BUNZL

News Release

27 August 2019

HALF YEARLY FINANCIAL REPORT FOR SIX MONTHS ENDED 30 JUNE 2019

Bunzl plc, the specialist international distribution and services Group, today publishes its half yearly financial report for the six months ended 30 June 2019.

Financial results	**As reported under IFRS 16 H1 19**	**IAS 17Δ H1 19**	As reported under IAS 17 H1 18	IAS 17Δ growth at actual exchange	IAS 17Δ growth at constant exchange
Revenue	**£4,528.4m**	**£4,528.4m**	£4,343.7m	4.3%	1.2%
Adjusted operating profit*	**£302.7m**	**£291.8m**	£285.0m	2.4%	0.3%
Adjusted profit before income tax*	**£264.2m**	**£264.9m**	£257.9m	2.7%	0.8%
Adjusted earnings per share*	**60.4p**	**60.6p**	59.4p	2.0%	0.0%
Interim dividend	**15.5p**	**15.5p**	15.2p	2.0%	

Statutory results	**As reported under IFRS 16 H1 19**	As reported under IAS 17 H1 18
Operating profit	**£239.0m**	£210.8m
Profit before income tax	**£200.5m**	£197.3m
Basic earnings per share	**46.5p**	45.1p

Highlights include:

- Revenue up 4.3%, 1.2% at constant exchange rates, with underlying organic growth of 0.8%
- Operating margin* 6.7%, up 12 basis points on a reported basis; down 6 basis points at constant exchange rates on a consistent IAS 17 basis
- Adjusted profit before income tax* up 2.7% on a consistent IAS 17 basis, 0.8% at constant exchange rates
- Year to date committed acquisition spend of £98 million with active pipeline
- Return on average operating capital* 48.8% with return on invested capital* 14.7% on an IAS 17 basis
- Continued strong cash conversion* of 96%
- 26 year track record of dividend growth continues with a 2% increase in the interim dividend

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

"Against the background of slowing macroeconomic and market conditions across the countries and sectors in which we operate, Bunzl has produced a resilient operating performance with high cash conversion and an increased dividend.

Looking forward, the Group's expectations for 2019 remain unchanged. Despite continuing economic uncertainties, the Board believes that the combination of our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets will lead to further progress. We have a strong balance sheet and are in active discussions with a number of acquisition targets which we anticipate will result in additional deals during the remainder of the year."

Δ Following the adoption of IFRS 16 'Leases' with effect from 1 January 2019, because the Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods, the results for the six months ended 30 June 2019 are not directly comparable with those reported in the prior period under the previous applicable accounting standard, IAS 17 'Leases'. To provide meaningful comparatives, the results for the six months ended 30 June 2019 have therefore also been presented under IAS 17 with the growth rates shown on an IAS 17 basis. See Notes 2 and 3 for a reconciliation of the IAS 17 alternative performance measures to the equivalent IFRS measures.

* Alternative performance measure (see Note 3).

Business area highlights:

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

	Revenue (£m)		Growth at constant exchange	Adjusted operating profit* (£m)		IAS 17 growth at constant exchange	Operating margin*	
	H1 19	H1 18		**IAS 17 H1 19**	IAS 17 H1 18		**IAS 17 H1 19**	IAS 17 H1 18
North America	**2,634.5**	2,459.6	0.7%	**151.1**	140.1	1.4%	**5.7%**	5.7%
Continental Europe	**906.4**	890.2	3.7%	**89.4**	88.6	3.2%	**9.9%**	10.0%
UK & Ireland	**602.5**	625.9	(3.7)%	**35.6**	39.7	(10.3)%	**5.9%**	6.3%
Rest of the World	**385.0**	368.0	8.2%	**27.4**	28.2	0.7%	**7.1%**	7.7%

North America (58% of revenue and 50% of adjusted operating profit◊)

- Slowing underlying organic revenue growth principally due to grocery
- Operating margin unchanged at 5.7%
- Improved gross margins and cost savings largely offset operating cost increases
- More focused and streamlined organisation structure in grocery and redistribution operating well
- Strong overall growth in safety, convenience store, processor and agriculture
- Acquisition of Liberty Glove & Safety in February

Continental Europe (20% of revenue and 29% of adjusted operating profit◊)

- Good underlying organic revenue growth
- Operating margin unchanged at constant exchange rates at 9.9%
- Revenue growth in France (excluding OPM disposal) from cleaning & hygiene
- Good sales growth in Netherlands, Denmark, Spain, and Turkey
- Recent acquisitions integrating well and trading ahead of expectations

UK & Ireland (13% of revenue and 12% of adjusted operating profit◊)

- Significant impact of disposal in 2018 (£2.2m reduction in adjusted operating profit)
- Strong growth in cleaning & hygiene
- Weaker performance in safety due to continued slowdown in industrial and construction sectors
- Difficult trading conditions in hospitality and healthcare
- Supermarket account regained, effective in H2
- Continued growth and expansion in Ireland

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

- Good underlying organic revenue growth
- Position in Brazil safety strengthened through purchase of Volk do Brasil
- Operating margin down 50 basis points at constant exchange rates to 7.1%
  - Latin America – weaker performances particularly in Brazil healthcare and Mexico safety
  - Asia Pacific – lower margin from impact of weaker Australian dollar on product prices

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

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

BASIS OF PREPARATION – IFRS 16 'LEASES'

As previously announced by the Company, International Financial Reporting Standard ('IFRS') 16 'Leases' is effective in the consolidated financial statements for the year ending 31 December 2019 and has been adopted with effect from 1 January 2019. The Group has used the modified retrospective approach to transition utilising certain practical expedients outlined in the standard, notably the exclusion of low-value and short-term leases. The new standard requires that the Group's leased assets are recorded as right-of-use assets together with their corresponding lease liabilities which are based on the present value of future payments required under each lease. Under the new standard, the operating lease expense recorded in operating costs under the previous accounting standard for leases (International Accounting Standard ('IAS') 17 'Leases') has been replaced by a depreciation charge, which is lower than the previous operating lease expense, and a separate interest expense, which has been recorded in finance expense. There has been no net cash flow impact arising from the application of the new standard. Further details of the impact of IFRS 16 on the Company's published statutory financial results are set out in Notes 1 and 2.

As the Company has adopted IFRS 16 using the modified retrospective approach to transition, in accordance with the standard the Company's results for the six months ended 30 June 2018 have not been restated. As a result, with the exception of revenue, the statutory results for the first half of 2019 are not directly comparable with those of the first half of 2018. However, in order to provide a meaningful comparison between the two reporting periods, where appropriate to do so, the Company's financial results for the six months ended 30 June 2019 are also presented in accordance with IAS 17, being the accounting standard that was applicable for the six months ended 30 June 2018. Unless otherwise stated, all references in this review to growth rates in the income statement are to the relevant growth rates determined on a consistent basis under IAS 17.

CHAIRMAN'S STATEMENT

Results

I am pleased to report that Bunzl has produced a resilient performance for the first half of 2019 against the background of slowing macroeconomic and market conditions across the countries and sectors in which we operate.

Group revenue for the first half of 2019 was £4,528.4 million (2018 H1: £4,343.7 million), an increase of 4.3%, and adjusted operating profit was £302.7 million with adjusted earnings per share of 60.4p. On an IAS 17 basis, adjusted operating profit was £291.8 million, an increase of 2.4% (2018 H1: £285.0 million), while adjusted earnings per share were 60.6p (2018 H1: 59.4p), an increase of 2.0%.

Overall currency translation movements, principally the weakening of sterling against the US dollar, had a positive impact on the reported Group growth rates at actual exchange rates. At constant exchange rates, revenue increased by 1.2% and adjusted operating profit on an IAS 17 basis rose by 0.3% with adjusted earnings per share unchanged and the Group operating margin down 6 basis points to 6.4%.

As a result of a lower return in the underlying business, the return on average operating capital on an IAS 17 basis decreased 1.9% to 48.8% (31 December 2018: 50.7%) and the return on invested capital on an IAS 17 basis was down 0.3% to 14.7% (31 December 2018: 15.0%).

Dividend

The Board has decided to increase the interim dividend by 2% to 15.5p. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

We continue to pursue our consistent and proven strategy of developing the business through organic growth, consolidating the markets in which we compete through focused acquisitions and continuously improving the quality of our operations, thereby making our businesses more efficient. Acquisition activity has continued in 2019. Excluding Volk do Brasil, which we agreed to acquire in 2018 and completed in January 2019, we have acquired two businesses so far this year with a total committed spend of £98 million, thereby adding annualised revenue of £76 million.

Board

As announced on 10 May 2019, after more than 13 years in the role of Group Finance Director and 25 years with Bunzl, Brian May has decided to retire from the Company. He will be succeeded by Richard Howes who will join the Company on 1 September 2019, initially as Chief Financial Officer designate before joining the Board and assuming the role of Chief Financial Officer on 1 January 2020. Brian May will step down from the Board on 31 December 2019 and leave the Group on 28 February 2020.

Peter Ventress joined the Board on 1 June 2019 as a non-executive director and Chairman designate. He will assume the role of Chairman of the Board and of the Nomination Committee following my retirement at the conclusion of the Company's Annual General Meeting in April 2020.

CHIEF EXECUTIVE'S REVIEW

Operating performance

With 88% of the Group's revenue generated outside the UK, the weakening of sterling against certain currencies, particularly the US dollar and the Canadian dollar, partly offset by the strengthening of sterling against the euro, Australian dollar and Brazilian real, has had a positive translation impact of between 2% and 3% on the Group's reported results. As in previous reporting periods, the operations, including the relevant growth rates and changes in operating margin (which, as referred to above, for consistency are presented on the basis of the results prepared under IAS 17), are therefore reviewed below at constant exchange rates to remove the distorting impact of these currency movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for the first half of 2018 at the average rates used for 2019. Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit while operating margin refers to adjusted operating profit as a percentage of revenue. Details of the adjustments made to operating profit are set out in Note 3.

Revenue increased 1.2% (4.3% at actual exchange rates) to £4,528.4 million due to the benefit of acquisitions, partly offset by the impact of disposals, as well as organic growth adjusted for trading days ('underlying organic growth') of 0.8%. Operating profit was £302.7 million. On an IAS 17 basis operating profit was £291.8 million, an increase of 0.3% (2.4% at actual exchange rates). Operating margin was 6.7% (or 6.4% on an IAS 17 basis, down 6 basis points at constant exchange rates and down 12 basis points at actual exchange rates).

In North America revenue rose 0.7% (7.1% at actual exchange rates) principally due to the effect of acquisitions while operating profit increased 1.4% (7.9% at actual exchange rates) as the operating margin was unchanged at both constant and actual exchange rates at 5.7%. Revenue in Continental Europe rose 3.7% (1.8% at actual exchange rates) as a result of organic growth and the impact of acquisitions, partly offset by the disposal of OPM in France in February 2018, with operating profit up 3.2% (0.9% at actual exchange rates) as the operating margin of 9.9% was unchanged at constant exchange rates (down 10 basis points at actual exchange rates). In UK & Ireland revenue was down 3.7% mainly as a result of the disposal of the marketing services business in June 2018 and operating profit decreased 10.3% (at both constant and actual exchange rates) due to the disposal and challenging market conditions, with the operating margin decreasing by 40 basis points to 5.9%. In Rest of the World revenue increased 8.2% (4.6% at actual exchange rates) and operating profit was up 0.7% (down 2.8% at actual exchange rates) with the business area operating margin decreasing 50 basis points to 7.1% at constant exchange rates (down 60 basis points at actual exchange rates).

Adjusted profit before income tax was £264.2 million. On an IAS 17 basis adjusted profit before income tax was £264.9 million, an increase of 0.8% (2.7% at actual exchange rates) due to the small growth in adjusted operating profit and a decrease in the net interest charge. Profit before income tax was £200.5 million and, on an IAS 17 basis, was £201.2 million, a decrease of 0.1% (up 2.0% at actual exchange rates). Basic earnings per share were 46.5p and adjusted earnings per share were 60.4p. On an IAS 17 basis basic earnings per share were 46.7p, an increase of 1.3% (3.5% at actual exchange rates), and adjusted earnings per share were 60.6p, unchanged on the prior period (up 2.0% at actual exchange rates).

Once again the operating cash flow, which is before acquisition related items, was very strong with cash conversion (the ratio of operating cash flow to lease adjusted operating profit) at 96%. The ratio of net debt to EBITDA calculated at average exchange rates and in accordance with the Group's external debt covenants, which are based on historical accounting standards, was 2.1 times compared to 2.0 times at the end of 2018.

Acquisitions

So far this year, excluding Volk do Brasil which we agreed to purchase in 2018 and completed in January 2019, we have acquired two businesses for a total committed spend of £98 million.

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

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

North America

	IFRS 16 six months to 30.6.19 £m	**IAS 17 six months to 30.6.19 £m**	IAS 17 six months to 30.6.18 £m	IAS 17 growth at constant exchange
Revenue	**2,634.5**	**2,634.5**	2,459.6	0.7%
Adjusted operating profit*	**157.1**	**151.1**	140.1	1.4%
Operating margin*	**6.0%**	**5.7%**	5.7%	

* Alternative performance measure (see Note 3)

In North America, revenue increased by 0.7% to £2,634.5 million due to slowing underlying organic growth of 0.1% and the impact of recent acquisitions. Operating profit was £157.1 million with operating margin 6.0%. On an IAS 17 basis operating profit was £151.1milion, up 1.4%, with the operating margin unchanged at 5.7%. A combination of positive sales mix and a focus on profitable organic growth, as well as improved sourcing and transactional execution, have delivered improved gross margins. This, together with cost savings generated by the reorganisation of our two largest businesses, grocery and redistribution, in the second half of 2018, have helped to mitigate inflationary pressures on operating costs.

In our largest business serving the US grocery sector, with the additional business won towards the end of 2016 now fully absorbed, revenue declined due to some account specific price deflation with a large customer and a small net reduction in sales as a result of some competitive tenders. However gross margins increased slightly.

The redistribution business serving the foodservice and cleaning & hygiene sectors experienced a marginal decline in revenue as we focused on profitable organic growth within our value-added category management programmes and moved away from some unprofitable business during the second quarter of the year. Our programmes enable us to manage the supply chain from end to end, connecting our supplier base to our customers' own end user customers with a broad range of consumables, pulling organic sales growth through our distribution customer. We are able to deliver significant working capital benefits for our customers through our broad range of foodservice and cleaning & hygiene disposable items, delivered on a just in time basis. Consolidation continues amongst our redistribution customer base, with two large foodservice broad line customers in the process of being acquired by larger competitors who are also customers.

The more focused and streamlined organisation structure implemented across our grocery and redistribution businesses to enhance our customer proposition and improve efficiency is operating well. We have primarily focused on cost savings and the creation of distribution capacity through inventory reductions while moving to align with our customers' evolving business models. An increased focus on sourcing and leveraging our scale across both manufacturer and own brands will support organic growth initiatives as we move forward. As a distributor specialising in customised solutions, we collaborate with our customers to design bespoke outsourcing programmes to manage more effectively their large volume, low-value, not-for-resale items and support their merchandising initiatives.

Our retail supplies business experienced some growth despite a challenging retail environment. Through the integration of DDS, which we acquired in 2017, with our other retail sector focused businesses, we are now able to provide a broad range of value-added services to our retail customers including distribution, packaging, new store opening/remodelling logistics and visual/marketing support. The integration has also led to a reduction in operating costs as we achieved significant synergies from the acquisition although the additional savings during the period were broadly offset by cost increases in our warehousing operations.

Our food processor business saw good revenue growth across both large national accounts as well as our local and regional customer bases, providing flexible and rigid packaging as well as a broad range of MRO and safety supplies. Our digital platform allows us to engage with our customers across multiple social media outlets, providing integration points around education, category management and optimised ordering.

In our agriculture sector business, the acquisition of Monte Package Company in March 2018 has enabled us to expand into new geographies and product ranges and extend our customer base, providing further opportunities to cross-sell our broad range of packaging solutions. Our distribution footprint has evolved to match the migration of many of our customers to more cost-effective growing areas, principally Mexico, providing us with a broader footprint through which to provide our value-added distribution services.

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

Our business serving the convenience store sector has continued to grow, executing its pull-through strategy on behalf of our wholesale customer partners, working with their regional and national convenience store chains as well as providing redistribution for certain grocery product categories. Our high service levels and supplier managed inventory programmes provide increasing value for our customers.

Finally, our business in Canada was negatively impacted by a large grocery customer implementing cost savings. We have continued to focus on opportunities within our industrial and cleaning & hygiene sector businesses which have shown favourable growth during the period.

Continental Europe

	IFRS 16 six months to 30.6.19 £m	**IAS 17 six months to 30.6.19 £m**	IAS 17 six months to 30.6.18 £m	IAS 17 growth at constant exchange
Revenue	**906.4**	**906.4**	890.2	3.7%
Adjusted operating profit*	**91.1**	**89.4**	88.6	3.2%
Operating margin*	**10.1%**	**9.9%**	10.0%	

* Alternative performance measure (see Note 3)

Revenue in Continental Europe rose by 3.7% to £906.4 million due to underlying organic growth of 2.6% which was complemented by the impact of three acquisitions made in 2018 and the part year contribution of Coolpack acquired in April 2019, partly offset by the disposal of OPM in France in February 2018. Operating profit was £91.1 million with operating margin 10.1%. On an IAS 17 basis operating profit was £89.4 million, up 3.2%, with the operating margin 9.9%, unchanged at constant exchange rates and down 10 basis points at actual exchange rates.

Overall in France, revenue (excluding OPM) was higher as growth in cleaning & hygiene was partially offset by lower sales in personal protection equipment. The Hedis cleaning & hygiene business grew well in all of its main sectors while the Pierre Le Goff business increased sales in the foodservice, industrial and food processing sectors which more than offset lower sales in the contract cleaning, healthcare and public sectors. Our safety business continued to grow well with national and larger regional accounts but saw declines to smaller customers and in exports. Within our foodservice businesses, growth in a number of sectors in France was offset by a combination of lower sales to some local customers and a decline in exports leaving overall sales in line with last year.

In the Netherlands, there was good overall sales growth with increases in most sectors. In light of the growth in the healthcare sector, we have relocated three warehouses into one modern site to gain efficiencies and provide an enhanced service to our customers. We have also successfully consolidated three warehouses serving the food retail, food processing and e-commerce sectors into one. Furthermore, we have relocated our De Ridder business to provide additional capacity to cope with its growth. QS Nederland, a provider of hygiene solution services primarily for washrooms and which was acquired in March 2018, is trading ahead of expectations. Coolpack was acquired in April 2019 and is integrating well.

In Belgium, revenue declined slightly due to lower sales to the public sector in the Walloon region and lower food retail and wholesale sales which were not fully offset by growth in the catering, facilities management, medical and industrial sectors.

In Germany, sales were lower in all sectors other than cleaning & hygiene with pricing pressure also reducing margins. In Switzerland, growth in the medical sector has been offset by further declines in the difficult foodservice sector where we have lost one larger account and other customers continue to reduce their spend. In Austria, our food packaging business reported slightly lower sales.

In Denmark, revenue increased with strong performances in the food processor and leisure sectors following recent customer wins as well as in the foodservice and public sectors. In December 2018 we acquired CM Supply which specialises in own brand and customised products and packaging for the foodservice sector. In July 2018 we acquired our first business in Norway, Enor, which sells light catering equipment to the foodservice sector. Both businesses are trading ahead of expectations.

Sales have grown strongly in Spain. The cleaning & hygiene business continues to enjoy good growth, in particular with contract cleaners and in the foodservice sector. In the safety sector, however, sales declined slightly due to lower levels of industrial activity in the country. Our medical business recorded another period of high growth due to new product launches and the enhanced use of e-marketing to increase online sales. Our industrial and disposable packaging business also delivered high levels of growth. In Italy, our safety business suffered from a slowdown in the local economy and from milder winter weather affecting the sale of winter clothing.

In Turkey, sales have grown strongly due to both increased volumes and the positive impact of price rises following the devaluation of the Turkish lira. Volume growth has been highest in the healthcare sector, with significant customer gains. Sales are also well ahead in the retail and safety sectors. In Israel, sales were marginally ahead of last year with growth in the bakery sector offsetting lower foodservice sales.

In central Europe, our businesses in both Hungary and Romania enjoyed healthy sales growth but revenue declined in the Czech Republic due to lower sales to a major cash and carry chain and reduced sales to a retail chain customer which is closing stores as part of its restructuring. In Hungary sales grew well in the grocery, foodservice, food processing, contract cleaning and agriculture sectors. In Romania sales were down in the safety sector but this was more than compensated by gains in the retail and cleaning & hygiene sectors.

UK & Ireland

	IFRS 16 six months to 30.6.19 £m	**IAS 17 six months to 30.6.19 £m**	IAS 17 six months to 30.6.18 £m	IAS 17 growth at constant exchange
Revenue	**602.5**	**602.5**	625.9	(3.7)%
Adjusted operating profit*	**37.4**	**35.6**	39.7	(10.3)%
Operating margin*	**6.2%**	**5.9%**	6.3%	

* Alternative performance measure (see Note 3)

In UK & Ireland, revenue decreased by 3.7% to £602.5 million principally due to the impact of the disposal of the higher than average operating margin marketing services business in June 2018. Underlying organic revenue was down 0.2% against the background of political and economic uncertainty and challenging market conditions and operating profit was £37.4 million with operating margin 6.2%. On an IAS 17 basis operating profit was £35.6 million, down 10.3%, with the operating margin 5.9%, down 40 basis points at both constant and actual exchange rates. More than half (£2.2 million) of the decline in operating profit was as a result of the disposal last year.

Although our safety business managed to secure a number of new customers, the continued slowdown in the industrial and construction sectors led to a weaker performance in the first half of the year. By focusing on product, service and digital innovation, we are able to provide our customers with increasing levels of compliance and cost control within their own businesses. Further investment in warehouse management systems has improved our stock availability and the resulting customer experience scores.

Our cleaning & hygiene supplies business has seen strong growth during the period. New digital functionality allows our customers far greater visibility over their purchases and provides us with a competitive advantage which drives increased spend with us. Further investment in stock availability and service flexibility is facilitating business growth with existing customers as well as successfully onboarding new ones without disruption to their own business performance. The introduction of new labour saving technology coupled with more sustainable product ranges continues to gain traction amongst our customer base looking for cost reducing initiatives which also help protect the environment.

Our grocery business has grown on the back of new customer wins as well as securing new product categories with existing customers. A supermarket chain, whose business was lost in 2016, has recently confirmed their return to us and we recommenced supply earlier this month. We continue to invest in both systems and processes to improve and enhance our value proposition, most notably in new warehouse automation, workflow management and digital insight tools for customers. Further work on our product offering is providing customers with more cost effective, innovative and sustainable solutions. Our non-food retail supply businesses have been impacted by a challenging retail sector, but have continued to innovate with new, more sustainable materials, thereby enhancing our customers' brands both in-store and online. Further investment in our technical capabilities is helping to ensure we recommend and supply packaging that protects both our customers' products and their reputation.

The combination of rising food and labour costs in the catering industry, coupled with excess capacity amongst many high street catering outlets, has resulted in difficult trading conditions in the hospitality sector. A number of well-known restaurant brands have suffered and, as a result, have reduced their number of trading outlets. These trends have adversely impacted our businesses during the period. Despite this, our catering businesses have continued to innovate and develop both their services and products by launching more comprehensive ranges of sustainable products and also providing data driven insights to our customers, creating greater awareness of the most suitable product requirements and providing appropriate choices. We have also further enhanced our vehicle telematics platforms giving real time delivery information and greater transparency.

As anticipated, the introduction of the new centrally funded NHS operating model in April this year has caused a reduction in sales to NHS hospital trust customers in England. As a result, we have downsized this part of our healthcare business. However, we have been able to focus our attention on winning new business in the private healthcare market and with nursing homes. We have also managed to grow sales within our product supply business, 365 Healthcare, with wins in both wound care and procedure packs together with an expansion in our export business, so that overall revenue for the period was unchanged although margins have come under pressure.

Our business in Ireland has continued to grow. Plans are underway to open a new distribution centre in Dublin at the end of the year which will provide further scope for expansion. Additional investment in modern warehouse management systems for our Dublin and Armagh based businesses, together with the launch of three new web platforms, have taken place recently as we continually improve our service and product availability. Our businesses have also developed an extended range of new sustainable product offerings for the catering and cleaning sectors letting our customers realise their environmental goals and ambitions. Furthermore, the continued utilisation of data and the insights this provides to our customers is allowing our customers to run their businesses more effectively and efficiently going forwards.

Rest of the World

	IFRS 16 six months to 30.6.19 £m	**IAS 17 six months to 30.6.19 £m**	IAS 17 six months to 30.6.18 £m	IAS 17 growth at constant exchange
Revenue	**385.0**	**385.0**	368.0	8.2%
Adjusted operating profit*	**28.7**	**27.4**	28.2	0.7%
Operating margin*	**7.5%**	**7.1%**	7.7%	

* Alternative performance measure (see Note 3)

In Rest of the World, revenue increased 8.2% to £385.0 million due to underlying organic growth of 2.6% and the impact of the acquisition of Volk do Brasil at the beginning of the year. Operating profit was £28.7 million with operating margin 7.5%. On an IAS 17 basis operating profit was £27.4 million, up 0.7%, with the operating margin 7.1%, down 50 basis points at constant exchange rates and 60 basis points at actual exchange rates due to variable market conditions across the countries within the business area.

In Brazil, early optimism over the new government's reform agenda gave way to increased caution over the size and feasibility of the expected reforms and economic growth stalled. Despite lower than expected economic activity, our safety businesses saw strong growth due to the strength of their own label products and a continued focus on reliable service levels. Our foodservice business also saw good sales growth although margins were impacted by foreign exchange driven cost pressures which could not be fully passed on to the market. Volk do Brasil, which was acquired in January 2019 and serves both the safety and foodservice sectors, has integrated smoothly and is trading ahead of expectations. In our hygiene business, our new management team is progressing ahead of schedule with our restructuring plan and the business is recovering well. In the healthcare sector, we continued to experience mixed results. Our dental business saw good growth in sales as measures to expand our customer base proved successful. On the other hand, our medical business continued to struggle as sales growth could not offset considerable margin and operating cost pressures. We are implementing a number of measures to reverse this trend and gradually improve profitability.

In Chile, relatively low copper prices and a weaker local currency led to slower economic growth. As a result, our safety businesses experienced more difficult trading conditions. In the foodservice sector, our catering supplies business saw margin pressures from increased tender activity by its large customers and a higher logistics cost as it grew sales to customers with more delivery points.

In Mexico, our safety business was adversely affected by a substantial slowdown in economic growth, as the new government took office and business confidence decreased, and the impact of strikes in the industrial sector, fuel shortages and uncertainty over the imposition of trade tariffs by the US. However, the business remains strong and is well placed to meet growing demand as the political and economic situation stabilises.

In Colombia, our safety businesses, Vicsa and Solmaq, also experienced softer trading conditions as business confidence weakened. In our other safety businesses we saw strong trading conditions in Peru while in Argentina, despite an uncertain political and economic outlook, the business experienced good growth driven by a combination of some price inflation and volume growth.

Although Australia's GDP growth slowed during the period, our businesses remained relatively stable across the sectors in which we operate but margins have come under pressure as product prices have been adversely impacted by a weaker Australian dollar. We have however introduced new pricing tools and increased our focus on own label product development to improve margins.

The New Zealand market has also softened and this in turn has had an impact on both our customers and our businesses. In addition, some recent customer wins have taken longer than anticipated to reach their full potential but will provide growth in the remainder of the year.

In March, we announced an internal restructure of two business units by consolidating our food processor business with our largest business, Outsourcing Services. These two businesses now operate as Bunzl Australia and New Zealand and will combine the strengths and infrastructure of each business while retaining our specialist market sector focus. These changes form part of our ongoing commitment to streamline our operations and ensure we remain an efficient and service-driven organisation.

In our Australian safety business, the direct sales channel benefited from the development of a new facility in North West Queensland which services one of our largest customers and from continued growth with new category wins. However, our redistribution sales channel was adversely impacted by a number of product availability issues and, although now resolved, this affected revenue in the first half of the year. The business continues to optimise its cost base as major contracts end and has taken advantage to close a further two facilities as property leases have expired. Overall the business continues to make improvements by streamlining the operational platform and processes to drive productivity, enhancing our competitive position and improving service levels to customers.

Our specialty healthcare business, Interpath, delivered a strong performance in the first half. Although the business will be impacted by supplier price increases and currency headwinds in the second half, we have implemented margin management initiatives which will ensure the business delivers another strong performance for the full year.

Our domestic business in China, which supplies personal protection equipment, continues to face margin pressure but is diversifying by leveraging Bunzl's international supplier relationships and supporting this with development of our exclusive brand programme. Our export business faced challenging market conditions which resulted in a weaker performance but has continued to develop its customer base while providing several supply chain initiatives which will help develop business opportunities across the Group.

Our business in Singapore, which supplies personal protection equipment into the oil and gas and pharmaceutical sectors, is trading in line with expectations. The business is also making solid progress developing new own label product categories to enhance their position with existing customers and create new growth opportunities across the region.

Prospects

The Group's expectations for the year ending 31 December 2019 remain unchanged with overall trading consistent with the slowing underlying revenue growth indicated at the time of both the first quarter trading statement in April and the pre-close statement in June.

In North America, we expect underlying revenue to reduce slightly, principally due to lower sales to a large grocery customer caused by some account specific product specification changes and price deflation. There will however be some benefit from improved sourcing and the cost savings generated by the reorganisation of our two largest businesses in the second half of 2018. In Continental Europe, the combination of organic growth and acquisitions should lead to overall growth for the year. The performance of UK & Ireland will be impacted by the continued challenging trading environment which has affected our businesses in the first half. In Rest of the World we expect the performance seen in the first half to continue for the remainder of the year.

Against the backdrop of slowing macroeconomic and market conditions, including uncertainties concerning global trade, the Board believes that our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further are expected to lead to continued progress.

FINANCIAL REVIEW

Basis of preparation – IFRS 16 'Leases'

As referred to previously, the Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. In accordance with the standard, the Company's results for the six months ended 30 June 2018 have not been restated and as a result, with the exception of revenue, the statutory results for the first half of 2019 are not directly comparable with those of the first half of 2018. However, in order to provide a meaningful comparison between the two reporting periods, where appropriate to do so, the Company's financial results for the six months ended 30 June 2019 are also presented in accordance with International Accounting Standard ('IAS') 17 'Leases', being the accounting standard that was applicable for the six months ended 30 June 2018. Unless otherwise stated, all references in this review to growth rates are to the relevant growth rates determined on a like-for-like basis under IAS 17.

Impact of IFRS 16 'Leases'

The main impact of adopting IFRS 16 with effect from 1 January 2019 has been for the Group to recognise right-of-use assets at transition of £446.3 million together with lease liabilities of £494.2 million. As at 30 June 2019 the right-of-use assets were £456.9 million and the lease liabilities were £504.4 million. Further details about the impact of the adoption of IFRS 16 are shown in Note 1 b(i) to the condensed interim financial statements (the 'interim financial statements').

Currency translation

Currency translation had a positive impact on the Group's reported results, increasing revenue, profits and earnings by between 2% and 3%. The positive exchange rate impact was principally due to the weakening of sterling against certain currencies, particularly the US dollar and the Canadian dollar, partly offset by the strengthening of sterling against the euro, Australian dollar and Brazilian real.

Average exchange rates	**Six months to 30.6.19**	Six months to 30.6.18
US$	**1.29**	1.38
Euro	**1.15**	1.14
Canadian$	**1.73**	1.76
Brazilian real	**4.97**	4.71
Australian$	**1.83**	1.78

Closing exchange rates	**30.6.19**	30.6.18
US$	**1.27**	1.32
Euro	**1.12**	1.13
Canadian$	**1.66**	1.74
Brazilian real	**4.87**	5.08
Australian$	**1.81**	1.79

Revenue

Revenue increased to £4,528.4 million (2018 H1: £4,343.7 million), up 1.2% at constant exchange rates (up 4.3% at actual exchange rates), due to underlying organic growth of 0.8% and the benefit of acquisitions, partly offset by the impact of disposals and a lower number of trading days compared to the previous period.

Movement in revenue	£m
2018 H1 revenue	4,343.7
Currency translation	129.1
2018 H1 at constant exchange rates	4,472.8
Disposals	(21.1)
Impact of fewer trading days	(25.9)
2018 H1 rebased	4,425.8
Underlying organic growth	33.2
Acquisitions	69.4
2019 H1 revenue	**4,528.4**

Operating profit

Adjusted operating profit was £302.7 million. On an IAS 17 basis, adjusted operating profit increased to £291.8 million, an increase of 0.3% at constant exchange rates (up 2.4% at actual exchange rates).

The adjusted operating profit margin was 6.7%. On an IAS 17 basis and at constant exchange rates, the adjusted operating profit margin decreased by 6 basis points from 6.5% to 6.4% (down 12 basis points at actual exchange rates).

Movement in adjusted operating profit	£m
2018 H1 adjusted operating profit as reported under IAS 17	285.0
Currency translation	5.9
2018 H1 at constant exchange rates under IAS 17	290.9
Growth in the period under IAS 17	0.9
2019 H1 adjusted operating profit under IAS 17	**291.8**
Impact of IFRS 16 'Leases'	10.9
2019 H1 adjusted operating profit	**302.7**

Operating profit was £239.0 million. On an IAS 17 basis, operating profit was £228.1 million, an increase of 5.7% at constant exchange rates (up 8.2% at actual exchange rates).

Movement in operating profit	£m
2018 H1 operating profit as reported under IAS 17	210.8
Currency translation	5.1
2018 H1 at constant exchange rates under IAS 17	215.9
Growth in adjusted operating profit under IAS 17	0.9
Decrease in customer relationships amortisation and acquisition related items	11.3
2019 H1 operating profit under IAS 17	**228.1**
Impact of IFRS 16 'Leases'	10.9
2019 H1 operating profit	**239.0**

Customer relationships amortisation and acquisition related items are excluded from the calculation of adjusted operating profit as they do not relate to the underlying operating performance and distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating adjusted operating profit and other alternative performance measures by which management assesses the performance of the Group. Further details on this and on other alternative performance measures are set out in Note 3 to the interim financial statements.

Interest

The net finance expense was £38.5 million including interest on lease liabilities of £11.6 million. On an IAS 17 basis, the net finance expense of £26.9 million decreased by £1.1 million at constant exchange rates (down £0.2 million at actual exchange rates), mainly from a lower average level of net debt in the period and a lower net interest expense associated with the Group's pension schemes, partly offset by higher average interest rates.

Profit before income tax

Adjusted profit before income tax was £264.2 million. On an IAS 17 basis, adjusted profit before income tax was £264.9 million (2018 H1: £257.9 million), up 0.8% at constant exchange rates (up 2.7% at actual exchange rates) due to the growth in adjusted operating profit and the reduction in net finance expense.

Movement in adjusted profit before income tax	**£m**
2018 H1 adjusted profit before income tax as reported under IAS 17	257.9
Currency translation	5.0
2018 H1 at constant exchange rates under IAS 17	262.9
Growth in adjusted operating profit under IAS 17	0.9
Decrease in net finance expense under IAS 17	1.1
2019 H1 adjusted profit before income tax under IAS 17	**264.9**
Impact of IFRS 16 'Leases'	(0.7)
2019 H1 adjusted profit before income tax	**264.2**

Profit before income tax was £200.5 million. On an IAS 17 basis, profit before income tax was £201.2 million (2018 H1: £197.3 million), a decrease of 0.1% at constant exchange rates (up 2.0% at actual exchange rates).

Movement in profit before income tax	**£m**
2018 H1 profit before income tax as reported under IAS 17	197.3
Currency translation	4.2
2018 H1 at constant exchange rates under IAS 17	201.5
Growth in adjusted profit before income tax under IAS 17	2.0
Decrease in customer relationships amortisation and acquisition related items	11.3
Profit on disposal of businesses in six months ended 30 June 2018	(13.6)
2019 H1 profit before income tax under IAS 17	**201.2**
Impact of IFRS 16 'Leases'	(0.7)
2019 H1 profit before income tax	**200.5**

Profit on disposal of businesses of £13.6 million in the six months ended 30 June 2018 is the pre-tax profit on disposal of OPM in France and the marketing services businesses in the UK, two non-core businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. There have been no disposals of businesses in the six months ended 30 June 2019. Disposal of businesses is a non-recurring item and does not relate to underlying operating performance and is therefore not taken into account by management when assessing the performance of the Group. Accordingly, it is removed in calculating adjusted profit before income tax and other alternative performance measures by which management assesses the performance of the Group.

Taxation

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

The effective tax rate (being the tax rate on adjusted profit before income tax) for the period was 23.8% (2018 H1: 23.8%) and the reported tax rate on statutory profit before income tax was 22.6% (2018 H1: 24.4%). The reported tax rate has decreased from the prior period due to higher tax relief on acquisition related items. The adoption of IFRS 16 did not have a significant impact on either the effective tax rate or the reported tax rate.

As noted in the 2018 Annual Report, one of the tax risks affecting the Group is the European Commission's assertion that part of the UK's tax regime amounts to State aid. Further details on this risk are given in Note 6 to the interim financial statements.

Earnings per share

Profit after tax was £155.1 million. On an IAS 17 basis, profit after tax increased to £155.7 million (2018 H1: £149.2 million), up 2.3% at constant exchange rates (up 4.4% at actual exchange rates) due to a £3.8 million decrease in the tax charge, partly offset by a £0.3 million decrease in profit before income tax primarily due to the profit on disposal of businesses in the six months ended 30 June 2018.

Adjusted profit after tax was £201.3 million. On an IAS 17 basis, adjusted profit after tax was £201.9 million (2018 H1: £196.4 million), up 0.8% and an increase of £1.6 million at constant exchange rates (up 2.8% at actual exchange rates), due to an increase in adjusted profit before income tax of £2.0 million and a broadly unchanged effective tax rate.

The weighted average number of shares in issue increased from 330.5 million in the prior period to 333.3 million due to employee share option exercises.

Basic earnings per share for the period were 46.5p. On an IAS 17 basis, basic earnings per share were 46.7p, an increase of 1.3% at constant exchange rates (up 3.5% at actual exchange rates). Adjusted earnings per share were 60.4p. On an IAS 17 basis, adjusted earnings per share of 60.6p were unchanged from the prior period at constant exchange rates, an increase of 2.0% at actual exchange rates.

Movement in adjusted earnings per share	**Pence**
2018 H1 adjusted earnings per share as reported under IAS 17	59.4
Currency translation	1.2
2018 H1 at constant exchange rates	60.6
Growth in adjusted operating profit under IAS 17	0.2
Decrease in net finance expense under IAS 17	0.3
Increase in weighted average number of shares	(0.5)
2019 H1 adjusted earnings per share under IAS 17	**60.6**
Impact of IFRS 16 'Leases'	(0.2)
2019 H1 adjusted earnings per share	**60.4**

Dividends

The interim dividend has increased by 2.0% to 15.5p from 15.2p in 2018, in line with the growth in adjusted earnings per share.

Acquisitions

The Group completed three acquisitions during the period ended 30 June 2019. The estimated annualised revenue of the acquisitions completed during the period was £116.6 million. Excluding the Volk do Brasil acquisition that had been agreed at 31 December 2018 but completed in January 2019, the estimated annualised revenue of the acquisitions agreed during the period was £76.0 million.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	95.7
Goodwill	32.1
Consideration	127.8
Satisfied by:	
cash consideration	124.6
deferred consideration	3.2
	127.8
Contingent payments relating to the retention of former owners	7.1
Net cash acquired	(1.0)
Transaction costs and expenses	1.9
Total committed spend in respect of acquisitions completed in the current period	**135.8**
Spend on acquisitions committed as at 31 December 2018 but completed in January 2019	(37.5)
Total committed spend in respect of acquisitions agreed in the current period	**98.3**

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

	£m
Cash consideration	124.6
Net cash acquired	(1.0)
Deferred consideration in respect of prior year acquisitions	5.1
Net cash outflow in respect of acquisitions	128.7
Acquisition related items*	16.1
Total cash outflow in respect of acquisitions	144.8

*Acquisition related items comprised £1.9 million of transaction costs and expenses paid and £14.2 million of payments relating to the retention of former owners.

Cash flow

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

	Six months to 30.6.19 £m	Six months to 30.6.18 £m
Cash generated from operations†	**367.9**	279.7
Payment of lease liabilities	**(75.1)**	-
Net capital expenditure	**(14.4)**	(12.7)
Operating cash flow†	**278.4**	267.0
Net interest excluding interest on lease liabilities	**(30.8)**	(24.9)
Tax	**(60.8)**	(60.5)
Free cash flow	**186.8**	181.6
Dividends	**(50.7)**	(46.2)
Acquisitions◊	**(144.8)**	(150.7)
Disposal of businesses	**-**	55.3
Employee share schemes	**(29.3)**	20.0
Net cash (outflow)/inflow	**(38.0)**	60.0

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

The Group's free cash flow of £186.8 million was £5.2 million higher than in the comparable period, primarily due to an increase in operating cash flow, partly offset by an increase in the cash outflow relating to interest. The Group's free cash flow was primarily used to finance dividend payments of £50.7 million in respect of 2018 (2018 H1: £46.2 million in respect of 2017) and an acquisition cash outflow of £144.8 million (2018 H1: £150.7 million).

As a result of the adoption of IFRS 16, for meaningful comparison with prior periods, the Group has updated its definition of cash conversion to be operating cash flow, which now includes the payment of lease liabilities as a deduction, as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities. Cash conversion for the six months to 30 June 2019 was 96% (2018 H1: 94%).

	Six months to 30.6.19 £m	Six months to 30.6.18 £m
Operating cash flow	**278.4**	267.0
Adjusted operating profit	**302.7**	285.0
Add back depreciation of right-of-use assets	**62.9**	-
Deduct payment of lease liabilities	**(75.1)**	-
Lease adjusted operating profit	**290.5**	285.0
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**96%**	94%

Net debt

Net debt excluding lease liabilities increased by £36.3 million during the period to £1,422.8 million (31 December 2018: £1,386.5 million), principally due to the net cash outflow of £38.0 million.

Movement in net debt	**£m**
Net debt at 31 December 2018	(1,386.5)
Net cash outflow	(38.0)
Currency translation	1.7
Net debt excluding lease liabilities at 30 June 2019	**(1,422.8)**
Lease liabilities	(504.4)
Net debt including lease liabilities at 30 June 2019	**(1,927.2)**

As noted previously, the Group adopted IFRS 16 on 1 January 2019 and as a result now recognises lease liabilities, which are initially based on the present value of the future payments required under each lease discounted at either the interest rate implicit in the lease or the incremental borrowing rate. The movement in the lease liabilities from the transition date of 1 January 2019 to 30 June 2019 was as follows:

Movement in lease liabilities	£m
Lease liabilities at 31 December 2018	-
Lease liabilities on transition	494.2
Acquisitions	5.5
New leases	63.6
Interest charge in the period	11.6
Payment of lease liabilities	(75.1)
Remeasurement adjustments	2.8
Currency translation	1.8
Lease liabilities at 30 June 2019	**504.4**

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 and therefore unaffected by the adoption of IFRS 16, was 2.1 times (31 December 2018: 2.0 times).

Balance sheet

Summary balance sheet	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Intangible assets	**2,427.2**	2,365.5	2,382.5
Right-of-use assets	**456.9**	-	-
Property, plant and equipment	**122.5**	119.8	122.4
Working capital	**1,021.0**	914.4	948.3
Other net liabilities	**(418.9)**	(424.1)	(333.7)
	3,608.7	2,975.6	3,119.5
Net pensions deficit	**(40.6)**	(26.9)	(38.5)
Net debt excluding lease liabilities	**(1,422.8)**	(1,477.7)	(1,386.5)
Lease liabilities	**(504.4)**	-	-
Equity	**1,640.9**	1,471.0	1,694.5
Return on average operating capital under IAS 17*	**48.8%**	52.0%	50.7%
Return on invested capital under IAS 17*	**14.7%**	15.4%	15.0%

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

On an IAS 17 basis, return on average operating capital decreased to 48.8% from 50.7% at 31 December 2018 and return on invested capital of 14.7% was down from 15.0% at 31 December 2018, both driven by a lower return in the underlying business.

Intangible assets increased by £44.7 million from 31 December 2018 to £2,427.2 million due to goodwill, customer relationships and software arising on acquisitions in the period of £97.4 million, software additions of £4.5 million and a £0.8m increase from exchange, partly offset by an amortisation charge of £58.0 million.

As a result of the adoption of IFRS 16 on 1 January 2019, the Group now recognises right-of-use assets. The right-of-use assets at 30 June 2019 were £456.9 million, arising from £446.3 million recognised on the transition to IFRS 16, additional right-of-use assets from new leases during the period of £63.6 million, and increases from acquisitions (£5.5 million), remeasurement adjustments (£2.7 million) and exchange (£1.7 million), partly offset by a depreciation charge of £62.9 million.

Working capital increased by £72.7 million from 31 December 2018 to £1,021.0 million primarily from acquisitions and an increase from the underlying business and also as a result of the adoption of IFRS 16 due to the removal of accruals and prepayments relating to leases.

The Group's net pension deficit of £40.6 million at 30 June 2019 was £2.1 million higher than at 31 December 2018, largely due to an actuarial loss of £3.0 million. The actuarial loss arose as a result of an increase in the present value of scheme liabilities from changes in assumptions, principally lower discount rates, partly offset by the actual return on scheme assets being significantly higher than expected.

Shareholders' equity decreased by £53.6 million from £1,694.5 million at 31 December 2018 to £1,640.9 million.

Movement in shareholders' equity	**£m**
Shareholders' equity at 31 December 2018	1,694.5
Impact of transition to IFRS 16	(21.4)
Restated shareholders' equity at 1 January 2019	1,673.1
Profit for the period	155.1
Dividends	(167.3)
Currency (net of tax)	5.4
Actuarial loss on pension schemes (net of tax)	(2.3)
Share based payments (net of tax)	4.7
Employee share schemes (net of tax)*	(27.8)
Shareholders' equity at 30 June 2019	**1,640.9**

* Employee share schemes (net of tax) mainly relates to shares purchased into the employee benefit trust (£49.2 million) less proceeds from share option exercises.

Capital management

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

Treasury policies and controls

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

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. These debt covenants are based on historical accounting standards and are therefore not impacted by the adoption of IFRS 16. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the six months ended 30 June 2019 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and a senior bond. At 30 June 2019 the nominal value of US private placement notes outstanding was £1,050.9 million with maturities ranging from 2020 to 2028. The £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2020 and 2024. At 30 June 2019 the available committed bank facilities totalled £1,078.1 million of which £163.7 million was drawn down, providing headroom of £914.4 million.

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group for the remaining six months of the financial year are unchanged from those detailed in the section entitled 'Principal risks and uncertainties' on pages 51 to 55 of the Annual Report for the year ended 31 December 2018. These include the risks of competitive pressures in the countries and markets in which the Group operates, product cost deflation and inflation, the ability of the Group to complete and successfully integrate acquisitions, the risk of cyber-attacks on the Group's operations and the financial risks associated with the availability of funding, the currency translation impact on the Group's results and debt covenants and increases in taxation. A copy of the 2018 Annual Report is available on the Company's website at www.bunzl.com.

Consistent with the disclosures in the 2018 Annual Report, the Board is continuing to monitor the potential risks associated with the UK leaving the European Union ('EU') ('Brexit'). It is noted that more than 85% of the Group's revenue, profit and cash flow is generated outside of the UK and, within the UK, less than 20% of the products purchased are direct imports from overseas of which most are from countries outside the EU. Accordingly, the Group's ability to service its customers' needs, whether inside or outside the EU, is unlikely to be affected materially by Brexit. However, as the final outcome remains unclear, it is not yet possible to understand fully the impact that Brexit will have on the Group's operations. At the present time, it is anticipated that the risks arising from Brexit will include foreign exchange volatility, the imposition of trade tariffs and operational consequences such as supply chain disruption at UK ports and the impact on transactions between the UK and the Republic of Ireland.

The Board is also monitoring the developing situation with respect to trade tariffs in North America. Consistent with the disclosures in the 2018 Annual Report, the impact of additional trade tariffs levied on products imported into the US are being mitigated through price increases, renegotiations with suppliers or by identifying alternative sources of supply. Based on these mitigations, and those being taken to prepare for Brexit, the Group does not consider that its principal risks and uncertainties have changed as a result of the Brexit or US trade tariff related risks.

Consolidated income statement

for the period ended 30 June 2019

The Group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective approach to transition and in accordance with the standard the Group's financial results for the prior periods have not been restated. As a result, with the exception of revenue, the statutory results shown below for the six months ended 30 June 2019 are not directly comparable with the prior periods. To provide a meaningful comparison with the prior periods an alternative presentation of the Group's results prepared under IAS 17 'Leases', the previous accounting standard for leases, is shown in Note 2.

	Notes	**Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Revenue	4	**4,528.4**	4,343.7	9,079.4
Operating profit	4	**239.0**	210.8	466.2
Finance income	5	**7.1**	5.0	11.6
Finance expense	5	**(45.6)**	(32.1)	(66.6)
Profit on disposal of businesses	12	**-**	13.6	13.6
Profit before income tax		**200.5**	197.3	424.8
Income tax	6	**(45.4)**	(48.1)	(98.3)
Profit for the period attributable to the Company's equity holders		**155.1**	149.2	326.5
Earnings per share attributable to the Company's equity holders				
Basic	8	**46.5p**	45.1p	98.4p
Diluted	8	**46.3p**	44.8p	97.8p
Dividend per share	7	**15.5p**	15.2p	50.2p

Alternative performance measures*				
Operating profit	4	**239.0**	210.8	466.2
Adjusted for:				
Customer relationships amortisation	4	**54.4**	55.6	111.1
Acquisition related items	4	**9.3**	18.6	33.4
GMP equalisation charge		**-**	-	3.3
Adjusted operating profit◊	4	**302.7**	285.0	614.0
Finance income	5	**7.1**	5.0	11.6
Finance expense	5	**(45.6)**	(32.1)	(66.6)
Adjusted profit before income tax◊		**264.2**	257.9	559.0
Tax on adjusted profit	6	**(62.9)**	(61.5)	(129.1)
Adjusted profit for the period◊		**201.3**	196.4	429.9
Adjusted earnings per share◊	8	**60.4p**	59.4p	129.6p

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

◊ Excluding the profit on disposal of businesses (and associated tax where relevant) that occurred in 2018.

Consolidated statement of comprehensive income

for the period ended 30 June 2019

	Six months to 30.6.19 £m	Six months to 30.6.18 £m	Year to 31.12.18 £m
Profit for the period	**155.1**	149.2	326.5
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	**(3.0)**	24.6	11.0
Tax on items that will not be reclassified to profit or loss	**0.7**	(5.2)	(3.7)
Total items that will not be reclassified to profit or loss	**(2.3)**	19.4	7.3
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations	**6.6**	(31.9)	3.0
Movement from translation reserve to income statement on disposal of foreign operation	**-**	(2.4)	(2.4)
(Loss)/gain taken to equity as a result of effective net investment hedges	**(0.1)**	6.7	(7.5)
Gain recognised in cash flow hedge reserve	**1.0**	4.8	7.9
Movement from cash flow hedge reserve to inventory/income statement	**(2.2)**	0.3	(4.4)
Tax on items that may be reclassified to profit or loss	**0.1**	(0.5)	(0.4)
Total items that may be reclassified subsequently to profit or loss	**5.4**	(23.0)	(3.8)
Other comprehensive income/(expense) for the period	**3.1**	(3.6)	3.5
Total comprehensive income attributable to the Company's equity holders	**158.2**	145.6	330.0

Consolidated balance sheet
at 30 June 2019

	Notes	**30.6.19** **£m**	30.6.18 £m	31.12.18 £m
Assets				
Property, plant and equipment		**122.5**	119.8	122.4
Right-of-use assets	9	**456.9**	-	-
Intangible assets	10	**2,427.2**	2,365.5	2,382.5
Defined benefit pension assets		**7.5**	18.4	3.4
Derivative financial assets	14	**21.1**	2.3	5.9
Deferred tax assets		**6.0**	4.0	4.0
Total non-current assets		**3,041.2**	2,510.0	2,518.2
Inventories		**1,201.1**	1,079.3	1,213.6
Trade and other receivables		**1,348.9**	1,268.8	1,330.0
Income tax receivable		**3.5**	3.8	4.0
Derivative financial assets	14	**9.0**	13.5	12.6
Cash at bank and in hand	13	**609.1**	519.5	477.7
Total current assets		**3,171.6**	2,884.9	3,037.9
Total assets		**6,212.8**	5,394.9	5,556.1
Equity				
Share capital		**108.2**	108.1	108.1
Share premium		**183.3**	176.7	178.5
Translation reserve		**(18.2)**	(45.1)	(24.6)
Other reserves		**19.2**	21.5	20.2
Retained earnings		**1,348.4**	1,209.8	1,412.3
Total equity attributable to the Company's equity holders		**1,640.9**	1,471.0	1,694.5
Liabilities				
Interest bearing loans and borrowings	13	**1,448.3**	1,475.3	1,456.3
Defined benefit pension liabilities		**48.1**	45.3	41.9
Other payables		**34.9**	29.9	29.4
Income tax payable		**2.9**	2.9	2.9
Provisions		**37.9**	37.6	41.3
Lease liabilities	13	**382.5**	-	-
Derivative financial liabilities	14	**-**	8.6	5.1
Deferred tax liabilities		**136.7**	156.6	153.7
Total non-current liabilities		**2,091.3**	1,756.2	1,730.6
Bank overdrafts	13	**504.3**	384.3	333.5
Interest bearing loans and borrowings	13	**93.9**	132.8	74.9
Trade and other payables		**1,652.6**	1,545.8	1,613.6
Income tax payable		**85.2**	88.1	91.9
Provisions		**7.8**	8.3	6.1
Lease liabilities	13	**121.9**	-	-
Derivative financial liabilities	14	**14.9**	8.4	11.0
Total current liabilities		**2,480.6**	2,167.7	2,131.0
Total liabilities		**4,571.9**	3,923.9	3,861.6
Total equity and liabilities		**6,212.8**	5,394.9	5,556.1

Consolidated statement of changes in equity
for the period ended 30 June 2019

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

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

Consolidated statement of changes in equity (continued)
for the period ended 30 June 2019

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

◊ Other reserves comprise merger reserve of £2.5m (30 June 2018: £2.5m; 31 December 2018: £2.5m), capital redemption reserve of £16.1m (30 June 2018: £16.1m; 31 December 2018: £16.1m) and a cash flow hedge reserve of £0.6m (30 June 2018: £2.9m; 31 December 2018: £1.6m).

† Retained earnings comprise earnings of £1,421.6m (30 June 2018: £1,314.4m; 31 December 2018: £1,476.2m), offset by own shares of £73.2m (30 June 2018: £104.6m; 31 December 2018: £63.9m).

Consolidated cash flow statement

for the period ended 30 June 2019

	Notes	**Six months to 30.6.19† £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Cash flow from operating activities				
Profit before income tax		**200.5**	197.3	424.8
Adjusted for:				
net finance expense	5	**38.5**	27.1	55.0
customer relationships amortisation	10	**54.4**	55.6	111.1
acquisition related items	4	**9.3**	18.6	33.4
profit on disposal of businesses	12	**-**	(13.6)	(13.6)
GMP equalisation charge		**-**	-	3.3
Adjusted operating profit		**302.7**	285.0	614.0
Adjustments:				
depreciation and software amortisation	15	**78.4**	16.0	32.6
other non-cash items	15	**2.2**	2.5	(0.8)
working capital movement	15	**(15.4)**	(23.8)	(38.7)
Cash generated from operations before acquisition related items		**367.9**	279.7	607.1
Cash outflow from acquisition related items	11	**(16.1)**	(11.7)	(13.9)
Income tax paid		**(60.8)**	(60.5)	(113.2)
Cash inflow from operating activities		**291.0**	207.5	480.0
Cash flow from investing activities				
Interest received		**5.9**	4.7	2.0
Purchase of property, plant and equipment and software		**(19.4)**	(13.1)	(31.1)
Sale of property, plant and equipment		**5.0**	0.4	2.5
Purchase of businesses	11	**(128.7)**	(139.0)	(170.3)
Disposal of businesses	12	**-**	55.3	55.1
Cash outflow from investing activities		**(137.2)**	(91.7)	(141.8)
Cash flow from financing activities				
Interest paid excluding interest on lease liabilities		**(36.7)**	(29.6)	(51.1)
Dividends paid	7	**(50.7)**	(46.2)	(152.2)
Increase in borrowings		**92.1**	95.4	71.6
Repayment of borrowings		**(96.8)**	(139.3)	(228.5)
Realised gains on foreign exchange contracts		**2.1**	5.4	3.3
Payment of lease liabilities - principal	13	**(63.5)**	-	-
Payment of lease liabilities - interest	13	**(11.6)**	-	-
Proceeds from issue of ordinary shares to settle share options		**4.9**	5.4	7.2
Proceeds from exercise of market purchase share options		**15.0**	14.6	42.8
Purchase of employee trust shares		**(49.2)**	-	-
Cash outflow from financing activities		**(194.4)**	(94.3)	(306.9)
(Decrease)/increase in cash and cash equivalents		**(40.6)**	21.5	31.3
Cash and cash equivalents at start of the period		**144.2**	112.3	112.3
(Decrease)/increase in cash and cash equivalents		**(40.6)**	21.5	31.3
Currency translation		**1.2**	1.4	0.6
Cash and cash equivalents at end of the period	13	**104.8**	135.2	144.2

Consolidated cash flow statement (continued)
for the period ended 30 June 2019

Alternative performance measures*	Notes	**Six months to 30.6.19† £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Cash generated from operations before acquisition related items		**367.9**	279.7	607.1
Purchase of property, plant and equipment and software		**(19.4)**	(13.1)	(31.1)
Sale of property, plant and equipment and software		**5.0**	0.4	2.5
Payment of lease liabilities	13	**(75.1)**	-	-
Operating cash flow		**278.4**	267.0	578.5
Adjusted operating profit		**302.7**	285.0	614.0
Add back depreciation of right-of-use assets	9	**62.9**	-	-
Deduct payment of lease liabilities	13	**(75.1)**	-	-
Lease adjusted operating profit		**290.5**	285.0	614.0
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) ◊		**96%**	94%	94%

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

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

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

Notes

1. Basis of preparation and accounting policies

a) Basis of preparation

The condensed interim financial statements (the 'interim financial statements') of Bunzl plc ('the Company') for the six months ended 30 June 2019, with comparative figures for the six months ended 30 June 2018, are unaudited and do not constitute statutory accounts. However the external auditors have carried out a review of the interim financial statements and their report in respect of the six months ended 30 June 2019 is set out in the Independent review report on page 45. The comparative figures for the year ended 31 December 2018 do not constitute the Company's statutory accounts for the year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498(2)(3) of the Companies Act 2006.

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the interim financial statements. The interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board ('IASB') and as adopted by the EU and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. Except as described below, the interim financial statements have been prepared on the basis of the accounting policies set out in the Company's 2018 statutory accounts which were prepared in accordance with (i) International Financial Reporting Standards ('IFRS') as adopted by the EU and interpretations of the IFRS Interpretations Committee ('IFRIC') and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) IFRS as issued by the IASB.

b) Newly adopted accounting policies

i) IFRS 16 'Leases'

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. The new standard requires that the Group's leased assets are recorded as right-of-use assets together with their corresponding lease liabilities. Adoption of the new standard has had a material impact on the Group's interim financial statements, with right-of-use assets of £446.3 million recognised on transition together with lease liabilities of £494.2 million. As at 30 June 2019 the right-of-use assets were £456.9 million and the lease liabilities were £504.4 million.

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

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

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

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

1. Basis of preparation and accounting policies (continued)

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

	As at 31.12.18 £m	Impact of IFRS 16 £m	Restated as at 1.1.19 £m
Right-of-use assets	-	446.3	446.3
Net deferred tax liabilities	(149.7)	9.7	(140.0)
Other receivables	74.2	(2.9)	71.3
Other payables	(277.2)	19.7	(257.5)
Lease liabilities	-	(494.2)	(494.2)
Equity	(1,694.5)	21.4	(1,673.1)

Under IFRS 16, the operating lease expense previously recorded in operating costs has been replaced by a depreciation charge, which is lower than the operating lease expense recognised under IAS 17, the previous accounting standard for leases, and a separate interest expense, recorded in finance expense. This significantly impacts certain line items in the Group's Consolidated income statement and distorts comparisons with prior periods because in accordance with the standard, as a result of the Group transitioning to IFRS 16 using the modified retrospective approach, prior periods have not been restated. However, in order to provide a meaningful comparison with prior periods, the Group's financial results for the six months ended 30 June 2019 have also been presented in accordance with IAS 17. The results for the six months ended 30 June 2019 under IAS 17 are referred to as 'Proforma IAS 17'. Note 2 includes a Consolidated income statement showing the results for the six months ended 30 June 2019 both as reported under IFRS 16 and on a Proforma IAS 17 basis together with growth rates versus the prior period on a like-for-like basis under IAS 17.

A summary of the impact of the adoption of IFRS 16 on the Group's results for the six months ended 30 June 2019 compared to the Proforma IAS 17 results is shown in the table below:

	Proforma IAS 17 Six months to 30.6.19 £m	Impact of IFRS 16 £m	IFRS Six months to 30.6.19 £m
Adjusted operating profit*	291.8	10.9	302.7
Finance income	7.1	-	7.1
Finance expense	(34.0)	(11.6)	(45.6)
Adjusted profit before income tax*	264.9	(0.7)	264.2
Tax on adjusted profit	(63.0)	0.1	(62.9)
Adjusted profit for the period*	201.9	(0.6)	201.3
Adjusted earnings per share*	60.6p	(0.2p)	60.4p

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

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

The Group's return on average operating capital and return on invested capital are calculated based on 12 month averages of the Group's operating capital and invested capital. At the 2019 half year it is not possible to derive meaningful 12 month averages for operating capital and invested capital calculated on a consistent basis under IFRS 16 including right-of-use assets. These ratios are therefore presented as at 30 June 2019 on a Proforma IAS 17 basis.

From 1 January 2019, the Group's lease accounting policy is as follows:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest

1. Basis of preparation and accounting policies (continued)

rate implicit in the lease. If that rate cannot readily be determined, as is the case in the vast majority of the leasing activities of the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

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

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

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

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

2. Proforma Consolidated income statement

As referred to in Note 1, the Group adopted IFRS 16 'Leases' on 1 January 2019 using the modified retrospective approach to transition. In accordance with the standard, prior periods have not been restated and as a result comparisons with prior periods are distorted. However, in order to provide a meaningful comparison with prior periods which were accounted for under IAS 17 'Leases', the table below shows the Group's financial results for the six months ended 30 June 2019 presented in accordance with IAS 17 under the heading 'Proforma IAS 17'.

	Notes	**IFRS Six months to 30.6.19 £m**	**Impact of IFRS 16 £m**	**Proforma IAS 17 Six months to 30.6.19 £m**	IAS 17 Six months to 30.6.18 £m	IAS 17 Growth† Actual exchange rates	Constant exchange rates
Revenue	4	**4,528.4**	**-**	**4,528.4**	4,343.7	4.3%	1.2%
Operating profit	4	**239.0**	**(10.9)**	**228.1**	210.8	8.2%	5.7%
Finance income	5	**7.1**	**-**	**7.1**	5.0		
Finance expense	5	**(45.6)**	**11.6**	**(34.0)**	(32.1)		
Profit on disposal of businesses		**-**	**-**	**-**	13.6		
Profit before income tax		**200.5**	**0.7**	**201.2**	197.3	2.0%	(0.1)%
Income tax	6	**(45.4)**	**(0.1)**	**(45.5)**	(48.1)		
Profit for the period attributable to the Company's equity holders		**155.1**	**0.6**	**155.7**	149.2	4.4%	2.3%
Earnings per share attributable to the Company's equity holders							
Basic	8	**46.5p**	**0.2p**	**46.7p**	45.1p	3.5%	1.3%
Diluted	8	**46.3p**	**0.2p**	**46.5p**	44.8p	3.8%	1.8%
Dividend per share	7	**15.5p**	**-**	**15.5p**	15.2p	2.0%	

Alternative performance measures*							
Operating profit	4	**239.0**	**(10.9)**	**228.1**	210.8	8.2%	5.7%
Adjusted for:							
Customer relationships amortisation	4	**54.4**	**-**	**54.4**	55.6		
Acquisition related items	4	**9.3**	**-**	**9.3**	18.6		
Adjusted operating profit◊	4	**302.7**	**(10.9)**	**291.8**	285.0	2.4%	0.3%
Finance income	5	**7.1**	**-**	**7.1**	5.0		
Finance expense	5	**(45.6)**	**11.6**	**(34.0)**	(32.1)		
Adjusted profit before income tax◊		**264.2**	**0.7**	**264.9**	257.9	2.7%	0.8%
Tax on adjusted profit	6	**(62.9)**	**(0.1)**	**(63.0)**	(61.5)		
Adjusted profit for the period◊		**201.3**	**0.6**	**201.9**	196.4	2.8%	0.8%
Adjusted earnings per share◊	8	**60.4p**	**0.2p**	**60.6p**	59.4p	2.0%	0.0%

† Growth rates shown at both constant and actual exchange rates are on a like-for-like basis under IAS 17.

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

◊ Excluding the profit on disposal of businesses (and associated tax where relevant) that occurred in 2018.

3. Alternative performance measures

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

Adjusted operating profit	Operating profit before customer relationships amortisation, acquisition related items, the GMP equalisation charge and profit or loss on disposal of businesses (reconciled in the table below and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships amortisation, acquisition related items, the GMP equalisation charge and profit or loss on disposal of businesses (reconciled in the table below)
Adjusted profit for the period	Profit for the period before customer relationships amortisation, acquisition related items, the GMP equalisation charge, profit or loss on disposal of businesses and the associated tax where relevant (reconciled in the table below)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 6)
Adjusted earnings per share	Adjusted profit for the period divided by the weighted average number of ordinary shares in issue (reconciled in the table below and in Note 8)
Adjusted diluted earnings per share	Adjusted profit for the period divided by the diluted weighted average number of ordinary shares (reconciled in Note 8)
Operating cash flow*	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion*	Operating cash flow as a percentage of lease adjusted operating profit, being adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Return on average operating capital◊	Rolling 12 month adjusted operating profit as a percentage of the rolling 12 month average of month end operating capital employed (being property, plant and equipment, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital◊	Rolling 12 month adjusted operating profit as a percentage of the rolling 12 month average of month end invested capital (being equity after adding back net debt, net defined benefit pension scheme liabilities, cumulative customer relationships amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit on a historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposals of businesses
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the period ended 30 June 2018 at the average rates for the period ended 30 June 2019 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2019 and 2018 can be found in the Financial Review

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

◊ Return on average operating capital and return on invested capital are calculated based on rolling 12 month averages of the Group's operating capital and invested capital. As a result of the adoption of IFRS 16 on 1 January 2019, as at 30 June 2019 it is not possible to derive meaningful 12 month averages for operating capital and invested capital calculated on a consistent basis under IFRS 16 including right-of-use assets. These ratios are therefore presented as at 30 June 2019 on a Proforma IAS 17 basis.

3. Alternative performance measures (continued)

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

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

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

All alternative performance measures have been calculated consistently with the methods applied in the consolidated financial statements for the year ended 31 December 2018, with the exception of the definition of cash conversion, and its components, which have been updated following the adoption of IFRS 16 to allow meaningful comparison with prior periods.

Reconciliation of alternative performance measures to statutory measures

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

Six months ended 30 June 19

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

		Adjusting items					
Proforma IAS 17	**Alternative performance measures £m**	**Customer relationships amortisation £m**	**Acquisition related items £m**	**GMP equalisation charge £m**	**Disposal of businesses £m**	**Statutory measures* £m**	
Adjusted operating profit	291.8	(54.4)	(9.3)	-		228.1	**Operating profit**
Finance income	7.1					7.1	Finance income
Finance expense	(34.0)					(34.0)	Finance expense
Disposal of businesses	-				-	-	Disposal of businesses
Adjusted profit before income tax	264.9	(54.4)	(9.3)	-	-	201.2	**Profit before income tax**
Tax on adjusted profit	(63.0)	14.1	3.4	-	-	(45.5)	Income tax
Adjusted profit for the period	201.9	(40.3)	(5.9)	-	-	155.7	**Profit for the period**
Adjusted earnings per share	60.6p	(12.1)p	(1.8)p	-	-	46.7p	**Basic earnings per share**

*Refer to Note 2 for the reconciliation of the Proforma IAS 17 statutory measures for the six months ended 30 June 2019 to the equivalent IFRS statutory measures.

3. Alternative performance measures (continued)

Six months ended 30 June 18

As previously reported under IAS 17	Alternative performance measures £m	Adjusting items: Customer relationships amortisation £m	Adjusting items: Acquisition related items £m	Adjusting items: GMP equalisation charge £m	Adjusting items: Disposal of businesses £m	Statutory measures £m	
Adjusted operating profit	285.0	(55.6)	(18.6)	-		210.8	Operating profit
Finance income	5.0					5.0	Finance income
Finance expense	(32.1)					(32.1)	Finance expense
Disposal of businesses	-				13.6	13.6	Disposal of businesses
Adjusted profit before income tax	257.9	(55.6)	(18.6)	-	13.6	197.3	Profit before income tax
Tax on adjusted profit	(61.5)	14.6	1.9		(3.1)	(48.1)	Income tax
Adjusted profit for the period	196.4	(41.0)	(16.7)	-	10.5	149.2	Profit for the period
Adjusted earnings per share	59.4p	(12.4)p	(5.1)p		3.2p	45.1p	Basic earnings per share

Year ended 31 December 18

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

4. Segment analysis

The Group results are reported as four business areas based on geographical regions which are reviewed regularly by the Company's chief operating decision maker, the Board of directors. The principal results reviewed for each business area are revenue and adjusted operating profit. During the six months ended 30 June 2019, segmental results have been reviewed on both an IFRS and Proforma IAS 17 basis. The segmental results for the six months ended 30 June 2019 are therefore shown under both bases.

Six months ended 30 June 2019

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

4. Segment analysis (continued)

Six months ended 30 June 2019

Proforma IAS 17	**North America £m**	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**2,634.5**	**906.4**	**602.5**	**385.0**		**4,528.4**
Adjusted operating profit/(loss)	**151.1**	**89.4**	**35.6**	**27.4**	**(11.7)**	**291.8**
Customer relationships amortisation	**(18.5)**	**(23.0)**	**(4.1)**	**(8.8)**		**(54.4)**
Acquisition related items	**(4.0)**	**(2.9)**	**(1.3)**	**(1.1)**		**(9.3)**
Operating profit/(loss)	**128.6**	**63.5**	**30.2**	**17.5**	**(11.7)**	**228.1**
Finance income						**7.1**
Finance expense						**(34.0)**
Profit before income tax						**201.2**
Adjusted profit before income tax						**264.9**
Income tax						**(45.5)**
Profit for the period						**155.7**

Six months ended 30 June 2018

As previously reported under IAS 17	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	2,459.6	890.2	625.9	368.0		4,343.7
Adjusted operating profit/(loss)	140.1	88.6	39.7	28.2	(11.6)	285.0
Customer relationships amortisation	(16.6)	(25.2)	(5.2)	(8.6)		(55.6)
Acquisition related items	(9.7)	(4.7)	(1.6)	(2.6)		(18.6)
Operating profit/(loss)	113.8	58.7	32.9	17.0	(11.6)	210.8
Finance income						5.0
Finance expense						(32.1)
Profit on disposal of businesses						13.6
Profit before income tax						197.3
Adjusted profit before income tax						257.9
Income tax						(48.1)
Profit for the period						149.2

Year ended 31 December 2018

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

4. Segment analysis (continued)

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

Acquisition related items	**Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**7.2**	10.0	19.1
Transaction costs and expenses	**1.9**	3.1	5.5
Adjustments to previously estimated earn outs	**-**	5.3	8.3
Interest on acquisition related income tax	**0.2**	0.2	0.5
Total	**9.3**	18.6	33.4

5. Finance income/(expense)

	IFRS Six months to 30.6.19 £m	**Proforma IAS 17 Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Interest on cash and cash equivalents	**3.2**	**3.2**	2.2	5.3
Interest income from foreign exchange contracts	**3.8**	**3.8**	2.8	5.7
Net interest income on defined benefit pension schemes in surplus	**0.1**	**0.1**	-	0.1
Other finance income	**-**	**-**	-	0.5
Finance income	**7.1**	**7.1**	5.0	11.6
Interest on loans and overdrafts	**(30.6)**	**(30.6)**	(28.1)	(59.8)
Lease interest expense	**(11.6)**	**-**	-	-
Interest expense from foreign exchange contracts	**(1.8)**	**(1.8)**	(1.6)	(3.6)
Net interest expense on defined benefit pension schemes in deficit	**(0.6)**	**(0.6)**	(1.1)	(1.4)
Fair value (loss)/gain on US private placement notes in a hedge relationship	**(20.6)**	**(20.6)**	15.2	8.3
Fair value gain/(loss) on interest rate swaps in a hedge relationship	**20.3**	**20.3**	(15.0)	(8.2)
Foreign exchange gain on intercompany funding	**3.3**	**3.3**	13.8	43.5
Foreign exchange loss on external debt and foreign exchange forward contracts	**(3.1)**	**(3.1)**	(14.0)	(43.5)
Interest related to income tax	**(0.6)**	**(0.6)**	(0.6)	(1.2)
Other finance expense	**(0.3)**	**(0.3)**	(0.7)	(0.7)
Finance expense	**(45.6)**	**(34.0)**	(32.1)	(66.6)
Net finance expense	**(38.5)**	**(26.9)**	(27.1)	(55.0)

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

6. Income tax

In assessing the underlying performance of the Group management uses adjusted profit before income tax. The tax effect of the adjusting items (see Note 3) is excluded in monitoring the effective tax rate (being the tax rate on adjusted profit before income tax) which is shown in the table below:

	IFRS Six months to 30.6.19 £m	**Proforma IAS 17 Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Income tax on profit	**45.4**	**45.5**	48.1	98.3
Tax associated with adjusting items	**17.5**	**17.5**	13.4	30.8
Tax on adjusted profit	**62.9**	**63.0**	61.5	129.1
Profit before income tax	**200.5**	**201.2**	197.3	424.8
Adjusting items	**63.7**	**63.7**	60.6	134.2
Adjusted profit before income tax	**264.2**	**264.9**	257.9	559.0
Reported tax rate	**22.6%**	**22.6%**	24.4%	23.1%
Effective tax rate	**23.8%**	**23.8%**	23.8%	23.1%

Future tax liabilities may be affected by the European Commission's ('the Commission') assertion that part of the UK's tax regime amounts to State aid. Management has considered the Commission's decision of 2 April 2019 and does not agree with their conclusion that the UK tax legislation up until December 2018 partially represents State aid. The Group has filed an appeal with the EU General Court for annulment of this decision and notes that HM Government has also lodged an appeal. The potential amount payable for this risk is estimated to be to between £nil and £35m as at 30 June 2019 depending on the outcome of the legal appeal process and the basis of calculation. The final impact on the Group remains uncertain but based on the current legal analysis the Group does not consider any provision to be required for this risk.

7. Dividends

	Six months to 30.6.19 £m	Six months to 30.6.18 £m	Year to 31.12.18 £m
2017 interim		46.2	46.2
2017 final		106.0	106.0
2018 interim	**50.7**		
2018 final	**116.6**		
Total	**167.3**	152.2	152.2

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

			Per share
	Six months to 30.6.19	Six months to 30.6.18	Year to 31.12.18
2018 interim		15.2p	15.2p
2018 final			35.0p
2019 interim	**15.5p**		
Total	**15.5p**	15.2p	50.2p

The 2019 interim dividend of 15.5p per share will be paid on 2 January 2020 to shareholders on the register at the close of business on 15 November 2019. The 2019 interim dividend will comprise approximately £52m of cash. The 2018 final dividend was paid on 1 July 2019, comprising £116.6m of cash.

8. Earnings per share

	IFRS Six months to 30.6.19 £m	Proforma IAS 17 Six months to 30.6.19 £m	Six months to 30.6.18 £m	Year to 31.12.18 £m
Profit for the period	**155.1**	**155.7**	149.2	326.5
Adjusted for:				
customer relationships amortisation	**54.4**	**54.4**	55.6	111.1
acquisition related items	**9.3**	**9.3**	18.6	33.4
GMP equalisation charge	**-**	**-**	-	3.3
profit on disposal of businesses	**-**	**-**	(13.6)	(13.6)
tax credit on adjusting items	**(17.5)**	**(17.5)**	(13.4)	(30.8)
Adjusted profit for the period	**201.3**	**201.9**	196.4	429.9

	IFRS Six months to 30.6.19	Proforma IAS 17 Six months to 30.6.19	Six months to 30.6.18	Year to 31.12.18
Basic weighted average number of ordinary shares in issue (million)	**333.3**	**333.3**	330.5	331.7
Dilutive effect of employee share plans (million)	**1.5**	**1.5**	2.2	2.2
Diluted weighted average number of ordinary shares (million)	**334.8**	**334.8**	332.7	333.9
Basic earnings per share	**46.5p**	**46.7p**	45.1p	98.4p
Adjustment	**13.9p**	**13.9p**	14.3p	31.2p
Adjusted earnings per share	**60.4p**	**60.6p**	59.4p	129.6p
Diluted basic earnings per share	**46.3p**	**46.5p**	44.8p	97.8p
Adjustment	**13.8p**	**13.8p**	14.2p	31.0p
Adjusted diluted earnings per share	**60.1p**	**60.3p**	59.0p	128.8p

9. Right-of-use assets

Six months ended 30 June 2019

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

10. Intangible assets

Goodwill	**Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Beginning of the period	**1,420.4**	1,378.0	1,378.0
Acquisitions	**32.1**	36.9	33.9
Disposal of businesses	**-**	(10.1)	(10.1)
Currency translation	**0.5**	(5.1)	18.6
End of the period	**1,453.0**	1,399.7	1,420.4
Customer relationships			
Cost			
Beginning of the period	**1,719.2**	1,613.8	1,613.8
Acquisitions	**65.0**	64.0	96.7
Disposal of businesses	**-**	(15.9)	(15.9)
Currency translation	**-**	(6.0)	24.6
End of the period	**1,784.2**	1,655.9	1,719.2
Accumulated amortisation			
Beginning of the period	**778.0**	659.2	659.2
Charge in the period	**54.4**	55.6	111.1
Disposal of businesses	**-**	(3.9)	(3.9)
Currency translation	**(0.3)**	(2.5)	11.6
End of the period	**832.1**	708.4	778.0
Net book value of Customer relationships	**952.1**	947.5	941.2
Net book value of Software	**22.1**	18.3	20.9
Total net book value of Intangible assets	**2,427.2**	2,365.5	2,382.5

Both goodwill and customer relationships have been acquired as part of business combinations. Further details of acquisitions made in the period are set out in Note 11.

11. Acquisitions

Acquisitions involving the purchase of the acquiree's share capital or, as the case may be, the relevant assets of the businesses acquired, have been accounted for under the acquisition method of accounting. Part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations'. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. At 30 June 2019 the allocation period for all acquisitions completed since 1 July 2018 remained open and accordingly the fair values presented are provisional.

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

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

11. Acquisitions (continued)

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

There were no individually significant acquisitions during the six months ended 30 June 2019.

Six months ended 30 June 2019

Summary details of the acquisitions completed and the acquisitions agreed during the six months ended 30 June 2019 are shown in the table below:

Business	**Sector**	**Country**	**Acquisition date 2019**	**Estimated annualised revenue £m**
Volk do Brasil*	Safety	Brazil	2 January	40.6
Liberty Glove & Safety	Safety	USA	21 February	72.9
Coolpack	Foodservice	Netherlands	4 April	3.1
Acquisitions completed in the current period				**116.6**
Volk do Brasil*	Safety	Brazil	2 January	(40.6)
Acquisitions agreed in the current period				**76.0**

*Acquisition committed at 31 December 2018.

A summary of the effect of acquisitions completed in the six months ended 30 June 2019 and 30 June 2018 and for the year ended 31 December 2018 is shown below:

	30.6.19 £m	30.6.18 £m	31.12.18 £m
Customer relationships	**65.0**	64.0	96.7
Property, plant and equipment and software	**0.5**	1.8	3.2
Right-of-use assets	**5.5**	-	-
Inventories	**23.2**	21.3	26.8
Trade and other receivables	**15.8**	17.6	23.5
Trade and other payables	**(9.1)**	(14.4)	(21.0)
Net cash	**1.0**	4.8	3.6
Provisions	**(1.2)**	(1.2)	(5.3)
Lease liabilities	**(5.5)**	-	-
Income tax payable and deferred tax liabilities	**0.5**	(8.3)	(10.8)
Fair value of net assets acquired	**95.7**	85.6	116.7
Goodwill	**32.1**	36.9	33.9
Consideration	**127.8**	122.5	150.6
Satisfied by:			
cash consideration	**124.6**	121.4	148.5
deferred consideration	**3.2**	1.1	2.1
	127.8	122.5	150.6
Contingent payments relating to the retention of former owners	**7.1**	9.8	12.7
Net cash acquired	**(1.0)**	(4.8)	(3.6)
Transaction costs and expenses	**1.9**	3.1	5.5
Total committed spend in respect of acquisitions completed in the current period	**135.8**	130.6	165.2
Spend on acquisitions committed but not completed at the period end	**-**	-	39.5
Spend on acquisitions committed at prior period end but completed in the current period	**(37.5)**	(22.8)	(22.0)
Total committed spend in respect of acquisitions agreed in the current period	**98.3**	107.8	182.7

11. Acquisitions (continued)

The net cash outflow in respect of acquisitions comprised:

	Six months to 30.6.19 £m	Six months to 30.6.18 £m	Year to 31.12.18 £m
Cash consideration	**124.6**	121.4	148.5
Net cash acquired	**(1.0)**	(4.8)	(3.6)
Deferred consideration in respect of prior year acquisitions	**5.1**	22.4	25.4
Net cash outflow in respect of acquisitions	**128.7**	139.0	170.3
Transaction costs and expenses paid	**1.9**	5.7	7.8
Payments relating to retention of former owners	**14.2**	6.0	6.1
Total cash outflow in respect of acquisitions	**144.8**	150.7	184.2

Acquisitions completed in the six months ended 30 June 2019 contributed £47.4m (six months ended 30 June 2018: £61.1m; year ended 31 December 2018: £151.2m) to the Group's revenue and £6.3m (six months ended 30 June 2018: £8.2m; year ended 31 December 2018: £19.2m) to the Group's adjusted operating profit for the six months ended 30 June 2019.

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

	Six months to 30.6.19 £m	Six months to 30.6.18 £m	Year to 31.12.18 £m
Revenue	**58.3**	66.8	162.0
Adjusted operating profit	**7.1**	8.7	20.7

Year ended 31 December 2018

Summary details of the acquisitions completed and the acquisitions agreed during the year ended 31 December 2018 are shown in the table below:

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

◊ Acquisition of 85% of share capital.

* Acquisitions committed at 31 December 2017.

† Acquisitions committed at 31 December 2018.

12. Disposal of businesses

The Group did not dispose of any businesses during the six months ended 30 June 2019. Disposal of businesses in the previous year related to OPM in France and Marketing Services in the UK, two businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. The disposals were completed on 2 February 2018 and 7 June 2018 respectively.

13. Cash and cash equivalents and net debt

	30.6.19 £m	30.6.18 £m	31.12.18 £m
Cash at bank and in hand	**609.1**	519.5	477.7
Bank overdrafts	**(504.3)**	(384.3)	(333.5)
Cash and cash equivalents	**104.8**	135.2	144.2
Interest bearing loans and borrowings - current liabilities	**(93.9)**	(132.8)	(74.9)
Interest bearing loans and borrowings - non-current liabilities	**(1,448.3)**	(1,475.3)	(1,456.3)
Derivatives managing interest rate risk and currency profile of the debt	**14.6**	(4.8)	0.5
Net debt excluding lease liabilities	**(1,422.8)**	(1,477.7)	(1,386.5)
Lease liabilities	**(504.4)**	-	-
Net debt including lease liabilities	**(1,927.2)**	(1,477.7)	(1,386.5)

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

	30.6.19 £m	30.6.18 £m	31.12.18 £m
Cash at bank and in hand net of amounts in the cash pool	**145.7**	188.6	187.8
Bank overdrafts net of amounts in the cash pool	**(40.9)**	(53.4)	(43.6)
Cash and cash equivalents	**104.8**	135.2	144.2

Movement in net debt

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

Six months ended 30 June 2018	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of the period	(1,523.6)	112.3	(1,635.9)
Net cash inflow	60.0	21.5	38.5
Realised gains on foreign exchange contracts	5.4	-	5.4
Currency translation	(19.5)	1.4	(20.9)
End of the period	(1,477.7)	135.2	(1,612.9)

Year ended 31 December 2018	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of the year	(1,523.6)	112.3	(1,635.9)
Net cash inflow	184.9	31.3	153.6
Realised gains on foreign exchange contracts	3.3	-	3.3
Currency translation	(51.1)	0.6	(51.7)
End of the year	(1,386.5)	144.2	(1,530.7)

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

Movement in lease liabilities	Six months to 30.6.19 £m
Beginning of the period	**-**
Lease liabilities on transition	**494.2**
Acquisitions	**5.5**
New leases	**63.6**
Interest charge in the period	**11.6**
Payment of lease liabilities	**(75.1)**
Remeasurement adjustments	**2.8**
Currency translation	**1.8**
End of the period	**504.4**
Of which are:	
Current lease liabilities	**121.9**
Non-current lease liabilities	**382.5**
End of the period	**504.4**

14. Financial instruments

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

Financial assets	30.6.19 £m	30.6.18 £m	31.12.18 £m
Interest rate derivatives in fair value hedges	**21.1**	2.3	5.8
Foreign exchange derivatives in cash flow hedges	**1.5**	3.7	3.8
Foreign exchange derivatives in net investment hedges	**6.6**	6.4	4.9
Other foreign exchange and interest rate derivatives	**0.9**	3.4	4.0
	30.1	15.8	18.5

Financial liabilities	30.6.19 £m	30.6.18 £m	31.12.18 £m
Interest rate derivatives in fair value hedges	**-**	(8.6)	(5.1)
Foreign exchange derivatives in cash flow hedges	**(0.9)**	(0.2)	(1.9)
Foreign exchange derivatives in net investment hedges	**(4.7)**	(2.6)	(2.1)
Other foreign exchange derivatives	**(9.3)**	(5.6)	(7.0)
	(14.9)	(17.0)	(16.1)

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

The fair values of all financial instruments equate to their book values, with the exception of the US private placement notes and the senior unsecured bond which are held at amortised cost. The fair value of all US private placement notes which are held at amortised cost, using market prices at 30 June 2019, was £1,106.9m (30 June 2018: £1,104.3m; 31 December 2018: £1,132.1m), compared to a carrying value of £1,073.1m (30 June 2018: £1,081.5m; 31 December 2018: £1,122.1m). The fair value of the senior unsecured bond which is held at amortised cost, using market prices at 30 June 2019, was £301.8m (30 June 2018: £294.4m, 31 December 2018: £290.1m) compared to a carrying value of £297.8m (30 June 2018: £297.4m, 31 December 2018: £297.6m).

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	**Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Depreciation of right-of-use assets	**62.9**	-	-
Other depreciation and software amortisation	**15.5**	16.0	32.6
	78.4	16.0	32.6

Other non-cash items	**Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Share based payments	**6.8**	6.4	12.9
Provisions	**(2.9)**	(4.2)	(6.4)
Retirement benefit obligations	**(1.3)**	(1.2)	(8.0)
Other	**(0.4)**	1.5	0.7
	2.2	2.5	(0.8)

Working capital movement	**Six months to 30.6.19 £m**	Six months to 30.6.18 £m	Year to 31.12.18 £m
Decrease/(increase) in inventories	**36.5**	5.1	(96.6)
Increase in trade and other receivables	**(1.1)**	(7.9)	(44.6)
(Decrease)/increase in trade and other payables	**(50.8)**	(21.0)	102.5
	(15.4)	(23.8)	(38.7)

16. Related party disclosures

As disclosed in the Annual Report for the year ended 31 December 2018, the Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no material transactions with those related parties during the six months ended 30 June 2019. Details of the relevant relationships with those related parties will be disclosed in the Annual Report for the year ending 31 December 2019. All transactions with subsidiaries are eliminated on consolidation.

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

The directors confirm that to the best of their knowledge:

- the condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board and as adopted by the EU;
- the half yearly financial report includes a fair review of the important events during the first six months of the year, and their impact on the condensed interim financial statements, and a description of principal risks and uncertainties for the remaining six months of the year as required by Disclosure Guidance and Transparency Rule ('DTR') 4.2.7R; and
- the half yearly financial report includes a fair review of the disclosure of related party transactions and changes therein as required by DTR 4.2.8R.

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

For and on behalf of the Board

Frank van Zanten
Chief Executive
27 August 2019

Brian May
Finance Director

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

Our conclusion
We have reviewed Bunzl plc's condensed interim financial statements (the ’interim financial statements’) in the half yearly financial report of Bunzl plc for the six month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as issued by the International Accounting Standards Board (‘IASB’) and adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

What we have reviewed
The interim financial statements comprise:

- the Consolidated balance sheet as at 30 June 2019;
- the Consolidated income statement and Consolidated statement of comprehensive income for the period then ended;
- the Consolidated cash flow statement for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

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

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

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London

27 August 2019