year. Refer to Note 9 for further details.

2. Alternative performance measures

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

Adjusted operating profit	Operating profit before customer relationships amortisation and acquisition related items (reconciled in the table below and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships amortisation and acquisition related items (reconciled in the table below)
Adjusted profit for the period	Profit for the period before customer relationships amortisation, acquisition related items and the associated tax (reconciled in the table below)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 5)
Adjusted earnings per share	Adjusted profit for the period divided by the weighted average number of ordinary shares in issue (reconciled in the table below and in Note 7)
Adjusted diluted earnings per share	Adjusted profit for the period divided by the diluted weighted average number of ordinary shares (reconciled in Note 7)
Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion	Operating cash flow as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Return on average operating capital	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, software, right-of-use assets, inventories and trade and other receivables less trade and other payables)
Return on invested capital	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit on a historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions of businesses
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the period ended 30 June 2019 at the average rates for the period ended 30 June 2020 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The exchange rates used for 2020 and 2019 can be found in the Financial Review

These alternative performance measures exclude the charge for customer relationships amortisation, acquisition related items and any associated tax, where relevant.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs and interest on acquisition related income tax. Customer relationships amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assess the performance of the Group.

All alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2019.

2. Alternative performance measures (continued)

Reconciliation of alternative performance measures to statutory measures

The principal profit related alternative performance measures, these being adjusted operating profit, adjusted profit before income tax, adjusted profit for the period and adjusted earnings per share, are reconciled to the most directly reconcilable statutory measures in the tables below.

Six months ended 30 June 2020

		Adjusting items			
	Alternative performance measures £m	**Customer relationships amortisation £m**	**Acquisition related items £m**	**Statutory measures £m**	
Adjusted operating profit	340.8	(48.8)	(12.6)	279.4	**Operating profit**
Finance income	5.5			5.5	Finance income
Finance expense	(39.5)			(39.5)	Finance expense
Adjusted profit before income tax	306.8	(48.8)	(12.6)	245.4	**Profit before income tax**
Tax on adjusted profit	(73.0)	11.4	1.7	(59.9)	Income tax
Adjusted profit for the period	233.8	(37.4)	(10.9)	185.5	**Profit for the period**
Adjusted earnings per share	70.1p	(11.2)p	(3.3)p	55.6p	**Basic earnings per share**

Six months ended 30 June 2019

		Adjusting items			
	Alternative performance measures £m	Customer relationships amortisation £m	Acquisition related items £m	Statutory measures £m	
Adjusted operating profit	302.7	(54.4)	(9.3)	239.0	Operating profit
Finance income	7.1			7.1	Finance income
Finance expense	(45.6)			(45.6)	Finance expense
Adjusted profit before income tax	264.2	(54.4)	(9.3)	200.5	Profit before income tax
Tax on adjusted profit	(62.9)	14.1	3.4	(45.4)	Income tax
Adjusted profit for the period	201.3	(40.3)	(5.9)	155.1	Profit for the period
Adjusted earnings per share	60.4p	(12.1)p	(1.8)p	46.5p	Basic earnings per share

Year ended 31 December 2019

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

3. Segment analysis

The Group's results are reported as four business areas based on geographical regions which are reviewed regularly by the Company's chief operating decision maker, the Board of directors. 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. The principal results reviewed for each business area are revenue and adjusted operating profit.

Six months ended 30 June 2020

	North America £m	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**2,728.4**	**1,088.7**	**626.1**	**403.1**		**4,846.3**
Adjusted operating profit/(loss)	**154.2**	**123.9**	**29.4**	**47.3**	**(14.0)**	**340.8**
Customer relationships amortisation	**(18.8)**	**(17.5)**	**(4.2)**	**(8.3)**		**(48.8)**
Acquisition related items	**(3.9)**	**(4.3)**	**(1.8)**	**(2.6)**		**(12.6)**
Operating profit/(loss)	**131.5**	**102.1**	**23.4**	**36.4**	**(14.0)**	**279.4**
Finance income						**5.5**
Finance expense						**(39.5)**
Profit before income tax						**245.4**
Adjusted profit before income tax						**306.8**
Income tax						**(59.9)**
Profit for the period						**185.5**

Six months ended 30 June 2019

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	2,634.5	906.4	602.5	385.0		4,528.4
Adjusted operating profit/(loss)	157.1	91.1	37.4	28.7	(11.6)	302.7
Customer relationships amortisation	(18.5)	(23.0)	(4.1)	(8.8)		(54.4)
Acquisition related items	(4.0)	(2.9)	(1.3)	(1.1)		(9.3)
Operating profit/(loss)	134.6	65.2	32.0	18.8	(11.6)	239.0
Finance income						7.1
Finance expense						(45.6)
Profit before income tax						200.5
Adjusted profit before income tax						264.2
Income tax						(45.4)
Profit for the period						155.1

Year ended 31 December 2019

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,473.2	1,829.8	1,242.1	781.6		9,326.7
Adjusted operating profit/(loss)	343.6	182.1	87.1	61.6	(21.1)	653.3
Customer relationships amortisation	(36.8)	(40.9)	(8.2)	(21.4)		(107.3)
Acquisition related items	(6.6)	(5.9)	(2.0)	(3.1)		(17.6)
Operating profit/(loss)	300.2	135.3	76.9	37.1	(21.1)	528.4
Finance income						12.4
Finance expense						(87.5)
Profit before income tax						453.3
Adjusted profit before income tax						578.2
Income tax						(104.1)
Profit for the year						349.2

3. Segment analysis (continued)

Acquisition related items	**Six months to 30.6.20 £m**	Six months to 30.6.19 £m	Year to 31.12.19 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**6.8**	7.2	13.3
Transaction costs and expenses	**4.9**	1.9	4.1
Adjustments to previously estimated earn outs	**0.9**	-	(0.3)
Interest on acquisition related income tax	**-**	0.2	0.5
Total	**12.6**	9.3	17.6

4. Finance income/(expense)

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Interest on cash and cash equivalents	**1.6**	3.2	4.4
Interest income from foreign exchange contracts	**3.6**	3.8	7.2
Net interest income on defined benefit pension schemes in surplus	**0.1**	0.1	0.2
Interest related to income tax	**0.1**	-	-
Other finance income	**0.1**	-	0.6
Finance income	**5.5**	7.1	12.4
Interest on loans and overdrafts	**(23.8)**	(30.6)	(56.6)
Lease interest expense	**(11.5)**	(11.6)	(23.3)
Interest expense from foreign exchange contracts	**(1.7)**	(1.8)	(3.9)
Net interest expense on defined benefit pension schemes in deficit	**(0.5)**	(0.6)	(1.3)
Fair value loss on US private placement notes in a hedge relationship	**(22.8)**	(20.6)	(10.7)
Fair value gain on interest rate swaps in a hedge relationship	**22.5**	20.3	10.8
Foreign exchange gain/(loss) on intercompany funding	**68.0**	3.3	(42.6)
Foreign exchange (loss)/gain on external debt and foreign exchange forward contracts	**(68.2)**	(3.1)	42.7
Interest related to income tax	**(0.6)**	(0.6)	(1.5)
Other finance expense	**(0.9)**	(0.3)	(1.1)
Finance expense	**(39.5)**	(45.6)	(87.5)
Net finance expense	**(34.0)**	(38.5)	(75.1)

The foreign exchange gain or loss 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 and foreign exchange forward contracts not in a hedge relationship, which minimises the foreign currency exposure in the Consolidated income statement.

5. Income tax

In assessing the underlying performance of the Group, management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 2) is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below:

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Income tax on profit	**59.9**	45.4	104.1
Tax associated with adjusting items	**13.1**	17.5	33.5
Tax on adjusted profit	**73.0**	62.9	137.6
Profit before income tax	**245.4**	200.5	453.3
Adjusting items	**61.4**	63.7	124.9
Adjusted profit before income tax	**306.8**	264.2	578.2
Reported tax rate	**24.4%**	22.6%	23.0%
Effective tax rate	**23.8%**	23.8%	23.8%

5. Income tax (continued)

Future tax liabilities may be affected by the European Commission's assertion that part of the UK's tax regime amounts to State aid. The Group, as well as HM Government and many other tax payers, have filed appeals to the EU General Court on this issue but no hearing date has yet been set. The potential amount payable for this risk is estimated to be between £nil and £36m as at 30 June 2020 depending on the outcome of the legal review process and the basis of calculation. Based on the current legal challenge the Group does not consider any provision is required for this risk. In addition and as expected, the Group made a cash payment during the period of BRL100.4m (£16.2m) for tax plus interest and penalties in relation to a tax dispute in Brazil. This had no effect on the tax charge for the period.

6. Dividends

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
2018 interim		50.7	50.7
2018 final		116.6	116.6
2019 interim	**51.7**		
Total	**51.7**	167.3	167.3

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

			Per share
	Six months to 30.6.20	Six months to 30.6.19	Year to 31.12.19
2019 interim		15.5p	15.5p
2019 final*			-
2019 additional interim*	**35.8p**		
2020 interim	**15.8p**		
Total	**51.6p**	15.5p	15.5p

*The 2019 final dividend of 35.8p per share recommended by the Board of directors in the 2019 Annual results announcement on 24 February 2020 was subsequently not proposed at the Annual General Meeting on 15 April 2020 as a result of the heightened uncertainty created by the Covid-19 pandemic. With the 2020 half year results subsequently demonstrating the resilience of the Group, the Board of directors now proposes to pay an additional 2019 interim dividend of 35.8p per share on 16 November 2020 to shareholders on the register at the close of business on 16 October 2020. The additional 2019 interim dividend will comprise approximately £120m of cash.

The 2020 interim dividend of 15.8p per share will be paid on 7 January 2021 to shareholders on the register at the close of business on 4 December 2020. The 2020 interim dividend will comprise approximately £53m of cash.

7. Earnings per share

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Profit for the period	**185.5**	155.1	349.2
Adjusted for:			
customer relationships amortisation	**48.8**	54.4	107.3
acquisition related items	**12.6**	9.3	17.6
tax credit on adjusting items	**(13.1)**	(17.5)	(33.5)
Adjusted profit for the period	**233.8**	201.3	440.6
Basic weighted average number of ordinary shares in issue (million)	**333.5**	333.3	333.3
Dilutive effect of employee share plans (million)	**0.8**	1.5	1.0
Diluted weighted average number of ordinary shares (million)	**334.3**	334.8	334.3
Basic earnings per share	**55.6p**	46.5p	104.8p
Adjustment	**14.5p**	13.9p	27.4p
Adjusted earnings per share	**70.1p**	60.4p	132.2p
Diluted basic earnings per share	**55.5p**	46.3p	104.5p
Adjustment	**14.4p**	13.8p	27.3p
Adjusted diluted earnings per share	**69.9p**	60.1p	131.8p

8. Right-of-use assets

Six months ended 30 June 2020

Net book value	**Property £m**	**Motor Vehicles £m**	**Equipment £m**	**Total £m**
Beginning of the period	**341.5**	**66.4**	**25.0**	**432.9**
Acquisitions	**6.7**	**3.3**	**0.1**	**10.1**
Additions	**22.9**	**10.8**	**4.6**	**38.3**
Depreciation charge in the period	**(46.9)**	**(14.7)**	**(5.2)**	**(66.8)**
Remeasurement adjustments	**7.2**	**0.7**	**2.1**	**10.0**
Currency translation	**11.5**	**3.4**	**1.1**	**16.0**
As at 30 June 2020	**342.9**	**69.9**	**27.7**	**440.5**

Six months ended 30 June 2019

Net book value	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Beginning of the period	-	-	-	-
Right-of-use assets on transition to IFRS 16*	355.8	65.9	24.6	446.3
Acquisitions	5.3	-	0.2	5.5
Additions	47.0	12.1	4.5	63.6
Depreciation charge in the period	(45.4)	(13.3)	(4.2)	(62.9)
Remeasurement adjustments	2.8	-	(0.1)	2.7
Currency translation	2.0	(0.3)	-	1.7
As at 30 June 2019	367.5	64.4	25.0	456.9

Year ended 31 December 2019

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

* Between the Group's half yearly financial report for the six months ended 30 June 2019 and the Group's Annual Report for the year ended 31 December 2019, there were refinements to some of the Group's lease assumptions relating to term changes and rent changes up to the date of transition which changed the respective transition disclosures.

9. Intangible assets

Goodwill	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Beginning of the period	**1,403.6**	1,420.4	1,420.4
Acquisitions	**12.5**	32.1	39.8
Currency translation	**49.7**	0.5	(56.6)
End of the period	**1,465.8**	1,453.0	1,403.6
Customer relationships			
Cost			
Beginning of the period	**1,710.9**	1,719.2	1,719.2
Acquisitions	**23.2**	65.0	71.7
Currency translation	**72.3**	-	(80.0)
End of the period	**1,806.4**	1,784.2	1,710.9
Accumulated amortisation			
Beginning of the period	**846.0**	778.0	778.0
Charge in the period	**48.8**	54.4	107.3
Currency translation	**40.8**	(0.3)	(39.3)
End of the period	**935.6**	832.1	846.0
Net book value of Customer relationships	**870.8**	952.1	864.9
Net book value of Software	**22.3**	22.1	22.4
Total net book value of Intangible assets	**2,358.9**	2,427.2	2,290.9

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 10.

The carrying amount of goodwill is allocated across the Group's 11 cash generating units ('CGUs') and is tested annually for impairment as set out in Note 12 to the Company's 2019 statutory accounts. Typically, the Group performs its annual testing in the second half of the year but given the unprecedented challenges presented by the Covid-19 pandemic and the global economic impact, the Group undertook additional goodwill impairment reviews at the half year for certain CGUs serving the foodservice and retail sectors which have been adversely impacted by the pandemic in the first half of the year. For these CGUs, value in use calculations have been prepared reflecting management's latest expectations of the performance of the business over a five year projection period and using appropriate long term growth assumptions and discount rates which have been determined with assistance provided by external valuation specialists. After considering the potential impact of Covid-19 on the performance of each CGU during the projection period, sensitivity analysis was performed to assess the impact of a range of reasonably possible changes in cash flow projections and discount rates. Based on the impairment testing and the sensitivity analysis performed, no impairments were identified to the carrying value of goodwill.

As part of the goodwill impairment review undertaken at the half year, the Group also considered whether there were any indicators that individual customer relationships assets were impaired, focussing on businesses impacted adversely by the Covid-19 pandemic including those in the foodservice and retail sectors. As for the CGUs noted above, value in use calculations were prepared based on management's latest expectations of the performance of the business over a five year projection period and appropriate long term growth and discount rates. Similarly, a sensitivity analysis was also performed to assess the potential impact of a range of reasonably possible changes in cash flow projections and discount rates. Based on the impairment testing performed, management has concluded that there are no material impairments but headroom has reduced significantly in certain customer relationships assets, particularly in the foodservice sector. As a consequence, the Group will continue to monitor the recoverability of customer relationships assets as the longer-term impacts of the Covid-19 pandemic become clearer.

10. 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' as revised. 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. There were no significant adjustments to the assets acquired or liabilities assumed in the six months to 30 June 2020 relating to acquisitions completed in 2019. At 30 June 2020 the

10. Acquisitions (continued)

allocation period for all acquisitions completed since 1 July 2019 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. 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 2020.

Six months ended 30 June 2020

Summary details of the acquisitions agreed and completed during the six months ended 30 June 2020 are shown in the table below:

Business	**Sector**	**Country**	**Acquisition date 2020**	**Estimated annualised revenue £m**
Joshen Paper & Packaging	Grocery	US	6 January	249.1
Medcorp	Healthcare	Brazil	31 January	9.7
Bodyguard Workwear	Safety	UK	28 February	7.5
Acquisitions agreed and completed in the current period				**266.3**

Although the Joshen Paper & Packaging acquisition represents approximately 94% of the annualised revenue acquired during the period it is a lower than average margin business and as a result accounts for only 55% of the total cash outflow in respect of acquisitions.

A summary of the effect of acquisitions completed in the six months ended 30 June 2020 and 30 June 2019 and for the year ended 31 December 2019 is shown below:

	30.6.20 £m	30.6.19 £m	31.12.19 £m
Customer relationships	**23.2**	65.0	71.7
Property, plant and equipment and software	**3.1**	0.5	1.2
Right-of-use assets	**10.1**	5.5	6.5
Inventories	**28.9**	23.2	25.9
Trade and other receivables	**33.5**	15.8	17.4
Trade and other payables	**(26.7)**	(9.1)	(10.8)
Net cash	**2.7**	1.0	1.1
Provisions	**(2.6)**	(1.2)	(1.4)
Lease liabilities	**(10.1)**	(5.5)	(6.5)
Income tax payable and deferred tax liabilities	**(2.0)**	0.5	(1.9)
Fair value of net assets acquired	**60.1**	95.7	103.2
Goodwill	**12.5**	32.1	39.8
Consideration	**72.6**	127.8	143.0

10. Acquisitions (continued)

	30.6.20 £m	30.6.19 £m	31.12.19 £m
Satisfied by:			
cash consideration	**60.9**	124.6	138.6
deferred consideration	**11.7**	3.2	4.4
	72.6	127.8	143.0
Contingent payments relating to the retention of former owners	**3.5**	7.1	13.4
Net cash acquired	**(2.7)**	(1.0)	(1.1)
Transaction costs and expenses	**4.9**	1.9	4.1
Total committed spend in respect of acquisitions completed in the current period	**78.3**	135.8	159.4
Spend on acquisitions committed at prior period end but completed in the current period	**-**	(37.5)	(35.1)
Total committed spend in respect of acquisitions agreed in the current period	**78.3**	98.3	124.3

The net cash outflow in respect of acquisitions comprised:

	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Cash consideration	**60.9**	124.6	138.6
Net cash acquired	**(2.7)**	(1.0)	(1.1)
Deferred consideration payments	**3.8**	5.1	6.1
Net cash outflow in respect of acquisitions	**62.0**	128.7	143.6
Transaction costs and expenses paid	**5.0**	1.9	3.8
Payments relating to retention of former owners	**8.2**	14.2	15.4
Total cash outflow in respect of acquisitions	**75.2**	144.8	162.8

Acquisitions completed in the six months ended 30 June 2020 contributed £120.5m (six months ended 30 June 2019: £47.4m; year ended 31 December 2019: £109.0m) to the Group's revenue and £4.8m (six months ended 30 June 2019: £6.3m; year ended 31 December 2019: £14.5m) to the Group's adjusted operating profit for the six months ended 30 June 2020.

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 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Revenue	**124.7**	58.3	136.7
Adjusted operating profit	**5.1**	7.1	17.0

Year ended 31 December 2019

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

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

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

11. Cash and cash equivalents and net debt

	30.6.20 £m	30.6.19 £m	31.12.19 £m
Cash at bank and in hand	**830.9**	609.1	610.5
Bank overdrafts	**(597.2)**	(504.3)	(469.7)
Cash and cash equivalents	**233.7**	104.8	140.8
Interest bearing loans and borrowings - current liabilities	**(85.3)**	(93.9)	(83.7)
Interest bearing loans and borrowings - non-current liabilities	**(1,347.6)**	(1,448.3)	(1,314.2)
Derivatives managing interest rate risk and currency profile of the debt	**22.0**	14.6	10.1
Net debt excluding lease liabilities	**(1,177.2)**	(1,422.8)	(1,247.0)
Lease liabilities	**(488.7)**	(504.4)	(480.0)
Total net debt including lease liabilities	**(1,665.9)**	(1,927.2)	(1,727.0)

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

	30.6.20 £m	30.6.19 £m	31.12.19 £m
Cash at bank and in hand net of amounts in the cash pool	**273.5**	145.7	180.6
Bank overdrafts net of amounts in the cash pool	**(39.8)**	(40.9)	(39.8)
Cash and cash equivalents	**233.7**	104.8	140.8

Movement in net debt

Six months ended 30 June 2020	**Net debt £m**	**Cash and cash equivalents £m**	**Other components £m**
Beginning of the period	**(1,247.0)**	**140.8**	**(1,387.8)**
Net cash inflow	**143.4**	**79.4**	**64.0**
Realised losses on foreign exchange contracts	**(21.8)**	**-**	**(21.8)**
Currency translation	**(51.8)**	**13.5**	**(65.3)**
End of the period excluding lease liabilities	**(1,177.2)**	**233.7**	**(1,410.9)**
Lease liabilities	**(488.7)**	**-**	**(488.7)**
End of the period including lease liabilities	**(1,665.9)**	**233.7**	**(1,899.6)**

Six months ended 30 June 2019	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of the period	(1,386.5)	144.2	(1,530.7)
Net cash (outflow)/inflow	(38.0)	(40.6)	2.6
Realised gains on foreign exchange contracts	2.1	-	2.1
Currency translation	(0.4)	1.2	(1.6)
End of the period excluding lease liabilities	(1,422.8)	104.8	(1,527.6)
Lease liabilities	(504.4)	-	(504.4)
End of the period including lease liabilities	(1,927.2)	104.8	(2,032.0)

Year ended 31 December 2019	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of the period	(1,386.5)	144.2	(1,530.7)
Net cash inflow	99.1	14.5	84.6
Realised gains on foreign exchange contracts	13.6	-	13.6
Currency translation	26.8	(17.9)	44.7
End of the period excluding lease liabilities	(1,247.0)	140.8	(1,387.8)
Lease liabilities	(480.0)	-	(480.0)
End of the period including lease liabilities	(1,727.0)	140.8	(1,867.8)

12. Lease liabilities

Movement in lease liabilities	**Six months to 30.6.20 £m**	Six months to 30.6.19 £m	Year to 31.12.19 £m
Beginning of the period	**480.0**	-	-
Lease liabilities on transition to IFRS 16*	**-**	494.2	498.3
Acquisitions	**10.1**	5.5	6.5
New leases	**38.3**	63.6	105.2
Interest charge in the period	**11.5**	11.6	23.3
Payment of lease liabilities	**(79.4)**	(75.1)	(151.6)
Remeasurement adjustments	**10.0**	2.8	14.4
Currency translation	**18.2**	1.8	(16.1)
End of the period	**488.7**	504.4	480.0
Aging of lease liabilities:			
Current lease liabilities	**129.0**	121.9	121.8
Non-current lease liabilities	**359.7**	382.5	358.2
End of the period	**488.7**	504.4	480.0

* Between the Group's half yearly financial report for the six months ended 30 June 2019 and the Group's Annual Report for the year ended 31 December 2019, there were refinements to some of the Group's lease assumptions relating to term changes and rent changes up to the date of transition which changed the respective transition disclosures.

13. Financial instruments

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

Financial assets	**30.6.20 £m**	30.6.19 £m	31.12.19 £m
Interest rate derivatives in fair value hedges	**34.1**	21.1	11.5
Foreign exchange derivatives in cash flow hedges	**1.2**	1.5	0.3
Foreign exchange derivatives in net investment hedges	**4.3**	6.6	0.3
Other foreign exchange and interest rate derivatives	**0.6**	0.9	2.8
	40.2	30.1	14.9

Financial liabilities	**30.6.20 £m**	30.6.19 £m	31.12.19 £m
Foreign exchange derivatives in cash flow hedges	**(4.0)**	(0.9)	(3.2)
Foreign exchange derivatives in net investment hedges	**(6.5)**	(4.7)	(3.8)
Other foreign exchange derivatives	**(10.5)**	(9.3)	(0.7)
	(21.0)	(14.9)	(7.7)

All financial assets and liabilities stated as being measured at fair value in the tables above (including all derivative financial instruments) 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 financial assets and liabilities stated at fair value have been determined by discounting expected future cash flows, translated at the appropriate balance sheet date exchange rates and adjusted for counterparty or own credit risks as applicable. There were no transfers between levels for recurring fair value measurements during the period.

The fair values of all financial instruments equate to their book values, with the exception of the US private placement notes and the senior unsecured bond which are held at amortised cost. The fair value of all US private placement notes which are held at amortised cost, using market prices at 30 June 2020, was £1,053.6m (30 June 2019: £1,106.9m; 31 December 2019: £1,069.4m), compared to a carrying value of £1,030.2m (30 June 2019: £1,073.1m; 31 December 2019: £1,036.4m). The fair value of the senior unsecured bond which is held at amortised cost, using market prices at 30 June 2020, was £308.2m (30 June 2019: £301.8m, 31 December 2019: £306.7m) compared to a carrying value of £298.2m (30 June 2019: £297.8m, 31 December 2019: £298.0m).

14. Cash flow from operating activities

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

Depreciation and software amortisation	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Depreciation of right-of-use assets	**66.8**	62.9	128.1
Other depreciation and software amortisation	**18.5**	15.5	31.9
	85.3	78.4	160.0

Other non-cash items	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
Share based payments	**6.9**	6.8	13.5
Provisions	**0.3**	(2.9)	(6.3)
Retirement benefit obligations	**(1.0)**	(1.3)	(9.7)
Other	**1.6**	(0.4)	(1.0)
	7.8	2.2	(3.5)

Working capital movement	Six months to 30.6.20 £m	Six months to 30.6.19 £m	Year to 31.12.19 £m
(Increase)/decrease in inventories	**(80.7)**	36.5	15.2
(Increase)/decrease in trade and other receivables	**(33.2)**	(1.1)	38.9
Increase/(decrease) in trade and other payables	**140.7**	(50.8)	(49.8)
	26.8	(15.4)	4.3

15. Related party disclosures

As disclosed in the Annual Report for the year ended 31 December 2019, the Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no material transactions with those related parties during the six months ended 30 June 2020. Details of the relevant relationships with those related parties will be disclosed in the Annual Report for the year ending 31 December 2020. 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 interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union;
- 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 interim financial statements, and a description of principal risks and uncertainties for the remaining six months of the year as required by Disclosure Guidance 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 Officer

Richard Howes
Chief Financial Officer

24 August 2020

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 6 month period ended 30 June 2020. 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 issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union 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 balance sheet as at 30 June 2020;
- the Consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- 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 issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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 issued by the IASB and as adopted by the European Union .

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 the company 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

24 August 2020