BUNZL

News Release

28 February 2022

ANNUAL RESULTS ANNOUNCEMENT

Bunzl plc, the specialist international distribution and services Group, today publishes its annual results for the year ended 31 December 2021.

Financial results	2021	2020	Growth as reported	Growth at constant exchange◊
Revenue	**£10,285.1m**	£10,111.1m	1.7%	7.1%
Adjusted operating profit*	**£752.8m**	£778.4m	(3.3)%	2.8%
Adjusted profit before income tax*	**£698.2m**	£715.6m	(2.4)%	3.9%
Adjusted earnings per share*	**162.5p**	164.9p	(1.5)%	4.9%
Dividend for the year∆	**57.0p**	54.1p	5.4%	

Statutory results			
Operating profit	**£623.3m**	£618.5m	0.8%
Profit before income tax	**£568.7m**	£555.7m	2.3%
Basic earnings per share	**132.7p**	128.8p	3.0%

Highlights include:

- Strong revenue growth of 7.1% at constant exchange rates, with recovery in the base business♯ and acquisitions more than offsetting expected declines in Covid-19 related sales; revenue at constant exchange rates 17.1% higher than in 2019
- Adjusted operating profit* increase of 2.8% at constant exchange rates and a rise in adjusted earnings per share* of 4.9%; reported operating profit up 0.8% and reported basic earnings per share up 3.0%
- Continued strong cash generation with cash conversion* of 102%, and net debt to EBITDA† of 1.6 times with substantial headroom for acquisition growth
- Total 2021 dividend per share growth of 5.4%; 29th consecutive year of dividend growth
- 14 acquisitions announced in 2021 with committed spend of £508 million; c.£950 million of committed acquisition spend over 2020 and 2021 combined; active pipeline

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

"I am proud of the Group's performance during 2021 and how Bunzl continues to demonstrate the strength of its business model and strategy and also the entrepreneurial spirit of our people who have met the challenges of the pandemic and driven the business forward. Our adjusted operating profits in 2021 were 23% higher than in 2019, at constant exchange rates, driven by both underlying revenue growthǂ and acquisition revenue growth, with almost £1 billion of committed acquisition spend over this two year period. Those sectors most impacted by the pandemic, such as retail and foodservice, are recovering strongly, supported by inflation, and Bunzl continues to benefit from enhanced hygiene trends. I am pleased that we have made good strategic progress despite pandemic-related challenges, particularly with the acceleration of our sustainability ambitions. In 2021 we joined the UN's race to zero and continued to help our customers transition products to more sustainable materials supported by our expert advice, data and innovation. Bunzl has further strengthened its value-added proposition through the pandemic and we look to the future with confidence given our consistent compounding growth strategy."

* Alternative performance measure (see Note 2).
◊ Growth at constant exchange rates is calculated by comparing the 2021 results to the 2020 results retranslated at the average exchange rates used for 2021.
∆ The Board is recommending a 2021 final dividend of 40.8p per share. Including the 2021 interim dividend per share of 16.2p the total dividend per share of 57.0p represents a 5.4% increase compared to the 2020 total dividend per share.
† At average exchange rates and based on historical accounting standards, in accordance with Group's external debt covenants, which are unaffected by the adoption of IFRS 16 with effect from 1 January 2019.
ǂ Underlying revenue growth is revenue excluding the incremental impact of acquisitions and disposals compared to revenue in prior years at constant exchange and adjusted for differences in trading days between years.
♯ Base business defined as underlying revenue excluding the top 8 Covid-19 related products (masks, sanitisers, disposable gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection).

2021 performance highlights:

Underlying revenue growth[ǂ] contribution	2021
Base business[♯]	9.9%
Covid-19 related orders	(6.3)%
Group total	**3.6%**

Underlying revenue growth[ǂ] by sector	2021
Foodservice and Retail	16%
Cleaning & Hygiene, Safety and Healthcare	(12)%
Grocery and other	9%

- Group underlying revenue growth of 3.6% reflected a reversal of the prior year's trends, with the year-on-year decline of Covid-19 related sales more than offset by the strong recovery in the base business
- The base business saw a strong recovery, driven by both product cost inflation and increased volumes, across all business areas. Base business revenues in 2021 were broadly in-line with 2019 levels, driven by North America and Latin America
- The decline in Covid-19 related sales was driven by the expected reduction in larger orders which were a strong feature of 2020, with the decline in smaller Covid-19 related sales also having a slight impact to Group revenue. Deflation on certain Covid-19 related products in the second half of the year adversely impacted operating margin
- The foodservice and retail sectors saw very strong total underlying growth, driven by significant inflation and recovery in the base business, despite a decline in Covid-19 related sales
- The cleaning & hygiene, safety and healthcare sectors were impacted by the decline in Covid-19 related sales, with cleaning & hygiene also impacted by work from home trends in most markets and safety by soft end markets, although underlying revenue for these sectors combined remained strongly ahead of 2019
- Underlying revenue in grocery and other sectors grew strongly, driven by significant product cost inflation
- In addition to underlying revenue growth, Group revenues in 2021 were further supported by 4.0% growth from acquisitions

	Revenue (£m)		Growth at constant exchange[◊]	Underlying revenue[ǂ] growth	Adjusted operating profit* (£m)		Growth at constant exchange[◊]	Operating margin*	
	2021	2020			**2021**	2020		**2021**	2020
North America	**6,144.7**	5,843.8	12.4%	9.2%	**401.3**	395.7	8.5%	**6.5%**	6.8%
Continental Europe	**1,972.9**	2,127.3	(2.7)%	(5.7)%	**191.8**	238.1	(14.0)%	**9.7%**	11.2%
UK & Ireland	**1,254.2**	1,287.7	(2.4)%	(6.2)%	**67.0**	68.6	(2.2)%	**5.3%**	5.3%
Rest of the World	**913.3**	852.3	11.0%	4.7%	**116.5**	104.2	18.3%	**12.8%**	12.2%

North America (60% of revenue and 51% of adjusted operating profit*[†])
- Revenue grew very strongly, despite a decline in Covid-19 related sales, driven by substantial product cost inflation particularly in grocery and foodservice, and a strong recovery in demand from foodservice and retail businesses
- Base business revenue grew very strongly, although the cleaning & hygiene sector was impacted by work from home trends, whilst safety businesses were impacted by softness in end markets such as oil and gas and industrial sectors
- Deflation in certain Covid-19 related products negatively impacted margins particularly in the second half of the year
- Operating cost inflation was significantly higher than normal and accelerated through the year but was more than offset by revenue growth attributable to product cost inflation
- Overall, revenue in 2021 was 20% higher than in 2019 at constant exchange rates

Continental Europe (19% of revenue and 25% of adjusted operating profit*[†])
- Performance was driven by the decline in larger Covid-19 related orders, which strongly benefited the prior year, with the reduction in operating margin from 11.2% to 9.7% reflecting this return towards a more normalised revenue mix
- Excluding larger Covid-19 related orders underlying revenue grew moderately, supported by good growth in the base business, particularly the foodservice and non-food retail sectors, and inflation
- In France, our cleaning & hygiene businesses were impacted by lower Covid-19 related orders and work from home trends, whilst safety was also impacted by soft end markets
- The Netherlands saw good growth in underlying revenue, excluding larger Covid-19 related orders, driven by retail, industry and e-commerce food packaging
- Overall, revenue in 2021 was 12% higher than in 2019 at constant exchange rates

UK & Ireland (12% of revenue and 9% of adjusted operating profit*[†])
- Revenue was impacted by the decline in larger Covid-19 related orders which strongly benefited the prior year. Excluding larger Covid-19 related orders, underlying revenue delivered good growth, driven by the acceleration of recovery in the base business in the second half of 2021, as restrictions eased, together with inflation
- The base business recovery in the second half was driven by the foodservice, grocery, non-food retail and cleaning & hygiene sectors. By the final quarter of the year, the base business revenues were approaching 2019 levels
- The impact of reduced Covid-19 related orders on operating margin was offset by a reduction in the net charge relating to provisions compared to the prior year and improvement in the base business
- Further operational efficiency plans were implemented with the closure of five warehouses and the integration of new technologies within our new finance shared service centre
- Overall, revenue in 2021 was 1% higher than in 2019 at constant exchange rates, with the second half of the year being 6% higher than in 2019

Rest of the World (9% of revenue and 15% of adjusted operating profit*†)

- Rest of the World achieved very strong revenue and adjusted operating profit growth, against a strong prior year performance
- Latin America delivered a strong performance, with the base business growing very strongly, and further support from acquisitions. Operating margins in Latin America were impacted by Covid-19 related product deflation in the second half
- Revenues grew modestly in Asia Pacific with the benefit of acquisitions and an improvement in base business growth in the second half, offset by a decline in Covid-19 related orders. Operating margin improved, supported by strength within healthcare, and the consolidation of two large warehouses
- Overall, Rest of the World revenue in 2021 was 34% higher than in 2019 at constant exchange rates

* Alternative performance measure which excludes charges for customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and the profit or loss on disposal of businesses and any associated tax, where relevant. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group. Further details of these alternative performance measures are set out in Note 2. Unless otherwise stated operating margin in this review refers to adjusted operating profit as a percentage of revenue.

◊ Growth at constant exchange rates is calculated by comparing the 2021 results to the results for 2020 retranslated at the average exchange rates used for 2021.

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

ⱡ Underlying revenue growth is revenue excluding the incremental impact of acquisitions and disposals compared to revenue in prior years at constant exchange and adjusted for differences in trading days between years.

♯ Base business defined as underlying revenue excluding the top 8 Covid-19 related products (masks, sanitisers, disposable gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection).

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

CHAIRMAN'S STATEMENT

The Group continued to perform strongly during the pandemic, with good ongoing growth in 2021 against a strong prior year performance. At constant exchange rates, the Group delivered strong revenue growth of 7.1% (1.7% at actual exchange rates), an increase of 2.8% in adjusted operating profit and a rise of 4.9% in adjusted earnings per share, with basic earnings per share at actual exchange rates increasing 3.0%. This has resulted, at constant exchange rates, in 2021 revenues and adjusted operating profit being 17.1% and 23.2% higher than 2019 respectively, reflecting the resilience of the Group's portfolio as the mix of revenues between the traditional base business and Covid-19 related products has shifted through that period. The ability for the business to adapt quickly to changing demands and challenges, including within disrupted supply chains, has provided me with even stronger confidence in the Group's future.

Bunzl continues to demonstrate strong cash conversion and despite completing 14 acquisitions, ended the year with a strong balance sheet and net debt to EBITDA of 1.6 times. The strength of the Group's financial position enables a continued focus on acquisition opportunities that support future growth.

Strategic priorities

We continue to pursue a consistent and proven strategy of developing the business through a combination of organic growth, operational improvements and acquisition growth. The 14 acquisitions made in 2021 are complementary to our existing businesses and demonstrate the quality of acquisition opportunities in the pipeline, as well as the breadth of opportunity, with acquisitions made across all of our business areas. Alongside this, we officially launched the next phase of our sustainability ambitions in October at our Capital Markets Day and highlighted the strong progress we have already made in supporting customers with the transition to products made from alternative materials that are better suited to the circular economy.

People and culture

The power of a strong and motivated workforce has been demonstrated over the last two years. Our colleagues have gone above and beyond to support our customers despite the continually changing environment and challenges that they have faced. We are exceptionally proud of their entrepreneurial spirit which has driven the business forward over the last two years. The Group's focus on engagement and leadership succession has been integral to this performance. Our most recent employee engagement survey continues to demonstrate that our colleagues feel positive about working at Bunzl with approximately 89% feeling personally driven to help Bunzl succeed and 88% having a strong sense of commitment to Bunzl.

Within our people strategy, diversity is a key focus, and I am pleased that we are expanding our diversity programmes. We are encouraging more women into leadership roles through focused and targeted activities, with the UK & Ireland demonstrating the power of these initiatives as the number of women in senior leadership roles has grown from 13% to 22% over the last two years. Furthermore, we are providing a voice for under-represented colleagues across the Group to ensure we better understand the dynamics and barriers within our organisation. This has included, for the first time, some listening sessions between the Chief Executive Officer and groups of colleagues from under-represented groups. Pleasingly, where we have been able to collect engagement data by ethnicity in our latest employee survey, we have found broadly consistent engagement scores across ethnic groups. Identifying the next generation of leaders from a more diverse pool of talent and balancing the requirement for broader capabilities with the need to retain our entrepreneurial skills is a key objective for the Group. I am also particularly pleased with the progress we have made to attract younger talent onto new graduate programmes across our decentralised organisation.

Shareholder returns

The Board is recommending a final dividend of 40.8p, 6.5% higher than the prior year, resulting in a full year dividend of 57.0p. This represents a 5.4% increase compared to the 2020 total dividend and Bunzl's 29th consecutive year of dividend growth. The Group remains committed to ensuring sustainable dividend growth. Since 2004 Bunzl has returned £1.8 billion to shareholders through dividends and has committed £4.4 billion in acquisitions to support a growth strategy that has delivered an adjusted earnings per share compound annual growth rate (CAGR) of 10% over the period.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Our performance since the start of the pandemic has demonstrated the strength of our business model and the consistent delivery of our strategy. We have driven growth over this challenging period supported by the resilience of our model, the entrepreneurial nature of our people and our continued success in acquiring high quality businesses. While our focus on being a responsible business is well established, I am pleased to have launched the next phase of our sustainability commitments during the year. We continue to develop and innovate products made from alternative materials and solutions that are tailored to our customers' needs, and work to respect communities and workers' rights in our supply chain. Bunzl's forward-looking focus and customer-centric business model has already driven a strong compounding track record, and I see our accelerated commitments as integral to ensuring this continued performance.

Operating performance

With over 90% of adjusted operating profit generated outside the UK, and due to the strength of sterling, the Group's revenue, profits and earnings were adversely impacted between 5% and 8% by currency translation over 2021. The commentary below is stated at constant exchange rates unless otherwise highlighted.

In 2021 revenue increased by 7.1% (1.7% at actual exchange rates) to £10,285.1 million. Within this, underlying revenue growth, which is organic growth of 3.2% adjusted for the impact of one less trading day, was 3.6%. In addition, acquisitions contributed revenue growth of 4.0% in 2021. In comparison to 2019, revenue in 2021 was 17.1% higher, with underlying revenue 8.5% higher and acquisitions driving the remainder of growth.

During 2021 underlying revenue growth has reflected a reversal of prior year trends, with the year-on-year decline of Covid-19 related products more than offset by the strong recovery in the base business which had been materially impacted by the challenges of the pandemic in the prior year. Within underlying revenue growth of 3.6%, sales of the top 8 Covid-19 related products, being masks, sanitisers, disposable gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection, and which are primarily own brand, contributed an underlying revenue decrease of 6.3%. This has been driven primarily by the expected decline in larger orders, which were a strong feature of 2020 and generated predominately by governments and healthcare organisations. Smaller Covid-19 related sales, generally made to existing customers, including Covid-19 related products that they may not have sourced from Bunzl previously, also contributed a slight decline over the year. Despite the year-on-year decline in Covid-19 related sales, revenue generated by these products in the fourth quarter of 2021 remained substantially higher than generated in the comparable quarter in 2019. The impact on underlying growth in 2021 of the decline in Covid-19 related product sales was more than offset by recovery in the base business. Recovery in the base business benefited the Group's underlying revenue growth by 9.9%, with this growth driven by inflation and volume.

Inflation was a key feature of performance over the year, with inflation strongly supportive to growth. Continued inflation on certain Covid-19 related products was particularly supportive to the first half of the year, whilst inflation on plastics, paper and chemicals was very supportive in the second half of the year. We have managed the strong inflation on plastics, paper and chemicals well, with success in passing through product price increases to customers. Our largest customers, particularly in North America, often have product price movements factored into agreements and elsewhere regular price renegotiations are required. While inflation trends remained strong to the end of the year, we saw a moderate tempering of plastic prices in some regions.

Across the Group, recovery in the base business has been supported by strong growth in the foodservice and retail sectors. As a result, the foodservice and retail sectors, inclusive of Covid-19 related sales, delivered underlying revenue growth of 16% year-on-year. The cleaning & hygiene, safety and healthcare sectors were impacted by the decline in larger Covid-19 related orders year-on-year, as well as work from home trends in cleaning & hygiene in most markets, and soft safety end markets, which hampered the base business recovery. Overall total underlying revenue in the cleaning & hygiene, safety and healthcare sectors declined 12% year-on-year, although total sales were 10% higher than in 2019. Total underlying revenue in the grocery and other sectors grew 9%, driven by product cost inflation.

North America achieved underlying revenue growth of 9.2%, despite a decline in Covid-19 related sales, with the strong recovery of the base business driven largely by inflation but also fewer Covid-19 related restrictions over the year. Underlying revenue in Continental Europe declined by 5.7%, but after excluding larger Covid-19 related sales, which strongly benefited the prior year, saw moderate underlying revenue growth. Underlying revenue in the UK & Ireland declined by 6.2%, but after similarly excluding larger Covid-19 related sales saw good underlying growth. With UK & Ireland having a higher weighting to the foodservice and non-food retail sectors, the extended lockdowns earlier in 2021 impacted operating margin, but following the improved trading performance in the second half of the year, including the non-repeat of provisions established in the prior year, the UK & Ireland delivered a meaningful improvement in adjusted operating margin over the second half. Underlying revenue in the Rest of the World grew by 4.7% year-on-year, driven by Latin America which has seen strong growth in its base business and benefited from inflation, whilst Asia Pacific was impacted by a decline in Covid-19 related sales and Covid-19 related restrictions which limited base business growth.

Overall, the Group's base business over 2021 traded broadly in-line with 2019, driven by strength in North America and Latin America. The base business in North America traded moderately ahead of 2019 revenue levels, with sales strongly ahead in the second half of the year, whilst Latin America traded very strongly ahead of 2019 over the year. Continental Europe and Asia Pacific delivered base business revenues broadly in-line with 2019 levels, with moderate growth achieved in the second half of the year, although Asia Pacific's foodservice and retail revenues were impacted by stricter restrictions in the second half of the year. The UK & Ireland saw a greater impact from extended Covid-19 related restrictions and its higher weighting to the foodservice and non-food retail sectors, but by the final quarter of the year delivered base business sales that were approaching 2019 levels.

Whilst we experienced greater operating cost inflation in the second half of the year, this has been more than offset by revenue growth driven by product price inflation and operational efficiencies. Wage inflation has been particularly strong in North America and the UK & Ireland but more benign in Continental Europe and Rest of the World. However, towards the end of the year we started to see some stabilisation in wages in North America. Outbound freight costs were also higher, although freight cost movements can be factored into pricing agreements, and we have also experienced property cost inflation linked to lease renewals. Driving operational efficiencies is a core component of our compounding strategy and is particularly important at a time of higher inflation. Over the year we have continued to focus on optimising our warehouse space with more than 15 consolidations and have further implemented technologies to automate processes in our business. Overall, combined with the support of product inflation on revenue, inflation dynamics have been somewhat supportive to margins to date.

Adjusted operating profit was £752.8 million, an increase of 2.8% (down 3.3% at actual exchange rates) and operating margin decreased to 7.3% from 7.6% in 2020 at constant exchange rates (7.3% from 7.7% at actual exchange rates). Whilst inflation has been somewhat supportive to margins, the reduction in operating margin reflects the normalisation of revenue mix, with the reduction in sales of Covid-19 related products, which are largely own brand and had driven strong volume leverage on operating costs in the prior year, and the stronger recovery in typically lower margin businesses within our base business. Furthermore, price deflation in certain Covid-19 related products impacted margins over the second half of the year, although margins benefited over the period from a reduction in the net charge relating to inventory and credit loss provisions compared to the prior year. The Group saw a further increase in the level of slow moving inventory with customer demand continuing to be impacted by pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25 million in the year to increase slow moving inventory provisions whilst additional provisions were also required as a result of market price deflation on certain Covid-19 products. This was partially offset by a net release of approximately £5 million from expected credit losses on trade receivables. Reported operating profit was £623.3 million, an increase of 7.7% (0.8% at actual exchange rates), reflecting the 2.8% increase in adjusted operating profit and a reduction in acquisition related items, as well as the non-recurring pension scheme charge in the prior year.

Adjusted profit before income tax was £698.2 million, an increase of 3.9% (down 2.4% at actual exchange rates) due to the growth in adjusted operating profit and a reduction in net finance expense. The lower net finance expense was due mainly to a change in the mix of debt towards currencies with lower interest rates and higher interest income on cash deposits held in the subsidiaries through the year. Reported profit before income tax was £568.7 million, an increase of 9.6% (2.3% at actual exchange rates).

The effective tax rate of 22.3% was lower than the 23.1% in 2020 due to a reduction in the expected tax liabilities for prior periods. Over the period the Group was informed that it was not within the scope of the European Union State aid decision against part of the UK’s tax regime. The risk of having to pay any additional tax plus interest of up to £37 million in connection with the matter is now remote, whatever the EU General Court’s eventual ruling. In 2022 the Group’s effective tax rate is expected to be approximately 24%, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. Looking beyond 2022, we expect our effective tax rate to increase to between 24% and 25% due to the rise in the UK tax rate from 19% to 25% from April 2023 and enforcement of a minimum tax rate for corporate profits globally. Based on current proposals we do not expect proposed federal tax changes in the US to have a significant impact to the Group if implemented. Adjusted earnings per share were 162.5p, an increase of 4.9% (down 1.5% at actual exchange rates) and basic earnings per share were 132.7p, an increase of 10.5% (up 3.0% at actual exchange rates).

Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) remained strong over the year at 102%. The Group’s cash generation continues to be impressive, with £525.4 million of free cash flow generated in 2021, representing 15.0% growth at actual exchange rates compared to 2019, and continuing to enable strong investment in the business and acquisitions. Compared to 2020, free cash flow declined 9.6% at actual exchange rates, due to a decrease in operating cash flow driven by a significant reduction in advance payments from customers net of upfront payments to suppliers for large orders of Covid-19 related products and higher tax payments. Net capital expenditure of £30.0 million compares to £31.9 million in 2020 and reflects continued investment in IT and digital technologies, as well as warehouse consolidations. Despite the amount invested into acquisitions, the Group ended the period with net debt, excluding lease liabilities, of £1,337.4 million compared to £1,255.0 million in 2020. 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 1.4 times at the end of June 2021 and 1.5 times at the end of 2020. This is meaningfully below our 2.0 times to 2.5 times target range, providing substantial headroom for further acquisitions.

Return on average operating capital decreased to 43.3% compared to 45.4% in 2020, driven by the lower operating margin, and reflective of a more normal revenue mix for the Group as Covid-19 related sales have decreased. Return on invested capital was 15.1% compared to 16.2% in 2020, with operating margin having a similar impact, in addition to continued acquisitions made over the year which temporarily dilute the metric. Return on average operating capital and return on invested capital both remain significantly higher than in 2019, with 36.9% and 13.6% achieved in 2019, respectively.

Underlying growth and operational efficiency

Delivering 17.1% constant currency revenue growth between 2019 and 2021, with broadly similar contributions from underlying growth and acquisition growth, highlights the strength of Bunzl's consistent compounding strategy. During 2021 Bunzl held a Capital Markets Day to update on elements of this strategy, including our focus on, and commitments to, sustainable solutions which are integral to the continued success of the strategy.

Our continuous investment in digital capabilities has supported performance over the last two years, with 67% of orders placed in 2021 made digitally, compared to 62% in 2019 and 59% in 2018. Acceleration of our digital capabilities continues to be a key strategic priority for the business, given the value it provides to our customers, how it differentiates Bunzl's proposition and the efficiencies it delivers to our own operations. In addition, we continued to focus on operational efficiencies, with more than 15 warehouses consolidated over the year. Furthermore, in the UK & Ireland we continued to roll out shared service capabilities in both Finance and HR with a range of new technologies implemented to support the transition.

Acquisitions

Over the year, Bunzl announced the completion of 14 acquisitions with committed spend of £508 million, adding estimated annualised revenue of £322 million. Over 2020 and 2021 Bunzl's combined committed spend on acquisitions was approximately £950 million, with the strength of the Group's cash conversion and balance sheet enabling the Group to fund one of the most successful periods for acquisitions in our history, largely through cash generated by the Group in the year. These 14 acquisitions include some fast growing businesses, in particular McCue Corporation, Disposable Discounter and Intergro.

Acquisition	Completion	Description
Deliver Net	January 2021	Healthcare distributor to care homes in the UK, with annualised revenue of £20 million
Pinnacle	February 2021	Distributor of cleaning & hygiene products in Saskatchewan, Canada, with annualised revenue of £11 million
Disposable Discounter	February 2021	Online distributor of foodservice disposable products, with annualised revenue of £24 million. The business operates mostly in the Netherlands but has started to expand across Europe

Comax	May 2021	Distributor to the leisure, cleaning & hygiene, care home and foodservice sectors in the UK, with annualised revenue of £16 million in 2020
Harvey Distributors	May 2021	Cleaning & hygiene distributor in Australia, with annualised revenue of £4 million
Obex Medical Holdings	June 2021	Leading medical distribution business that supplies a broad range of healthcare equipment and devices in New Zealand, with annualised revenue of £29 million
Proin Pinilla	July 2021	Largest independent safety distributor to end-users in Spain, with annualised revenue of £14 million
Arprosa	July 2021	Distributor of personal protection equipment (PPE) to end-users in Spain, with annualised revenue of £7 million
Medshop	September 2021	Online distributor of medical supplies and devices predominantly in Australia, with annualised revenue of £14 million
Intergro	September 2021	Distributor of agricultural supplies to commercial growers in the US, with annualised revenue of £22 million
McCue Corporation	October 2021	Leading and fast growing US business in the distribution of safety and asset protection solutions for sectors spanning e-commerce and grocery with a growing international footprint, and with annualised revenue of £73 million
Workwear Express	October 2021	UK business in personalised workwear and promotional clothing with a strong e-commerce focus, and with annualised revenue of £33 million
Hydropac	November 2021	Distributor of insulated packaging solutions based in the UK, with annualised revenue of £8 million
Tingley Rubber	December 2021	Distributor of own brand PPE based in the US, with annualised revenue of £47 million

Bunzl ended the year with net debt to EBITDA of 1.6 times, providing the Group with substantial capacity to fund further acquisitions. Our pipeline is active, and we see significant opportunities for continued acquisition growth in our existing markets, both where we have limited or no sector presence, as well as potential to expand into new markets.

Sustainable solutions

We understand our role as a proactive leader in the transition to a more sustainable and equitable future. As laid out at our 2021 Capital Markets Day, sustainability is a key component of our strategic priorities, and we are focused on four key areas: alternative packaging solutions; responsible supply chains; investing in our people; and climate change.

We are already proactively leading the transition of packaging to products which are better suited to the circular economy and momentum has remained strong with customers looking to shift to products made from alternative materials. Our strength in sourcing innovative products, including our own brand portfolio, as well as our expert advice, data tools and supply chain investments is an increasing competitive advantage to Bunzl. The Group continues to have very limited exposure to single-use plastic consumables where some volume reduction is expected. Only 2% of our Group revenue is generated by consumables that are facing regulation, with 84% of Group revenue attributable to non-packaging products and packaging products made from alternative materials that are well suited to the circular economy.

The Group also completed 754 ethical and quality audits through our Shanghai based Global Supply Chain Solutions, which is responsible for auditing our Asian suppliers, the most material high risk sourcing market for Bunzl, by spend. Furthermore, we have started to expand our programme to ensure that 90% of our spend on products from all high-risk regions are sourced from assessed and compliant suppliers by 2025. Our people strategy also continues to drive strong engagement, as indicated by our latest employee engagement scores, with encouraging retention levels across the Group in a climate of much tighter labour markets in many parts of the world. In 2021 Bunzl joined the largest global alliance on climate change, the UN's Race to Zero campaign, and has committed to achieving a net zero position across the Group inclusive of Scope 3 emissions by 2050 at the latest. Over 2021 our carbon intensity (carbon per revenue) declined by 12% year on year, further contributing to our overall reduction of c.60% since 2010.

Our commitment to sustainability has enabled Bunzl to sign environmental, social and governance (ESG) loans in 2021 which are linked to the progress we make, with ESG financing likely to become a greater mix of our overall borrowing profile over time.

North America

	2021 £m	**2020 £m**	Growth at constant exchange	Underlying growth
Revenue	**6,144.7**	5,843.8	12.4%	9.2%
Adjusted operating profit*	**401.3**	395.7	8.5%	
Operating margin*	**6.5%**	6.8%		

* Alternative performance measure (see Note 2)

In North America, revenue increased 12.4% to £6,144.7 million, with underlying growth of 9.2%. The positive impact of the acquisitions of MCR Safety, Snelling, Pinnacle, Intergro, McCue and to a lesser extent Tingley Rubber, was supported by significant inflation, particularly in grocery and foodservice, as well as the strong recovery across foodservice and retail businesses due to reduced Covid-19 related restrictions and economic stimulus. By the second half of the year the base business was trading strongly ahead of 2019 levels, driven by inflation. Adjusted operating profit was £401.3 million with an operating margin of 6.5%, down from 6.8% in 2020, driven by the recovery of the lower margin sectors within the base business, as well as the impact of deflation on certain Covid-19 related products in the second half of the year. Over the period, underlying operating cost inflation in wages, property and delivery costs accelerated significantly but was more than offset by revenue growth attributable to product inflation. Bunzl's resilient network, scale and global sourcing allowed it to mitigate many of the service level issues brought on by inbound supply chain disruption and labour capacity challenges.

Our largest business, in the US grocery sector, saw revenue increase very strongly from continued consumer demand and product cost inflation, though certain categories, such as salad and hot food bars remained below pre-pandemic levels. Although consumers increasingly utilised online ordering, the associated orders have been largely fulfilled at the store level, creating the need for packaging and labels. Our convenience store sector business also saw improvement throughout the year as travel gradually returned, but overall saw a slight decline as many convenience store retailers have not yet fully reopened their foodservice offerings.

Our foodservice redistribution business delivered very strong growth, driven by the reopening of in-restaurant dining and subsequent strong demand, with significant net inflation in packaging categories more than offsetting a decline in Covid-19 related sales. Takeaway packaging also continued to drive sales despite the return of in-person dining. Our businesses serving the food processor and agricultural sectors also grew strongly, due to continued strong consumer demand and increased sales of packaging in support of certain pandemic-related government food programmes. A strong focus on own brand and supply chain management ensured continuity of supply as demand increased, despite the increasing challenges across supply chains.

A decline in Covid-19 related sales, as well as continued high levels of remote working, negatively impacted our cleaning & hygiene redistribution business, which declined significantly.

Our retail supplies business delivered moderate growth over the year, with recovery benefiting from the reopening of shopping malls and retailers in the first half. Store level fulfilment of online orders by many retailers provided growth in packaging to support online orders.

Our safety business grew very strongly due to the favourable impact of the MCR Safety and McCue acquisitions, which have performed well and are positioned for continued growth. Excluding acquisitions, growth was more modest with soft demand in certain end markets, such as oil and gas and industrial sectors, as well as end market supply chain and labour shortage issues.

Finally, our business in Canada grew strongly, driven by the Snelling and Pinnacle acquisitions, with strong demand and product cost inflation in the grocery and the industrial supplies segments offsetting softness in the cleaning & hygiene and foodservice sectors related to Canada's extended lockdowns and remote working.

Continental Europe

	2021 £m	**2020 £m**	Growth at constant exchange	Underlying growth
Revenue	**1,972.9**	2,127.3	(2.7)%	(5.7)%
Adjusted operating profit*	**191.8**	238.1	(14.0)%	
Operating margin*	**9.7%**	11.2%		

* Alternative performance measure (see Note 2)

Revenue in Continental Europe declined by 2.7% to £1,972.9 million due to the significantly lower level of larger Covid-19 orders to government bodies compared to 2020, although the acquisitions of ICM, Disposable Discounter, Proin Pinilla, Arprosa and Hydropac were supportive. Excluding these acquisitions and larger one-off Covid-19 related orders, underlying sales grew moderately as the decline in smaller Covid-19 orders was more than offset by growth in the base business, particularly in the foodservice and non-food retail sectors, supported by inflation. Adjusted operating profit declined by 14.0% to £191.8 million. Operating margin decreased from 11.2% to 9.7% at actual exchange rates, reflective of a more typical margin for the business area, with the impact of reduced larger Covid-19 related orders on a largely fixed cost base as well as deflation in certain Covid-19 products in the second half of the year. This more than offset the benefit of a reduction in the charges relating to inventory and credit loss provisions compared to those taken in 2020.

In France, our cleaning & hygiene businesses saw a decline in sales due to lower levels of Covid-19 related orders as well as continued weakness in the contract cleaning and office canteen sectors due to employees working from home, although revenues overall remained above 2019 levels. Our safety business was also impacted by a reduction in Covid-19 related orders with only a partial offset from the improvement within the base business. Our specialist foodservice businesses saw a very strong recovery although revenue remains below that of 2019. As part of our ongoing strategy of improving our operating platform we relocated two French businesses to new warehouses in Rennes.

In the Netherlands, the retail and industry sectors saw a very strong recovery, fuelled by the increased demand in packaging for e-commerce fulfilment and cool packaging, while the healthcare and contract cleaning sectors continued to be adversely impacted by the pandemic. Our recently acquired e-commerce food packaging business also saw very strong growth. Total revenue in the Netherlands, excluding the larger Covid-19 related orders, overall saw strong growth.

In Belgium, sales were stable in our grocery business, with gains particularly with food processors being mostly offset by lower sales of industrial packaging, although our cleaning & hygiene businesses suffered from lower sales to facilities management companies as well as the decline in larger Covid-19 related orders.

In Germany, higher sales in our foodservice business were offset by lower Covid-19 related sales in the healthcare sector. In Switzerland, sales were marginally lower as good growth in the industrial and foodservice sectors was similarly offset by lower Covid-19 related sales. In Austria, we saw improved sales in both food and industrial packaging.

In Denmark, lower sales to the fitness, safety, cleaning and public sectors more than offset improvement in recovery in parts of the foodservice sector. In Norway, our catering equipment business saw significantly improved sales following removal of restrictions, but sales still remained below 2019 levels.

In Spain, sales improved in all businesses, with PPE sales ahead of the prior year despite lower Covid-19 items as recovery was seen in our more traditional products. In Italy, our safety business also recorded good growth as the base business benefited from economic recovery and more than offset lower Covid-19 related sales.

Turkey delivered moderate sales growth, supported by demand for PPE, hardware and grocery sector products, as well as currency-driven inflation, which more than offset lower sales to hospitals. In Israel, we benefited from the removal of restrictions in the foodservice sector and sales grew very strongly.

In Central Europe, sales growth in Hungary and Romania and growth in PPE in the Czech Republic, more than offset a decline in sales to the grocery sector in the Czech Republic and Poland.

UK & Ireland

	2021 £m	**2020 £m**	Growth at constant exchange	Underlying growth
Revenue	**1,254.2**	**1,287.7**	(2.4)%	(6.2)%
Adjusted operating profit*	**67.0**	**68.6**	(2.2)%	
Operating margin*	**5.3%**	**5.3%**		

* Alternative performance measure (see Note 2)

In UK & Ireland, revenue declined by 2.4% to £1,254.2 million, driven by the reduction in larger Covid-19 related orders and restrictions at the beginning of the year, despite the support from the acquisitions of Bodyguard, Abco Kovex, Deliver Net, Comax and Workwear Express. Excluding these acquisitions and larger Covid-19 orders, underlying sales saw good growth driven by the acceleration of recovery in the second half of the year as restrictions eased, although the base business in the second half remained below 2019 levels. Adjusted operating profit reduced to £67.0 million, down 2.2%, with operating margin stable at 5.3%. The operating margin in the second half of the year improved materially on the first half, with a reduction in the charges relating to inventory and credit loss provisions compared to those taken in 2020 mainly in the retail and foodservice sectors, as well as the good recovery in the base business.

Our safety businesses were very strongly impacted over the year as raw material and labour shortages continued to impact our customer base which has struggled to return to 2019 activity levels. Despite this trend our businesses have continued to invest in new digital platforms and have also secured some new customer wins in the second half of the year.

In our cleaning & hygiene supplies business, revenue growth improved through 2021 as restrictions eased. We have also secured new customers driven by their desire for a strong and established supplier of sustainable solutions, the availability of quality data to help them achieve their own environmental aspirations and increasing demand for closed loop partnerships.

Our non-food retail packaging businesses saw strong growth over the year, supported by Covid-19 related growth, and with the base business trading well in the second half of the year and a partial bounce back for in-store packaging requirements, such as bags and boxes and continued growth in online packaging. In grocery we achieved moderate growth as we rolled out two new customers and supermarkets started to open in-store counters following the end of lockdowns which helped to balance the reduction in sales of Covid-19 related orders.

Our foodservice business benefited from the reopening of restaurants and hotels, as well as the prevalence of domestic holidays, although the industry has been impacted by supply shortages. With many employees continuing to work from home, office-based contract catering continues to be impacted. Overall, we saw a material improvement over the year with several new customer wins in the second half of the year.

In healthcare, we have seen a significant decline in sales of Covid-19 related products although we experienced moderate growth in the base business. We saw an improvement in elective surgeries and strong sales and new business wins in the private healthcare sector.

Our businesses in Ireland have also had better performances in the second half of 2021. The opening up of the hospitality industry has resulted in an increase in sales to restaurants, hotels and coffee shops.

During the year we continued to implement further operational efficiency plans and exited five warehouses, including two small warehouses in Scotland in the second half, and implemented a range of new technologies within our shared finance centre.

Rest of the World

	2021 £m	**2020 £m**	Growth at constant exchange	Underlying growth
Revenue	**913.3**	852.3	11.0%	4.7%
Adjusted operating profit*	**116.5**	104.2	18.3%	
Operating margin*	**12.8%**	**12.2%**		

* Alternative performance measure (see Note 2)

The Rest of the World delivered a very strong performance, with revenue increasing 11.0% to £913.3 million, with underlying revenue growth of 4.7%, and adjusted operating profit growth of 18.3% to £116.5 million. Operating margin increased to 12.8% from 12.2% at actual exchange rates. Latin America delivered very strong revenue growth over the year, driven by strength in the base business, which traded very strongly above 2019 levels, and the acquisitions of SP Equipamentos and Medcorp. Covid-19 related sales remained robust, although deflation in Covid-19 related products impacted operating profit margin, particularly in the second half of the year. Revenues in Asia Pacific were resilient, with the impact of the acquisitions of Obex Medical Holdings, Harvey Distributors and Medshop, offset by a decline in Covid-19 related orders over the year. The base business in Asia Pacific traded in line with 2019 levels over the year, but with a better performance in the second half of the year which delivered good growth against 2019. Operating margin improved in Asia Pacific driven by the revenue mix, with strong growth within healthcare, and with the consolidation of two large warehouses in Australia.

In Brazil, our safety businesses grew very well as reduced demand for Covid-19 related products and the adverse impact of disposable gloves deflation were more than offset by strong demand and product cost inflation in the base business. In the foodservice sector, trading was more difficult, particularly due to deflation in gloves in the second half of the year.

Our healthcare businesses had a very strong year as the base business recovered well and additional sales of vaccine related products led to strong growth in sales and operating profits.

In Chile, our safety businesses had an exceptional year as the base business recovered strongly and economic growth ensured copper prices remained high, in addition to the launch of new products in our specialist safety footwear business. In the foodservice sector, our catering supplies business also benefited from a good recovery in end markets and higher demand for sustainable products.

In Mexico and Colombia, our safety businesses were impacted by the reduction in demand for Covid-19 related products, with Mexico also impacted by weak underlying industrial demand.

Our largest business in Asia Pacific which is positioned well in the healthcare, foodservice and cleaning & hygiene sectors, has delivered a resilient performance excluding the reduction in larger Covid-19 related orders. The business has a traditional customer base in aged, primary and community care which remained strong and benefited from continued demand for smaller Covid-19 related orders. This helped offset the downturn in our traditional hospitality customer base which continues to operate at reduced capacity due to ongoing restrictions.

Our speciality Australian healthcare business had another very good year despite the challenges with ongoing supply chain issues from its major suppliers. The business benefited from increased demand for Covid-19 testing swabs from state health departments in the second half of 2021.

Our Australian safety businesses achieved moderate growth, benefiting again from ongoing improvements and initiatives implemented over the past few years. The business continues to invest in the development of its PPE and safety footwear range which will complement our current market offering. FRSA, our emergency services speciality business, was also impacted by supply chain and shipping delays but was nevertheless ahead of last year. We also successfully expanded our service offering following several large contract wins in Australia and we will also expand our service capabilities for customers in New Zealand.

Our safety business in Singapore continued with another very good performance, offsetting the slowdown in its traditional customer base with an increase in the sales of PPE and cleaning & hygiene products.

Prospects

We upgrade our 2022 guidance compared to that published in our pre-close statement. While we see continued uncertainty relating to the extent of product cost and operating cost inflation and the effect of new Covid-19 variants, at constant exchange rates the Group expects moderate revenue growth in 2022, driven by the impact of acquisitions completed in the last 12 months and supported by a slight increase in organic revenue. Continued recovery of the base business is expected to be offset by the further normalisation of sales of Covid-19 related products, albeit these are expected to remain ahead of 2019 levels, with inflation support in plastics, paper and chemical products and the year-on-year impact of deflation on certain Covid-19 related products expected to remain dynamics within our performance. We also expect Group operating margin in 2022 to be slightly higher than historical levels, as the mix of sector and product sales continues to transition to more typical levels for the Group.

Looking ahead, the Group’s longer term prospects remain attractive, with the last two years reinforcing the resilience and quality of the Bunzl model by demonstrating the agility that comes with our decentralised business model, the critical role we play in supply chains and for our customers, and our highly cash generative nature. We expect to see further normalisation in the near-term as we continue to see base business recovery at varying speed across sectors and attractive longer-term growth opportunities in the sectors that we serve, particularly in safety, cleaning & hygiene and healthcare. Further, we believe the merits of joining the Bunzl family have only been strengthened as a result of the pandemic and this is reflected in our recent acquisition success and the conversations we are having with a number of acquisition targets. The Group remains committed to creating value through its proven and consistent strategy of driving organic growth, delivering operational improvements and further consolidating our markets through strategic acquisitions.

FINANCIAL REVIEW

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

Currency translation

Currency translation has had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 5% and 8%. The adverse exchange rate impact was principally due to the effect on average exchange rates of the strengthening of sterling against certain currencies during the year, particularly the US dollar, Euro and Brazilian real, partly offset by the weakening of sterling against the Australian dollar.

Average exchange rates	**2021**	2020
US$	**1.38**	1.28
Euro	**1.16**	1.12
Canadian$	**1.72**	1.72
Brazilian real	**7.42**	6.61
Australian$	**1.83**	1.86

Closing exchange rates	**2021**	2020
US$	**1.35**	1.37
Euro	**1.19**	1.12
Canadian$	**1.71**	1.74
Brazilian real	**7.54**	7.08
Australian$	**1.86**	1.77

Revenue

Revenue increased to £10,285.1 million (2020: £10,111.1 million), an increase of 7.1% at constant exchange rates and 1.7% at actual exchange rates, due to the benefit of acquisitions adding 4.0% and underlying revenue growth of 3.6% partly offset by the impact of one less trading day in 2021, 2020 being a leap year.

Movement in revenue	**£m**
2020 revenue	10,111.1
Currency translation	(511.7)
Impact of one less trading day	(37.7)
Underlying revenue growth	344.8
Acquisitions	378.6
2021 revenue	**10,285.1**

Operating profit

Adjusted operating profit was £752.8 million (2020: £778.4 million), an increase of 2.8% at constant exchange rates (down 3.3% at actual exchange rates). At constant exchange rates operating profit margin decreased to 7.3% from 7.6% in 2020 (7.3% from 7.7% at actual exchange rates). This decline in operating margin reflects a normalisation of revenue mix, with a reduction in sales of Covid-19 related products in the higher than average margin sectors of safety, healthcare and cleaning & hygiene and a recovery in demand in the lower than average margin sectors of foodservice and retail, and the impact of price deflation on certain Covid-19 related products.

During 2021, the Group saw a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25 million in the year to increase slow moving inventory provisions whilst additional provisions were also required as a result of market price deflation on certain Covid-19 products. This was partially offset by a net release of approximately £5 million relating to expected credit losses on trade receivables.

Movement in adjusted operating profit	£m
2020 adjusted operating profit	778.4
Currency translation	(46.4)
2021 growth	20.8
2021 adjusted operating profit	**752.8**

Operating profit was £623.3 million, an increase of 7.7% at constant exchange rates and 0.8% at actual exchange rates.

Movement in operating profit	£m
2020 operating profit	618.5
Currency translation	(39.8)
Growth in adjusted operating profit	20.8
Decrease in customer relationships and brands amortisation and acquisition related items	8.2
Non-repeat of non-recurring pension scheme charges	15.6
2021 operating profit	**623.3**

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

Net finance expense

The net finance expense for the year was £54.6 million, a decrease of £5.2 million at constant exchange rates (down £8.2 million at actual exchange rates), mainly due to a change in the mix of debt towards currencies with lower interest rates and higher interest income on cash deposits held in the subsidiaries through the year.

Profit before income tax

Adjusted profit before income tax was £698.2 million (2020: £715.6 million), up 3.9% at constant exchange rates (down 2.4% at actual exchange rates), due to the growth in adjusted operating profit and the reduction in net finance expense. Profit before income tax was £568.7 million (2020: £555.7 million), an increase of 9.6% at constant exchange rates (up 2.3% at actual exchange rates).

Taxation

The Group's tax strategy is to comply with tax laws in all countries in which it operates and to balance its responsibilities for controlling the tax costs with its responsibilities to pay the appropriate level of tax where it does business. No companies are established in tax havens or other countries for tax purposes where the Group does not have an operational presence and the Group's de-centralised operational structure means that the level of intragroup trading transactions is very low. The Group does not use intragroup transfer prices to shift profit into low tax jurisdictions. The Group's tax strategy has been approved by the Board and tax risks are reviewed by the Audit Committee. In accordance with UK legislation, the strategy is published on the Bunzl plc website within the Corporate governance section.

The effective tax rate (being the tax rate on adjusted profit before income tax) for the year was 22.3% (2020: 23.1%) and the reported tax rate on statutory profit was 22.1% (2020: 22.6%). Both the effective and reported tax rates for 2021 are lower than for 2020 due to a reduction in the expected tax liabilities for prior periods. In 2022 the Group's effective tax rate is expected to be approximately 24%, reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures. Looking beyond 2022, we expect our effective tax rate to increase to between 24% and 25% due to the rise in the UK tax rate from 19% to 25% from April 2023 and enforcement of a minimum tax rate for corporate profits globally. Based on current proposals we do not expect proposed federal tax changes in the US to have a significant impact to the Group if implemented.

As explained in Note 17 (Principal risks and uncertainties), the Group identifies an increase in taxation as a principal risk for the Group, and the tax rate could be affected by legislative changes or the resolution of prior year tax matters. However this risk is now considered to be lower due to the reduction of the Group's exposure to the particular risk which was described in the 2020 Annual Report regarding the potential application of State aid rules to the UK tax regime. In March 2021 the Group received communication from HM Revenue & Customs ('HMRC') regarding the potential application of State aid rules to the UK tax regime, which was described in the 2020 Annual Report. HMRC's conclusion, with which the European Commission agreed, was that no Bunzl Group company was a beneficiary under the State aid decision of the European Commission. This means that the risk of having to pay additional tax plus interest of up to £37 million in connection with the matter is now remote, whatever the EU General Court's eventual ruling.

Earnings per share

Profit after tax increased to £442.8 million (2020: £430.0 million), up 10.4% and an increase of £41.8 million at constant exchange rates (up 3.0% at actual exchange rates), due to a £49.8 million increase in profit before income tax, partly offset by a £8.0 million increase in the tax charge at constant exchange rates.

Adjusted profit after tax was £542.5 million (2020: £550.5 million), up 4.9% and an increase of £25.4 million at constant exchange rates (down 1.5% at actual exchange rates), due to a £26.0 million increase in adjusted profit before income tax, partly offset by a £0.6 million increase in the tax on adjusted profit before income tax at constant exchange rates.

The weighted average number of shares of 333.8 million is unchanged from 2020 with employee share option exercises offset by share purchases into the employee benefit trust.

Basic earnings per share were 132.7p (2020: 128.8p), up 10.5% at constant exchange rates (up 3.0% at actual exchange rates). Adjusted earnings per share were 162.5p (2020: 164.9p), an increase of 4.9% at constant exchange rates (down 1.5% at actual exchange rates).

Movement in basic earnings per share	**Pence**
2020 basic earnings per share	128.8
Currency translation	(8.7)
Increase in adjusted profit before income tax	6.0
Decrease in customer relationships and brands amortisation and acquisition related items	1.9
Non-repeat of non-recurring pension scheme charges	3.5
Decrease in reported tax rate	1.2
2021 basic earnings per share	**132.7**

Movement in adjusted earnings per share	**Pence**
2020 adjusted earnings per share	164.9
Currency translation	(10.0)
Increase in adjusted profit before income tax	6.0
Decrease in effective tax rate	1.6
2021 adjusted earnings per share	**162.5**

Dividends

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

	2021	2020	Growth
Interim dividend (p)	**16.2**	15.8	2.5%
Final dividend (p)	**40.8**	38.3	6.5%
Total dividend (p)	**57.0**	54.1	5.4%
Dividend cover (times)	**2.9**	3.0	

The Company's practice in recent years has been to pay a progressive dividend, delivering year-on-year increases with the dividend usually growing at a similar rate to the growth in adjusted earnings per share. The Board is proposing a 2021 final dividend of 40.8p, an increase of 6.5% on the amount paid in relation to the 2020 final dividend. The 2021 total dividend of 57.0p is 5.4% higher than the 2020 total dividend.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Group's long term track record of strong cash generation, coupled with the Group's substantial borrowing facilities, provides the Company with the financial flexibility to fund a growing dividend. After the further growth in 2021, Bunzl has sustained a growing dividend to shareholders over the past 29 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in Note 17 (Principal risks and uncertainties). The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2021 Bunzl plc had sufficient distributable reserves to cover more than five years of dividends at the levels of those delivered in 2021, which is expected to be approximately £191 million.

Acquisitions

The Group completed 14 acquisitions during the year ended 31 December 2021 with a total committed spend of £507.6 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £322 million and £46 million respectively.

The acquisitions completed during the year include the acquisition of McCue Corporation, which is considered to be individually significant due to its impact on intangible assets, adding £107.1 million to customer relationships, £8.6 million to brands and £132.5 million to goodwill. The committed spend on this acquisition was £246.5 million. For further details of this acquisition see Note 14.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	238.9
Goodwill	240.8
Consideration	479.7
Satisfied by:	
cash consideration	442.8
deferred consideration	36.9
	479.7
Contingent payments relating to retention of former owners	30.9
Net cash acquired	(11.3)
Transaction costs and expenses	8.3
Total committed spend in respect of acquisitions agreed and completed in the current year	**507.6**

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

	£m
Cash consideration	442.8
Net cash acquired	(11.3)
Deferred consideration payments	5.2
Net cash outflow in respect of acquisitions	436.7
Acquisition related items*	16.0
Total cash outflow in respect of acquisitions	**452.7**

* Acquisition related items comprise £9.1 million of transaction costs and expenses paid and £6.9 million of payments relating to retention of former owners.

Cash flow

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

	2021 £m	2020 £m
Cash generated from operations†	**930.5**	968.3
Payment of lease liabilities	**(158.9)**	(159.6)
Net capital expenditure	**(30.0)**	(31.9)
Operating cash flow†	**741.6**	776.8
Net interest excluding interest on lease liabilities	**(34.8)**	(41.5)
Income tax paid	**(181.4)**	(153.8)
Free cash flow	**525.4**	581.5
Dividends paid	**(180.4)**	(171.5)
Net receipts/(payments) relating to employee share schemes	**19.5**	(8.4)
Net cash inflow before acquisitions	**364.5**	401.6
Acquisitions◊	**(452.7)**	(387.5)
Net cash (outflow)/inflow	**(88.2)**	14.1

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

The Group's free cash flow of £525.4 million was £56.1 million lower than in 2020, primarily due to the decrease in operating cash flow of £35.2 million and a higher cash outflow relating to tax. The Group's free cash flow was used to finance dividend payments of £180.4 million in respect of 2020 (2020: £171.5 million in respect of 2019) and partially fund an acquisition cash outflow of £452.7 million (2020: £387.5 million). Cash conversion (being the ratio of operating cash flow as a percentage of lease adjusted operating profit) was 102% (2020: 103%).

	2021 £m	2020 £m
Operating cash flow	**741.6**	776.8
Adjusted operating profit	**752.8**	778.4
Add back depreciation of right-of-use assets	**134.8**	134.8
Deduct payment of lease liabilities	**(158.9)**	(159.6)
Lease adjusted operating profit	**728.7**	753.6
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**102%**	103%

Net debt

Net debt excluding lease liabilities increased by £82.4 million during the year to £1,337.4 million (2020: £1,255.0 million), due to a net cash outflow of £88.2 million partly offset by a £5.8 million decrease due to currency translation. Net debt including lease liabilities was £1,826.1 million (2020: £1,752.5 million).

Net debt to EBITDA calculated at average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants, was 1.6 times (2020: 1.5 times). Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.9 times (2020: 1.8 times).

Balance sheet

Summary balance sheet at 31 December:

	2021 £m	2020 £m
Intangible assets	**2,766.8**	2,441.9
Right-of-use-assets	**448.3**	453.4
Property, plant and equipment	**120.9**	122.7
Working capital	**1,027.6**	1,021.4
Other net liabilities	**(364.8)**	(323.0)
	3,998.8	3,716.4
Net pensions surplus/(deficit)	**31.2**	(44.8)
Net debt excluding lease liabilities	**(1,337.4)**	(1,255.0)
Lease liabilities	**(488.7)**	(497.5)
Equity	**2,203.9**	1,919.1
Return on average operating capital	**43.3%**	45.4%
Return on invested capital	**15.1%**	16.2%

Return on average operating capital decreased to 43.3% from 45.4% in 2020 and return on invested capital of 15.1% was down from 16.2% in 2020, both driven by a lower operating margin and reflective of a more normal revenue mix for the Group as Covid-19 related sales have decreased.

Intangible assets increased by £324.9 million to £2,766.8 million due to intangible assets arising on acquisitions in the year of £487.9 million and software additions of £7.9 million, partly offset by an amortisation charge of £114.9 million, and a decrease from currency translation of £56.0 million.

Right-of-use assets decreased by £5.1 million to £448.3 million due to a depreciation charge of £134.8 million and a decrease from currency translation of £7.0 million, partly offset by additional right-of-use assets from new leases during the year of £112.6 million, an increase from acquisitions of £12.6 million and an increase from remeasurement adjustments of £11.5 million.

Working capital increased from the prior year end by £6.2 million to £1,027.6 million due to increases from acquisitions, partly offset by a decrease in the underlying business and a decrease from currency translation.

The Group's net pension surplus of £31.2 million at 31 December 2021 compares with the net pension deficit of £44.8 million at 31 December 2020, principally due to an actuarial gain of £74.1 million and contributions of £8.4 million during the year, partly offset by decreases from service cost and net interest expense. The actuarial gain principally arose from a decrease in pension liabilities due to an increase in discount rates and higher than expected returns on pension scheme assets.

Shareholders' equity increased by £284.8 million during the year to £2,203.9 million.

Movement in shareholders' equity	**£m**
Shareholders' equity at 31 December 2020	1,919.1
Profit for the year	442.8
Dividends	(180.4)
Currency (net of tax)	(73.6)
Actuarial gain on pension schemes (net of tax)	55.6
Share based payments (net of tax)	18.3
Employee share schemes (net of tax)	22.1
Shareholders' equity at 31 December 2021	**2,203.9**

Capital management

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

Treasury policies and controls

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

During the year, all of the Group's committed bank facilities, which previously referenced the discontinued GBP LIBOR, have been renegotiated to reference SONIA, the new GBP benchmark. This has not had an impact on the financial results for the year ended 31 December 2021.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the year ended 31 December 2021 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 senior bonds. At 31 December 2021 the nominal value of US private placement notes outstanding was £834.7 million (2020: £916.3 million) with maturities ranging from 2022 to 2028. At 31 December 2021 the available committed bank facilities totalled £996.2 million (2020: £978.0 million) of which £14.5 million (2020: £45.0 million) was drawn down, providing headroom of £981.7 million (2020: £933.0 million). During the year, £188 million of bank facilities were extended to 2025 and we expect to extend 2025 maturities further using the bank and/or capital markets in due course. The Group expects to make repayments in 2022 of approximately £112 million relating to maturing US private placement notes.

Going concern

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

Consolidated income statement
for the year ended 31 December 2021

	Notes	**2021 £m**	2020 £m
Revenue	3	**10,285.1**	10,111.1
Operating profit	3	**623.3**	618.5
Finance income	4	**10.7**	10.4
Finance expense	4	**(65.3)**	(73.2)
Profit before income tax		**568.7**	555.7
Income tax	5	**(125.9)**	(125.7)
Profit for the year attributable to the Company's equity holders		**442.8**	430.0
Earnings per share attributable to the Company's equity holders			
Basic	7	**132.7p**	128.8p
Diluted	7	**131.8p**	128.3p
Dividend per share	6	**57.0p**	54.1p

Alternative performance measures†			
Operating profit	3	**623.3**	618.5
Adjusted for:			
Customer relationships and brands amortisation	3	**106.5**	100.4
Acquisition related items	3	**23.0**	42.7
Non-recurring pension scheme charges	3	**-**	16.8
Adjusted operating profit		**752.8**	778.4
Finance income	4	**10.7**	10.4
Finance expense	4	**(65.3)**	(73.2)
Adjusted profit before income tax		**698.2**	715.6
Tax on adjusted profit	5	**(155.7)**	(165.1)
Adjusted profit for the year		**542.5**	550.5
Adjusted earnings per share	7	**162.5p**	164.9p

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

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	2021 **£m**	2020 £m
Profit for the year	**442.8**	430.0
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension schemes	**74.1**	(16.2)
Gain/(loss) recognised in cash flow hedge reserve	**4.4**	(8.5)
Tax on items that will not be reclassified to profit or loss	**(19.3)**	4.6
Total items that will not be reclassified to profit or loss	**59.2**	(20.1)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences on foreign operations	**(89.8)**	(63.5)
Gain/(loss) taken to equity as a result of effective net investment hedges	**11.5**	(15.9)
Tax on items that may be reclassified to profit or loss	**-**	0.3
Total items that may be reclassified subsequently to profit or loss	**(78.3)**	(79.1)
Other comprehensive expense for the year	**(19.1)**	(99.2)
Total comprehensive income attributable to the Company’s equity holders	**423.7**	330.8

Consolidated balance sheet
at 31 December 2021

	Notes	2021 £m	2020 £m
Assets			
Property, plant and equipment		**120.9**	122.7
Right-of-use assets	8	**448.3**	453.4
Intangible assets	9	**2,766.8**	2,441.9
Defined benefit pension assets		**63.6**	0.4
Derivative financial assets		**6.9**	17.0
Deferred tax assets		**2.8**	2.5
Total non-current assets		**3,409.3**	3,037.9
Inventories		**1,474.0**	1,432.2
Trade and other receivables		**1,431.0**	1,395.8
Income tax receivable		**8.0**	6.6
Derivative financial assets		**14.9**	12.6
Cash at bank and in hand	12	**776.9**	944.3
Total current assets		**3,704.8**	3,791.5
Total assets		**7,114.1**	6,829.4
Equity			
Share capital		**108.4**	108.3
Share premium		**194.2**	187.7
Translation reserve		**(269.2)**	(190.9)
Other reserves		**19.0**	14.3
Retained earnings		**2,151.5**	1,799.7
Total equity attributable to the Company's equity holders		**2,203.9**	1,919.1
Liabilities			
Interest bearing loans and borrowings	12	**1,433.7**	1,615.2
Defined benefit pension liabilities		**32.4**	45.2
Other payables		**72.9**	50.2
Income tax payable		**1.5**	2.0
Provisions		**56.3**	55.7
Lease liabilities	11	**359.6**	368.4
Derivative financial liabilities		**27.9**	0.8
Deferred tax liabilities		**151.0**	105.1
Total non-current liabilities		**2,135.3**	2,242.6
Bank overdrafts	12	**551.6**	514.6
Interest bearing loans and borrowings	12	**111.9**	79.9
Trade and other payables		**1,921.3**	1,836.3
Income tax payable		**42.1**	75.7
Provisions		**8.5**	8.5
Lease liabilities	11	**129.1**	129.1
Derivative financial liabilities		**10.4**	23.6
Total current liabilities		**2,774.9**	2,667.7
Total liabilities		**4,910.2**	4,910.3
Total equity and liabilities		**7,114.1**	6,829.4

Consolidated statement of changes in equity
for the year ended 31 December 2021

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

	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 year					430.0	430.0
Actuarial loss on defined benefit pension schemes					(16.2)	(16.2)
Foreign currency translation differences on foreign operations			(63.5)			(63.5)
Loss taken to equity as a result of effective net investment hedges			(15.9)			(15.9)
Loss recognised in cash flow hedge reserve				(8.5)		(8.5)
Income tax credit on other comprehensive expense			0.3	1.6	3.0	4.9
Total comprehensive income			(79.1)	(6.9)	416.8	330.8
2019 interim dividend					(51.7)	(51.7)
2019 additional interim dividend					(119.8)	(119.8)
Movement from cash flow hedge reserve to inventory				5.0		5.0
Issue of share capital	-	3.7				3.7
Employee trust shares					(9.4)	(9.4)
Share based payments					16.2	16.2
At 31 December 2020	108.3	187.7	(190.9)	14.3	1,799.7	1,919.1

◊ Other reserves comprise merger reserve of £2.5m (2020: £2.5m), capital redemption reserve of £16.1m (2020: £16.1m) and a positive cash flow hedge reserve of £0.4m (2020: negative £4.3m).

† Retained earnings comprise earnings of £2,204.4m (2020: £1,873.1m), offset by own shares of £52.9m (2020: £73.4m).

Consolidated cash flow statement
for the year ended 31 December 2021

	Notes	**2021 £m**	2020 £m
Cash flow from operating activities			
Profit before income tax		**568.7**	555.7
Adjusted for:			
net finance expense	4	**54.6**	62.8
customer relationships and brands amortisation		**106.5**	100.4
acquisition related items	3	**23.0**	42.7
non-recurring pension scheme charges	3	**-**	16.8
Adjusted operating profit		**752.8**	778.4
Adjustments:			
depreciation and software amortisation	15	**171.2**	171.7
other non-cash items	15	**4.4**	13.2
working capital movement	15	**2.1**	5.0
Cash generated from operations before acquisition related items		**930.5**	968.3
Cash outflow from acquisition related items	14	**(16.0)**	(24.3)
Income tax paid		**(181.4)**	(153.8)
Cash inflow from operating activities		**733.1**	790.2
Cash flow from investing activities			
Interest received		**8.7**	15.1
Purchase of property, plant and equipment and software		**(32.7)**	(33.1)
Sale of property, plant and equipment		**2.7**	1.2
Purchase of businesses	14	**(436.7)**	(363.2)
Cash outflow from investing activities		**(458.0)**	(380.0)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(43.5)**	(56.6)
Dividends paid		**(180.4)**	(171.5)
Increase in borrowings		**14.5**	444.5
Repayment of borrowings		**(134.9)**	(133.5)
Realised gains/(losses) on foreign exchange contracts		**25.0**	(37.1)
Payment of lease liabilities – principal	11	**(138.6)**	(137.1)
Payment of lease liabilities – interest	11	**(20.3)**	(22.5)
Proceeds from issue of ordinary shares to settle share options		**6.6**	3.7
Proceeds from exercise of market purchase share options		**47.1**	37.0
Purchase of employee trust shares		**(34.2)**	(49.1)
Cash outflow from financing activities		**(458.7)**	(122.2)
(Decrease)/increase in cash and cash equivalents		**(183.6)**	288.0
Cash and cash equivalents at start of year		**429.7**	140.8
(Decrease)/increase in cash and cash equivalents		**(183.6)**	288.0
Currency translation		**(20.8)**	0.9
Cash and cash equivalents at end of year	12	**225.3**	429.7

Consolidated cash flow statement (continued)
for the year ended 31 December 2021

Alternative performance measures†	Notes	2021 £m	2020 £m
Cash generated from operations before acquisition related items		**930.5**	968.3
Purchase of property, plant and equipment and software		**(32.7)**	(33.1)
Sale of property, plant and equipment		**2.7**	1.2
Payment of lease liabilities	11	**(158.9)**	(159.6)
Operating cash flow		**741.6**	776.8
Adjusted operating profit		**752.8**	778.4
Add back depreciation of right-of-use assets	8	**134.8**	134.8
Deduct payment of lease liabilities	11	**(158.9)**	(159.6)
Lease adjusted operating profit		**728.7**	753.6
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**102%**	103%
Operating cash flow		**741.6**	776.8
Net interest paid excluding interest on lease liabilities		**(34.8)**	(41.5)
Income tax paid		**(181.4)**	(153.8)
Free cash flow		**525.4**	581.5

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

Notes

1. Basis of preparation and accounting policies

a) Basis of preparation

On 31 December 2020, International Financial Reporting Standards ('IFRSs') as adopted by the European Union at that date was brought into UK law and became UK- adopted International Accounting Standards ('IASs'), with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted IASs in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The consolidated financial statements for the year ended 31 December 2021 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with UK-adopted IASs in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements also comply fully with IFRSs as issued by the International Accounting Standards Board ('IASB'). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value.

Bunzl plc's 2021 Annual Report will be published in March 2022. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 December 2021 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2021 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 20 April 2022. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

The comparative figures for the year ended 31 December 2020 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

(i) Going Concern

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

In reaching this conclusion, the directors noted the Group's strong operating cash flow performance in the year and the substantial funding available to the Group as described in the Financial review. The directors also considered a range of different forecast scenarios for the 18 month period from the date of these financial statements to the end of June 2023 starting with a base case projection derived from the Group's 2022 Budget excluding any non-committed acquisition spend or changes in funding. The resilience of the Group to a range of severe but plausible downside scenarios was factored into the directors' considerations through two levels of stress testing against the base case projection.

These severe but plausible downside scenarios included the following assumptions:
- A 10% reduction in adjusted operating profit from the potential for adverse impacts from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 10% increase in working capital
- A 20% reduction in adjusted operating profit from a more severe impact from the crystallisation of the principal strategic and operational risks to the Group's organic growth and a 20% increase in working capital

In addition, the Group has carried out reverse stress tests against the base case to determine the level of performance that would result in a breach of financial covenants. In order for a breach of covenants to occur during the 18 month period to the end of June 2023 the Group would need to experience a reduction in EBITDA of over 50% compared to the base case.

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

(ii) Impact of Covid-19 on the financial statements at 31 December 2021

During 2021, the Group has seen a further increase in the level of slow moving inventory with customer demand continuing to be impacted by the pandemic-related restrictions and supply chain disruption resulting in higher levels of inventory. This has resulted in a net charge of approximately £25m in the year to increase slow moving inventory provisions whilst additional provisions were also required as a result of market price deflation on certain Covid-19 products. This has been partially offset by a net release of approximately £5m relating to expected credit losses on trade receivables.

1. Basis of preparation and accounting policies (continued)

Further details on the impact of the Covid-19 pandemic on the financial results for the Group for the year ended 31 December 2021 are included elsewhere in this report, notably in the Chief Executive Officer's review and the Financial review.

b) Newly adopted accounting policies

There are no new standards or amendments to existing standards that are effective that have had a material impact on the Group, nor does the Group anticipate any new or revised standards and interpretations that are effective from 1 January 2022 and beyond to have a material impact on its consolidated results or financial position.

2. Alternative performance measures

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

Underlying revenue growth	Revenue excluding the incremental impact of acquisitions and disposals compared to revenue in prior years at constant exchange and adjusted for differences in trading days between years (reconciled in the Financial review)
Adjusted operating profit	Operating profit before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables)
Adjusted profit for the year	Profit for the year before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and the associated tax (reconciled in the following tables)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 5)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the following tables and in Note 7)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 7)
Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Free cash flow	Operating cash flow after deducting payments for tax and net interest excluding interest on lease liabilities (as shown in the Consolidated cash flow statement)
Lease adjusted operating profit	Adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion	Operating cash flow as a percentage of lease adjusted operating profit (as shown in the Consolidated cash flow statement)
Working Capital	Inventories and trade and other receivables less trade and other payables, excluding non-operating related receivables, non-operating related payables (including those relating to acquisition payments) and dividends payable (reconciled in Note 10)
Return on average operating capital	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, right-of-use assets, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships and brands amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)

2. Alternative performance measures (continued)

EBITDA	Adjusted operating profit on a historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposal of businesses
Net debt excluding lease liabilities	Net debt excluding the carrying value of lease liabilities (reconciled in Note 12)
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for prior years at the average rates for the year ended 31 December 2021 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2021 and 2020 can be found in the Financial review

These alternative performance measures exclude the charge for customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and any associated tax, where relevant.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs, customer relationships asset impairment charges, goodwill impairment charges and interest on acquisition related income tax. Customer relationships and brands amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The non-recurring pension scheme charges relate to non-recurring charges arising from the Group's participation in a number of defined benefit pension schemes. In the year ended 31 December 2021 there have been no non-recurring pension scheme charges. In the year ended 31 December 2020, these non-recurring pension scheme charges comprise the costs relating to the Group's decision to withdraw from three multi-employer pension plans in North America and a charge relating to the equalisation of guaranteed minimum pensions between male and female members on historical transfer values out of the Group's UK defined benefit pension scheme following the outcome of the High Court judgment in November 2020 in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group. However it should be noted that they do exclude charges that nevertheless do impact the Group's cash flow and GAAP financial performance.

All alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2020. The Group's alternative performance measures remain consistent with the prior year with the exception of two new alternative performance measures, being underlying revenue growth and working capital. The addition of these alternative performance measures, alongside an assessment of the relevance of the existing alternative performance measures, were agreed with the Audit Committee.

Reconciliation of alternative performance measures to IFRS measures

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

Year ended 31 December 2021

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

2. Alternative performance measures (continued)

Year ended 31 December 2020

	Alternative performance measures £m	Adjusting items: Customer relationships and brands amortisation £m	Acquisition related items £m	Non-recurring pension scheme charges £m	Statutory measures £m	
Adjusted operating profit	778.4	(100.4)	(42.7)	(16.8)	618.5	Operating profit
Finance income	10.4				10.4	Finance income
Finance expense	(73.2)				(73.2)	Finance expense
Adjusted profit before income tax	715.6	(100.4)	(42.7)	(16.8)	555.7	Profit before income tax
Tax on adjusted profit	(165.1)	24.5	10.7	4.2	(125.7)	Income tax
Adjusted profit for the year	550.5	(75.9)	(32.0)	(12.6)	430.0	Profit for the year
Adjusted earnings per share	164.9p	(22.7)p	(9.6)p	(3.8)p	128.8p	Basic earnings per share

3. Segment analysis

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

Year ended 31 December 2021

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

3. Segment analysis (continued)

Year ended 31 December 2020

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,843.8	2,127.3	1,287.7	852.3		10,111.1
Adjusted operating profit/(loss)	395.7	238.1	68.6	104.2	(28.2)	778.4
Customer relationships and brands amortisation	(39.8)	(35.6)	(8.8)	(16.2)		(100.4)
Acquisition related items	(8.4)	(8.1)	(7.2)	(19.0)		(42.7)
Non-recurring pension scheme charges	(16.4)				(0.4)	(16.8)
Operating profit/(loss)	331.1	194.4	52.6	69.0	(28.6)	618.5
Finance income						10.4
Finance expense						(73.2)
Profit before income tax						555.7
Adjusted profit before income tax						715.6
Income tax						(125.7)
Profit for the year						430.0
Operating margin	6.8%	11.2%	5.3%	12.2%		7.7%
Return on average operating capital	41.3%	59.6%	41.4%	50.9%		45.4%
Purchase of property, plant and equipment	6.3	7.1	6.1	4.6	0.3	24.4
Depreciation of property, plant and equipment	9.7	8.7	4.8	3.3	0.1	26.6
Additions to right-of-use assets	31.1	20.7	34.4	13.9	-	100.1
Depreciation of right-of-use assets	66.3	31.0	21.3	15.7	0.5	134.8
Purchase of software	3.7	2.1	1.7	1.0	0.2	8.7
Software amortisation	3.2	4.8	0.8	1.3	0.2	10.3

Acquisition related items	**2021 £m**	2020 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**15.0**	13.2
Transaction costs and expenses	**8.3**	7.3
Adjustments to previously estimated earn outs	**(0.3)**	1.0
	23.0	21.5
Goodwill impairment charges	**-**	12.1
Customer relationships impairment charges	**-**	9.1
	23.0	42.7

4. Finance income/(expense)

	2021 **£m**	2020 £m
Interest on cash and cash equivalents	**3.5**	2.6
Interest income from foreign exchange contracts	**5.0**	5.3
Net interest income on defined benefit pension schemes in surplus	**0.1**	0.3
Interest related to income tax	**0.7**	0.1
Other finance income	**1.4**	2.1
Finance income	**10.7**	10.4
Interest on loans and overdrafts	**(40.7)**	(44.2)
Lease interest expense	**(20.3)**	(22.5)
Interest expense from foreign exchange contracts	**(1.5)**	(2.4)
Net interest expense on defined benefit pension schemes in deficit	**(0.8)**	(1.0)
Fair value gain/(loss) on US private placement notes and senior bond in a hedge relationship	**33.3**	(15.2)
Fair value (loss)/gain on interest rate swaps in a hedge relationship	**(33.1)**	15.4
Foreign exchange (loss)/gain on intercompany funding	**(25.3)**	3.5
Foreign exchange gain/(loss) on external debt and foreign exchange forward contracts	**25.2**	(4.0)
Interest related to income tax	**(0.5)**	(1.1)
Other finance expense	**(1.6)**	(1.7)
Finance expense	**(65.3)**	(73.2)
Net finance expense	**(54.6)**	(62.8)

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

5. Income tax

The Group operates in many countries and is subject to different rates of income tax in those countries. The expected tax rate is calculated as a weighted average of the tax rates in the tax jurisdictions in which the Group operates, most of which are higher than the UK statutory rate for the year of 19.0% (2020: 19.0%). The adjustments to the tax charge at the weighted average rate to determine the income tax on profit are as follows:

	2021 **£m**	2020 £m
Profit before income tax	**568.7**	555.7
Weighted average rate	**24.9%**	24.7%
Tax charge at weighted average rate	**141.7**	137.4
Effects of:		
non-deductible expenditure	**2.4**	5.8
impact of intercompany finance	**(0.2)**	(2.1)
change in tax rates	**(0.7)**	(0.3)
prior year adjustments from acquisitions	**-**	(5.1)
other prior year adjustments	**(16.4)**	(10.6)
other current year items	**(0.9)**	0.6
Income tax on profit	**125.9**	125.7

During the year, legislation was passed to increase the UK Corporation tax rate to 25% from 1 April 2023. UK taxable profits earned before that date will be subject to the current tax rate of 19% but UK temporary differences at 31 December 2021 have been calculated at the rate of 25% because reversal is expected after April 2023. The impact of this change in tax rate on the income statement was not significant.

5. Income tax (continued)

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

	2021 £m	2020 £m
Income tax on profit	**125.9**	125.7
Tax associated with adjusting items	**29.8**	39.4
Tax on adjusted profit	**155.7**	165.1
Profit before income tax	**568.7**	555.7
Adjusting items	**129.5**	159.9
Adjusted profit before income tax	**698.2**	715.6
Reported tax rate	**22.1%**	22.6%
Effective tax rate	**22.3%**	23.1%

In March 2021 the Group received communication from HM Revenue & Customs (‘HMRC’) regarding the potential application of State aid rules to the UK tax regime, which was described in the 2020 Annual Report. HMRC’s conclusion, with which the European Commission agreed, was that no Bunzl Group company was a beneficiary under the State aid decision of the European Commission. This means that the risk of having to pay additional tax plus interest of up to £37m in connection with the matter is now remote, whatever the EU General Court’s eventual ruling.

6. Dividends

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

	2021 £m	2020 £m
2019 interim		51.7
2019 additional interim*		119.8
2020 interim	**52.8**	
2020 final	**127.6**	
Total	**180.4**	171.5

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

	Per share	
	2021	2020
Interim	**16.2p**	15.8p
Final	**40.8p**	38.3p
Total	**57.0p**	54.1p

The 2021 interim dividend of 16.2p per share was paid on 5 January 2022 and comprised £54.3m of cash. The 2021 final dividend of 40.8p per share will be paid on 4 July 2022 to shareholders on the register at the close of business on 20 May 2022. The 2021 final dividend will comprise approximately £137m of cash.

* The 2019 final dividend of 35.8p per share recommended by the Board of directors of the Company 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. As a result of the better than expected trading performance during the first half of 2020, the Board of directors of the Company decided to reinstate the final dividend for the year ended 31 December 2019 at the same level as originally proposed (35.8p per share) as an additional interim dividend for the year ended 31 December 2019. This was paid on 16 November 2020 and comprised £119.8m of cash.

7. Earnings per share

	2021 £m	2020 £m
Profit for the year	**442.8**	430.0
Adjusted for:		
customer relationships and brands amortisation	**106.5**	100.4
acquisition related items	**23.0**	42.7
non-recurring pension scheme charges	**-**	16.8
tax credit on adjusting items	**(29.8)**	(39.4)
Adjusted profit for the year	**542.5**	550.5

	2021	2020
Basic weighted average number of ordinary shares in issue (million)	**333.8**	333.8
Dilutive effect of employee share plans (million)	**2.2**	1.3
Diluted weighted average number of ordinary shares (million)	**336.0**	335.1

Basic earnings per share	**132.7p**	128.8p
Adjustment	**29.8p**	36.1p
Adjusted earnings per share	**162.5p**	164.9p

Diluted basic earnings per share	**131.8p**	128.3p
Adjustment	**29.7p**	36.0p
Adjusted diluted earnings per share	**161.5p**	164.3p

8. Right-of-use assets

2021	**Property £m**	**Motor Vehicles £m**	**Equipment £m**	**Total £m**
Net book value at beginning of year	**358.3**	**66.4**	**28.7**	**453.4**
Acquisitions (Note 14)	**12.5**	**0.1**	**-**	**12.6**
Additions	**81.3**	**24.3**	**7.0**	**112.6**
Depreciation charge in the year	**(96.4)**	**(28.6)**	**(9.8)**	**(134.8)**
Remeasurement adjustments	**16.5**	**(3.5)**	**(1.5)**	**11.5**
Currency translation	**(5.8)**	**(0.9)**	**(0.3)**	**(7.0)**
Net book value as at 31 December 2021	**366.4**	**57.8**	**24.1**	**448.3**

2020	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	341.5	66.4	25.0	432.9
Acquisitions (Note 14)	30.8	3.9	0.5	35.2
Additions	62.4	24.7	13.0	100.1
Depreciation charge in the year	(95.2)	(29.4)	(10.2)	(134.8)
Remeasurement adjustments	22.7	0.5	1.0	24.2
Currency translation	(3.9)	0.3	(0.6)	(4.2)
Net book value as at 31 December 2020	358.3	66.4	28.7	453.4

9. Intangible assets

Year ended 31 December 2021

	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
Cost					
Beginning of year	**1,506.7**	**1,874.2**	**12.8**	**85.5**	**3,479.2**
Acquisitions (Note 14)	**240.8**	**234.8**	**11.8**	**0.5**	**487.9**
Additions				**7.9**	**7.9**
Disposals		**-**	**-**	**(1.9)**	**(1.9)**
Currency translation	**(36.6)**	**(53.8)**	**0.4**	**(1.8)**	**(91.8)**
End of year	**1,710.9**	**2,055.2**	**25.0**	**90.2**	**3,881.3**
Accumulated amortisation and impairment					
Beginning of year	**12.1**	**961.5**	**0.3**	**63.4**	**1,037.3**
Amortisation charge in year		**105.5**	**1.0**	**8.4**	**114.9**
Disposals		**-**	**-**	**(1.9)**	**(1.9)**
Currency translation	**0.3**	**(33.8)**	**(0.3)**	**(2.0)**	**(35.8)**
End of year	**12.4**	**1,033.2**	**1.0**	**67.9**	**1,114.5**
Net book value at 31 December 2021	**1,698.5**	**1,022.0**	**24.0**	**22.3**	**2,766.8**

Year ended 31 December 2020

	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
Cost					
Beginning of year	1,403.6	1,710.9	-	74.7	3,189.2
Acquisitions (Note 14)	108.8	172.2	13.7	2.0	296.7
Additions				8.7	8.7
Disposals		-	-	(1.7)	(1.7)
Currency translation	(5.7)	(8.9)	(0.9)	1.8	(13.7)
End of year	1,506.7	1,874.2	12.8	85.5	3,479.2
Accumulated amortisation and impairment					
Beginning of year	-	846.0	-	52.3	898.3
Amortisation charge in year		100.1	0.3	10.3	110.7
Impairment charge in year	12.1	9.1	-	-	21.2
Disposals		-	-	(0.9)	(0.9)
Currency translation	-	6.3	-	1.7	8.0
End of year	12.1	961.5	0.3	63.4	1,037.3
Net book value at 31 December 2020	1,494.6	912.7	12.5	22.1	2,441.9

Goodwill, customer relationships and brands intangible assets have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 14.

10. Working capital

	2021 £m	2020 £m
Inventories	**1,474.0**	1,432.2
Trade and other receivables	**1,431.0**	1,395.8
Trade and other payables - current	**(1,921.3)**	(1,836.3)
Add back net non-trading relating receivables and payables	**43.9**	29.7
	1,027.6	1,021.4

See Note 15 for the cash flow impact of movements in working capital which exclude the impact from foreign exchange movements and acquisitions.

11. Lease liabilities

The Group leases certain property, plant, equipment and vehicles under non-cancellable operating lease agreements. These leases have varying terms and renewal rights.

Movement in lease liabilities	2021 £m	2020 £m
Beginning of year	**497.5**	480.0
Acquisitions (Note 14)	**12.9**	35.2
New leases	**112.6**	100.1
Interest charge in the year	**20.3**	22.5
Payment of lease liabilities	**(158.9)**	(159.6)
Remeasurement adjustments	**11.5**	24.2
Currency translation	**(7.2)**	(4.9)
End of year	**488.7**	497.5
Ageing of lease liabilities:		
Current lease liabilities	**129.1**	129.1
Non-current lease liabilities	**359.6**	368.4
End of year	**488.7**	497.5

12. Cash and cash equivalents and net debt

	2021 £m	2020 £m
Cash at bank and in hand	**776.9**	944.3
Bank overdrafts	**(551.6)**	(514.6)
Cash and cash equivalents	**225.3**	429.7
Interest bearing loans and borrowings - current liabilities	**(111.9)**	(79.9)
Interest bearing loans and borrowings - non-current liabilities	**(1,433.7)**	(1,615.2)
Derivatives managing the interest rate risk and currency profile of the debt	**(17.1)**	10.4
Net debt excluding lease liabilities	**(1,337.4)**	(1,255.0)
Lease liabilities	**(488.7)**	(497.5)
Net debt including lease liabilities	**(1,826.1)**	(1,752.5)

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

	2021 £m	2020 £m
Cash at bank and in hand net of amounts in the cash pool	**274.6**	475.3
Bank overdrafts net of amounts in the cash pool	**(49.3)**	(45.6)
Cash and cash equivalents	**225.3**	429.7

13. Movement in net debt

Movement in net debt	2021 £m	2020 £m
Beginning of year excluding lease liabilities	**(1,255.0)**	(1,247.0)
Net cash (outflow)/inflow	**(88.2)**	14.1
Realised gains/(losses) on foreign exchange contracts	**25.0**	(37.1)
Currency translation	**(19.2)**	15.0
End of year excluding lease liabilities	**(1,337.4)**	(1,255.0)
Lease liabilities	**(488.7)**	(497.5)
End of year including lease liabilities	**(1,826.1)**	(1,752.5)

14. Acquisitions

2021

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

Business	Sector	Country	Acquisition date 2021	Annualised revenue £m
Deliver Net	Healthcare	UK	31 January	**19.5**
Pinnacle	Cleaning & Hygiene	Canada	1 February	**11.3**
Disposable Discounter[1]	Foodservice	Netherlands	2 February	**23.6**
Comax	Cleaning & Hygiene	UK	31 May	**16.4**
Harvey Distributors	Cleaning & Hygiene	Australia	31 May	**4.4**
Obex Medical Holdings[2]	Healthcare	New Zealand	1 June	**28.7**
Proin Pinilla	Safety	Spain	22 July	**14.3**
Arprosa	Safety	Spain	31 July	**6.6**
Medshop[3]	Healthcare	Australia	8 September	**14.4**
Intergro	Foodservice	US	30 September	**22.3**
McCue Corporation[4]	Safety	US	15 October	**72.6**
Workwear Express[5]	Safety	UK	26 October	**33.2**
Hydropac[6]	Foodservice	UK	4 November	**8.4**
Tingley Rubber	Safety	US	21 December	**46.7**
Acquisitions agreed and completed in the current year				**322.4**

1 Acquisition of 75.1% of share capital
2 Acquisition of 99.1% of share capital
3 Acquisition of 75.1% of share capital
4 Acquisition of 96.9% of share capital
5 Acquisition of 96.3% of share capital
6 Located in the UK, but reporting through Continental Europe

The acquisition of McCue Corporation is considered to be individually significant due to its impact on intangible assets. The acquisition is therefore separately disclosed in the table below. In 2020 the acquisition of MCR Safety was considered to be significant and is shown separately in the table below. A summary of the effect of acquisitions in 2021 and 2020 is shown below:

	McCue £m	**Other £m**	**2021 Total £m**	MCR Safety £m	Other £m	2020 Total £m
Customer relationships	**107.1**	**127.7**	**234.8**	104.5	67.7	172.2
Brands	**8.6**	**3.2**	**11.8**	13.7	-	13.7
Property, plant and equipment and software	**1.2**	**6.5**	**7.7**	6.5	4.1	10.6
Right-of-use assets	**3.4**	**9.2**	**12.6**	18.0	17.2	35.2
Inventories	**10.1**	**22.7**	**32.8**	62.0	40.2	102.2
Trade and other receivables	**25.1**	**38.7**	**63.8**	35.0	54.6	89.6
Trade and other payables	**(18.5)**	**(42.4)**	**(60.9)**	(20.2)	(44.0)	(64.2)
Net cash	**5.0**	**6.3**	**11.3**	7.4	1.5	8.9
Provisions	**(0.4)**	**(4.3)**	**(4.7)**	(0.2)	(4.2)	(4.4)
Lease liabilities	**(3.6)**	**(9.3)**	**(12.9)**	(18.0)	(17.2)	(35.2)
Derivative liabilities	**-**	**(0.1)**	**(0.1)**	-	-	-
Income tax payable and deferred tax liabilities	**(29.1)**	**(28.2)**	**(57.3)**	(0.1)	(9.8)	(9.9)
Fair value of net assets acquired	**108.9**	**130.0**	**238.9**	208.6	110.1	318.7
Goodwill	**132.5**	**108.3**	**240.8**	71.8	37.0	108.8
Consideration	**241.4**	**238.3**	**479.7**	280.4	147.1	427.5
Satisfied by:						
cash consideration	**234.3**	**208.5**	**442.8**	245.2	122.7	367.9
deferred consideration	**7.1**	**29.8**	**36.9**	35.2	24.4	59.6
	241.4	**238.3**	**479.7**	280.4	147.1	427.5
Contingent payments relating to retention of former owners	**8.4**	**22.5**	**30.9**	1.4	17.7	19.1
Net cash acquired	**(5.0)**	**(6.3)**	**(11.3)**	(7.4)	(1.5)	(8.9)
Transaction costs and expenses	**1.7**	**6.6**	**8.3**	2.1	5.2	7.3
Total committed spend in respect of acquisitions agreed and completed in the current year	**246.5**	**261.1**	**507.6**	276.5	168.5	445.0

14. Acquisitions (continued)

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

	McCue £m	**Other £m**	**2021 Total £m**	MCR Safety £m	Other £m	2020 Total £m
Cash consideration	**234.3**	**208.5**	**442.8**	245.2	122.7	367.9
Net cash acquired	**(5.0)**	**(6.3)**	**(11.3)**	(7.4)	(1.5)	(8.9)
Deferred consideration payments	**-**	**5.2**	**5.2**	-	4.2	4.2
Net cash outflow in respect of acquisitions	**229.3**	**207.4**	**436.7**	237.8	125.4	363.2
Transaction costs and expenses paid	**1.5**	**7.6**	**9.1**	1.3	5.8	7.1
Payments relating to retention of former owners	**-**	**6.9**	**6.9**	-	17.2	17.2
Total cash outflow in respect of acquisitions	**230.8**	**221.9**	**452.7**	239.1	148.4	387.5

Acquisitions completed in the year ended 31 December 2021 contributed £123.2m (2020: £356.0m) to the Group's revenue, £17.3m (2020: £22.5m) to the Group's adjusted operating profit and £10.6m (2020: £18.0m) to the Group's operating profit for the year ended 31 December 2021.

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

	2021 £m	2020 £m
Revenue	**322.4**	601.8
Adjusted operating profit	**46.3**	50.0

2020
Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2020 are shown in the table below:

Business	**Sector**	**Country**	**Acquisition date 2020**	**Annualised revenue £m**
Joshen Paper & Packaging	Grocery	US	6 January	**254.9**
Medcorp	Healthcare	Brazil	31 January	**9.4**
Bodyguard Workwear	Safety	UK	28 February	**7.6**
MCR Safety	Safety	US	1 September	**206.7**
Abco Kovex[1]	Other	Ireland	30 September	**20.3**
ICM[2]	Safety	Denmark	30 October	**49.5**
SP Equipamentos	Safety	Brazil	30 November	**23.9**
Snelling	Cleaning & Hygiene	Canada	7 December	**27.2**
Other				**2.3**
Acquisitions agreed and completed in 2020				**601.8**

[1] Acquisition of 80% of share capital.
[2] Acquisition of 78.9% of share capital.

15. Cash flow from operating activities

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

Depreciation and software amortisation	**2021 £m**	2020 £m
Depreciation of right-of-use assets	**134.8**	134.8
Other depreciation and software amortisation	**36.4**	36.9
	171.2	171.7

15. Cash flow from operating activities (continued)

Other non-cash items	2021 £m	2020 £m
Share based payments	**12.7**	14.9
Provisions	**(8.0)**	4.7
Retirement benefit obligations	**(1.9)**	(8.4)
Other	**1.6**	2.0
	4.4	13.2

Working capital movement	2021 £m	2020 £m
Increase in inventories	**(32.9)**	(192.5)
Increase in trade and other receivables	**(10.7)**	(81.0)
Increase in trade and other payables	**45.7**	278.5
	2.1	5.0

16. Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no transactions with those related parties during the year ended 31 December 2021 that have materially affected the financial position or performance of the Group during this period. All transactions with subsidiaries are eliminated on consolidation.

17. Principal risks and uncertainties

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

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

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

O Profitable organic growth
A Acquisition growth
M Operating model improvements
S Sustainability

Overall, the nature and type of the principal risks and uncertainties affecting the Group are considered to be unchanged compared to the 2020 Annual Report.

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

Emerging risks
In addition to the principal risks faced by the Group, there are risks which are more uncertain in nature and difficult to assess or that have the potential to develop and increase in severity over time. The Board monitors closely all emerging risks as part of the ongoing risk management processes that have the potential to increase in significance and affect the performance of the Group and its ability to meet its strategic objectives. Climate change continues to be an emerging risk that may impact both Bunzl's direct operations and the value chain in which the Group operates. The Group is already facing increased interaction with some customers who expect Bunzl to contribute to their climate change commitments, however, there has been no impact on the financial statements for 2021. In future, the Group may face increased business continuity risks from acute and chronic climatic events. For more details on our climate change work see the sustainability section of the 2021 Annual Report.

17. Principal risks and uncertainties (continued)

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

Covid-19 Impact
The Covid-19 pandemic has created extreme economic volatility which has had a significant impact on the markets in which the Group operates and the Group's business. The medium to long term economic impact of the Covid-19 pandemic is still uncertain and the rate of economic recovery could vary significantly between, and even within, markets. Although the full impact of the Covid-19 pandemic is difficult to predict, the Group's strength and resilience lies in the diversity of its operations and supply chain, as well as the critical nature of the products it supplies to its customers.

The extent to which the long term impact of the Covid-19 pandemic will impact the Group's operations and those of its customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including, for example, if vaccination roll outs are slower than expected or if other preventative measures become less effective against any new variants of Covid-19. Increased sales of products related to Covid-19 have offset the weakness in the base businesses of all sectors, but particularly in foodservice and retail sectors which have been impacted by pandemic-related restrictions. Despite the significant disruption from impacted supply chains, the Group has been able to manage these effects due to the Group's wide reaching supplier relationships across multiple jurisdictions and internal supplier auditing capabilities in Asia, which have been a source of strength. While Covid-19 related products continue to be elevated compared to 2019 levels, the Group is now seeing a reversal in trends with the base business, excluding top Covid-related products, recovering and the sales of Covid-19 related products declining. The Group's performance as economies have moved into the next phase of the pandemic continues to demonstrate its resilience.

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Strategic risks			
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O	• The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates • Unforeseen changes in the competitive landscape could also occur, such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market • Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, switch to a competitor or ultimately choose to deal directly with suppliers • Any of these competitive pressures could lead to a loss of market share and a reduction in the Group's revenue and profits	• The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs • The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to enhance further its service offering to customers • The Group maintains strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering at competitive prices	• The Group's large sales force connected with customers to help them understand the range of products available to meet their needs • The Group continued to invest in technology to streamline customers' experience • The Group continued to develop its sustainable product assortment and tools to assist customers in meeting their sustainability goals

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Strategic risks (cont.)			
2. Financial collapse of either a large customer and/or a significant number of small customers Revenue and profits are reduced as the Group loses customers **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O	• An unexpected insolvency of either a large customer or a significant number of small customers, particularly within the retail and foodservice sectors, could lead to a sudden reduction in revenue and profits, including the cost of impairing any irrecoverable receivables balances, as well as operating margin erosion due to under-used capacity • The Group's revenue and profits may be affected as well as receivables and inventory (if customer specific inventory is held)	• The Group monitors significant developments in relationships with key customers, including credit checks and limits set for each customer • Delegation of authority limits mean that there is oversight of all material customer contracts at business area and local level	• In 2021, the Group did not encounter insolvencies of either a large customer or a significant number of smaller customers. However, this remains a significant risk as the world is still not out of the Covid-19 pandemic • In 2021, provisions relating to the Group's credit exposure from customers remained broadly unchanged

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Strategic risks (cont.)			
3. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, M	• In the event of indexed or cost plus contracts, a reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) or other price reductions, lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, resulting in a reduction in the Group's revenue and profits • Operating profits may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in revenue	• The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits • Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs	• In 2021, the Group experienced a higher level of price volatility compared to recent years. In particular, there was deflation on Covid-19 related products, especially gloves • In order to oversee the price fluctuations in disposable gloves, a working group was set up in 2021. The group, consisting of purchasing directors from around the world, hold regular meetings to understand the price variations in the market and take the appropriate actions for the Group

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Strategic risks (cont.)			
4. Cost inflation Profits are reduced from the Group's inability to pass on product or operating cost increases **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, M	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers • Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs	• The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices • The majority of the Group's transactions are carried out in the functional currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility • The Group will, where possible, pass on price increases from its suppliers to its customers • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs	• The Group experienced inflation of both product cost and operating costs in 2021 at a higher rate than in the recent past. Selling prices to customers were continually evaluated and updated to ensure that profitability levels were at least maintained. In addition, cost plus arrangements facilitate the automatic increase in prices • The Group continues to focus on own brand product development as part of the discussion with customers about price increases • To mitigate the operating costs increases, the Group drives efficiencies by consolidating facilities and implementing IT systems and solutions to improve productivity

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Strategic risks (cont.)			
5. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes A	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made 183 acquisitions since 2004 • Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth	• The Group maintains a large acquisition database which continues to grow with targets identified by managers of current Bunzl businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and information received from banking and corporate finance contacts. The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl	• The acquisition pipeline is closely monitored with continued research of any available opportunities for investment. • 2021 has been the second most acquisitive year for the Group, with committed spend of £508 million.

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Strategic risks (cont.)			
6. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, A	• Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value • Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment charge against any associated intangible assets	• The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof • The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities • The Group endeavours to maximise the performance of its acquisitions through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management	• The Board reviews performance of recent acquisitions annually. In 2021 the Board reviewed the principal acquisitions made in 2019 and noted that performance was in line with expectations.

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Strategic risks (cont.)			
7. Sustainability driven market changes Revenue and profits are reduced from the Group's inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, S	• Over the last year we have seen new legislation introduced across Australia, New Zealand and Canada that mirrors (and in some cases goes further than) the legislation previously introduced in Europe and the UK. The scope of new legislation tends to cover a wider range of products than that previously introduced and has largely been welcomed by consumers and viewed as governments doing the right thing • Consumer awareness of the environmental impact of certain single-use plastic products continues to grow and the concept of single-use consumable items and societies reliance on them is starting to be questioned more widely, regardless of the material that these items are made from. These changes are likely to lead to a reduction in demand for single-use plastic-based products that the Group sells while, at the same time, increase demand for sustainably sourced, recyclable or reusable alternatives • The Group's revenue and profits could be reduced if it is unable to offer more sustainably sourced, recyclable, compostable, biodegradable or reusable alternatives that replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences	• Bunzl's scale and unique position as a distributor at the centre of the supply chain, supported by dedicated sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are sustainably sourced, recyclable, compostable, biodegradable or reusable, or a combination of these • The Group has access to an extensive supply chain of product and packaging manufacturers who are innovating the range of products they produce to satisfy the increased focus on sustainability. This means the Group can offer the broadest possible range of products whether in response to legislative changes, consumer preference driven changes or a desire to offer market-leading products to the Group's customers • The Group maintains high service levels and close contact with its customers. Data on customer product usage, coupled with the Group's detailed product knowledge, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies (such as a reduction in single-use plastics or an introduction of reusable products systems)	• The majority of Group's businesses in the retail, foodservice and grocery sectors now employ material footprint tools that explain how legislation will impact the products and packaging a customer uses, while promoting the alternatives we have in our range • In response to a larger number of customers setting increasingly ambitious targets for their packaging, the Group has developed proprietary tools that support customers to report effectively against their goals and participation in industry-leading external schemes, such as the New Plastics Economy and B-Corp certification • The Group continued to expand and introduced new ranges of own brand products made from alternative materials. In Europe, we launched Verive and the new range not only provides solutions which comply with the EU Single Use Plastics Directive but also offers leading sustainability advice and training via a new digital webshop platform

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Operational risks			
8. Cyber security failure Revenue and profits are reduced as the Group is unable to operate and serve its customers' needs due to being impacted by a cyber-attack **Risk owner:** CIO **Change to risk level:** Increasing **Included in viability statement:** Yes O, M	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers and/or a fine under applicable data protection legislation	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats • Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group Chief Information Officer and Group Head of Information Security coordinate activity in this area	• The Group continued to improve cyber security and data privacy governance, architecture, and controls, along with increasing awareness of both cyber security and data privacy across the Group • Investments were made in modern cyber security technologies that address current and emerging threats while improving operational processes and procedures • The Group focused on improving cyber security and data privacy due diligence processes during the acquisition process, along with improving security posture
Financial risks			
9. Availability of funding Insufficient liquidity in financial markets leading to insolvency **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** Yes O, A, M	• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends	• The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term	• No new debt was issued in 2021 but the Group has significant liquidity available and continues to monitor forecast cash flows to ensure future requirements can be met

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Financial risks (cont.)			
10. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** No O, A, M	• The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's presentation currency • As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants	• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks • The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This reduces the volatility of the ratio of net debt to EBITDA from foreign exchange movements. In addition, net debt for the purposes of covenant calculations in the Group's financing documents is calculated using average rather than closing exchange rates. Consequently, any significant movement in exchange rates towards the end of an accounting period should not materially affect the ratio of net debt to EBITDA. Both these factors minimise the risk that banking covenants will be breached as a result of foreign currency fluctuations	• In 2021 currency translation had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 5% and 8% • The Group's results are reviewed at constant exchange rates to show the underlying performance of the Group excluding the currency translation impact

17. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2021
Financial risks (cont.)			
11. Increase in taxation Increases in Group tax rate and/or cash tax **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** Yes O, A	• The resolution of uncertain prior year tax matters or the introduction of legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's profits and cash flows	• Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee • The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties • The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms • At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so	• HMRC concluded that the Group was not subject to State aid rules for periods up to 2018, which removed a significant uncertainty • The Organisation for Economic Co-operation and Development (OECD) proposals for a global minimum tax rate of 15% have been widely agreed to take effect from 2023 and model provisions have been published. The Group will monitor the legislative changes which many countries will take to enact this during 2022 and will take action where required • Significant proposals for tax reform have been presented by the US government and are the subject of debate in the US Congress. The financial implications of such changes have been modelled and the Group will update its expected tax expense in light of any enacted changes

18. Forward-looking statements

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

19. Responsibility statements

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

Each of the directors, whose names and functions are set out in the 2021 Annual Report, confirm that, to the best of their knowledge:

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

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

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

On behalf of the Board

Frank van Zanten
Chief Executive Officer

Richard Howes
Chief Financial Officer

28 February 2022