BUNZL

News Release

31 August 2021

HALF YEARLY FINANCIAL REPORT FOR SIX MONTHS ENDED 30 JUNE 2021

Bunzl plc, the specialist international distribution and services Group, today publishes its half yearly financial report for the six months ended 30 June 2021.

Financial results	**H1 21**	H1 20	Growth as reported	Growth at constant exchange◊
Revenue	**£4,866.6m**	£4,846.3m	0.4%	6.3%
Adjusted operating profit*	**£366.8m**	£340.8m	7.6%	14.7%
Adjusted profit before income tax*	**£338.4m**	£306.8m	10.3%	17.5%
Adjusted earnings per share*	**77.7p**	70.1p	10.8%	18.1%
Interim dividend∆	**16.2p**	15.8p	2.5%	

Statutory results			
Operating profit	**£304.1m**	£279.4m	8.8%
Profit before income tax	**£275.7m**	£245.4m	12.3%
Basic earnings per share	**63.3p**	55.6p	13.8%

Highlights include:

- Good revenue growth of 6.3% at constant exchange rates, supported by a strong recovery in the base business♯ and acquisitions; Resilience through the pandemic, with underlying revenueⱡ 5.7% higher than in the first half of 2019
- Adjusted operating profit* increase of 14.7% at constant exchange rates and corresponding rise in adjusted earnings per share* of 18.1%; Reported operating profit up 8.8% and reported basic earnings per share up 13.8%
- Continued strong cash generation with cash conversion* of 100%, and net debt to EBITDA† of 1.4 times with substantial headroom for acquisition growth
- Dividend per share growth of 2.5% reflects the Group's commitment to ensuring sustainable dividend growth
- Two further acquisitions announced today, taking the total to eight acquisitions year to date; pipeline remains active

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

"As our first half results have demonstrated, our colleagues continue to navigate the challenges associated with the pandemic incredibly well. While some regions have seen a strong recovery, others have experienced greater pandemic-related restrictions at various points over the last six months. One of the key strengths of our decentralised business is the ability to respond to local situations, enabling a consistent focus on delivering the right solutions for our customers. Whilst we are now seeing a reversal in Covid-19 related sales, this has been more than offset by the recovery experienced in our base business over the first half. The Group's performance over the first half and the excellent underlying revenue growth we have delivered over a two year period demonstrate the resilience of our diversified portfolio.

Our outlook for 2021 is unchanged and we continue to expect, at constant exchange rates, underlying revenue to be moderately higher than the pre-pandemic period in 2019. Acquisitions will further contribute to growth, with £134m committed spend year to date, and an active pipeline supported by substantial financial headroom. Looking ahead, we expect future growth to be supported by a recovery in the base business and economic activity, enhanced hygiene trends and our differentiated offering of sustainable and responsible solutions.

We look forward to our Capital Markets Day on 11 October 2021, where we will give further insight on the strategic priorities for Bunzl."

* Alternative performance measure (see Note 2).
◊ Growth at constant exchange rates is calculated by comparing the H1 21 results to the H1 20 results retranslated at the average exchange rates used for H1 21.
∆ During 2020, the Board reinstated the previously cancelled 2019 final dividend of 35.8p per share as an additional 2019 interim dividend which was paid in November 2020. This is not included as a component of the 2020 dividend in the table above for comparative purposes.
† At average exchange rates and based on historical accounting standards, in accordance with Group's external debt covenants.
ⱡ Underlying revenue is a measure of revenue over comparative periods at constant exchange rates, excluding the incremental impact of acquisitions and disposals and adjusted for differences in trading days between periods.
♯ Base business defined as underlying revenue excluding the top 8 Covid-19 related products (masks, sanitisers, gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection).

Business area highlights:

	Revenue (£m)		Growth at constant exchange◊	Underlying revenue growthᵻ	Adjusted operating profit* (£m)		Growth at constant exchange◊	Operating margin*	
	H1 21	H1 20			**H1 21**	H1 20		**H1 21**	H1 20
North America	**2,857.7**	2,728.4	14.4%	10.6%	**199.9**	154.2	41.0%	**7.0%**	5.7%
Continental Europe	**971.8**	1,088.7	(8.7)%	(11.2)%	**91.8**	123.9	(22.3)%	**9.4%**	11.4%
UK & Ireland	**579.6**	626.1	(7.3)%	(10.3)%	**22.8**	29.4	(22.2)%	**3.9%**	4.7%
Rest of the World	**457.5**	403.1	16.9%	12.3%	**64.8**	47.3	45.3%	**14.2%**	11.7%

North America (59% of revenue and 53% of adjusted operating profit*†)
- Underlying revenue growth of 10.6% driven by continued recovery and product inflation although certain Covid-19 related products started to experience deflation in the second quarter
- Strong operating margin* of 7.0% up from 5.7%, with some operating cost inflation more than offset by favourable product cost inflation and operating efficiencies in addition to higher margin acquisitions
- Strong grocery growth with continued customer demand alongside product cost inflation, although the availability of salad bars and other freshly prepared foods remain below pre-pandemic levels
- Very strong growth of foodservice redistribution, driven by further reopening of in-restaurant dining, against the backdrop of pent-up demand and inflation on packaging products
- Safety benefited from the acquisition of MCR Safety, although demand remained soft in certain end markets

Continental Europe (20% of revenue and 24% of adjusted operating profit*†)
- Underlying revenue declined by 11.2%, driven by the reduction of the exceptional larger Covid-19 related sales seen in 2020. Excluding larger Covid-19 related sales underlying revenue grew modestly
- The negative impact of Covid-19 related lockdowns for most of the period limited the pace of base business recovery, although smaller Covid-19 related sales continued to support with only a moderate decline year-on-year
- Operating margin* of 9.4%, down from 11.4%, reflects the reduction of larger Covid-19 related sales and the associated impact on a partly fixed cost base
- In France, our cleaning & hygiene business was impacted by Covid-19 related restrictions, although sales into the foodservice sector performed better than the prior year
- The Netherlands saw modest growth in grocery and good growth in e-commerce fulfilment, but restrictions impacted other sectors

UK & Ireland (12% of revenue and 6% of adjusted operating profit*†)
- Underlying revenue declined by 10.3%, driven by the reduction in exceptional larger Covid-19 related sales and due to Covid-19 related restrictions remaining in place throughout the first half of 2021 impacting the pace of base business recovery. Excluding larger Covid-19 related sales underlying revenue was broadly stable
- Operating margin* of 3.9% down from 4.7%, reflects the reduction of larger Covid-19 related sales on a partly fixed cost base and the recovery of the base business where margins remain lower than pre-pandemic levels
- Safety recovery was impacted by the slow return to normal activity amongst manufacturing and construction customers, with the recovery in cleaning & hygiene also limited by the number of people yet to return to offices
- Foodservice recovered very strongly in Q2, with improved performance over the quarter, but continued to be affected by reduced capacities in restaurants and hotels

Rest of the World (9% of revenue and 17% of adjusted operating profit*†)
- Very strong underlying revenue growth of 12.3% driven by Latin America. Operating margin* increased from 11.7% to 14.2% with a substantial increase in adjusted operating profit* in Latin America
- Price inflation in key Covid-19 related products, as well as currency-driven inflation, in Latin American markets continued to support growth, although price normalisation was seen in the second quarter
- Australasia performance was impacted by the increase in Covid-19 related restrictions in the second quarter which offset the partial recovery in foodservice and safety seen earlier in the year

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

◊ Growth at constant exchange rates is calculated by comparing the H1 21 results to the results for H1 20 retranslated at the average exchange rates used for H1 21.

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

ᵻ Underlying revenue is a measure of revenue over comparative periods at constant exchange rates, excluding the incremental impact of acquisitions and disposals and adjusted for differences in trading days between periods.

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

CHAIRMAN'S STATEMENT

I continue to be impressed by the Group's management of the pandemic and its resilient performance, with good ongoing growth in 2021. Whilst there continues to be many challenges related to the pandemic it is pleasing to see a strong recovery in Bunzl's base business over the period. At constant exchange rates, the Group delivered impressive revenue growth of 6.3%, a very strong increase of 14.7% in adjusted operating profit and a rise of 18.1% in adjusted earnings per share.

Bunzl continues to demonstrate strong cash conversion and despite a further six acquisitions completed in the first half of the year, ended the half with a strong balance sheet and net debt to EBITDA of only 1.4 times. The strength of the Group's financial position enables a continued focus on longer term strategic growth priorities despite continued near term uncertainties.

Strategic priorities

We continue to pursue a consistent and proven strategy of developing the business through a combination of organic growth, operational improvements and acquisition growth. The six acquisitions made in the first six months of year, in addition to the two announced today, are complementary to our existing businesses and demonstrate the quality of acquisition opportunities in the pipeline. Alongside this, Bunzl's investment in sustainable solutions continues to be a point of differentiation in our value-added distribution offering. Later this year, on the 11 October 2021, Bunzl will host a Capital Markets Day and we will have the opportunity to discuss the company's strategic priorities in detail.

Shareholder returns

The Board is recommending an interim dividend of 16.2p which represents 2.5% growth on the 2020 interim dividend and reflects the Group's commitment to ensuring sustainable dividend growth, with 28 years of consecutive dividend growth delivered to date. Since 2004 Bunzl has now returned £1.8 billion to shareholders through dividends and has committed £4.0 billion in acquisitions to support a growth strategy that has delivered an adjusted earnings per share compound annual growth rate of 11% over the period.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

As we move into the recovery phase of the pandemic, the strength of our business model and the focus of all our colleagues on being a reliable partner to our customers continue to support the resilience of our business. While there remains some uncertainty around the speed of recovery across some of our markets, and the potential for future restrictions in light of increasing Covid-19 infection levels in certain regions, I am proud of how our colleagues are adapting quickly to each situation. We have seen a pleasing recovery in our base business across our business areas in the second quarter and I am glad to see activity within our foodservice and retail customers improve. Furthermore, with demand for Covid-19 related products declining as expected, I am pleased that the business has delivered underlying revenue that is 5.7% higher than the pre-pandemic period in the first half of 2019, demonstrating once again the resilience of the Bunzl business model.

Over the first half of 2021, our revenue performance year-on-year reflected a recovery in our base business as restrictions eased, with a partial offset from the decline in Covid-19 related sales. Despite a significant reduction in larger Covid-19 related orders compared to the prior year, smaller Covid-19 related sales were supported by price inflation on certain products over much of the period. Overall, whilst we have seen a strong recovery in the base business it remains below 2019 levels and higher margin Covid-19 related orders remain ahead of 2019 levels, which together with price inflation have supported the strength of our operating margin. The price inflation in Covid-19 related products which supported performance in the first half started to normalise in the second quarter and our 2021 outlook reflects the expected impact on sales and profit in the second half due to continued price deflation of these products.

Our performance since the start of the pandemic has demonstrated the strength of our business model and the consistent delivery of our strategy. We have continued to drive growth over this challenging period due to both the resilience of our model and our continued success in acquiring high quality businesses. Whilst there is much focus on the near term as we navigate the next phase of the pandemic, we continue to invest for the longer term, with a particular focus on accelerating the sustainable solutions and digital customer tools we offer. Bunzl's focus on innovation supports our compounding track record which has delivered 11% adjusted earnings per share CAGR since 2004 and 28 years of consecutive dividend growth.

Operating performance

With over 90% of operating profit generated outside the UK, and due to the strength of sterling, the Group's revenue, profits and earnings were adversely impacted by between 6% and 8% by currency translation over the first half of 2021. The commentary below is stated at constant exchange rates unless otherwise highlighted.

In the first half of 2021 revenue increased 6.3% (0.4% at actual exchange rates) to £4,866.6 million. Within this, underlying revenue growth, which is organic growth of 2.0% adjusted for the impact of one less trading day, was 2.8%, with underlying revenue increasing 5.7% compared to the first half of 2019. In addition, acquisitions contributed revenue growth of 4.3% on the first half of 2021.

Within underlying revenue growth of 2.8%, sales of the top 8 Covid-19 related products, being masks, sanitisers, gloves, disinfectants, coveralls, disposable wipes, face shields and eye protection, and which are primarily own brand, contributed an underlying revenue decrease of 3.9%. This has been driven by the expected decline in larger orders which were a strong feature of 2020, generated predominately by governments and healthcare organisations. The second quarter of 2020 saw the largest contribution of such orders in the prior year as customers sought to build stocks of essential items at the start of the pandemic. Smaller Covid-19 related sales, generally made to existing customers, including Covid-19 related products that they may not have sourced previously, grew over the first half, driven by growth in the first quarter and product cost inflation, although the declines seen in the second quarter against the strong prior year comparative were moderate and the level of Covid-19 related sales in the second quarter remained meaningfully higher than pre-pandemic levels. The impact on underlying growth of the decline in Covid-19 related product sales was more than offset by recovery in the base business. Recovery in the base businesses benefited the Group's underlying revenue growth by 6.7%. This growth was driven by the recovery in the second quarter against a comparable period in 2020 that was negatively impacted by pandemic-related restrictions. The base business has seen strong recovery in the first half, with sales in the North America base business only moderately below 2019 levels and Rest of the World sales ahead of 2019 levels. Overall, however, the base business remains below pre-pandemic levels.

Performance across sectors and geographies has been reflective of differing levels of Covid-19 related restrictions, although all business areas saw a very strong recovery in the base business in the second quarter. Covid-19 related sales in North America grew moderately year-on-year, although declined in the second quarter, in part due to the beginning of the normalisation of pricing on certain Covid-19 related products. Alongside some product cost inflation on non-Covid-19 related products, North America achieved underlying revenue growth overall of 10.6%. Whilst there has been a recovery in the base businesses in Continental Europe and the UK & Ireland, the extent of recovery was impacted by the persistence of pandemic-related restrictions during the first half, whilst Covid-19 related sales were significantly impacted by the reduction in larger Covid-19 related sales which benefited both these business areas in the second quarter of 2020. Overall underlying revenue in Continental Europe and the UK & Ireland declined by 11.2% and 10.3%, respectively. After excluding larger Covid-19 related sales, underlying revenue grew modestly in Continental Europe and was broadly flat in UK & Ireland. The extended lockdowns in the first quarter, the importance of foodservice and non-food retail in the region and the decline in larger Covid-19 related sales, impacted the UK & Ireland operating margin in particular despite measures taken to improve operating efficiency. The Latin America base business overall is above pre-pandemic levels and continues to benefit significantly from Covid-19 related sales which continued to see very good growth, as well as both product and currency-driven price inflation. While Australasia was recovering well in the first quarter, the foodservice and safety businesses were impacted by increased Covid-19 related restrictions in Australia in the second quarter. In total, underlying revenue in the Rest of World grew by 12.3%, driven by Latin America.

Across the Group, recovery in the base business has been supported by the partial recovery of the foodservice and retail sectors, which together, and combined with Covid-19 related product sales in these sectors, experienced underlying revenue growth of 13%. The cleaning & hygiene, safety and healthcare sectors continued to benefit from Covid-19 related sales and product cost inflation in certain categories but were impacted by the decline in larger Covid related orders year on year. The base business recovery was impacted by the slow return to offices, mixed safety markets and hospital procedures remaining below pre-pandemic levels. Overall underlying revenue in the cleaning & hygiene, safety and healthcare sectors combined declined 9% year-on-year. Despite the stable performance in the first half of 2020, underlying revenue in the grocery and other sectors grew a further 7% year-on-year, supported by product cost inflation.

Adjusted operating profit was £366.8 million, an increase of 14.7% (7.6% at actual exchange rates) and operating margin in the first half of 2021 increased to 7.5% from 7.0% in the first half of 2020 at both constant and actual exchange rates. The increase in operating margin reflects the continued strength of higher margin sectors compared to pre-pandemic levels, inflation on certain Covid-19 related products over the period and a reduction in the net charge relating to inventory and credit loss provisions compared to the prior year. Reported operating profit was £304.1 million, an increase of 16.5% (8.8% at actual exchange rates), reflecting the 14.7% increase in adjusted operating profit and a smaller increase in customer relationships and brands amortisation and acquisition related items.

Adjusted profit before income tax was £338.4 million, an increase of 17.5% (10.3% at actual exchange rates) due to the growth in adjusted operating profit and a reduction in net finance expense. The lower net finance expense was due mainly to one off capital market costs incurred in the prior year, lower average interest rates on the Group's debt and lower lease interest expense. Reported profit before income tax was £275.7 million, an increase of 20.3% (up 12.3% at actual exchange rates).

Over the period the Group was informed that it was not within the scope of the European Union State aid decision against part of the UK's tax regime. The risk of having to pay any additional tax plus interest of up to £37 million in connection with the matter is now remote, whatever the EU General Court's eventual ruling. The effective tax rate of 23.5% was marginally lower than 23.8% in the first half of 2020 due to a reduction in the expected tax liabilities for prior periods. In future years, the Group's effective tax rate is expected to rise above 24% reflecting the absence of benefits seen in recent years from the favourable settlement of prior year exposures, as well as the increase in the UK tax rate and enforcement of a minimum tax rate for corporate profits globally. The proposed federal tax changes in the US would have a more meaningful impact to the Group, with the US Administration's proposals for Fiscal Year 2022 estimated to increase the Group's effective tax rate by 3% if fully implemented. Basic earnings per share were 63.3p, an increase of

22.0% (13.8% at actual exchange rates), and adjusted earnings per share were 77.7p, an increase of 18.1% (10.8% at actual exchange rates).

Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) remained strong over the period at 100%. Excluding the impact of advance payments from customers net of upfront payments to suppliers cash conversion was 107%. The Group delivered free cash flow of £225.2 million, although this was 16.1% lower than the first half of 2020 at actual exchange rates, due to a decrease in operating cash flow driven by a significant reduction in advance payments from customers net of upfront payments to suppliers for large orders of Covid-19 related products and also an increase in income tax paid partly offset by a decrease in net interest paid. Net capital expenditure of £15.3 million compares to £14.3 million in the first half of 2020 and reflects continued investment in IT and digital technologies, as well as warehouse consolidations. The Group ended the period with net debt, excluding lease liabilities, of £1,183.3 million and net debt to EBITDA, calculated at average exchange rates and in accordance with the Group's external debt covenants which are based on historical accounting standards, was 1.4 times compared to 1.5 times at the end of 2020.

Return on average operating capital increased to 46.1% compared to 45.4% at 31 December 2020 and return on invested capital was 16.5% compared to 16.2% at 31 December 2020, both due to an increase in adjusted operating profit, partly offset by a higher underlying average capital employed and lower returns from acquisitions.

Underlying growth and operational efficiency

Continued underlying growth in the first half of 2021 has reflected our ongoing ability to fulfil changing demands for different products across regions and sectors, supported by the Group's Asia sourcing and auditing operation based in Shanghai and our ability to secure essential products through a large network of Bunzl approved and audited suppliers. Digital technologies continue to support our performance, with 67% of orders placed in the first half of 2021 made digitally compared to 62% in 2019. Acceleration of our digital capabilities continues to be a key strategic priority for the business, given the value it provides to our customers and how it differentiates Bunzl's proposition. Similarly, momentum remains strong with customers looking to shift products to sustainable alternatives, with Bunzl taking a very proactive approach to supporting customers transition and with innovation in the area being a key competitive advantage for new business wins. In addition, we continued to focus on operational efficiencies, for example with the closure of three warehouses in the UK and the continued roll out of shared service capabilities in both Finance and HR in the UK & Ireland.

Acquisitions

Over the first half of the year, Bunzl's committed spend on acquisitions was £111 million, adding estimated annualised revenue of £104 million. Inclusive of a further two acquisitions announced today, year to date Bunzl has committed spend of £134 million and has added an estimated £127 million of annualised revenues. The eight announced transactions have locations across each of our four business areas.

In January we acquired Deliver Net, a healthcare distributor to care homes in the UK, with revenue of £20 million in 2020. In February we completed the acquisition of Disposable Discounter, an online distributor of foodservice disposable products with revenue of £18 million in 2020 and the acquisition of Pinnacle, a leading distributor of cleaning & hygiene products in Saskatchewan, Canada, with £11 million of revenue in 2020. In May we completed the acquisitions of Comax, a distributor to the leisure, janitorial, care home and foodservice sectors in the UK with revenue of £14 million in 2020, and Harvey Distributors, a cleaning & hygiene distributor in Australia with revenue of £4 million. Furthermore, in June we completed the acquisition of Obex Medical Holdings, a medical distribution business that supplies a broad range of healthcare equipment and devices in New Zealand that generated £27 million of revenue in 2020.

Today we are also announcing two further acquisitions, both of which are in Spain. We completed the acquisition of Proin Pinilla in July, the largest independent safety distributor to end-users in Spain, with a focus on Personal Protection Equipment (PPE) and specialising in workwear. The business generated £15 million of revenue in 2020. In addition, Bunzl also completed the acquisition of Arprosa in July, which also distributes PPE to end-users in Spain. The business generated £7 million of revenue in 2020. Both businesses strengthen our safety offering in Spain and will also further diversify our sector mix in the market.

Bunzl ended the first half with net debt to EBITDA of 1.4 times, despite the significant acquisition spend over the last two years, providing the Group with substantial capacity for further self-funded acquisitions. Our pipeline is active, and we see significant opportunities for continued acquisition growth in our existing markets, both where we have more limited and no sector presence, as well as potential to expand into new markets.

Equitable and sustainable growth

We understand our role as a proactive leader in the transition to a more sustainable and equitable future. We have an opportunity to support people, communities and the environment through our role in global supply chains. We laid out our priority focus areas for equitable and sustainable growth in our full year results announcement and look forward to updating you in October at our Capital Markets Day, with sustainability a key component of our strategic priorities.

North America

	H1 21 £m	**H1 20 £m**	Growth at constant exchange	Underlying growth
Revenue	**2,857.7**	**2,728.4**	14.4%	10.6%
Adjusted operating profit*	**199.9**	**154.2**	41.0%	
Operating margin*	**7.0%**	**5.7%**		

* Alternative performance measure (see Note 2)

In North America revenue increased 14.4% to £2,857.7 million, with underlying growth of 10.6%. Growth was driven by the positive impact of the MCR Safety acquisition in September 2020, the Snelling acquisition in December 2020, the acquisition of Pinnacle in February 2021, the reopening of foodservice and retail businesses across the US and product inflation in Covid-19 related products such as disposable gloves as well as packaging categories. The benefits of economic stimulus fuelled demand as restrictions were lifted over the course of the first half. Adjusted operating profit was up very strongly at £199.9 million with an operating margin of 7.0%, up from 5.7% largely as a result of the favourable impact of product inflation, the impact of recent higher margin acquisitions and the reduction in the charges relating to inventory and credit loss provisions from the high levels experienced in 2020 due to risk in the retail and foodservice sectors. Over the period, underlying operating cost inflation in wages and delivery costs was modest and more than offset by the positive impacts noted above.

In the US grocery sector, our largest business, revenue increased strongly as a result of product inflation and continued demand from consumers, although the availability of salad bars and other freshly prepared meals in grocery stores remained below pre-pandemic levels.

Our foodservice redistribution business also grew very strongly, benefiting from product cost inflation in certain Covid-19 related products, as well as the reopening of in-restaurant dining against a backdrop of strong consumer demand, with our global sourcing and category management programmes mitigating labour related manufacturer supply chain challenges. Takeaway packaging, a significant growth area in 2020, continued to grow in the first half, while sales of Covid-19 related products outside of disposable gloves largely returned to pre-pandemic levels. Overall, the base foodservice business is largely back to pre-pandemic levels. Our cleaning & hygiene redistribution business declined year-on-year, driven by a decline in Covid-19 related sales due to the impact of closures in education and high levels of remote working.

Our retail supplies business, which provides a broad range of value-added services including distribution, packaging, store opening and remodelling logistics and e-commerce packaging, was significantly impacted by Covid-19 related closures of department stores and clothing-based retailers in the second quarter of 2020. With many US retailers having reopened for most of the first half of 2021, as well as significant consumer demand, sales grew very strongly. While online trading has slowed at most retailers, click and collect programmes rolled out during the pandemic continued to provide sales growth in the first half, with stores remaining a key fulfilment channel for online orders in the US.

Our safety business grew very strongly due to the favourable impact of the MCR Safety acquisition, which has performed well. Excluding acquisitions, growth was modest due to product cost inflation in relation to disposable gloves although demand in certain end markets softened such as in the oil and gas and industrial sectors. Supply chain issues further impacted performance.

Our businesses serving the food processor and agricultural sectors saw continued good underlying revenue growth across its product categories driven by strong consumer demand and increased sales of packaging in support of certain pandemic-related government food programmes. A strong focus on own brand and supply chain management ensured continuity of supply as demand increased. Capacity related increases in freight costs were a partial offset to profit growth. Our distribution footprint continues to evolve, particularly in the agricultural segment, to align with that of our produce grower customers, which enables us to use local in-market distribution to provide value-added solutions for our customers.

Our business serving the convenience store sector saw slight growth but continued to be impacted by travel reductions driven by Covid-19 related shutdowns, although we exited the second quarter with volumes improving as restrictions were further lifted.

Finally, our business in Canada grew very strongly, both from the Snelling acquisition and strong demand in the grocery, safety and industrial supplies segments offsetting softness in foodservice related to Canada’s extended lockdowns.

Continental Europe

	H1 21 £m	**H1 20 £m**	Growth at constant exchange	Underlying growth
Revenue	**971.8**	**1,088.7**	(8.7)%	(11.2)%
Adjusted operating profit*	**91.8**	**123.9**	(22.3)%	
Operating margin*	**9.4%**	**11.4%**		

* Alternative performance measure (see Note 2)

Revenue in Continental Europe declined by 8.7% to £971.8 million, due to a significantly lower level of larger Covid-19 related sales to government bodies, but benefited from the acquisition of ICM in October 2020 and Disposable Discounter in February 2021. Underlying revenue in Continental Europe declined by 11.2%, although after excluding the larger Covid-19 related sales increased moderately compared to the same period in 2020. The negative impact of Covid-19 related lockdowns for most of the period on the foodservice, contract cleaning and non-food retail customers limited the strength of recovery on the prior year and whilst smaller Covid-19 related sales remained well ahead of those seen in 2019 these orders declined slightly year-on-year. Adjusted operating profit declined by 22.3% to £91.8 million with operating margin decreasing to 9.4% from 11.4% in the prior year primarily due to the effect of the decline in larger

Covid-19 related sales on a largely fixed cost base. This margin decline was despite a reduction in the charges relating to inventory and credit loss provisions compared to those taken in 2020 in the retail and foodservice sectors.

In France, revenue was lower in our cleaning & hygiene businesses as lockdowns resulted in lower sales to foodservice and contract cleaning customers that were only partially offset by increased sales to the public sector. Our safety business saw a significant reduction in sales of Covid-19 related products and slower sales to the industrial and construction sectors. However, our foodservice businesses have seen significantly higher sales as the impact from lockdowns has been less severe on both catering disposables and catering equipment than in the first half of 2020, although revenue remains significantly below that of 2019. As part of our ongoing strategy of improving our operating platform we relocated two French businesses to new warehouses in Rennes.

In the Netherlands, there was continued modest sales growth in the grocery and good growth in e-commerce fulfilment sectors but sales in the foodservice and non-food retail businesses were significantly lower due to the continued impact of lockdowns. Sales in healthcare were also lower due to the reduced level of non-Covid-19 related healthcare treatments during the pandemic. In our safety business, sales of Covid-19 related items were significantly lower driven by the non-recurrence of the larger orders from government bodies. Sales of cool gel packaging continued to grow well, in support of e-commerce customers. Disposable Discounter is trading well and is ahead of expectations, benefiting from strong growth in the takeaway sector.

In Belgium, our cleaning & hygiene businesses were significantly adversely affected by the lockdown impacting on their catering and contract cleaning customers as well as from the absence of larger Covid-19 related sales delivered at the start of the pandemic last year. Revenue at our grocery business was stable as lower sales to supermarkets were offset by increased business with food processors.

In Germany, our foodservice business continued to suffer from the lockdown while sales in our healthcare business were slightly lower due to fewer sales of Covid-19 related products. Sales of safety, workwear, incontinence and home care products grew well. In Switzerland, sales were flat as the continued impact of lockdown on the foodservice sector was offset by growth in the medical and industrial sectors. In Austria, our packaging business also reported stable revenue, with stronger industrial packaging sales offsetting some weakness in the food processing sector.

In Denmark, the foodservice businesses have been adversely impacted by lockdown and we generated lower sales in the safety and cleaning sectors due to lower demand for Covid-19 related products. This has been partly offset by stronger sales of consumables and capital equipment to the grocery sector. ICM, the safety business acquired in October 2020, is trading well although with slightly lower sales to the wind energy sector than expected. In Norway, our catering equipment business saw higher sales due to a less severe impact from lockdowns, however sales of equipment remain below 2019 levels.

Sales grew strongly in Spain, despite the impact of lockdowns on the foodservice business, with a good recovery in the base safety business. Our industrial and disposable packaging business continues to grow very strongly and our online medical business, which has recently opened a second warehouse in Belgium to accelerate growth in northern Europe, demonstrated robust growth. In Italy, our safety business has seen higher sales, particularly of products unrelated to Covid-19 with improved stock availability and an increase in industrial activity.

In Turkey, sales of safety products and of PPE to hospitals, food processors and grocery stores have grown very well. In addition, we continue to benefit from product price inflation in the country. In Israel, sales were significantly higher in both the bakery and foodservice sectors due to the earlier release from lockdowns than in most of the rest of Continental Europe.

In Hungary, sales to the foodservice sector increased due to higher takeaway packaging volumes and better sales to the grocery sector, redistributors and the government which offset declines in the industrial and agricultural sectors. Sales were broadly flat in Romania with stronger grocery sales offsetting lower levels of activity in the safety and cleaning sectors. In the Czech Republic, good sales of safety products more than offset lower sales to the grocery sector.

UK & Ireland

	H1 21 £m	**H1 20 £m**	Growth at constant exchange	Underlying growth
Revenue	**579.6**	**626.1**	(7.3)%	(10.3)%
Adjusted operating profit*	**22.8**	**29.4**	(22.2)%	
Operating margin*	**3.9%**	**4.7%**		

* Alternative performance measure (see Note 2)

In UK & Ireland, revenue declined by 7.3% to £579.6 million, with underlying revenue declining by 10.3%, driven by restrictions at the beginning of the year and the decline in larger Covid-19 related sales. Excluding the larger Covid-19 related sales, underlying revenue was broadly flat with the speed of recovery of the base business impacted by prolonged Covid-19 related restrictions and smaller Covid-19 related sales falling compared to the prior year. Total revenue growth was supported by the acquisitions of Abco Kovex in September 2020, Deliver Net in January 2021 and Comax in May 2021. Adjusted operating profit reduced to £22.8 million, down 22.2% compared to the prior year, and operating margin declined to 3.9%. The operating margin reflects the decline in larger Covid-19 related sales on a largely fixed cost base and the impact of our base business where margins still remain lower than pre-pandemic levels and continue to reflect below capacity activity. The margin reduction was despite a reduction in the charges relating to inventory and credit loss provisions compared to those taken in 2020 in the retail and foodservice sectors.

Revenue in our safety businesses declined significantly during the first half of the year as both manufacturing and construction customers have been slow to return to normal activity whilst at the same time sales of Covid-19 related items reduced. Major infrastructure projects across the UK are several months behind schedule and both labour and materials shortages are limiting a return to normal activity levels in our target sectors.

Our cleaning & hygiene supplies business has also seen a decline in revenues as offices, entertainment venues and travel hubs have remained closed or operating with minimal staff, with many employees working from home. The business continues to win new customers and has expanded its sustainable product offering and carbon footprint tools to help customers achieve their environmental targets supported by state of the art flexible digital solutions.

Our grocery business started the year with several new customer wins. Demand for Covid-19 related products has declined but has been replaced with a return to a more normal trading environment, including the opening up of in-store counter operations. In our non-food retail packaging businesses we have seen good growth in online packaging products such as cardboard and void fill but a decline in high street packaging as lockdowns resulted in continuing shop closures until April.

The pandemic has continued to cause disruption to our foodservice businesses, with lockdowns from January to April and restrictions remaining throughout most of the second quarter. Social distancing rules have resulted in reduced capacities in restaurants and hotels, large numbers of the workforce have been working from home and there have been limits on travel and large-scale events. However, with most restrictions now lifted, the hospitality industry is starting to reopen as we enter the second half of the year. Encouragingly, at the end of the first half, the foodservice business was already in a stronger position than it started the second quarter, although it remains significantly below 2019 levels.

Our healthcare businesses have continued to supply PPE to both hospitals and the NHS direct which has resulted in very strong growth in this sector, although elective surgery remains below normal levels. We have secured new business in the private healthcare market which should see good growth as these institutions are expected to help support the NHS in addressing the backlog caused by Covid-19 hospitalisations.

Ireland has been impacted by a continuation of lockdowns in both Northern Ireland and the Republic of Ireland. Our foodservice business has struggled with restaurant and hotel closures in the first few months of 2021 but is starting to recover as lockdowns ease. Demand for Covid-19 related products also softened in the first half of the year. We continue to invest in our digital platforms to improve our customers' experience coupled with a strong range of sustainable products. Abco Kovex is performing well with good growth in transit packaging.

During the period we have continued to implement a number of operational efficiency plans, exiting two catering warehouses in Mansfield and Kenfig and one healthcare warehouse in Leicester. The roll out of our shared service capabilities in both Finance and HR continues and additional implementations of warehouse and transport management systems are currently underway in several businesses alongside a new stock management tool utilising AI technology. Investment continues with a large-scale expansion of our sustainability offerings both in new products and new insight tools to help our customers achieve their goals in this area. We have strengthened our credentials in this area by trialling biofuel in our commercial fleet and offering fully electric cars to our drivers.

Rest of the World

	H1 21 £m	**H1 20 £m**	Growth at constant exchange	Underlying growth
Revenue	**457.5**	**403.1**	16.9%	12.3%
Adjusted operating profit*	**64.8**	**47.3**	45.3%	
Operating margin*	**14.2%**	**11.7%**		

* Alternative performance measure (see Note 2)

In Rest of the World, revenue increased 16.9% to £457.5 million, with underlying growth of 12.3% driven by very strong growth in Latin America. Whilst the business area continues to benefit from the sale of Covid-19 related products, the base business is also trading above 2019 levels. The acquisitions of SP Equipamentos in Brazil in November 2020, Obex Medical Holdings in New Zealand in June 2021 and Harvey Distributors in Australia in May 2021 further supported revenue growth. Adjusted operating profit grew by 45.3% to £64.8 million with operating margin increasing to 14.2% from 11.7% in the prior year due to ongoing demand for Covid-19 related products, supported by product cost inflation on certain products such as disposable gloves.

In Brazil, our safety businesses saw very strong growth as demand for PPE was robust and product cost inflation remained high. Our recent acquisition SP Equipamentos has integrated well into the region and is trading significantly ahead of expectations. In the foodservice sector, growth was also very strong due to a high demand for disposable gloves and the continued benefit of inflation. However, in both the safety and foodservice sectors, prices of disposable gloves started to normalise in the second quarter. Our cleaning and hygiene business has been impacted by the soft market. In the healthcare sector, our dental business bounced back strongly from the lockdowns at the start of the pandemic and traded significantly above the prior year and 2019. Our medical businesses also saw very strong growth as the return of routine medical procedures and additional sales of vaccine-related consumables drove higher volumes and price inflation remained high.

In Chile, our safety businesses saw good results despite reduced sales of Covid-19 related products. High copper prices and strong underlying demand allowed our full-range safety business to grow sales across all its channels. Our specialist safety footwear business, which had seen sales decline last year due to the pandemic, also benefited from a successful turnaround and strong demand. Our catering supplies business delivered very good growth as the foodservice sector began to reopen and our broad range and high product availability, particularly of sustainable products, proved to be a significant advantage.

In Mexico, sales were significantly lower as the exceptional demand for Covid-19 related PPE from last year did not repeat and the underlying industrial demand remained weak. Additionally, our business was also negatively impacted by country-wide supply chain challenges and product shortages.

In Colombia, both our safety businesses saw lower sales as they were unable to repeat last year's high sales of Covid-19 related products. In Argentina, our safety business continued to grow as a result of strong price inflation and in Peru sales grew very well from both a strong rebound in the underlying business and the continued sales of Covid-19 related products.

Australasia, our largest business in the region, which is positioned well in the healthcare and cleaning & hygiene sectors, has delivered a resilient performance. The business has benefited from continued strong demand for cleaning & hygiene products from their traditional customer base in aged, primary and community care. However, the increased volumes have been offset by a downturn in our traditional hospitality business where customers have been closed or operating at reduced capacity due to pandemic-related restrictions in the second quarter, reversing the partial recovery seen in the first quarter.

Our Australian speciality healthcare business grew but has been impacted by manufacturer supply challenges in the first half, due to increasing demand in the US and Europe as business reopens in these regions. Locally we experienced softening demand for Covid-19 testing swabs, which has been offset by increased demand in pathology and blood collection as patients resumed visits to doctors' surgeries. We have also seen a positive impact from the increased hygiene awareness and uptake from traditional winter flu season demand.

Our Australian safety businesses declined as some areas were impacted by customer closures. The business successfully offset much of this impact with strong sales of non-Covid-19 related PPE and hygiene products across its wider customer base. FRSA, our emergency services speciality business, has also experienced some supply chain and shipping delays, however, sales are up on last year and the delayed orders will flow into the second half.

In Asia, our safety business in Singapore performed well again, benefiting from continuing demand for Covid-19 related PPE and cleaning & hygiene products. The business also launched a new webshop for PPE and has been successful in expanding its product and service offering across new and existing customers.

Prospects

The Group's guidance for the year is unchanged from the pre-close statement.

At constant exchange rates, underlying revenue is expected to be moderately higher in 2021 compared to 2019, demonstrating the quality and resilience of the Bunzl business model. Announced acquisitions will further support growth and the Group expects adjusted operating margin for the year to be slightly ahead of historical levels.

At constant exchange rates, compared to 2020, revenue growth in North America is expected to be robust driven by the continued benefit from acquisitions and a recovery in the base business. Revenue in both Continental Europe and UK & Ireland is expected to decline due to the higher proportion of larger orders seen in 2020 which were strong contributors to growth, with Continental Europe seeing particularly strong growth in the first half of 2020. Rest of the World revenue growth is expected to be robust, driven by recent acquisitions in Australasia and first half strong growth in Latin America.

With 2021 continuing to reflect pandemic-related dynamics, we expect to see a further normalisation of Group operating margins in 2022 to more historical levels, as the mix of sector and product sales returns to more typical levels for the Group.

Looking ahead, the Group's longer term prospects remain attractive, with the last 18 months reinforcing the resilience and quality of the Bunzl model by demonstrating the agility that comes with our decentralised business model, the critical role we play in supply chains and to customers and our highly cash generative nature. We expect to see benefit from a continued recovery in the base business, support to our safety businesses from economic stimuli, enhanced hygiene trends, and we believe that our credentials as a proactive leader in providing sustainable solutions are a growing competitive advantage. Further, we believe the merits of joining the Bunzl family have only been strengthened as a result of the pandemic and this is reflected in the conversations we are having with a number of acquisition targets. The Group remains committed to creating value through its proven and consistent strategy of driving organic growth, delivering operational improvements and further consolidating our markets through strategic acquisitions.

FINANCIAL REVIEW

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

Currency translation

Currency translation had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 6% and 8%. The adverse translation impact was primarily due to the strengthening of sterling against the US dollar, and also the euro, Canadian dollar and Brazilian real, partly offset by the positive impact of the weakening of sterling against the Australian dollar.

Average exchange rates	**Six months to 30.6.21**	Six months to 30.6.20
US$	**1.39**	1.26
Euro	**1.15**	1.14
Canadian$	**1.73**	1.72
Brazilian real	**7.48**	6.18
Australian$	**1.80**	1.92

Closing exchange rates	**30.6.21**	30.6.20
US$	**1.38**	1.24
Euro	**1.16**	1.10
Canadian$	**1.71**	1.68
Brazilian real	**6.93**	6.78
Australian$	**1.84**	1.79

Revenue

Revenue increased to £4,866.6 million (2020 H1: £4,846.3 million), an increase of 6.3% at constant exchange rates (up 0.4% at actual exchange rates), due to underlying growth of 2.8% and the benefit of acquisitions partly offset by the impact of one less trading day with 2020 being a leap year.

Movement in revenue	£m
2020 H1 revenue	4,846.3
Currency translation	(266.8)
2020 H1 at constant exchange rates	4,579.5
Impact of one less trading day	(36.0)
2020 H1 rebased	4,543.5
Underlying growth	128.2
Acquisitions	194.9
2021 H1 revenue	**4,866.6**

Operating profit

Adjusted operating profit increased to £366.8 million (2020 H1: £340.8 million), an increase of 14.7% at constant exchange rates and 7.6% at actual exchange rates. At constant exchange rates the operating margin increased by 55 basis points from 7.0% to 7.5% (up 51 basis points at actual exchange rates). This improvement in operating margin was primarily driven by the recovery in the underlying business and a reduction in charges relating to inventory and credit loss provisions compared to the prior period partially offset by a reduction in the positive impact from sales of Covid-19 related products.

During the six months to 30 June 2021, there has been no significant changes to receivables provisions. However, the Group has seen a further increase in the level of slow moving inventory as the Covid-19 pandemic and the associated government imposed control measures have continued to impact customer demand across a range of market sectors. This has resulted in a net charge of approximately £10 million in the period to increase slow moving inventory provisions.

Movement in adjusted operating profit	£m
2020 H1 adjusted operating profit	340.8
Currency translation	(20.9)
2020 H1 at constant exchange rates	319.9
Growth in the period	46.9
2021 H1 adjusted operating profit	**366.8**

Operating profit was £304.1 million (2020 H1: £279.4 million), an increase of 16.5% at constant exchange rates and 8.8% at actual exchange rates.

Movement in operating profit	£m
2020 H1 operating profit	279.4
Currency translation	(18.4)
2020 H1 at constant exchange rates	261.0
Growth in adjusted operating profit	46.9
Increase in customer relationships and brands amortisation and acquisition related items	(3.8)
2021 H1 operating profit	**304.1**

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

Net finance expense

The net finance expense of £28.4 million decreased by £3.5 million at constant exchange rates (down £5.6 million at actual exchange rates), mainly due to one off capital market costs incurred in the prior year, lower average interest rates on the Group's debt, and lower lease interest expense.

Profit before income tax

Adjusted profit before income tax was £338.4 million (2020 H1: £306.8 million), up 17.5% at constant exchange rates (up 10.3% at actual exchange rates) due to the growth in adjusted operating profit and the reduction in net finance expense. Profit before income tax increased to £275.7 million (2020 H1: £245.4 million), an increase of 20.3% at constant exchange rates (up 12.3% at actual exchange rates).

Taxation

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

The effective tax rate (being the tax rate on adjusted profit before income tax) for the period was 23.5% (2020 H1: 23.8%) and the reported tax rate on statutory profit was 23.5% (2020 H1: 24.4%). Both the effective and reported tax rates for 2021 are lower than the prior period due to a reduction in the expected tax liabilities for prior periods. In the medium term the effective tax rate is likely to increase by between 1% and 2% due to the absence of these benefits and the impact of tax changes in the UK and other countries. Should the US administration’s Fiscal Year 2022 proposals for corporate tax changes be enacted, a further increase in the effective tax rate of up to 3% is likely.

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

Earnings per share

Profit after tax increased to £211.0 million (2020 H1: £185.5 million), up 21.9% and an increase of £37.9 million at constant exchange rates (up 13.7% at actual exchange rates), due to a £46.6 million increase in profit before income tax, partly offset by an £8.7 million increase in the tax charge at constant exchange rates.

Adjusted profit after tax was £258.9 million (2020 H1: £233.8 million), up 17.9% and an increase of £39.4 million at constant exchange rates (up 10.7% at actual exchange rates), due to a £50.4 million increase in adjusted profit before income tax, partly offset by an £11.0 million increase in the tax on adjusted profit before income tax at constant exchange rates.

The weighted average number of shares in issue decreased from 333.5 million in the period ended 30 June 2020 to 333.4 million due to share purchases into the employee benefit trust partly offset by employee share option exercises.

Basic earnings per share were 63.3p (2020 H1: 55.6p), up 22.0% at constant exchange rates (up 13.8% at actual exchange rates). Adjusted earnings per share were 77.7p (2020 H1: 70.1p), an increase of 18.1% at constant exchange rates (up 10.8% at actual exchange rates).

Movement in basic earnings per share	**Pence**
2020 basic earnings per share	55.6
Currency translation	(3.7)
Increase in adjusted profit before income tax	11.5
Increase in customer relationships and brands amortisation and acquisition related items	(0.9)
Decrease in reported tax rate	0.8
Decrease in weighted average number of shares	-
2021 H1 basic earnings per share	**63.3**

Movement in adjusted earnings per share	**Pence**
2020 adjusted earnings per share	70.1
Currency translation	(4.3)
Increase in adjusted profit before income tax	11.5
Decrease in effective tax rate	0.3
Decrease in weighted average number of shares	0.1
2021 H1 adjusted earnings per share	**77.7**

Dividends

The Company's practice in recent years has been to pay a progressive dividend, delivering year-on-year increases with the dividend usually growing at a similar rate to the growth in adjusted earnings per share. However, performance in 2021 has continued to benefit from sales of Covid-19 related products and inflation on certain Covid-19 related products, the impacts of which are not expected to be repeated in the second half of 2021 and into 2022. The approach to setting the 2021 interim dividend therefore needs to reflect more closely a normalised level of growth in adjusted earnings per share for the full year which might otherwise have been anticipated without the above benefits. As a consequence, the Board is proposing a 2021 interim dividend of 16.2p, an increase of 2.5% on the 2020 interim dividend of 15.8p.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Group's long-term track record of strong cash generation provides the Company with the financial flexibility to fund a growing dividend.

Acquisitions

The Group completed six acquisitions during the period ended 30 June 2021 with a total committed spend of £111.4 million, contributing £28.0 million to the Group's revenue and £3.5 million to the Group's adjusted operating profit for the six months ended 30 June 2021. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the period were £104 million and £15 million respectively.

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

	£m
Fair value of net assets acquired	36.6
Goodwill	52.0
Consideration	88.6
Satisfied by:	
cash consideration	77.7
deferred consideration	10.9
	88.6
Contingent payments relating to the retention of former owners	13.9
Net overdrafts acquired	5.2
Transaction costs and expenses	3.7
Total committed spend in respect of acquisitions completed in the current period	**111.4**

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

	£m
Cash consideration	77.7
Net overdrafts acquired	5.2
Deferred consideration payments	3.6
Net cash outflow in respect of acquisitions	86.5
Acquisition related items	6.5
Total cash outflow in respect of acquisitions	93.0

Acquisition related items comprised £4.5 million of transaction costs and expenses paid and £2.0 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 30.6.21 £m	Six months to 30.6.20 £m
Cash generated from operations†	**447.6**	460.7
Payment of lease liabilities	**(78.7)**	(79.4)
Net capital expenditure	**(15.3)**	(14.3)
Operating cash flow†	**353.6**	367.0
Net interest paid excluding interest on lease liabilities	**(19.3)**	(30.1)
Income tax paid	**(109.1)**	(68.6)
Free cash flow	**225.2**	268.3
Dividends paid	**(52.8)**	(51.7)
Acquisitions◊	**(93.0)**	(75.2)
Net (payments)/receipts relating to employee share schemes	**(25.5)**	2.0
Net cash inflow	**53.9**	143.4

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

The Group's free cash flow of £225.2 million was £43.1 million lower than in the comparable period, due to a decrease in operating cash flow and an increase in income tax paid mainly from higher instalment payments and higher final payments on prior year profits, partly offset by a decrease in net interest paid excluding interest on lease liabilities. The Group's free cash flow was primarily used to finance an acquisition cash outflow of £93.0 million (2020 H1: £75.2 million) and dividend payments of £52.8 million in respect of 2020 (2020 H1: £51.7 million in respect of 2019). Cash conversion (being the ratio of operating cash flow to lease adjusted operating profit) for the six months to 30 June 2021 was 100% (2020 H1: 112%, 2020 YE: 103%). Last year was positively impacted by advanced payments from customers net of advanced payments to suppliers for large orders of PPE relating to Covid-19, with a benefit of approximately £68 million at 30 June 2020 and approximately £34 million at 31 December 2020. The value of these net advanced payments reduced to approximately £8 million at 30 June 2021. Excluding the movements in these net advanced payments cash conversion was 107% in the six months to 30 June 2021 (2020 H1: 91%, 2020 YE: 99%).

	Six months to 30.6.21 £m	Six months to 30.6.20 £m
Operating cash flow	**353.6**	367.0
Adjusted operating profit	**366.8**	340.8
Add back depreciation of right-of-use assets	**66.5**	66.8
Deduct payment of lease liabilities	**(78.7)**	(79.4)
Lease adjusted operating profit	**354.6**	328.2
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**100%**	112%

Net debt

Net debt excluding lease liabilities decreased by £71.7 million during the period to £1,183.3 million (31 December 2020: £1,255.0 million), due to a net cash inflow of £53.9 million and a £17.8 million decrease due to currency translation. Net debt including lease liabilities was £1,683.9 million (31 December 2020: £1,752.5 million).

Net debt to EBITDA calculated at average exchange rates and based on historical accounting standards, in accordance with the Group's external debt covenants, was 1.4 times (31 December 2020: 1.5 times). Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.7 times (31 December 2020: 1.8 times).

Balance sheet

Summary balance sheet	30.6.21 £m	30.6.20 £m	31.12.20 £m
Intangible assets	**2,453.1**	2,358.9	2,441.9
Right-of-use assets	**458.2**	440.5	453.4
Property, plant and equipment	**118.1**	122.5	122.7
Working capital	**1,020.3**	977.1	1,021.4
Other net liabilities	**(429.5)**	(277.7)	(323.0)
	3,620.2	3,621.3	3,716.4
Net pensions deficit	**(10.5)**	(57.1)	(44.8)
Net debt excluding lease liabilities	**(1,183.3)**	(1,177.2)	(1,255.0)
Lease liabilities	**(500.6)**	(488.7)	(497.5)
Equity	**1,925.8**	1,898.3	1,919.1
Return on average operating capital	**46.1%**	39.7%	45.4%
Return on invested capital	**16.5%**	14.4%	16.2%

Return on average operating capital increased to 46.1% from 45.4% at 31 December 2020 and return on invested capital increased to 16.5% from 16.2% at 31 December 2020, both driven by a higher underlying operating profit, partially offset by the impact of higher underlying average capital employed and the lower return on capital from acquisitions.

Intangible assets increased by £11.2 million from 31 December 2020 to £2,453.1 million from goodwill, customer relationships, brands and software arising on acquisitions in the period of £105.7 million and software additions of £5.1 million, partly offset by an amortisation charge of £55.9 million and a decrease from currency translation of £43.7 million.

Right-of-use assets increased by £4.8 million from 31 December 2020 to £458.2 million due to new leases during the period of £56.8 million, an increase from acquisitions of £8.2 million and an increase from remeasurement adjustments of £13.6 million partly offset by a depreciation charge of £66.5 million and a decrease from currency translation of £7.3 million.

Working capital decreased by £1.1 million from 31 December 2020 to £1,020.3 million primarily from currency translation, partly offset by an increase in the underlying business and acquisitions.

Other net liabilities increased by £106.5 million from 31 December 2020 to £429.5 million primarily due to the recognition of the 2020 final dividend payable of £127.6 million, which was paid on 1 July 2021.

The Group's net pension deficit of £10.5 million at 30 June 2021 was £34.3 million lower than at 31 December 2020, largely due to an actuarial gain of £32.6 million. The actuarial gain arose as a result of a decrease in the present value of scheme liabilities from changes in assumptions, principally higher discount rates, partly offset by the actual return on scheme assets being lower than expected.

Shareholders' equity increased by £6.7 million from £1,919.1 million at 31 December 2020 to £1,925.8 million.

Movement in shareholders' equity	**£m**
Shareholders' equity at 31 December 2020	1,919.1
Profit for the period	211.0
Dividends	(180.4)
Currency (net of tax)	(32.2)
Actuarial gain on pension schemes (net of tax)	24.5
Share based payments (net of tax)	8.0
Employee share schemes (net of tax)	(24.2)
Shareholders' equity at 30 June 2021	**1,925.8**

Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group funds its operations through a mixture of shareholders' equity and bank and capital market borrowings. The Group's funding strategy is to maintain an investment grade credit rating and the Company's current credit rating with Standard & Poor's is BBB+. All borrowings are managed by a central treasury function and funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the borrowings have a range of maturities, are competitively priced and meet the demands of the business over time. There were no changes to the Group's approach to capital management during the 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 has revolving credit facilities, which reference GBP LIBOR. In preparation for the discontinuation of GBP LIBOR at the end of 2021, the Group has renegotiated the majority of these credit facilities to reference SONIA, the new GBP benchmark, with a view to renegotiating the remaining facilities before the end of 2021. This has not had an impact on the financial results for the six month period to 30 June 2021.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the six months ended 30 June 2021 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and senior bonds. At 30 June 2021 the nominal value of US private placement notes outstanding was £826.7 million (31 December 2020: £916.3 million) with maturities ranging from 2022 to 2028. The £300 million senior bond matures in 2025 and the £400 million bond matures in 2030. The Group's committed bank facilities mature between 2021 and 2025. At 30 June 2021 the available committed bank facilities totalled £1,011.6 million (31 December 2020: £978.0 million), none of which was drawn down (31 December 2020: £45.0 million drawn down), providing headroom of £1,011.6 million (31 December 2020: £933.0 million). The Group expects to make repayments in the 12 month period from the date of approval of these interim financial statements to the end of 31 August 2022 of approximately £54 million relating to maturing US private placement notes.

Going concern

The directors, having reassessed the principal risks and uncertainties, consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. In reaching this conclusion, the directors noted the Group's strong cash performance in the year, the substantial funding available to the Group as described above and the resilience of the Group to a range of possible downside scenarios including those relating to the potential further impacts of the Covid-19 pandemic. Further details are set out in Note 1 to the interim financial statements.

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 64 to 74 of the Annual Report for the year ended 31 December 2020. These were the risks of competitive pressures in the countries and markets in which the Group operates, financial collapse of either a large customer and/or a significant number of small customers, product cost deflation and inflation, the ability of the Group to complete and successfully integrate acquisitions, the risk of sustainability driven market changes, the risk of cyber-attacks on the Group's operations, 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 2020 Annual Report is available on the Company's website at www.bunzl.com.

Consolidated income statement
for the period ended 30 June 2021

	Notes	**Six months to 30.6.21 £m**	Six months to 30.6.20 £m	Year to 31.12.20 £m
Revenue	3	**4,866.6**	4,846.3	10,111.1
Operating profit	3	**304.1**	279.4	618.5
Finance income	4	**3.9**	5.5	10.4
Finance expense	4	**(32.3)**	(39.5)	(73.2)
Profit before income tax		**275.7**	245.4	555.7
Income tax	5	**(64.7)**	(59.9)	(125.7)
Profit for the period attributable to the Company's equity holders		**211.0**	185.5	430.0
Earnings per share attributable to the Company's equity holders				
Basic	7	**63.3p**	55.6p	128.8p
Diluted	7	**63.0p**	55.5p	128.3p
Dividend per share	6	**16.2p**	15.8p	54.1p
Additional dividend per share	6	**-**	35.8p	-

	Notes	**Six months to 30.6.21 £m**	Six months to 30.6.20 £m	Year to 31.12.20 £m
Alternative performance measures*				
Operating profit	3	**304.1**	279.4	618.5
Adjusted for:				
Customer relationships and brands amortisation	3	**51.7**	48.8	100.4
Acquisition related items	3	**11.0**	12.6	42.7
Non-recurring pension scheme charges	3	**-**	-	16.8
Adjusted operating profit	3	**366.8**	340.8	778.4
Finance income	4	**3.9**	5.5	10.4
Finance expense	4	**(32.3)**	(39.5)	(73.2)
Adjusted profit before income tax		**338.4**	306.8	715.6
Tax on adjusted profit	5	**(79.5)**	(73.0)	(165.1)
Adjusted profit for the period		**258.9**	233.8	550.5
Adjusted earnings per share	7	**77.7p**	70.1p	164.9p

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

Consolidated statement of comprehensive income

for the period ended 30 June 2021

	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Profit for the period	**211.0**	185.5	430.0
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	**32.6**	(18.2)	(16.2)
Gain/(loss) recognised in cash flow hedge reserve†	**2.9**	-	(8.5)
Tax on items that will not be reclassified to profit or loss	**(8.6)**	3.6	4.6
Total items that will not be reclassified to profit or loss	**26.9**	(14.6)	(20.1)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations	**(47.5)**	54.3	(63.5)
Gain/(loss) taken to equity as a result of effective net investment hedges	**9.8**	(29.9)	(15.9)
Gain recognised in cash flow hedge reserve†	**-**	0.8	-
Movement from cash flow hedge reserve to inventory/income statement†	**-**	(0.7)	-
Tax on items that may be reclassified to profit or loss	**0.1**	-	0.3
Total items that may be reclassified subsequently to profit or loss	**(37.6)**	24.5	(79.1)
Other comprehensive (expense)/income for the period	**(10.7)**	9.9	(99.2)
Total comprehensive income attributable to the Company's equity holders	**200.3**	195.4	330.8

† The presentation of the movements relating to the cash flow hedge reserve has been amended since the results were presented for the six months to 30 June 2020 to more appropriately reflect the requirements of IFRS 9. Given the immaterial amounts involved the prior year numbers for the six months to 30 June 2020 have not been reclassified.

Consolidated balance sheet
at 30 June 2021

	Notes	**30.6.21 £m**	30.6.20 £m	31.12.20 £m
Assets				
Property, plant and equipment		**118.1**	122.5	122.7
Right-of-use assets	8	**458.2**	440.5	453.4
Intangible assets	9	**2,453.1**	2,358.9	2,441.9
Defined benefit pension assets		**27.3**	3.9	0.4
Derivative financial assets		**8.7**	34.1	17.0
Deferred tax assets		**3.8**	2.5	2.5
Total non-current assets		**3,069.2**	2,962.4	3,037.9
Inventories		**1,474.0**	1,330.8	1,432.2
Trade and other receivables		**1,302.0**	1,358.9	1,395.8
Income tax receivable		**8.9**	7.3	6.6
Derivative financial assets		**11.0**	6.1	12.6
Cash at bank and in hand	13	**906.5**	830.9	944.3
Total current assets		**3,702.4**	3,534.0	3,791.5
Total assets		**6,771.6**	6,496.4	6,829.4
Equity				
Share capital		**108.4**	108.3	108.3
Share premium		**191.6**	185.0	187.7
Translation reserve		**(228.5)**	(87.4)	(190.9)
Other reserves		**19.7**	16.3	14.3
Retained earnings		**1,834.6**	1,676.1	1,799.7
Total equity attributable to the Company's equity holders		**1,925.8**	1,898.3	1,919.1
Liabilities				
Interest bearing loans and borrowings	13	**1,480.5**	1,347.6	1,615.2
Defined benefit pension liabilities		**37.8**	61.0	45.2
Other payables		**56.3**	29.9	50.2
Income tax payable		**2.0**	2.5	2.0
Provisions		**56.9**	36.3	55.7
Lease liabilities	12	**369.1**	359.7	368.4
Derivative financial liabilities		**20.0**	-	0.8
Deferred tax liabilities		**112.1**	119.7	105.1
Total non-current liabilities		**2,134.7**	1,956.7	2,242.6
Bank overdrafts	13	**546.6**	597.2	514.6
Interest bearing loans and borrowings	13	**54.5**	85.3	79.9
Trade and other payables		**1,918.8**	1,716.6	1,836.3
Income tax payable		**44.6**	85.0	75.7
Provisions		**8.5**	7.3	8.5
Lease liabilities	12	**131.5**	129.0	129.1
Derivative financial liabilities		**6.6**	21.0	23.6
Total current liabilities		**2,711.1**	2,641.4	2,667.7
Total liabilities		**4,845.8**	4,598.1	4,910.3
Total equity and liabilities		**6,771.6**	6,496.4	6,829.4

Consolidated statement of changes in equity
for the period ended 30 June 2021

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2021	**108.3**	**187.7**	**(190.9)**	**14.3**	**1,799.7**	**1,919.1**
Profit for the period					**211.0**	**211.0**
Actuarial gain on defined benefit pension schemes					**32.6**	**32.6**
Foreign currency translation differences on foreign operations			**(47.5)**			**(47.5)**
Gain taken to equity as a result of effective net investment hedges			**9.8**			**9.8**
Gain recognised in cash flow hedge reserve				**2.9**		**2.9**
Income tax credit/(charge) on other comprehensive expense			**0.1**	**(0.5)**	**(8.1)**	**(8.5)**
Total comprehensive income			**(37.6)**	**2.4**	**235.5**	**200.3**
2020 interim dividend					**(52.8)**	**(52.8)**
2020 final dividend					**(127.6)**	**(127.6)**
Movement from cash flow hedge reserve to inventory#				**3.0**		**3.0**
Issue of share capital	**0.1**	**3.9**				**4.0**
Employee trust shares					**(28.2)**	**(28.2)**
Share based payments					**8.0**	**8.0**
At 30 June 2021	**108.4**	**191.6**	**(228.5)**	**19.7**	**1,834.6**	**1,925.8**

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

Consolidated statement of changes in equity (continued)
for the period ended 30 June 2021

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2020	108.3	184.0	(111.8)	16.2	1,547.6	1,744.3
Profit for the year					430.0	430.0
Actuarial loss on defined benefit pension schemes					(16.2)	(16.2)
Foreign currency translation differences on foreign operations			(63.5)			(63.5)
Loss taken to equity as a result of effective net investment hedges			(15.9)			(15.9)
Loss recognised in cash flow hedge reserve				(8.5)		(8.5)
Income tax credit on other comprehensive expense			0.3	1.6	3.0	4.9
Total comprehensive income			(79.1)	(6.9)	416.8	330.8
2019 interim dividend					(51.7)	(51.7)
2019 additional interim dividend					(119.8)	(119.8)
Movement from cash flow hedge reserve to inventory#				5.0		5.0
Issue of share capital	-	3.7				3.7
Employee trust shares					(9.4)	(9.4)
Share based payments					16.2	16.2
At 31 December 2020	108.3	187.7	(190.9)	14.3	1,799.7	1,919.1

◊ Other reserves comprise merger reserve of £2.5m (30 June 2020: £2.5m; 31 December 2020: £2.5m), capital redemption reserve of £16.1m (30 June 2020: £16.1m; 31 December 2020: £16.1m) and a positive cash flow hedge reserve of £1.1m (30 June 2020: negative £2.3m; 31 December 2020: negative £4.3m).

† Retained earnings comprise earnings of £1,929.1m (30 June 2020: £1,742.2m; 31 December 2020: £1,873.1m), offset by own shares of £94.5m (30 June 2020: £66.1m; 31 December 2020: £73.4m).

The presentation of the movements relating to the cash flow hedge reserve has been amended since the results were presented for the six months to 30 June 2020 to more appropriately reflect the requirements of IFRS 9. Given the immaterial amounts involved the numbers for the six months to 30 June 2020 have not been reclassified.

Consolidated cash flow statement
for the period ended 30 June 2021

	Notes	**Six months to 30.6.21 £m**	Six months to 30.6.20 £m	Year to 31.12.20 £m
Cash flow from operating activities				
Profit before income tax		**275.7**	245.4	555.7
Adjusted for:				
net finance expense	4	**28.4**	34.0	62.8
customer relationships and brands amortisation	9	**51.7**	48.8	100.4
acquisition related items	3	**11.0**	12.6	42.7
non-recurring pension scheme charges	3	**-**	-	16.8
Adjusted operating profit		**366.8**	340.8	778.4
Adjustments:				
depreciation and software amortisation	16	**84.5**	85.3	171.7
other non-cash items	16	**4.9**	7.8	13.2
working capital movement	16	**(8.6)**	26.8	5.0
Cash generated from operations before acquisition related items		**447.6**	460.7	968.3
Cash outflow from acquisition related items	15	**(6.5)**	(13.2)	(24.3)
Income tax paid		**(109.1)**	(68.6)	(153.8)
Cash inflow from operating activities		**332.0**	378.9	790.2
Cash flow from investing activities				
Interest received		**2.4**	4.5	15.1
Purchase of property, plant and equipment and software		**(15.6)**	(14.5)	(33.1)
Sale of property, plant and equipment		**0.3**	0.2	1.2
Purchase of businesses	15	**(86.5)**	(62.0)	(363.2)
Cash outflow from investing activities		**(99.4)**	(71.8)	(380.0)
Cash flow from financing activities				
Interest paid excluding interest on lease liabilities		**(21.7)**	(34.6)	(56.6)
Dividends paid	6	**(52.8)**	(51.7)	(171.5)
Increase in borrowings		**-**	65.5	444.5
Repayment of borrowings		**(130.5)**	(107.7)	(133.5)
Realised gains/(losses) on foreign exchange contracts		**16.0**	(21.8)	(37.1)
Payment of lease liabilities - principal	12	**(68.7)**	(67.9)	(137.1)
Payment of lease liabilities - interest	12	**(10.0)**	(11.5)	(22.5)
Proceeds from issue of ordinary shares to settle share options		**4.0**	1.0	3.7
Proceeds from exercise of market purchase share options		**4.7**	1.0	37.0
Purchase of employee trust shares		**(34.2)**	-	(49.1)
Cash outflow from financing activities		**(293.2)**	(227.7)	(122.2)
(Decrease)/increase in cash and cash equivalents		**(60.6)**	79.4	288.0
Cash and cash equivalents at start of the period		**429.7**	140.8	140.8
(Decrease)/increase in cash and cash equivalents		**(60.6)**	79.4	288.0
Currency translation		**(9.2)**	13.5	0.9
Cash and cash equivalents at end of the period	13	**359.9**	233.7	429.7

Consolidated cash flow statement (continued)
for the period ended 30 June 2021

Alternative performance measures*	Notes	**Six months to 30.6.21 £m**	Six months to 30.6.20 £m	Year to 31.12.20 £m
Cash generated from operations before acquisition related items		**447.6**	460.7	968.3
Purchase of property, plant and equipment and software		**(15.6)**	(14.5)	(33.1)
Sale of property, plant and equipment		**0.3**	0.2	1.2
Payment of lease liabilities	12	**(78.7)**	(79.4)	(159.6)
Operating cash flow		**353.6**	367.0	776.8
Adjusted operating profit		**366.8**	340.8	778.4
Add back depreciation of right-of-use assets	8	**66.5**	66.8	134.8
Deduct payment of lease liabilities	12	**(78.7)**	(79.4)	(159.6)
Lease adjusted operating profit		**354.6**	328.2	753.6
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**100%**	112%	103%
Operating cash flow		**353.6**	367.0	776.8
Net interest paid excluding interest on lease liabilities		**(19.3)**	(30.1)	(41.5)
Income tax paid		**(109.1)**	(68.6)	(153.8)
Free cash flow		**225.2**	268.3	581.5

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

Notes

1. Basis of preparation and accounting policies

The condensed interim financial statements (the 'interim financial statements') of Bunzl plc ('the Company') for the six months ended 30 June 2021, with comparative figures for the six months ended 30 June 2020, 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 2021 is set out in the Independent review report on page 44. The comparative figures for the year ended 31 December 2020 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.

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

The interim financial statements for the six month period ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), as issued by the International Accounting Standards Board (IASB), the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The interim report does not include all of the notes of the type normally included in the Annual Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2020, which has been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), "International Accounting Standards in conformity with the requirements of the Companies Act 2006" and "International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union".

The accounting policies adopted are consistent with those of the corresponding interim reporting period, and previous financial year except for the estimation of income tax (see Note 5). The Group has adopted all relevant amendments to existing standards issued by the IASB and UK Endorsement Board that are effective from 1 January 2021 with no material impact on its consolidated results or financial position.

Going Concern

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

In reaching this conclusion, the directors noted the Group's strong operating cash flow performance in the first half of the year and the substantial funding available to the Group as described in the Financial Review. The directors also considered a range of different forecast scenarios for the 12 month period from the date of approval of these interim financial statements to the end of 31 August 2022 starting with a base case projection excluding any non-committed acquisition spend or changes in funding. The resilience of the Group to a range of possible downside scenarios was factored into the directors' considerations through two levels of stress testing against the base case projection. This involved sensitising for the potential for further adverse impacts from the Covid-19 pandemic; firstly reflecting the possibility of further outbreaks and lockdown restrictions during the winter months in the northern hemisphere, together with the impact of deflation on Covid-19 related products; and secondly to reflect the possibility of the adverse impacts of the pandemic continuing further into 2022 and a slower recovery of the businesses adversely impacted. In all scenarios modelled the Group maintains sufficient funding headroom and is in compliance with its debt covenants throughout the period of assessment. The directors are therefore satisfied that the Group's forecasts, which take into account reasonably possible changes in trading performance, show that there are no material uncertainties over going concern, including no anticipated breach of covenants, and therefore the going concern basis of preparation continues to be appropriate.

Impact of Covid-19 on the financial statements at 30 June 2021

During the six months to 30 June 2021, there has been no significant changes to receivables provisions. However, the Group has seen a further increase in the level of slow moving inventory as the Covid-19 pandemic and the associated government imposed control measures have continued to impact customer demand across a range of market sectors. This has resulted in a net charge of approximately £10m in the period to increase slow moving inventory provisions.

Further details on the impact of the Covid-19 pandemic on the financial results for the Group for the six months ended 30 June 2021 are included elsewhere in this report, notably in the Chief Executive Officer's review and the Financial Review.

2. Alternative performance measures

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

Adjusted operating profit	Operating profit before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables)
Adjusted profit for the period	Profit for the period before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and the associated tax (reconciled in the following tables)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 5)
Adjusted earnings per share	Adjusted profit for the period divided by the weighted average number of ordinary shares in issue (reconciled in the following tables and in Note 7)
Adjusted diluted earnings per share	Adjusted profit for the period divided by the diluted weighted average number of ordinary shares (reconciled in Note 7)
Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Free cash flow	Operating cash flow after deducting payments for income tax and net interest excluding interest on lease liabilities
Lease adjusted operating profit	Adjusted operating profit after adding back the depreciation of right-of-use assets and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Cash conversion	Operating cash flow as a percentage of lease adjusted operating profit (as shown in the Consolidated cash flow statement)
Working capital	Inventories and trade and other receivables less trade and other payables, excluding non-operating related receivables, non-operating related payables (including those relating to acquisition payments) and dividends payable
Return on average operating capital	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, right-of-use assets, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships and brands amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)
EBITDA	Adjusted operating profit on a historical GAAP basis, before depreciation of property, plant and equipment and software amortisation and after adjustments as permitted by the Group's debt covenants, principally to exclude share option charges and to annualise for the effect of acquisitions and disposal of businesses
Net debt excluding lease liabilities	Net debt excluding the carrying value of lease liabilities (reconciled in Note 13)
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the period ended 30 June 2020 at the average exchange rates for the period ended 30 June 2021 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The exchange rates used for 2021 and 2020 can be found in the Financial Review

2. Alternative performance measures (continued)

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

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs, customer relationships asset impairment charges, goodwill impairment charges and interest on acquisition related income tax. Customer relationships and brands amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The non-recurring pension scheme charges relate to non-recurring charges arising from the Group's participation in a number of defined benefit pension schemes. 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 2020.

Reconciliation of alternative performance measures to statutory measures

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

Six months ended 30 June 2021

		Adjusting items				
	Alternative performance measures £m	**Customer relationships and brands amortisation £m**	**Acquisition related items £m**	**Non-recurring pension scheme charges £m**	**Statutory measures £m**	
Adjusted operating profit	366.8	(51.7)	(11.0)	-	304.1	**Operating profit**
Finance income	3.9				3.9	Finance income
Finance expense	(32.3)				(32.3)	Finance expense
Adjusted profit before income tax	338.4	(51.7)	(11.0)	-	275.7	**Profit before income tax**
Tax on adjusted profit	(79.5)	13.6	1.2	-	(64.7)	Income tax
Adjusted profit for the period	258.9	(38.1)	(9.8)	-	211.0	**Profit for the period**
Adjusted earnings per share	77.7p	(11.4)p	(3.0)p	-	63.3p	**Basic earnings per share**

Six months ended 30 June 2020

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

2. Alternative performance measures (continued)

Year ended 31 December 2020

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

3. Segment analysis

The Group results are reported as four business areas based on geographical regions which are reviewed regularly by the Company’s chief operating decision maker, the Board of directors. Across the Group, the vast majority of revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. The Group’s revenue and financial results have not historically been subject to significant seasonal trends. The principal results reviewed for each business area are revenue and adjusted operating profit.

Six months ended 30 June 2021	**North America £m**	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**2,857.7**	**971.8**	**579.6**	**457.5**		**4,866.6**
Adjusted operating profit/(loss)	**199.9**	**91.8**	**22.8**	**64.8**	**(12.5)**	**366.8**
Customer relationships and brands amortisation	**(21.3)**	**(18.3)**	**(4.4)**	**(7.7)**		**(51.7)**
Acquisition related items	**(3.1)**	**(3.6)**	**(1.6)**	**(2.7)**		**(11.0)**
Non-recurring pension scheme charges	-	-	-	-	-	-
Operating profit/(loss)	**175.5**	**69.9**	**16.8**	**54.4**	**(12.5)**	**304.1**
Finance income						**3.9**
Finance expense						**(32.3)**
Profit before income tax						**275.7**
Adjusted profit before income tax						**338.4**
Income tax						**(64.7)**
Profit for the period						**211.0**
Operating margin	**7.0%**	**9.4%**	**3.9%**	**14.2%**		**7.5%**
Return on average operating capital	**46.8%**	**50.1%**	**34.3%**	**54.6%**		**46.1%**

Six months ended 30 June 2020	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	2,728.4	1,088.7	626.1	403.1		4,846.3
Adjusted operating profit/(loss)	154.2	123.9	29.4	47.3	(14.0)	340.8
Customer relationships and brands amortisation	(18.8)	(17.5)	(4.2)	(8.3)		(48.8)
Acquisition related items	(3.9)	(4.3)	(1.8)	(2.6)		(12.6)
Non-recurring pension scheme charges	-	-	-	-	-	-
Operating profit/(loss)	131.5	102.1	23.4	36.4	(14.0)	279.4
Finance income						5.5
Finance expense						(39.5)
Profit before income tax						245.4
Adjusted profit before income tax						306.8
Income tax						(59.9)
Profit for the period						185.5
Operating margin	5.7%	11.4%	4.7%	11.7%		7.0%
Return on average operating capital	35.3%	53.7%	45.1%	38.3%		39.7%

3. Segment analysis (continued)

Year ended 31 December 2020	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	5,843.8	2,127.3	1,287.7	852.3		10,111.1
Adjusted operating profit/(loss)	395.7	238.1	68.6	104.2	(28.2)	778.4
Customer relationships and brands amortisation	(39.8)	(35.6)	(8.8)	(16.2)		(100.4)
Acquisition related items	(8.4)	(8.1)	(7.2)	(19.0)		(42.7)
Non-recurring pension scheme charges	(16.4)	-	-	-	(0.4)	(16.8)
Operating profit/(loss)	331.1	194.4	52.6	69.0	(28.6)	618.5
Finance income						10.4
Finance expense						(73.2)
Profit before income tax						555.7
Adjusted profit before income tax						715.6
Income tax						(125.7)
Profit for the year						430.0
Operating margin	6.8%	11.2%	5.3%	12.2%		7.7%
Return on average operating capital	41.3%	59.6%	41.4%	50.9%		45.4%

Acquisition related items	**Six months to 30.6.21 £m**	Six months to 30.6.20 £m	Year to 31.12.20 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**7.3**	6.8	13.2
Transaction costs and expenses	**3.7**	4.9	7.3
Adjustments to previously estimated earn outs	**-**	0.9	1.0
	11.0	12.6	21.5
Goodwill impairment charges	**-**	-	12.1
Customer relationships impairment charges	**-**	-	9.1
	11.0	12.6	42.7

4. Finance income/(expense)

	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Interest on cash and cash equivalents	**1.2**	1.6	2.6
Interest income from foreign exchange contracts	**2.3**	3.6	5.3
Net interest income on defined benefit pension schemes in surplus	**-**	0.1	0.3
Interest related to income tax	**-**	0.1	0.1
Other finance income	**0.4**	0.1	2.1
Finance income	**3.9**	5.5	10.4
Interest on loans and overdrafts	**(20.2)**	(23.8)	(44.2)
Lease interest expense	**(10.0)**	(11.5)	(22.5)
Interest expense from foreign exchange contracts	**(0.7)**	(1.7)	(2.4)
Net interest expense on defined benefit pension schemes in deficit	**(0.4)**	(0.5)	(1.0)
Fair value gain/(loss) on US private placement notes and senior bond in a hedge relationship	**23.3**	(22.8)	(15.2)
Fair value (loss)/gain on interest rate swaps in a hedge relationship	**(23.1)**	22.5	15.4
Foreign exchange (loss)/gain on intercompany funding	**(24.4)**	68.0	3.5
Foreign exchange gain/(loss) on external debt and foreign exchange forward contracts	**24.4**	(68.2)	(4.0)
Interest related to income tax	**(0.5)**	(0.6)	(1.1)
Other finance expense	**(0.7)**	(0.9)	(1.7)
Finance expense	**(32.3)**	(39.5)	(73.2)
Net finance expense	**(28.4)**	(34.0)	(62.8)

4. Finance income/(expense) (continued)

The foreign exchange loss on intercompany funding in the six month period to 30 June 2021 arises as a result of the retranslation of foreign currency intercompany loans. This loss on intercompany funding is substantially matched by the foreign exchange gain on external debt and foreign exchange forward contracts not in a hedge relationship, which minimises the foreign currency exposure in the Consolidated income statement.

5. Income tax

The tax charge for the interim financial statements is determined by applying the weighted average statutory tax rate based on full year forecast profits to the actual profits for the first half of the year, and then adjusting for non-taxable or deductible items that affect the profits of the first half of the year. Where tax balances are revised due to changes in tax rates or estimates of tax liabilities for prior periods, the full effect on the income statement is included in the tax charge for the first half of the year.

The adjustments to the tax charge at the weighted average rate to determine the income tax on profit for the period are as follows:

	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Profit before income tax	**275.7**	245.4	555.7
Weighted average rate	**24.9%**	23.8%	24.7%
Tax charge at weighted average rate	**68.7**	58.5	137.4
Effects of:			
non-deductible expenditure	**3.3**	3.7	5.8
impact of intercompany finance	**0.6**	0.2	(2.1)
change in tax rates	**(0.8)**	0.4	(0.3)
prior year adjustments from acquisitions	**-**	-	(5.1)
other prior year adjustments	**(7.5)**	(4.8)	(10.6)
other current year items	**0.4**	1.9	0.6
Income tax on profit	**64.7**	59.9	125.7

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

	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Income tax on profit	**64.7**	59.9	125.7
Tax associated with adjusting items	**14.8**	13.1	39.4
Tax on adjusted profit	**79.5**	73.0	165.1
Profit before income tax	**275.7**	245.4	555.7
Adjusting items	**62.7**	61.4	159.9
Adjusted profit before income tax	**338.4**	306.8	715.6
Reported tax rate	**23.5%**	24.4%	22.6%
Effective tax rate	**23.5%**	23.8%	23.1%

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

6. Dividends

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

	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
2019 interim		51.7	51.7
2019 additional interim*			119.8
2020 interim	**52.8**		
2020 final	**127.6**		
Total	**180.4**	51.7	171.5

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

			Per share
	Six months to 30.6.21	Six months to 30.6.20	Year to 31.12.20
2019 additional interim*		35.8p	
2020 interim		15.8p	15.8p
2020 final			38.3p
2021 interim	**16.2p**		
Total	**16.2p**	51.6p	54.1p

* The 2019 final dividend of 35.8p per share recommended by the Board of directors in the 2019 Annual results announcement on 24 February 2020 was subsequently not proposed at the Annual General Meeting on 15 April 2020 as a result of the heightened uncertainty created by the Covid-19 pandemic. As a result of the better than expected trading performance during the six months to 30 June 2020, the Board of directors decided to reinstate the final dividend for the year ended 31 December 2019 at the same level as originally proposed (35.8p) as an additional interim dividend for the year ended 31 December 2019.

The 2021 interim dividend of 16.2p per share will be paid on 5 January 2022 to shareholders on the register at the close of business on 19 November 2021. The 2021 interim dividend will comprise approximately £54m of cash.

7. Earnings per share

	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Profit for the period	**211.0**	185.5	430.0
Adjusted for:			
customer relationships and brands amortisation	**51.7**	48.8	100.4
acquisition related items	**11.0**	12.6	42.7
non-recurring pension scheme charges	**-**	-	16.8
tax credit on adjusting items	**(14.8)**	(13.1)	(39.4)
Adjusted profit for the period	**258.9**	233.8	550.5

	Six months to 30.6.21	Six months to 30.6.20	Year to 31.12.20
Basic weighted average number of ordinary shares in issue (million)	**333.4**	333.5	333.8
Dilutive effect of employee share plans (million)	**1.4**	0.8	1.3
Diluted weighted average number of ordinary shares (million)	**334.8**	334.3	335.1
Basic earnings per share	**63.3p**	55.6p	128.8p
Adjustment	**14.4p**	14.5p	36.1p
Adjusted earnings per share	**77.7p**	70.1p	164.9p
Diluted basic earnings per share	**63.0p**	55.5p	128.3p
Adjustment	**14.3p**	14.4p	36.0p
Adjusted diluted earnings per share	**77.3p**	69.9p	164.3p

8. Right-of-use assets

Six months ended 30 June 2021

Net book value	**Property £m**	**Motor Vehicles £m**	**Equipment £m**	**Total £m**
Beginning of the period	**358.3**	**66.4**	**28.7**	**453.4**
Acquisitions (Note 15)	**8.2**	**-**	**-**	**8.2**
Additions	**42.9**	**11.4**	**2.5**	**56.8**
Depreciation charge in the period	**(47.5)**	**(14.1)**	**(4.9)**	**(66.5)**
Remeasurement adjustments	**17.1**	**(2.6)**	**(0.9)**	**13.6**
Currency translation	**(6.3)**	**(0.7)**	**(0.3)**	**(7.3)**
As at 30 June 2021	**372.7**	**60.4**	**25.1**	**458.2**

Six months ended 30 June 2020

Net book value	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Beginning of the period	341.5	66.4	25.0	432.9
Acquisitions (Note 15)	6.7	3.3	0.1	10.1
Additions	22.9	10.8	4.6	38.3
Depreciation charge in the period	(46.9)	(14.7)	(5.2)	(66.8)
Remeasurement adjustments	7.2	0.7	2.1	10.0
Currency translation	11.5	3.4	1.1	16.0
As at 30 June 2020	342.9	69.9	27.7	440.5

Year ended 31 December 2020

Net book value	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Beginning of the year	341.5	66.4	25.0	432.9
Acquisitions (Note 15)	30.8	3.9	0.5	35.2
Additions	62.4	24.7	13.0	100.1
Depreciation charge in the year	(95.2)	(29.4)	(10.2)	(134.8)
Remeasurement adjustments	22.7	0.5	1.0	24.2
Currency translation	(3.9)	0.3	(0.6)	(4.2)
As at 31 December 2020	358.3	66.4	28.7	453.4

9. Intangible assets

Six months ended 30 June 2021

	Goodwill £m	**Customer relationships £m**	**Brands £m**	**Software £m**	**Total £m**
Cost					
Beginning of the period	**1,506.7**	**1,874.2**	**12.8**	**85.5**	**3,479.2**
Acquisitions (Note 15)	**52.0**	**53.5**	**-**	**0.2**	**105.7**
Additions				**5.1**	**5.1**
Disposals				**(0.3)**	**(0.3)**
Currency translation	**(27.3)**	**(38.7)**	**(0.1)**	**(1.6)**	**(67.7)**
End of the period	**1,531.4**	**1,889.0**	**12.7**	**88.9**	**3,522.0**
Accumulated amortisation and impairment					
Beginning of the period	**12.1**	**961.5**	**0.3**	**63.4**	**1,037.3**
Amortisation charge in the period		**51.3**	**0.4**	**4.2**	**55.9**
Disposals				**(0.3)**	**(0.3)**
Currency translation	**-**	**(22.6)**	**-**	**(1.4)**	**(24.0)**
End of the period	**12.1**	**990.2**	**0.7**	**65.9**	**1,068.9**
Net book value at 30 June 2021	**1,519.3**	**898.8**	**12.0**	**23.0**	**2,453.1**

9. Intangible assets (continued)

Six months ended 30 June 2020

	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
Cost					
Beginning of the period	1,403.6	1,710.9	-	74.7	3,189.2
Acquisitions (Note 15)	12.5	23.2	-	1.7	37.4
Additions				3.2	3.2
Disposals				(0.8)	(0.8)
Currency translation	49.7	72.3	-	6.2	128.2
End of the period	1,465.8	1,806.4	-	85.0	3,357.2
Accumulated amortisation and impairment					
Beginning of the period		846.0	-	52.3	898.3
Amortisation charge in the period		48.8	-	5.9	54.7
Disposals				(0.2)	(0.2)
Currency translation		40.8	-	4.7	45.5
End of the period		935.6	-	62.7	998.3
Net book value at 30 June 2020	1,465.8	870.8	-	22.3	2,358.9

Year ended 31 December 2020

	Goodwill £m	Customer relationships £m	Brands £m	Software £m	Total £m
Cost					
Beginning of the year	1,403.6	1,710.9	-	74.7	3,189.2
Acquisitions (Note 15)	108.8	172.2	13.7	2.0	296.7
Additions				8.7	8.7
Disposals				(1.7)	(1.7)
Currency translation	(5.7)	(8.9)	(0.9)	1.8	(13.7)
End of the year	1,506.7	1,874.2	12.8	85.5	3,479.2
Accumulated amortisation and impairment					
Beginning of the year	-	846.0	-	52.3	898.3
Amortisation charge in the year		100.1	0.3	10.3	110.7
Impairment charge in the year	12.1	9.1	-	-	21.2
Disposals				(0.9)	(0.9)
Currency translation	-	6.3	-	1.7	8.0
End of the year	12.1	961.5	0.3	63.4	1,037.3
Net book value at 31 December 2020	1,494.6	912.7	12.5	22.1	2,441.9

Goodwill, customer relationships and brands intangible assets have been acquired as part of business combinations. Further details of acquisitions made in the period are set out in Note 15.

The Group has completed an impairment trigger assessment in relation to the carrying value of goodwill as at 30 June 2021. Based on this assessment, no impairment triggers were identified. The Group also considered whether there were any indicators that individual customer relationships and brands intangible assets were impaired and concluded that there were no impairments as at 30 June 2021.

10. Working Capital

	30.6.21 £m	30.6.20 £m	31.12.20 £m
Inventories	**1,474.0**	1,330.8	1,432.2
Trade and other receivables	**1,302.0**	1,358.9	1,395.8
Trade and other payables	**(1,918.8)**	(1,716.6)	(1,836.3)
Add back net non-trading related receivables and payables	**35.5**	4.0	29.7
Add back dividends payable	**127.6**	-	-
	1,020.3	977.1	1,021.4

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

11. Financial instruments

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

Financial assets	**30.6.21 £m**	30.6.20 £m	31.12.20 £m
Interest rate derivatives in fair value hedges	**8.6**	34.1	12.6
Foreign exchange derivatives in cash flow hedges	**1.9**	1.2	-
Foreign exchange derivatives in net investment hedges	**5.7**	4.3	4.6
Other foreign exchange and interest rate derivatives	**3.5**	0.6	12.4
	19.7	40.2	29.6

Financial liabilities	**30.6.21 £m**	30.6.20 £m	31.12.20 £m
Interest rate derivatives in fair value hedges	**(20.0)**	-	(0.8)
Foreign exchange derivatives in cash flow hedges	**(0.6)**	(4.0)	(5.3)
Foreign exchange derivatives in net investment hedges	**(2.5)**	(6.5)	(16.3)
Other foreign exchange derivatives	**(3.5)**	(10.5)	(2.0)
Other payables	**(73.5)**	(15.3)	(58.9)
	(100.1)	(36.3)	(83.3)

Financial assets and liabilities stated as being measured at fair value in the tables above (including all derivative financial instruments), with the exception of other payables, have carrying amounts where the fair value is, and has been throughout the period, a level two fair value measurement. Level two fair value measurements use inputs other than quoted prices that are observable for the relevant asset or liability, either directly or indirectly. The fair values of financial assets and liabilities stated at level two fair value have been determined by discounting expected future cash flows, translated at the appropriate balance sheet date exchange rates and adjusted for counterparty or own credit risk as applicable. Other payables measured at fair value relate to earn outs on businesses acquired. This is a level three fair value which is initially measured based on the expected future profitability of the businesses acquired at the acquisition date and subsequently reassessed at each reporting date based on the most recent data available on the expected profitability of the businesses acquired. There were no transfers between levels for recurring fair value measurements during the period.

The fair values of all financial instruments approximate to their book values, with the exception of the US private placement notes and the senior bonds 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 2021, was £887.5m (30 June 2020: £1,053.6m; 31 December 2020: £991.9m), compared to a carrying value of £858.5m (30 June 2020: £1,030.2m; 31 December 2020: £954.2m). The fair value of the senior bonds which are held at amortised cost, using market prices at 30 June 2021, was £704.9m (30 June 2020: £308.2m, 31 December 2020: £731.6m) compared to a carrying value of £676.3m (30 June 2020: £298.2m, 31 December 2020: £695.3m).

12. Lease liabilities

Movement in lease liabilities	**Six months to 30.6.21 £m**	Six months to 30.6.20 £m	Year to 31.12.20 £m
Beginning of the period	**497.5**	480.0	480.0
Acquisitions (Note 15)	**8.2**	10.1	35.2
New leases	**56.8**	38.3	100.1
Interest charge in the period	**10.0**	11.5	22.5
Payment of lease liabilities	**(78.7)**	(79.4)	(159.6)
Remeasurement adjustments	**13.6**	10.0	24.2
Currency translation	**(6.8)**	18.2	(4.9)
End of the period	**500.6**	488.7	497.5
Ageing of lease liabilities:			
Current lease liabilities	**131.5**	129.0	129.1
Non-current lease liabilities	**369.1**	359.7	368.4
End of the period	**500.6**	488.7	497.5

13. Cash and cash equivalents and net debt

	30.6.21	30.6.20	31.12.20
	£m	£m	£m
Cash at bank and in hand	**906.5**	830.9	944.3
Bank overdrafts	**(546.6)**	(597.2)	(514.6)
Cash and cash equivalents	**359.9**	233.7	429.7
Interest bearing loans and borrowings - current liabilities	**(54.5)**	(85.3)	(79.9)
Interest bearing loans and borrowings - non-current liabilities	**(1,480.5)**	(1,347.6)	(1,615.2)
Derivatives managing interest rate risk and currency profile of the debt	**(8.2)**	22.0	10.4
Net debt excluding lease liabilities	**(1,183.3)**	(1,177.2)	(1,255.0)
Lease liabilities	**(500.6)**	(488.7)	(497.5)
Total net debt including lease liabilities	**(1,683.9)**	(1,665.9)	(1,752.5)

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

	30.6.21	30.6.20	31.12.20
	£m	£m	£m
Cash at bank and in hand net of amounts in the cash pool	**433.0**	273.5	475.3
Bank overdrafts net of amounts in the cash pool	**(73.1)**	(39.8)	(45.6)
Cash and cash equivalents	**359.9**	233.7	429.7

14. Movement in net debt

Six months ended 30 June 2021	**Net debt £m**	**Cash and cash equivalents £m**	**Other components £m**
Beginning of the period excluding lease liabilities	**(1,255.0)**	**429.7**	**(1,684.7)**
Net cash inflow/(outflow)	**53.9**	**(60.6)**	**114.5**
Realised gains on foreign exchange contracts	**16.0**	**-**	**16.0**
Currency translation	**1.8**	**(9.2)**	**11.0**
End of the period excluding lease liabilities	**(1,183.3)**	**359.9**	**(1,543.2)**
Lease liabilities	**(500.6)**	**-**	**(500.6)**
End of the period including lease liabilities	**(1,683.9)**	**359.9**	**(2,043.8)**

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

Year ended 31 December 2020	Net debt £m	Cash and cash equivalents £m	Other components £m
Beginning of the year excluding lease liabilities	(1,247.0)	140.8	(1,387.8)
Net cash inflow/(outflow)	14.1	288.0	(273.9)
Realised losses on foreign exchange contracts	(37.1)	-	(37.1)
Currency translation	15.0	0.9	14.1
End of the year excluding lease liabilities	(1,255.0)	429.7	(1,684.7)
Lease liabilities	(497.5)	-	(497.5)
End of the year including lease liabilities	(1,752.5)	429.7	(2,182.2)

15. 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. A key part of the Group's strategy is to grow through acquisition. The Group has developed a process to assist with the identification of the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets in accordance with IFRS 3 'Business Combinations' as revised. This formal process is applied to each acquisition and involves an assessment of the assets acquired and liabilities assumed with assistance provided by external valuation specialists where appropriate. Until this assessment is complete, the allocation period remains open up to a maximum of 12 months from the relevant acquisition date. At 30 June 2021 the allocation period for all acquisitions completed since 1 July 2020 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. Adjustments are made to the value of assets acquired to reflect more accurately the estimated realisable or settlement value. Similarly, adjustments are made to acquired liabilities to record onerous commitments or other commitments existing at the acquisition date but not recognised by the acquiree. Adjustments are also made to reflect the associated tax effects. During the six months to 30 June 2021 adjustments have been recognised to the fair value of assets and liabilities acquired related to acquisitions made in the prior year, resulting in a net increase to goodwill of £4.3m. Given the immaterial amounts involved the fair value of assets and liabilities acquired as reported in the prior year have not been restated.

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

For each of the businesses acquired and announced during the period, the name of the business, the market sector served, its location and date of acquisition, as well as the 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 2021. The acquisition of MCR Safety on 1 September 2020 was considered to be individually significant due to its impact on intangible assets and was therefore disclosed separately for the year ended 31 December 2020.

Six months ended 30 June 2021

Summary details of the acquisitions agreed and completed during the six months ended 30 June 2021 are shown in the table below:

Business	Sector	Country	Acquisition date 2021	Estimated annualised revenue £m
Deliver Net	Healthcare	UK	31 January	20.5
Pinnacle	Cleaning & Hygiene	Canada	1 February	11.0
Disposable Discounter◊	Foodservice	Netherlands	2 February	24.6
Comax	Cleaning & Hygiene	UK	31 May	14.3
Harvey Distributors	Cleaning & Hygiene	Australia	31 May	4.2
Obex Medical Holdings†	Healthcare	New Zealand	1 June	29.7
Acquisitions agreed and completed in the current period				**104.3**

◊Acquisition of 75.1% of share capital

†Acquisition of 99.07% of share capital

15. Acquisitions (continued)

A summary of the effect of acquisitions in the six months ended 30 June 2021 and 30 June 2020 and for the year ended 31 December 2020 is shown below:

	30.6.21 £m	30.6.20 £m	Total 31.12.20 £m	*MCR Safety 31.12.20 £m*	*Other 31.12.20 £m*
Customer relationships	**53.5**	23.2	172.2	*104.5*	*67.7*
Brands	**-**	-	13.7	*13.7*	*-*
Property, plant and equipment and software	**2.2**	3.1	10.6	*6.5*	*4.1*
Right-of-use assets	**8.2**	10.1	35.2	*18.0*	*17.2*
Inventories	**5.2**	28.9	102.2	*62.0*	*40.2*
Trade and other receivables	**10.2**	33.5	89.6	*35.0*	*54.6*
Trade and other payables	**(11.7)**	(26.7)	(64.2)	*(20.2)*	*(44.0)*
Net (overdrafts)/cash	**(5.2)**	2.7	8.9	*7.4*	*1.5*
Provisions	**(2.9)**	(2.6)	(4.4)	*(0.2)*	*(4.2)*
Lease liabilities	**(8.2)**	(10.1)	(35.2)	*(18.0)*	*(17.2)*
Derivative liabilities	**(0.1)**	-	-	*-*	*-*
Income tax payable and deferred tax liabilities	**(14.6)**	(2.0)	(9.9)	*(0.1)*	*(9.8)*
Fair value of net assets acquired	**36.6**	60.1	318.7	*208.6*	*110.1*
Goodwill	**52.0**	12.5	108.8	*71.8*	*37.0*
Consideration	**88.6**	72.6	427.5	*280.4*	*147.1*
Satisfied by:					
cash consideration	**77.7**	60.9	367.9	*245.2*	*122.7*
deferred consideration	**10.9**	11.7	59.6	*35.2*	*24.4*
	88.6	72.6	427.5	*280.4*	*147.1*
Contingent payments relating to the retention of former owners	**13.9**	3.5	19.1	*1.4*	*17.7*
Net overdrafts/(cash) acquired	**5.2**	(2.7)	(8.9)	*(7.4)*	*(1.5)*
Transaction costs and expenses	**3.7**	4.9	7.3	*2.1*	*5.2*
Total committed spend in respect of acquisitions agreed and completed in the current period	**111.4**	78.3	445.0	*276.5*	*168.5*

The net cash outflow in respect of acquisitions comprised:

	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Total Year to 31.12.20 £m	*MCR Safety Year to 31.12.20 £m*	*Other Year to 31.12.20 £m*
Cash consideration	**77.7**	60.9	367.9	*245.2*	*122.7*
Net overdrafts/(cash) acquired	**5.2**	(2.7)	(8.9)	*(7.4)*	*(1.5)*
Deferred consideration payments	**3.6**	3.8	4.2	*-*	*4.2*
Net cash outflow in respect of acquisitions	**86.5**	62.0	363.2	*237.8*	*125.4*
Transaction costs and expenses paid	**4.5**	5.0	7.1	*1.3*	*5.8*
Payments relating to retention of former owners	**2.0**	8.2	17.2	*-*	*17.2*
Total cash outflow in respect of acquisitions	**93.0**	75.2	387.5	*239.1*	*148.4*

Acquisitions completed in the six months ended 30 June 2021 contributed £28.0m (six months ended 30 June 2020: £120.5m; year ended 31 December 2020: £356.0m) to the Group's revenue and £3.5m (six months ended 30 June 2020: £4.8m; year ended 31 December 2020: £22.5m) to the Group's adjusted operating profit for the six months ended 30 June 2021.

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 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Revenue	**51.3**	124.7	601.8
Adjusted operating profit	**7.0**	5.1	50.0

15. Acquisitions (continued)

Year ended 31 December 2020

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

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

◊ Acquisition of 80% of share capital.
† Acquisition of 78.9% of share capital.

16. Cash flow from operating activities

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

Depreciation and software amortisation	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Depreciation of right-of-use assets	**66.5**	66.8	134.8
Other depreciation and software amortisation	**18.0**	18.5	36.9
	84.5	85.3	171.7

Other non-cash items	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Share based payments	**6.7**	6.9	14.9
Provisions	**(1.0)**	0.3	4.7
Retirement benefit obligations	**(1.1)**	(1.0)	(8.4)
Other	**0.3**	1.6	2.0
	4.9	7.8	13.2

Working capital movement	Six months to 30.6.21 £m	Six months to 30.6.20 £m	Year to 31.12.20 £m
Increase in inventories	**(55.1)**	(80.7)	(192.5)
Decrease/(increase) in trade and other receivables	**79.2**	(33.2)	(81.0)
(Decrease)/increase in trade and other payables	**(32.7)**	140.7	278.5
	(8.6)	26.8	5.0

17. Related party disclosures

As disclosed in the Annual Report for the year ended 31 December 2020, 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 2021. Details of the relevant relationships with those related parties will be disclosed in the Annual Report for the year ending 31 December 2021. All transactions with subsidiaries are eliminated on consolidation.

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

The directors confirm to the best of their knowledge that these condensed interim financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as issued by the International Accounting Standards Board (‘IASB’), UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

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	**Richard Howes**
Chief Executive Officer	Chief Financial Officer
31 August 2021	

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

Our conclusion
We have reviewed Bunzl plc's condensed consolidated interim financial statements (the "interim financial statements") in the half yearly financial report of Bunzl plc for the 6 month period ended 30 June 2021 (the "period").

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' (IAS 34), as issued by the International Accounting Standards Board (IASB), UK adopted International Accounting Standard 34, 'Interim Financial Reporting' 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 2021;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated cash flow statement 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 of Bunzl plc have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), as issued by the International Accounting Standards Board (IASB), UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Responsibilities for the interim financial statements and the review

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

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

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
31 August 2021