BUNZL

News Release

1 March 2021

ANNUAL RESULTS ANNOUNCEMENT

Bunzl plc, the specialist international distribution and services Group, today publishes its annual results for the year ended 31 December 2020.

Financial results	2020	2019	Growth as reported	Growth at constant exchange◊
Revenue	**£10,111.1m**	£9,326.7m	8.4%	9.4%
Adjusted operating profit*	**£778.4m**	£653.3m	19.1%	20.9%
Adjusted profit before income tax*	**£715.6m**	£578.2m	23.8%	25.6%
Adjusted earnings per share*	**164.9p**	132.2p	24.7%	26.6%
Dividend for the year$^{\Delta}$	**54.1p**	51.3p	5.5%	

Statutory results			
Operating profit	**£618.5m**	£528.4m	17.1%
Profit before income tax	**£555.7m**	£453.3m	22.6%
Basic earnings per share	**128.8p**	104.8p	22.9%

Highlights include:

- Strong revenue growth of 9.4%, adjusted operating profit* increase of 20.9% and rise in adjusted earnings per share* of 26.6%, all at constant exchange rates
- 28 year track record of consecutive dividend per share growth continues with a 7.0% increase in the final dividend$^{\Delta}$
- Continued strong cash conversion* of 103%, with net debt to EBITDA† of 1.5x times; substantial headroom for growth
- Committed acquisition spend of £445 million, the second highest in Bunzl's history
- Three further highly complementary acquisitions announced today; pipeline active
- Repayment of employee-related government assistance and significantly increased charitable donations

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

"The past year has presented unparalleled challenges and I would like to express my sincere thanks to the almost 20,000 members of the Bunzl family for their extraordinary hard work and dedication which has ensured we have consistently delivered for our customers. While our historic investment in our supply chains and digital technology was an asset during 2020, it is ultimately our people that have driven our performance.

The pandemic has served to highlight the vital role that Bunzl plays in ensuring supplies of essential products as well as the benefits of our diversification. As a result of our extensive supply chains and our Asia sourcing and auditing operation, we were able to quickly source and deliver significant quantities of quality assured Covid-19 related products, such as gloves and masks. Consequently, we were able to offset the negative impact that restrictions had on many of our customers' businesses, particularly in the foodservice and retail sectors. I am very proud of the role we have played in serving and protecting front line heroes.

Overall in 2021 we expect robust revenue growth over the prior year at constant exchange rates, after excluding larger Covid-19 related orders which we do not expect to repeat. We anticipate that the recovery in sales of other products, as restrictions ease, will broadly offset the decline of smaller Covid-19 related orders, with recent acquisitions making an increasing contribution to the Group's performance. It is part of our proven and consistent strategy to use our strong balance sheet and cash flows to consolidate the fragmented markets we operate in. We committed £445 million to acquisitions in 2020, have announced three further acquisitions today and have an active pipeline supported by substantial financial headroom. Looking ahead, we also expect future growth to be supported by enhanced hygiene trends and our differentiated offering of sustainable and responsible solutions.

Since 2004, Bunzl has delivered robust organic growth, committed £3.9 billion of cash in acquisitions and returned over £1.6 billion to shareholders in dividends. In many ways, the past year has only served to increase my confidence in the long term prospects for Bunzl."

* Alternative performance measure (see Note 2).
◊ Growth at constant exchange rates is calculated by comparing the 2020 results to the 2019 results retranslated at the average exchange rates used for 2020.
$^{\Delta}$ The Board is recommending a 2020 final dividend of 38.3p per share. Including the 2020 interim dividend per share of 15.8p the total dividend per share of 54.1p represents a 5.5% increase compared to the 2019 total dividend per share. 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 included as a component of the 2019 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, which are unaffected by the adoption of IFRS 16.

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

Business area highlights:

	Revenue (£m) 2020	Revenue (£m) 2019	Growth at constant exchange◊	Organic growth	Adjusted operating profit* (£m) 2020	Adjusted operating profit* (£m) 2019	Growth at constant exchange◊	Operating margin* 2020	Operating margin* 2019
North America	**5,843.8**	5,473.2	7.2%	1.0%	**395.7**	343.6	15.7%	**6.8%**	6.3%
Continental Europe	**2,127.3**	1,829.8	15.6%	15.1%	**238.1**	182.1	30.8%	**11.2%**	10.0%
UK & Ireland	**1,287.7**	1,242.1	3.5%	2.6%	**68.6**	87.1	(21.2)%	**5.3%**	7.0%
Rest of the World	**852.3**	781.6	21.6%	17.6%	**104.2**	61.6	94.0%	**12.2%**	7.9%

North America (58% of revenue and 49% of adjusted operating profit*†)
- Organic revenue growth of 1.0% driven by a strong increase in demand for Covid-19 related products offset by a decline in other product sales, particularly in the retail and foodservice sectors. Organic growth significantly improved in the second half as activity increased
- Operating margin* of 6.8% up from 6.3%, principally due to mix benefits from Covid-19 related products
- Grocery impacted by reduced demand for freshly prepared food packaging, largely offset by the sale of Covid-19 related products
- Good growth in redistribution, with the negative impact on the foodservice sector more than offset by cleaning & hygiene sector growth
- Strong safety growth supported by high demand for Covid-19 related products
- Continued streamlining of retail and grocery warehouse footprint to enhance operational efficiencies
- Joshen Paper and Packaging, MCR Safety and Snelling acquired in January, September and December respectively

Continental Europe (21% of revenue and 29% of adjusted operating profit*†)
- Very strong organic revenue growth of 15.1% due to larger Covid-19 related orders
- Operating margin* of 11.2% up from 10.0%, principally driven by a change in sales mix to higher margin sectors and own brand imported products in addition to price inflation and strong operating leverage on larger orders
- Revenue in France excluding larger Covid-19 related orders grew strongly given a higher weighting to cleaning & hygiene and safety sectors
- Netherlands benefited from strong growth in healthcare, cleaning & hygiene and e-commerce fulfilment
- Turkey benefited significantly from increased sales of personal protection equipment
- Acquisition of ICM completed in October

UK & Ireland (13% of revenue and 9% of adjusted operating profit*†)
- Organic revenue growth of 2.6% driven by growth in Covid-19 related products which offset significant decline in other product sales
- Operating margin* decline from 7.0% to 5.3% reflects the impact of Covid-19 related shutdowns in foodservice and non-food retail and additional provisions for increased customer credit exposure
- Strong performances in safety, cleaning & hygiene and healthcare driven by demand for Covid-19 related products
- Ireland performance significantly impacted by exposure to foodservice
- Successful completion of planned warehouse consolidations, including non-food retail and catering warehouses
- Bodyguard Workwear and Abco Kovex acquisitions completed in February and September respectively

Rest of the World (8% of revenue and 13% of adjusted operating profit*†)
- Very strong organic revenue growth of 17.6% and operating margin* increase from 7.9% to 12.2% with a substantial increase in adjusted operating profit* in both Latin America and Asia Pacific
- Australasia performance supported by a strong weighting to safety and healthcare sectors
- Price inflation in key Latin America markets driven by the safety sector, where demand significantly outweighed supply, and currency devaluation
- Restructuring of operations in China involving the closure of the domestic business to focus on the sourcing and export activities
- Acquisition of Medcorp and SP Equipamentos in Brazil completed in January and November respectively

* This review refers to alternative performance measures which exclude 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 2020 results to the results for 2019 retranslated at the average exchange rates used for 2020.
† Based on adjusted operating profit and before corporate costs (see Note 3).

Enquiries:

Bunzl plc	Tulchan
Frank van Zanten, Chief Executive Officer	David Allchurch
Richard Howes, Chief Financial Officer	Martin Robinson
Tel: +44 (0)20 7725 5000	Tel: +44 (0)20 7353 4200

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

Over the last year, which was my first as Bunzl's Chairman, I have admired the strength of the Bunzl business model, its consistent and proven strategy and the strength of its people. The Covid-19 pandemic has had a significant operational impact on us globally which has required our colleagues across the Group to change the way they do business and interact with our key stakeholders. Given the essential nature of the products Bunzl supplies, we were able to continue operating throughout the pandemic. The Group's ability to respond has been supported by its decentralised model, its motivated workforce and the benefit of multi-year investments into its technology infrastructure and supply chains, particularly its Asia sourcing and auditing operation based in Shanghai. Our in-house team in Asia is well established and enabled us to source high quality products from audited suppliers at a time when products were scarce. On a constant exchange rate basis, the Group delivered impressive revenue growth of 9.4%, a 20.9% increase in adjusted operating profit and a rise of 26.6% in adjusted earnings per share.

Bunzl continued to demonstrate strong cash conversion and, after repaying employee-related government support packages and bringing forward the settlement of tax deferrals where possible to do so, as well as announcing eight acquisitions, ended the year with a strong balance sheet and net debt to EBITDA of only 1.5 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. As the new Chairman I am very supportive of the Group's ambitions and believe in the opportunities ahead. We committed £445 million of spend on acquisitions during 2020, demonstrating our ability to continue to consolidate our fragmented markets. Alongside this, we have a major role to play in supporting customers, communities and the environment, and as a proactive leader in the transition to a more sustainable future. I am really pleased with the progress we have made this year.

People and culture

Bunzl's core asset is its workforce and 2020 showcased the importance of this. Our front line colleagues have gone above and beyond to support our customers and we have sought to recognise their dedication, including through appropriate rewards and 'thank you' gifts. We value our people and, despite the challenges in some of our operations during 2020, the number of Bunzl employees at the end of the year increased by 5% alongside revenue growth of 9% at constant exchange rates.

The Group's decentralised model makes the business very local and it is admirable to see how our people have been involved in supporting their local communities during the year. On top of enhanced charitable donations made by the Group, the 20% reduction in fees and base salaries paid to the Board, Executive Committee members and Business Area Managing Directors during the second quarter of 2020 were also donated to charities.

Talent is a key pillar of focus for the Board and during 2020 we continued to further assess our talent development programmes which focus on ensuring that we have the right capabilities for the future and a strong succession pipeline across leadership positions. The Group is further developing its diversity programmes with unconscious bias training initiatives launched in North America and UK & Ireland and the appointment of a Director of Diversity and Inclusion in North America. Whilst gender is not the only focus for diversity, encouragingly the number of women in UK & Ireland's leadership team has increased by 40% over the last two years and women now represent 40% and 38% of our Executive

Committee and Board respectively, demonstrating the importance of business-led initiatives to drive diversity. We are committed to further developing programmes to support a diverse workforce.

Shareholder returns

The Board is recommending a final dividend of 38.3p, 7.0% higher than the prior year, resulting in a full year dividend of 54.1p. This represents a 5.5% increase compared to the 2019 total dividend, and Bunzl's 28th consecutive year of dividend growth, with the Group remaining committed to ensuring sustainable dividend growth. With the Annual General Meeting held on 15 April 2020, during the heightened period of uncertainty in the early days of the pandemic, the final dividend for the year ended 31 December 2019 was no longer proposed by the Board at that meeting. However, following a better than expected trading performance, the Board decided to reinstate the final dividend for the year ended 31 December 2019 at the same level as originally proposed through the payment of an additional interim dividend for the year ended December 2019 which was paid on 16 November 2020.

Since 2004 Bunzl has returned £1.6 billion to shareholders through dividends and has committed £3.9 billion in acquisitions to support an adjusted earnings per share compound annual growth rate of 11% over the period.

Governance

During 2020 Philip Rogerson stepped down as Chairman and as a director and I succeeded him as Chairman having joined as Chairman designate in June 2019. I would like to thank Philip for his strong leadership of and guidance to the Group throughout the 10 years he was on the Board. Eugenia Ulasewicz also retired as a non-executive director, having joined the Board in 2011. She provided many years of valuable insight across North America and retail markets. I also want to thank Brian May, who retired after 25 years at Bunzl, for 13 years of which he held the position of Chief Financial Officer, for his significant contribution to the Group's development. Brian was succeeded at the beginning of 2020 by Richard Howes who was appointed after an extensive search process.

During the year the Board also welcomed two new non-executive directors. Vinodka (Vin) Murria OBE joined the Board in June. Vin has exceptional experience in the technology sector and was awarded her OBE in 2018 for services to the digital economy. Further, given her experience as a successful entrepreneur, Vin draws on invaluable knowledge that has a strong relevance to Bunzl's decentralised and entrepreneurial culture. In December 2020, we also welcomed Maria Fernanda Mejía. She has extensive international experience, particularly in North America and Latin America, strong knowledge of distribution and supply chain management and a valuable background in marketing and communications through multiple leadership positions in the FMCG sector.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Against the backdrop of extremely challenging trading conditions caused by the Covid-19 pandemic which impacted all our geographies, the Group performed very well during 2020. Our strong position within supply chains, sourcing and delivering essential goods, led to our classification as a critical supplier and, as a result, our businesses have remained open throughout the pandemic. While the Group's resilient performance over 2020 has been supported by our diversified portfolio and historical investments in our supply chains and digital infrastructure, it is principally our people who have driven our results. Our ability to respond quickly and effectively to customer needs has given our customers the confidence to trust their business with us. Our teams have worked tirelessly and have demonstrated a strong commitment to our core values including reliability, responsiveness and humility. Revenue growth of 9.4% at constant exchange rates reflects this dedication and I am incredibly proud of the Bunzl family which now includes almost 20,000 colleagues.

From the outset of the pandemic, we prioritised the health and safety of our workers, establishing appropriate cleaning and social distancing protocols in our facilities and rapidly implemented technologies to allow for remote working environments where possible, thereby allowing us to continue to serve our customers effectively. The Group has prioritised the well-being of its colleagues and I am pleased to see that during a challenging year Bunzl's employee survey showed colleagues are highly engaged, are very willing to recommend Bunzl as a place to work and have a strong sense of pride about the service Bunzl gives its customers. Importantly, they know we have processes and procedures in place to help keep them safe.

Our overall trading performance during 2020 has benefited from the breadth of the customer sectors and geographies the Group operates in and the wide range of products supplied. The substantial declines in profitability in the lower margin foodservice and retail sectors were more than offset by strong performances in the generally higher margin safety, cleaning & hygiene and healthcare sectors, primarily driven by significant sales volumes of Covid-19 related, mostly own brand, products such as gloves, masks and sanitisers. Performance over 2020 as a whole broadly reflected these diverging trends from the start of the second quarter onwards.

Operating performance

With less than 10% of operating profit generated inside the UK, and due to the strengthening of sterling in recent months, the Group was adversely impacted 1% to 2% by currency translation. The commentary below is stated at constant exchange rates unless otherwise highlighted. In 2020 revenue increased 9.4% (8.4% at actual exchange rates) to £10,111.1 million. Within this, underlying revenue, which is organic growth of 5.3% adjusted for an extra trading day impact of 0.5%, grew by 4.8%. In addition, acquisitions contributed revenue growth of 4.1%. Adjusted operating profit was £778.4 million, an increase of 20.9% (19.1% at actual exchange rates) and operating margin was 7.7%, up from 7.0% in 2019 at both constant and actual exchange rates.

An initial surge in demand for hygiene paper followed by strong volume growth of Covid-19 related products, such as disposable gloves, masks, sanitisers and disinfectants, resulted in significant growth over the year. Our global sourcing capabilities, strong supplier relationships and decentralised structure allowed our category management teams to react quickly and make available these products, often our own brands, to our customers. Our financial strength was a significant asset over the period, enabling customers to trust the Group with significant pre-payments required to secure certain Covid-19 related products. At the same time, each of our businesses took prudent measures to manage both operating costs and customer credit risks.

Within underlying revenue growth of 4.8%, 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 underlying revenue growth of 14.6%. These products represented 22% of total Group revenue with the revenue they generated 2.6 times the comparable 2019 level. Around 40% of the Covid-19 related growth was attributable to larger orders than Bunzl would typically see and these orders were generated predominately by governments and healthcare organisations, with more than half fulfilled in the second quarter of 2020 as customers sought to build stocks of essential items at the start of the pandemic. Smaller orders were generally from existing customers, including Covid-19 related products that they may not have sourced previously, and while sales were highest in the second quarter demand remained strong through the second half. The benefit to underlying growth from Covid-19 related product sales was partially offset by the decline of sales across other product ranges which impacted the Group's underlying revenue growth by 9.8%. This decline in other product sales was greatest during the second quarter of the year when pandemic-related restrictions were at their most onerous, with the level of decline reducing meaningfully in the third quarter and improving moderately in the final quarter. Overall total underlying growth accelerated from 2.8% in the first half of the year to 6.7% growth in the second half of the year.

Our performance across our sectors and geographies has been reflective of the diverging trends between sales of Covid-19 related products and other products and our customer sector diversification has strongly supported our resilience over the year. We saw the strongest growth in the healthcare, safety and cleaning & hygiene sectors, with combined growth of 31%, and a decline in the foodservice and retail sectors of 6% although we saw an improved second half performance compared to the second quarter. The grocery sector grew 8%, with second half organic growth stronger than in the first half. Group operating margin performance largely reflected the mix effect of increased revenues in the higher margin healthcare, safety and cleaning & hygiene sectors and fewer sales to the retail and foodservice sectors which tend to have lower margins. The increase in higher margin own brand penetration, volume leverage on larger Covid-19 related orders and price inflation on some Covid-19 related products further supported operating margins. Businesses and geographies more heavily weighted to foodservice and retail have conversely seen margins impacted by lower sales in these customer sectors and by increased provisions relating to customer credit exposure. The Group has also seen a number of customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of receivables and customer specific inventory particularly in the foodservice and retail sectors. This has resulted in a net charge of approximately £15 million being taken during the year to reflect the risks around recoverability. In addition, there is a heightened risk of further recoverability issues with customers, mainly in these same sectors, as government support is withdrawn and the trading uncertainty continues. Consequently, the Group has taken an additional net charge of approximately £10 million in the year relating to aged receivables and customer specific inventory for those customers identified as having a high or medium credit risk. In addition, the Group has seen an 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 £15 million in the year to increase slow moving inventory provisions.

Our North America business area was impacted by its exposure to the foodservice and retail sectors in the first half of the year, but following a strong recovery of its redistribution and retail businesses in the second half, achieved organic growth of 1.0% over 2020. Continental Europe and the Rest of the World benefited from their exposures to the safety, healthcare and cleaning & hygiene sectors with organic revenue growth of 15.1% and 17.6%, respectively. The UK & Ireland business was the most impacted by its exposure to the foodservice and retail sectors. Although organic revenue was up 2.6%, operating margin was materially impacted.

Reported operating profit was £618.5 million, an increase of 18.7% (17.1% at actual exchange rates). Adjusted profit before income tax was £715.6 million, an increase of 25.6% (23.8% at actual exchange rates) due to the growth in adjusted operating profit and a decrease in the net finance expense. The lower net finance expense was due to lower average interest rates and lower average net debt levels over the year. Reported profit before income tax was £555.7 million, an increase of 24.4% (up 22.6% at actual exchange rates). The effective tax rate of 23.1% reduced from 23.8% in 2019 due to a higher credit for share-based payment expense and a larger benefit from reduced prior year tax exposures. Basic earnings per share were 128.8p, an increase of 24.8% (22.9% at actual exchange rates), and adjusted earnings per share were 164.9p, an increase of 26.6% (24.7% at actual exchange rates).

Cash conversion (operating cash flow as a percentage of lease adjusted operating profit) remained strong over the period at 103% and the Group delivered free cash flow growth of 27.3% over the year at actual exchange rates. The cash flow benefited from advance payments from customers net of upfront payments to suppliers of £34 million. Excluding these net advanced payments, cash conversion was 99%. Net capital expenditure of £31.9 million compares to £28.8 million in 2019 and reflected continued investment in IT and digital technologies, as well as warehouse consolidations and upgrades. The Group ended the year with net debt, excluding lease liabilities, of £1,255.0 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 1.5 times compared to 1.9 times at the end of 2019.

Return on average operating capital grew strongly to 45.4% compared to 36.9% in 2019 and return on invested capital was 16.2% compared to 13.6% in 2019, both due to a higher return in the underlying business driven by an increase in adjusted operating profit and lower average operating capital.

Organic growth and operational efficiency

Organic growth in 2020 was mainly driven by our ability to rapidly fulfil the heightened demand for Covid-19 related products, 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. Consequently, over the year we expanded the range of products supplied to many of our customers. Digital technologies further supported our performance, with 66% of orders placed in 2020 made through Electronic Data Interchange and our webshops compared to 62% in the prior year. Digital 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. During 2020 we saw good growth in the number of digital solutions offered to our customers. In addition, we continued to focus on operational efficiencies with multiple warehouse consolidations and further investments to optimise delivery routes. Operational efficiency was further supported by lower travel expenses.

Acquisitions

During 2020 Bunzl's committed spend on acquisitions was £445 million, adding annualised revenue of £602 million. This compares to a spend of £124 million in 2019 and an average spend of approximately £310 million over the last five years. The eight announced transactions have locations across each of our business areas and operate in multiple market sectors.

The Group acquired two sizeable North America focused businesses during the year. At the beginning of January 2020, Bunzl purchased Joshen Paper & Packaging, a distributor of packaging and other goods-not-for-resale to customers operating in the grocery, foodservice and cleaning & hygiene sectors in the US. The business generated annualised revenue of £255 million in 2020 and integration is progressing well with purchasing synergies being achieved and back office efficiencies generated. In September, the Group completed the acquisition of MCR Safety which distributes a variety of largely own brand personal protection equipment (PPE) and other safety products to distributors operating in a number of end user markets. The business has operations in North America, Mexico, Latin America and Europe and supplies gloves, eye protection and workwear in particular. MCR Safety is a high quality business with a strong leadership team and has a well-established portfolio of own brand products which complements Bunzl's existing product range and significantly strengthens and expands our safety operations both in the US and elsewhere. In 2019 revenue was £194 million. In December 2020 the Group also completed the acquisition of Snelling, a Canadian packaging and cleaning and hygiene supplies business with annual revenue in 2019 of £28 million.

In Brazil we purchased Medcorp and SP Equipamentos in January and November respectively. Medcorp is a distributor of a broad range of medical products to leading private hospitals and redistributors in Brazil with 2019 revenue of £9 million. SP Equipamentos is a leading PPE distributor based in São Paulo with revenue in 2019 of £22 million.

Bodyguard Workwear, a distributor focused on PPE distribution in the UK and Ireland with 2019 revenue of £8 million, was acquired in February 2020. In September we acquired Abco Kovex, a distributor of flexible packaging based in Ireland with revenue of £20 million in 2019.

ICM, a leading distributor of PPE to both end users and redistributors in Denmark, with 2019 revenue of £49 million, was acquired at the end of October 2020.

Today we are announcing the completion of three acquisitions since the start of 2021. In January we acquired Deliver Net, a healthcare distributor to care homes in the UK, with revenue of £20 million in 2020. The business is closely aligned with our existing care home business in the UK and we anticipate being able to develop the business through the introduction of additional product offerings such as care home equipment. In February we completed the acquisition of Disposable Discounter, an online distributor of foodservice disposable products to a highly fragmented customer base. The business has grown strongly in recent years and operates mostly in the Netherlands but has recently started to expand across Europe. The business generated £18 million of revenue in 2020, has attractive growth potential and supports Bunzl's continued development of e-commerce capabilities. Lastly, we also completed the acquisition of Pinnacle, a leading distributor of cleaning & hygiene in Saskatchewan, Canada, in February. The company generated £11 million of revenue in 2020 and supports a wide range of customers in the education, facilities management and care home sectors. The business is highly complementary to our existing cleaning & hygiene business in Canada.

Bunzl ended the year with net debt to EBITDA of 1.5 times, despite the acquisition spend in 2020, 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. As a major player in its industry, Bunzl is a trusted partner to its customers, collaborating with leading companies across sectors to help them achieve the sustainability objectives most relevant to their industries and fulfil their ambitious sustainability commitments while growing the Group's business.

Following an in-depth materiality assessment during 2020, the Group has identified four key areas of focus for the business going forward: ensuring a responsible and ethical supply chain; ensuring a diverse thriving workforce; taking action on climate change; and helping customers to transition to more sustainable packaging.

Global supply chains have expanded customer choice and lowered costs but this comes with a responsibility to ensure communities and workers' rights are respected in the process. Based in Shanghai, our industry-leading sourcing and auditing operation opened in 2008. The operation ensures our suppliers from Asia, the Group's most significant high-risk sourcing region, are subject to frequent stringent labour and quality checks. This capability sets Bunzl apart from its peers, gives customers the reassurance they need and allows the Group to directly help suppliers to improve their practices. Similarly, the Group appreciates the importance of responsible sourcing regarding raw materials and seeks to purchase responsibly sourced wood fibre products and largely purchases its paper related products through leading branded companies with their own stringent certifications. Going forward, the Group will continue to focus on enhancing its industry leading practices relating to supply chain oversight.

Companies may not grow sustainably if they cannot attract, retain and get the best out of diverse talent. The businesses in Bunzl have a long track record as local employers and I am proud of the progress we have made to create a diverse and inclusive working environment, particularly with regards to gender representation over the last couple of years. I am pleased that our Board and Executive Committee now comprise 38% and 40% women, respectively. While the Group continues to focus on improving gender representation across the Group and in more senior positions, we will be expanding programmes to focus on other groups, in particular to increase ethnic diversity.

Given Bunzl's one-stop-shop operating model, including combined consolidated delivery, we provide a carbon efficient solution for customers which limits the number of deliveries. Over the last 10 years the total carbon emissions from Bunzl's operations has remained stable despite the business growing substantially and revenue doubling, driving an increase in efficiency of more than 50%. However, we recognise that there is more that can be done and in 2021 will be setting a new long term carbon reduction target to further reduce carbon in our operations.

Finally, the Group recognises its responsibility to be part of the solution on reducing waste and we are proactively working with our customers and suppliers to lead the industry towards a sustainable approach to single use plastics. Bunzl is not a manufacturer and can easily switch between suppliers and products and is therefore well placed to play this role, providing sustainable product solutions and independent expert advice on emerging trends and product categories. In addition to its other product ranges, Bunzl's own brand offering also provides a cost-effective solution for customers. For example, in 2020 our businesses in Australia and New Zealand sold over 39 million Sustain products, our own brand range which is made from paper and plant-based products, and while in its early days I am pleased that Bunzl's Continental Europe business area has launched a new own brand sustainable range under the brand Verive. Further, the Group continues to train sustainability experts across sales teams to work closely with customers to help them achieve their packaging targets, including moving to more sustainable product ranges. Going forward we will continue our progress in proactively providing alternative sustainable products, supported by the setting of new commitments within our businesses serving the retail, foodservice and grocery sectors.

Sustainability is a vital part of the Bunzl equation and integral to our strategy and the Group will be refining its ambitions against each of these key areas over the course of 2021.

North America

	2020 £m	**2019 £m**	Growth at constant exchange
Revenue	**5,843.8**	**5,473.2**	7.2%
Adjusted operating profit*	**395.7**	**343.6**	15.7%
Operating margin*	**6.8%**	**6.3%**	

* Alternative performance measure (see Note 2)

In North America, revenue increased 7.2% to £5,843.8 million supported by the acquisition of Joshen Paper & Packaging in January, MCR Safety in September and Snelling in December. The business area saw organic revenue growth of 1.0% with significant growth in Covid-19 related products offset by a decline in revenue from other products resulting from the adverse effect of Covid-19, principally in the retail and foodservice sectors. The impact from previously announced lower sales to a large grocery customer as a result of account specific price and product specification changes during the first half of the year was partially reversed in the second half. The favourable mix to typically higher margin safety and cleaning & hygiene sectors, as well as some price inflation, supported margins over the year. This benefit more than offset the increased provisions relating to our credit exposure to customers in retail and foodservice. Further, with customers focused on navigating the pandemic, we saw a greater prevalence of contract extensions and lower tender activity. During 2020 North America delivered adjusted operating profit of £395.7 million with operating margin of 6.8%, up from 6.3% in 2019.

In our largest business serving the US grocery sector, revenue increased by 6%, supported by the acquisition of Joshen Paper & Packaging at the beginning of the year although the business has had a short term dilutive effect on the operating margin. We saw a significant surge in volumes in the early stages of the Covid-19 pandemic, which subsequently stabilised modestly below prior year levels, albeit with a shift in the mix of products. Although demand for freshly prepared food packaging declined significantly, this was largely offset by increases in sales of PPE and cleaning & hygiene products, resulting in a more favourable margin mix.

At the beginning of the year, our redistribution business was trading strongly above prior year levels, due to favourable organic growth as well as the impact of the acquisition of Joshen Paper & Packaging, but the foodservice sector experienced a significant decline in revenue from the second quarter as Covid-19 related shutdowns impacted demand. We experienced sequential improvement throughout the second half of 2020 as foodservice outlets reopened, only to slow once again as a new round of restrictions and closures hit the foodservice industry during the fourth quarter. Overall, during 2020 foodservice revenue declined despite significant growth in disposable gloves and demand related price inflation, as well as a shift towards takeaway packaging. A focus on enhanced cleaning protocols as well as some underlying demand fuelled overall growth in our business serving the cleaning & hygiene sector. Overall, our redistribution business grew 8%. Our category management programmes are well positioned to help our key customers adapt quickly to changes in product categories and demand, leveraging our broad inventories and providing enhanced liquidity through improved inventory management. As part of a wider network review prior to the pandemic, we reduced excess capacity and streamlined the operations by consolidating two facilities in the Chicago market and closing a facility in Indiana. The agility afforded by our national logistics platform, global sourcing and internal product category management teams provided increased value and allowed us to partner with our customers on bespoke solutions, matching the rapidly changing dynamics in the grocery and foodservice sectors.

Our retail supplies business was significantly impacted by Covid-19 related closures of department stores and clothing-based retailers, with sales volume declines and increased customer credit risk exposure. We were able to mitigate some of the impacts by providing our customers with packaging and supplies to support their rapid shift to online trading and also by sourcing Covid-19 related products to support their store reopening efforts, particularly in the home improvement sector. We continued plans for the optimisation and streamlining of our retail distribution facilities footprint, with the integration of two large facilities in Pennsylvania finalised during the third quarter.

Overall, our safety business grew strongly due to high demand for masks and disposable gloves and the impact of recent acquisitions, most notably MCR Safety. These gains were partly offset by the unfavourable impact of underlying declines in the industrial and oil & gas sectors.

Our food processor business continued its history of strong organic growth and also benefited significantly from increased safety and cleaning & hygiene protocols in customer plants, mitigating declines associated with short term Covid-19 related plant closures. We leveraged our digital platforms and technologies to engage effectively with our customers with whom we have not been able to meet with in person.

Our business serving the agricultural sector enjoyed good growth, including the increased demand for prepacked food from consumers at grocery stores, and benefited from increased focus on sourcing and supply chain management. We continue to evolve our distribution footprint with the changing footprint of our customers to provide efficient and cost-effective value-added solutions as they migrate into new areas, principally in Mexico.

Our business serving the convenience store sector saw good growth despite the negative impact of Covid-19 related shutdowns and greatly reduced travel. The business continues to benefit from its category management programmes with large convenience store operators covering a broad range of food packaging, store supplies and cleaning & hygiene categories, in collaboration with its wholesale partners.

Finally, our business in Canada also experienced significant Covid-19 related growth, principally in the safety and cleaning & hygiene sectors as well as product price inflation, overcoming declines principally in the foodservice sector.

Continental Europe

	2020 **£m**	**2019** **£m**	Growth at constant exchange
Revenue	**2,127.3**	**1,829.8**	15.6%
Adjusted operating profit*	**238.1**	**182.1**	30.8%
Operating margin*	**11.2%**	**10.0%**	

* Alternative performance measure (see Note 2)

Revenue in Continental Europe rose significantly, increasing by 15.6% to £2,127.3 million. Organic growth was 15.1% and was strongly supported by a number of significant government orders for masks and other Covid-19 related products which, together with a general increase in revenue from Covid-19 related products across a broad range of customers, more than offset the very challenging trading conditions, particularly in the foodservice sector. We benefited from delays to retendering activity and proactively extended existing contracts where possible. The acquisition of ICM at the end of October further supported growth. Despite an increase in provisions relating to our credit exposure from customers in the retail and foodservice sectors, margins grew strongly as a result of a mix change to higher margin sectors and own brand imported products, the meaningful operating leverage on larger Covid-19 related orders and price inflation on some Covid-19 related products. Adjusted operating profit rose by 30.8% to £238.1 million with operating margin improving to 11.2% from 10.0% in the prior year (up 130 basis points at constant exchange rates).

In France, both of our cleaning & hygiene businesses significantly benefited from increased sales of Covid-19 related products with strong growth in the public, healthcare, food processing and industrial sectors. Sales to contract cleaners were broadly flat as they saw lower levels of activity due to home working but cleaning requirements increased. Sales to the foodservice sector were significantly lower given the impact of lockdowns on our hotel, restaurant and contract caterer customers. These lockdowns also had a materially adverse impact on our two dedicated foodservice businesses. Our safety business benefited from a significant Covid-19 related order of masks from a government purchasing agency. Sales to other customers were slightly lower as several key customers, particularly in the aerospace sector, reduced their production capacity. Revenue overall in France, however, grew strongly, even excluding the large government Covid-19 related orders.

In the Netherlands, we enjoyed strong growth in the healthcare, cleaning & hygiene and e-commerce fulfilment sectors. Our safety business benefited from a substantial order for masks from a governmental organisation which we were able to fulfil at short notice with the assistance of our Asia sourcing and auditing operation. We also delivered significant levels of Covid-19 related products to the Dutch police and sales of PPE to other customers also progressed well. Our grocery business recorded good growth after a slow start to the year during which some customers closed their fresh food stores and in-house bakeries during the first lockdown. Sales in our retail business were lower due to the lockdowns despite winning a significant order for hand sanitiser from an international retailer as it reopened its stores. Our foodservice business saw a significant fall in revenue as many of its customers were forced to close for part of the year. Coolpack, which was acquired in April 2019, continues to trade ahead of expectations. Total revenue in the Netherlands, excluding larger Covid-19 related orders, was broadly flat on the prior year.

In Belgium, our cleaning & hygiene businesses delivered significant revenue growth due to increased sales in the healthcare and facilities management sectors more than offsetting lower sales in the foodservice sector. We also provided Covid-19 related products to regional governments. Revenue at our grocery business declined mainly due to the loss of one larger account during the second half of 2019.

In Germany, significant sales growth in our cleaning & hygiene business did not offset the decline in sales at our foodservice and specialist safety workwear businesses due to the lockdowns. In Switzerland, however, growth in the medical and industrial sectors more than compensated for lower foodservice sales. In Austria, our food packaging business reported lower sales, mainly due to a reduction in sales of products used in packaging food for the foodservice and education sectors as well as a reduction of sales of industrial packaging products.

In Denmark, lower sales to the fitness and foodservice sectors were more than offset by growth in the cleaning & hygiene, safety, grocery and public sectors. In Norway, our catering equipment business saw significantly lower sales due largely to the impact of restrictions on hotels and restaurants and resulting lower investment in new equipment.

In Spain, our safety and medical businesses recorded strong growth which more than offset lower sales to the foodservice, contract cleaning and industrial packaging sectors. In Italy, our safety business suffered from lower industrial activity due to the lockdown in the first part of the year but recovered in the second half with full year sales only marginally behind 2019 levels, supported by sales of Covid-19 related products.

In Turkey, we saw significant growth in sales of disposable gloves to hospitals, food processors and grocery stores as increased demand and currency devaluation resulted in inflation. From the summer onwards we won a number of tenders to supply the Turkish government's purchasing agency with disposable gloves due to our ability to source these reliably from Asia. Sales of safety products also progressed extremely well. In Israel, sales were lower in the bakery sector and significantly lower in the foodservice sector due to lockdowns.

In Central Europe, sales grew well in all three countries in which we are present, namely Hungary, Romania and the Czech Republic, with strength in the cleaning & hygiene and safety sectors as well as the food processing sector. We also won a significant order for Covid-19 related products from the Hungarian government.

UK & Ireland

	2020 £m	**2019 £m**	Growth at constant exchange
Revenue	**1,287.7**	**1,242.1**	3.5%
Adjusted operating profit*	**68.6**	**87.1**	(21.2)%
Operating margin*	**5.3%**	**7.0%**	

* Alternative performance measure (see Note 2)

In UK & Ireland, revenue increased 3.5% to £1,287.7 million driven by organic growth of 2.6% as well as the acquisition of Bodyguard Workwear in February and Abco Kovex in September. Growth was similarly enhanced by the sale of Covid-19 related products, despite the heavy weighting to the adversely affected foodservice and retail sectors. Despite the increase in revenue, adjusted operating profit reduced to £68.6 million, down 21.2% compared to 2019, and operating margin declined to 5.3%. Operating margin was meaningfully impacted by the declines in the foodservice and retail sectors, with the operating businesses servicing these customers largely standalone with limited scope for fixed cost sharing, and also due to an increase in provisions relating to our credit exposure in these sectors.

Our portfolio of safety businesses saw strong growth during 2020. The demand for masks, gloves and eye protection increased significantly during the period as we provided a full range of quality assured products to our customers in government and industry. These sales helped to offset an underlying decline in the demand from manufacturing and construction customers who, in turn, suffered declines in production throughout the pandemic. Over the year, we continued to invest in digital solutions and further developed ways for our customers to control both quantity and quality of their products via our bespoke web offering. Towards the end of the year, we secured some new long term supply arrangements resulting from the UK government's investment in transport infrastructure and, in addition, extended our contractual arrangements with many of our larger customers.

In our cleaning & hygiene supplies business we saw increased demand for sanitisers and cleaning products as our customers sought to ensure the safety of their employees during the pandemic. However, with many of our customers' offices closed and with their staff working remotely, our supply of everyday consumables, such as hygiene paper and hand towels was negatively impacted. Despite this we continued to work with facilities management companies and local authorities to ensure customer sites could be supplied intelligently, with the correct volume of supplies prior to re-opening after lockdown. We improved our vehicle telematics system during the period, providing important carbon impact data for our customers together with up-to-date information on their orders.

Our grocery business experienced large increases in demand for Covid-19 related products. Working alongside our supermarket customers we sourced new products to help with the change in buying habits, including the move to more home deliveries. During the year we opened a brand-new purpose-built facility in Burton Latimer near Kettering to facilitate our growth and improve service levels, with efficiencies also achieved through the consolidation of one of our larger non-food retail packaging businesses into the site. Our non-food retail packaging businesses experienced mixed trading with e-commerce products, such as cardboard packaging and void fill growing rapidly on the back of an increase in lockdown influenced online consumer buying, although we saw a decline in high street packaging products such as branded bags.

The pandemic has caused a severe impact to our foodservice businesses, with a series of lockdowns and restrictions since March 2020 limiting business to pubs, restaurants and hotels. Reduced footfall to offices and the declines in leisure and sporting events limited the activities of contract caterers, whose business then focused on supplying educational and hospital facilities. Despite the impact of Covid-19 related restrictions, we continued to supply products and services to those sectors which remained open and experienced good growth in food takeaway packaging.

Conversely the pandemic has resulted in significant growth in all our healthcare related businesses. Although elective surgery in UK hospitals has been depressed by approximately 40% and our volumes of standard hospital consumables have been curtailed, the demand for masks, gowns, visors and gloves during the final nine months of 2020 grew considerably as healthcare institutions sought to build up inventory of essential products. Whether supplying the NHS directly, or supplying nursing and care homes, the need for reliable, certified and consistent supply, backed up by our team of product and technical experts and very strong supply chains, resulted in a major surge in orders. Looking ahead, the high level of inventory held by our customers could limit future demand.

Ireland was significantly impacted by the pandemic as our sizeable foodservice businesses saw material declines associated with lockdowns and restricted hospitality. Those supplying the health service, government institutions and facilities management customers, however, grew as a result of the large demand for Covid-19 related products. Despite the operational challenges provided by the pandemic, we moved into a larger purpose-built distribution facility close to

Dublin airport, thereby improving our service to customers, and enhanced our digital offering with further investment in expertise. The flexible packaging distributor Abco Kovex based in Dublin, which we acquired in September, is integrating well and has enhanced our product offering and expanded our customer base in Ireland.

We also executed a number of pre-pandemic plans to consolidate other warehousing facilities, utilising technology to do so. In addition to the consolidation of two businesses into the new facility in Dublin, we also exited one catering warehouse in Durham by utilising our existing network of catering facilities. Furthermore, we have started to establish some shared service capabilities in finance and HR to drive back office synergies. We continued to develop our digital offerings with investment in finance AI tools and by allowing our customers to place orders with all their suppliers, including Bunzl, via our state-of-the-art marketplace technology. We have also strengthened our sustainability credentials by building a team of dedicated experts, a full range of sustainable product alternatives and a complete set of sophisticated tools to give our customers valuable insights into their current and future purchases, helping them to manage their supply chain in a more responsible manner going forward. Finally, although Brexit provided some operational complexity and required us to increase our stockholdings in certain products to protect supply to our customers, our businesses have continued to operate without any material disruption.

Rest of the World

	2020 £m	**2019 £m**	Growth at constant exchange
Revenue	**852.3**	**781.6**	21.6%
Adjusted operating profit*	**104.2**	**61.6**	94.0%
Operating margin*	**12.2%**	**7.9%**	

* Alternative performance measure (see Note 2)

In Rest of the World, revenue increased 21.6% to £852.3 million driven by organic growth of 17.6% as well as the acquisition in Brazil of Medcorp in January 2020 and SP Equipamentos in November. FRSA in Australia, which was acquired in November 2019, further supported growth in 2020. Adjusted operating profit grew by 94.0% to £104.2 million with operating margin increasing to 12.2% from 7.9% in the prior year (up 450 basis points at constant exchange rates).

Our businesses in Latin America were positively impacted by the pandemic with strength in our safety businesses and the ability to source Covid-19 related products, particularly gloves, delivering significant growth. In addition, we continued accelerating our digital investments with the launch of 10 new digital platforms across all our countries in the region, which supported a meaningful increase in digital orders placed over the year compared to the prior year.

In Brazil, our safety businesses saw very strong growth which was supported by price inflation as the demand for PPE increased dramatically and as a result of currency devaluation. In our foodservice business, demand for our gloves from multiple sectors remained very high throughout the year, generating high growth in sales. Our hygiene business, on the other hand, saw more modest growth as several large foodservice and institutional customers reduced their purchases as a result of pandemic-related restrictions. Over the year the business used the opportunity to develop a sustainable range of cleaning chemicals designed to meet a higher post Covid-19 demand from its customers for sustainable cleaning and hygiene products. We also saw strong growth in sales in our healthcare business, led mainly by continued improvements in our medical business and bolstered by high demand for several Covid-19 related healthcare products. Our recent acquisition, Medcorp, produced a resilient first year performance broadly in line with expectations despite a reduction in routine hospital procedures during the pandemic.

In Chile, a good industrial recovery in the second half of the year, together with additional sales of Covid-19 related products led to strong growth in our safety businesses. Our safety footwear business, which had declined during 2019, successfully achieved a second half turnaround. In the foodservice sector, our catering supplies business deployed its supply chain and logistics expertise to meet high demand for PPE which successfully offset declines in its traditional foodservice customer base and led to good growth in sales. The business continued to focus on its sustainable packaging solutions by developing a range for the growing home-delivery market.

In Mexico, our safety business saw very strong growth as sales of Covid-19 related products more than offset declines in the industrial customer base. This growth, however, reduced as the year progressed due to the weaker underlying industrial demand in the country.

In Colombia, our Visca safety business benefited from strong PPE sales. In Argentina, our safety business also continued to deliver high sales growth due to both Covid-19 related sales and very high price inflation. Finally, in Peru, despite very weak underlying industrial demand throughout the year, sales grew strongly from the sale of PPE.

Asia Pacific, which is weighted to the healthcare and cleaning & hygiene sectors, performed strongly throughout the year. The business benefited from several large opportunities with state and federal government health departments as well as strong demand from the traditional customer base in aged, primary and community care. The increased volumes more than offset a downturn in our traditional hospitality customer base where customers were closed for extended periods or operating at reduced capacity due to pandemic-related restrictions in most states.

Our speciality Australian healthcare business had another good year and continued to build on the momentum seen in the first half of 2020. The existing customer base saw high demand for Covid-19 testing swabs, which offset reduced volumes in pathology and blood collection due to reduced patient visits to doctors' surgeries, and the increase in hygiene awareness positively impacted traditional winter flu season demand.

Our Australian safety businesses experienced good growth due to increased demand and ongoing improvements and initiatives implemented over the past few years. Some parts of the business were adversely impacted by customer closures but were able to offset this impact with strong sales of PPE and hygiene products across the wider customer base. The business is in the process of expanding our cleaning & hygiene programme and made enhancements to our range of PPE which will complement our market offering.

FRSA, our emergency services specialist distributor, finished the year strongly and has settled well into the Bunzl family. The business was initially impacted by reallocation of government budgets towards healthcare but was able to offset this by growth in other categories. These budgets are expected to return to previous levels to ensure sufficient funds are available to meet the ongoing requirement to maintain essential fire safety services. We also expanded our service capabilities following a number of large contract wins and successfully started to service customers in New Zealand.

In Asia, our domestic safety business in China had a stronger performance, due to the increased demand for Covid-19 related products. The domestic end-user business, however, continued to be subscale and in recent years had been loss making with limited opportunities to develop own brand products. As a result, the decision was made to close this business and its main operating facility at the end of 2020 and to focus our China-based business on our export operations and value-added distribution services for Bunzl customers globally. As a result of this restructuring in China, the Group has incurred impairment charges on goodwill and customer relationships intangible assets of £14.8 million.

Our safety business in Singapore had another good performance and was able to offset the slowdown in the oil & gas sector with an increase in the sales of PPE and cleaning & hygiene products. The business has benefited from work undertaken prior to the pandemic to expand their product and service offering across new and existing customers.

Prospects

The Group's expectations for 2021 remain unchanged and visibility remains limited on the future extent and duration of pandemic-related restrictions, the speed of the roll out of vaccination programmes and the pandemic's macroeconomic impact. At constant exchange rates the Group expects robust revenue growth in 2021 over the prior year, after excluding larger Covid-19 related orders which strongly supported the performance in 2020 and which are not expected to repeat. The Group expects a recovery in sales of other products to be broadly offset by a decline in smaller Covid-19 related orders, while recent acquisitions will contribute to the Group's performance in 2021. Given the growth trends in 2020, after excluding larger Covid-19 related orders we expect good organic revenue growth in the first half of 2021 to be followed by a moderate decline in the second half of the year. Overall, the foodservice and retail sectors, which were more heavily impacted by pandemic-related restrictions in 2020, are expected to demonstrate recovery in the second half of 2021 but will remain below 2019 levels for the year. Persistently stronger sterling would however negatively impact reported growth. Group operating margin is expected to return to a more historical level.

At constant exchange rates, revenue growth in North America is expected to be robust driven by the continued benefit from acquisitions and the lower proportion of larger Covid-19 related orders seen in 2020. Revenue in both Continental Europe and UK & Ireland is expected to decline given the higher proportion of larger orders seen in 2020 which were strong contributors to growth. Rest of the World revenue is also expected to decline, driven by the reduced support from Covid-19 related sales.

Looking ahead, Bunzl's longer term prospects remain attractive. The last year has reinforced the resilience and quality of the Bunzl model by demonstrating the agility that comes with a decentralised business model, the critical role we play in supply chains and to customers and our highly cash generative nature. We expect to see some benefit from enhanced hygiene trends across most of our business areas and 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.

Currency translation

Currency translation has had a small adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 1% and 2%. The adverse exchange rate impact was principally due to the effect on average exchange rates of the strengthening of sterling against certain currencies during the year, particularly the Canadian dollar, Brazilian real and Australian dollar, partly offset by the weakening of sterling against the euro.

Average exchange rates	**2020**	2019
US$	**1.28**	1.28
Euro	**1.12**	1.14
Canadian$	**1.72**	1.69
Brazilian real	**6.61**	5.04
Australian$	**1.86**	1.84

Closing exchange rates	**2020**	2019
US$	**1.37**	1.32
Euro	**1.12**	1.18
Canadian$	**1.74**	1.72
Brazilian real	**7.08**	5.33
Australian$	**1.77**	1.88

Revenue

Revenue increased to £10,111.1 million (2019: £9,326.7 million), up 9.4% at constant exchange rates (up 8.4% at actual exchange rates), due to underlying growth of 4.8% (being organic growth adjusted for trading days), the benefit of acquisitions and an additional trading day compared to the previous year due to 2020 being a leap year.

Movement in revenue	**£m**
2019 revenue	9,326.7
Currency translation	(88.1)
Impact of additional trading day	43.1
Underlying revenue growth	444.9
Acquisitions	384.5
2020 revenue	**10,111.1**

Operating profit

Adjusted operating profit increased to £778.4 million (2019: £653.3 million), an increase of 21% at constant exchange rates and 19% at actual exchange rates. Adjusted operating profit margin increased from 7.0% to 7.7% at both constant exchange rates and actual exchange rates. This improvement in operating margin was primarily driven by the strong demand for Covid-19 related products in the higher than average margin sectors of safety, healthcare and cleaning & hygiene and a reduction in demand in the lower than average margin sectors of foodservice and retail, partly offset by charges relating to trade receivables and inventory provisions.

During 2020, the Group has seen a number of customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of receivables and customer specific inventory particularly in the foodservice and retail sectors. This has resulted in a net charge of approximately £15 million being taken during the year to reflect the risks around recoverability. In addition, there is a heightened risk of further recoverability issues with customers, mainly in these same sectors, as government support is withdrawn and the trading uncertainty continues. Consequently, the Group has taken an additional net charge of approximately £10 million in the year relating to aged receivables and customer specific inventory for those customers identified as having a high or medium credit risk. The

Group has also seen an 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 £15 million in the year to increase slow moving inventory provisions.

Movement in adjusted operating profit	**£m**
2019 adjusted operating profit	653.3
Currency translation	(9.4)
2020 growth	134.5
2020 adjusted operating profit	**778.4**

Operating profit was £618.5 million, an increase of 19% at constant exchange rates (up 17% at actual exchange rates).

Movement in operating profit	**£m**
2019 operating profit	528.4
Currency translation	(7.5)
Growth in adjusted operating profit	134.5
Increase in customer relationships and brands amortisation and acquisition related items	(20.1)
Non-recurring pension scheme changes	(16.8)
2020 operating profit	**618.5**

Acquisition related items include £12.1 million for impairment of goodwill relating to the closure of a safety business in China within the Asia Pacific Cash Generating Unit and £9.1 million for impairment of customer relationships assets relating to a foodservice business in UK & Ireland, a safety business in Continental Europe and the closure of the safety business in China, as explained in Note 9. The non-recurring pension scheme charges of £16.8 million comprise £16.4 million relating to withdrawal liability charges for three multi-employer pension plans in North America, following the Group's decision to withdraw from these plans due to their critical funding status, and a £0.4 million GMP equalisation charge relating to the equalisation of guaranteed minimum pensions between male and female members on historical transfers out of the Group's defined benefit pension scheme following a High Court ruling on 20 November 2020 in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc.

Customer relationships and brands amortisation, acquisition related items and the non-recurring pension scheme charges in 2020 are excluded from the calculation of adjusted operating profit as they do not relate to the underlying operating performance and distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating adjusted operating profit and other alternative performance measures by which management assess the performance of the Group.

Net finance expense

The net finance expense for the year was £62.8 million, a decrease of £11.3 million at constant exchange rates (down £12.3 million at actual exchange rates), mainly from lower average interest rates and a lower average level of net debt in the year.

Profit before income tax

Adjusted profit before income tax was £715.6 million (2019: £578.2 million), up 26% at constant exchange rates (up 24% at actual exchange rates), due to the growth in adjusted operating profit and the reduction in net finance expense. Profit before income tax was £555.7 million (2019: £453.3 million), an increase of 24% at constant exchange rates (up 23% 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 year was 23.1% (2019: 23.8%) and the reported tax rate on statutory profit was 22.6% (2019: 23.0%). Both the effective and reported tax rates for 2020 are lower than the prior year due to a higher credit for share-based payment expense and a larger benefit from reduced prior year tax exposures.

As explained in Note 15 (Principal risks and uncertainties), the Group identifies an increase in taxation as a principal risk for the Group, and the tax rate could be affected by legislative changes or the resolution of prior year tax matters.

One of the tax risks affecting the Group is the European Commission's decision that part of the UK's tax regime amounts to State aid. Further details on this risk are given in Note 5 but it should be noted that tax plus interest of up to £37 million could be payable in the near future to HM Revenue & Customs as they are required to collect amounts they consider to be State aid in line with the Commission's decision. The Group, as well as HM Government and many other tax payers, have filed appeals to the EU General Court on this issue but no hearing date has been set. Any such amount paid to HM Revenue & Customs will be refunded in the event of a favourable EU General Court ruling. In addition, the Group made a cash payment during the year of BRL100.4 million (£15.2 million) for tax plus interest and penalties in relation to a tax dispute in Brazil. This had no effect on the tax charge for the year. The Group has appealed to the Federal Court against the BRL100.4 million assessment and expects litigation on the matter to take several years.

Earnings per share

Profit after tax increased to £430.0 million (2019: £349.2 million), up 25% and an increase of £85.9 million at constant exchange rates (up 23% at actual exchange rates), due to a £108.9 million increase in profit before income tax, partly offset by a £23.0 million increase in the tax charge at constant exchange rates.

Adjusted profit after tax was £550.5 million (2019: £440.6 million), up 27% and an increase of £116.3 million at constant exchange rates (up 25% at actual exchange rates), due to a £145.8 million increase in adjusted profit before income tax, partly offset by a £29.5 million increase in the tax on adjusted profit before income tax at constant exchange rates.

The weighted average number of shares increased to 333.8 million from 333.3 million in 2019 due to employee share option exercises, partly offset by share purchases into the employee benefit trust.

Basic earnings per share were 128.8p (2019: 104.8p), up 25% at constant exchange rates (up 23% at actual exchange rates). Adjusted earnings per share were 164.9p (2019: 132.2p), an increase of 27% at constant exchange rates (up 25% at actual exchange rates).

Movement in basic earnings per share	Pence
2019 basic earnings per share	104.8
Currency translation	(1.6)
Increase in adjusted profit before income tax	33.3
Increase in customer relationships and brands amortisation and acquisition related items	(4.3)
Non-recurring pension scheme charges	(3.7)
Decrease in reported tax rate	0.5
Increase in weighted average number of shares	(0.2)
2020 basic earnings per share	**128.8**

Movement in adjusted earnings per share	Pence
2019 adjusted earnings per share	132.2
Currency translation	(1.9)
Increase in adjusted profit before income tax	33.3
Decrease in effective tax rate	1.5
Increase in weighted average number of shares	(0.2)
2020 adjusted earnings per share	**164.9**

Dividends

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

	2020	2019	Growth
Interim dividend (p)	**15.8**	15.5	1.9%
Final dividend (p)*	**38.3**	35.8	7.0%
Total dividend (p)	**54.1**	51.3	5.5%
Dividend cover (times)	**3.0**	2.6	

* 2019 final dividend reinstated as an additional 2019 interim dividend.

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 2020 has benefited significantly from larger Covid-19 related orders that are not expected to be repeated in 2021. The approach to setting the 2020 dividend therefore needs to reflect more closely a more normalised level of growth in adjusted earnings per share which might otherwise have been anticipated without the benefit of such orders. As a consequence, the Board is proposing a 2020 final dividend of 38.3p, an increase of 7% on the amount paid in relation to the 2019 final dividend. The 2020 total dividend of 54.1p is 5.5% higher than the 2019 total dividend.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to EBITDA, the ability of the Group to continue to generate cash and the amount required to invest in the business, in particular into future acquisitions. The Group’s long-term track record of strong cash generation, coupled with the Group’s substantial borrowing facilities, provides the Company with the financial flexibility to fund a growing dividend. After the further growth in 2020, Bunzl has sustained a growing dividend to shareholders over the past 28 years.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group’s trading performance and liquidity, as described in Note 15 (Principal risks and uncertainties). The Group has substantial distributable reserves within Bunzl plc and there is a robust process of distributing profits generated by subsidiary undertakings up through the Group to Bunzl plc. At 31 December 2020 Bunzl plc had sufficient distributable reserves to cover more than four years of dividends at the levels of those delivered in 2020, which is expected to be approximately £181 million.

Acquisitions

The Group completed nine acquisitions during the year ended 31 December 2020 with a total committed spend of £445.0 million. The estimated annualised revenue and adjusted operating profit of the acquisitions completed during the year were £602 million and £50 million respectively.

The acquisitions completed during the year include the acquisition of MCR Safety, which is considered to be individually significant due to its impact on intangible assets, adding £104.5 million to customer relationships, £13.7 million to brands and £71.8 million to goodwill. The committed spend on this acquisition was £276.5 million. For further details of this acquisition see Note 12.

A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	318.7
Goodwill	108.8
Consideration	427.5
Satisfied by:	
cash consideration	367.9
deferred consideration	59.6
	427.5
Contingent payments relating to retention of former owners	19.1
Net cash acquired	(8.9)
Transaction costs and expenses	7.3
Total committed spend in respect of acquisitions agreed and completed in the current year	**445.0**

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

	£m
Cash consideration	367.9
Net cash acquired	(8.9)
Deferred consideration payments	4.2
Net cash outflow in respect of acquisitions	363.2
Acquisition related items*	24.3
Total cash outflow in respect of acquisitions	**387.5**

* Acquisition related items comprise £7.1 million of transaction costs and expenses paid and £17.2 million of payments relating to retention of former owners.

Cash flow

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

	2020 £m	2019 £m
Cash generated from operations†	**968.3**	814.1
Payment of lease liabilities	**(159.6)**	(151.6)
Net capital expenditure	**(31.9)**	(28.8)
Operating cash flow†	**776.8**	633.7
Net interest excluding interest on lease liabilities	**(41.5)**	(51.2)
Income tax paid	**(153.8)**	(125.6)
Free cash flow	**581.5**	456.9
Dividends paid	**(171.5)**	(167.3)
Acquisitions◊	**(387.5)**	(162.8)
Net payments relating to employee share schemes	**(8.4)**	(27.7)
Net cash inflow	**14.1**	99.1

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

The Group's free cash flow of £581.5 million was £124.6 million higher than in 2019, primarily due to the increase in operating cash flow of £143.1 million, partly offset by a higher cash outflow relating to tax. The Group's free cash flow was primarily used to finance dividend payments of £171.5 million in respect of 2019 (2019: £167.3 million in respect of

2018) and an acquisition cash outflow of £387.5 million (2019: £162.8 million). Cash conversion (being the ratio of operating cash flow as a percentage of lease adjusted operating profit) was 103% (2019: 101%). This benefited from advance payments from customers net of upfront payments to suppliers of approximately £34 million. Excluding these net advanced payments, cash conversion was 99%.

	2020 £m	2019 £m
Operating cash flow	**776.8**	633.7
Adjusted operating profit	**778.4**	653.3
Add back depreciation of right-of-use assets	**134.8**	128.1
Deduct payment of lease liabilities	**(159.6)**	(151.6)
Lease adjusted operating profit	**753.6**	629.8
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)	**103%**	101%

Net debt

Net debt excluding lease liabilities increased by £8.0 million during the year to £1,255.0 million (2019: £1,247.0 million), due to a £22.1 million increase due to currency translation partly offset by the net cash inflow of £14.1 million. Net debt including lease liabilities was £1,752.5 million (2019: £1,727.0 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 1.5 times (2019: 1.9 times). Net debt to EBITDA calculated at average exchange rates including lease liabilities was 1.8 times (2019: 2.1 times).

Balance sheet

Summary balance sheet at 31 December:

	2020 £m	2019 £m
Intangible assets	**2,441.9**	2,290.9
Right-of-use-assets	**453.4**	432.9
Property, plant and equipment	**122.7**	118.3
Working capital	**1,021.4**	943.4
Other net liabilities	**(323.0)**	(278.2)
	3,716.4	3,507.3
Net pensions deficit	**(44.8)**	(36.0)
Net debt excluding lease liabilities	**(1,255.0)**	(1,247.0)
Lease liabilities	**(497.5)**	(480.0)
Equity	**1,919.1**	1,744.3
Return on average operating capital	**45.4%**	36.9%
Return on invested capital	**16.2%**	13.6%

Return on average operating capital increased to 45.4% from 36.9% in 2019 and return on invested capital of 16.2% was up from 13.6% in 2019, both due to a higher return in the underlying business driven by an increase in adjusted operating profit and lower average operating capital.

Intangible assets increased by £151.0 million to £2,441.9 million due to intangible assets arising on acquisitions in the year of £296.7 million and software additions of £8.7 million, partly offset by an amortisation charge of £110.7 million, an impairment charge of £21.2 million, software disposals of £0.8 million and a decrease from currency translation of £21.7 million.

Right-of-use assets increased by £20.5 million to £453.4 million due to additional right-of-use assets from new leases during the year of £100.1 million, an increase from acquisitions of £35.2 million and an increase from remeasurement adjustments of £24.2 million, partly offset by a depreciation charge of £134.8 million and a decrease from currency translation of £4.2 million.

Working capital increased from the prior year end by £78.0 million to £1,021.4 million due to increases from acquisitions, partly offset by a decrease in the underlying business and a decrease from currency translation.

The Group's net pension deficit of £44.8 million at 31 December 2020 was £8.8 million higher than at 31 December 2019, principally due to an actuarial loss of £16.2 million, increases from service cost and net interest expense, partly offset by contributions of £14.6 million during the year. The actuarial loss principally arose from an increase in pension liabilities due to a decrease in discount rates, partly offset by higher than expected returns on pension scheme assets.

Shareholders' equity increased by £174.8 million during the year to £1,919.1 million.

Movement in shareholders' equity	**£m**
Shareholders' equity at 31 December 2019	1,744.3
Profit for the year	430.0
Dividends	(171.5)
Currency (net of tax)	(81.0)
Actuarial loss on pension schemes (net of tax)	(13.2)
Share based payments (net of tax)	16.2
Employee share schemes (net of tax)	(5.7)
Shareholders' equity at 31 December 2020	**1,919.1**

Capital management

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

Treasury policies and controls

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

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term and, in order to do so, arranges borrowings from a variety of sources. Additionally, compliance with the Group's biannual debt covenants is monitored on a monthly basis and formally tested at 30 June and 31 December. The principal covenant limits are net debt, calculated at average exchange rates, to EBITDA of no more than 3.5 times and interest cover of no less than 3.0 times. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants and net debt. During the year ended 31 December 2020 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. Debt covenants are based on historical accounting standards.

The Group has substantial funding available comprising multi-currency credit facilities from the Group's banks, US private placement notes and senior bonds. During 2020, the Group issued a £400 million bond which matures in 2030 under the terms of its Euro Medium Term Note Programme. The bond issued extends the maturity profile of the Group's debt portfolio and diversifies its funding sources. In addition to this bond, the £300 million senior bond matures in 2025 and the Group's committed bank facilities mature between 2021 and 2025. At 31 December 2020 the nominal value of US private placement notes outstanding was £916.3 million (2019: £1,012.1 million) with maturities ranging from 2021 to 2028. At 31 December 2020 the available committed bank facilities totalled £978.0 million (2019: £1,062.4 million) of which £45.0 million (2019: £63.0 million) was drawn down, providing headroom of £933.0 million (2019: £999.4 million). The Group expects to make repayments in 2021 of approximately £79 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 impacts of the Covid-19 pandemic. Further details are set out in Note 1.

Consolidated income statement
for the year ended 31 December 2020

	Notes	**2020 £m**	2019 £m
Revenue	3	**10,111.1**	9,326.7
Operating profit	3	**618.5**	528.4
Finance income	4	**10.4**	12.4
Finance expense	4	**(73.2)**	(87.5)
Profit before income tax		**555.7**	453.3
Income tax	5	**(125.7)**	(104.1)
Profit for the year attributable to the Company's equity holders		**430.0**	349.2
Earnings per share attributable to the Company's equity holders			
Basic	7	**128.8p**	104.8p
Diluted	7	**128.3p**	104.5p
Dividend per share	6	**54.1p**	51.3p

Alternative performance measures†			
Operating profit	3	**618.5**	528.4
Adjusted for:			
Customer relationships and brands amortisation	3	**100.4**	107.3
Acquisition related items	3	**42.7**	17.6
Non-recurring pension scheme charges	3	**16.8**	-
Adjusted operating profit		**778.4**	653.3
Finance income	4	**10.4**	12.4
Finance expense	4	**(73.2)**	(87.5)
Adjusted profit before income tax		**715.6**	578.2
Tax on adjusted profit	5	**(165.1)**	(137.6)
Adjusted profit for the year		**550.5**	440.6
Adjusted earnings per share	7	**164.9p**	132.2p

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

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	2020 £m	2019 £m
Profit for the year	**430.0**	349.2
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit pension schemes	**(16.2)**	(8.3)
Loss recognised in cash flow hedge reserve†	**(8.5)**	-
Tax on items that will not be reclassified to profit or loss	**4.6**	2.2
Total items that will not be reclassified to profit or loss	**(20.1)**	(6.1)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences on foreign operations	**(63.5)**	(104.1)
(Loss)/gain taken to equity as a result of effective net investment hedges	**(15.9)**	16.9
Loss recognised in cash flow hedge reserve†	**-**	(0.5)
Movement from cash flow hedge reserve to inventory/income statement†	**-**	(4.3)
Tax on items that may be reclassified to profit or loss	**0.3**	0.8
Total items that may be reclassified subsequently to profit or loss	**(79.1)**	(91.2)
Other comprehensive expense for the year	**(99.2)**	(97.3)
Total comprehensive income attributable to the Company's equity holders	**330.8**	251.9

† The presentation of the movements relating to the cash flow hedge reserve has been amended in the current year to more appropriately reflect the requirements of IFRS 9. Given the immaterial amounts involved the prior year numbers have not been reclassified.

Consolidated balance sheet
at 31 December 2020

	Notes	**2020 £m**	2019 £m
Assets			
Property, plant and equipment		**122.7**	118.3
Right-of-use assets	8	**453.4**	432.9
Intangible assets	9	**2,441.9**	2,290.9
Defined benefit pension assets		**0.4**	10.8
Derivative financial assets		**17.0**	11.5
Deferred tax assets		**2.5**	3.7
Total non-current assets		**3,037.9**	2,868.1
Inventories		**1,432.2**	1,177.2
Trade and other receivables		**1,395.8**	1,254.1
Income tax receivable		**6.6**	6.7
Derivative financial assets		**12.6**	3.4
Cash at bank and in hand	11	**944.3**	610.5
Total current assets		**3,791.5**	3,051.9
Total assets		**6,829.4**	5,920.0
Equity			
Share capital		**108.3**	108.3
Share premium		**187.7**	184.0
Translation reserve		**(190.9)**	(111.8)
Other reserves		**14.3**	16.2
Retained earnings		**1,799.7**	1,547.6
Total equity attributable to the Company's equity holders		**1,919.1**	1,744.3
Liabilities			
Interest bearing loans and borrowings	11	**1,615.2**	1,314.2
Defined benefit pension liabilities		**45.2**	46.8
Other payables		**50.2**	19.5
Income tax payable		**2.0**	2.4
Provisions		**55.7**	33.9
Lease liabilities	10	**368.4**	358.2
Derivative financial liabilities		**0.8**	-
Deferred tax liabilities		**105.1**	127.5
Total non-current liabilities		**2,242.6**	1,902.5
Bank overdrafts	11	**514.6**	469.7
Interest bearing loans and borrowings	11	**79.9**	83.7
Trade and other payables		**1,836.3**	1,502.8
Income tax payable		**75.7**	81.0
Provisions		**8.5**	6.5
Lease liabilities	10	**129.1**	121.8
Derivative financial liabilities		**23.6**	7.7
Total current liabilities		**2,667.7**	2,273.2
Total liabilities		**4,910.3**	4,175.7
Total equity and liabilities		**6,829.4**	5,920.0

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share capital £m	**Share premium £m**	**Translation reserve £m**	**Other reserves◊ £m**	**Retained earnings† £m**	**Total equity £m**
At 1 January 2020	**108.3**	**184.0**	**(111.8)**	**16.2**	**1,547.6**	**1,744.3**
Profit for the 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**

† The presentation of the movements relating to the cash flow hedge reserve has been amended in the current year to more appropriately reflect the requirements of IFRS 9. Given the immaterial amounts involved the prior year numbers have not been reclassified.

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

◊ Other reserves comprise merger reserve of £2.5m (2019: £2.5m), capital redemption reserve of £16.1m (2019: £16.1m) and a negative cash flow hedge reserve of £4.3m (2019: negative £2.4m).

† Retained earnings comprise earnings of £1,873.1m (2019: £1,617.5m), offset by own shares of £73.4m (2019: £69.9m).

Consolidated cash flow statement
for the year ended 31 December 2020

	Notes	**2020 £m**	2019 £m
Cash flow from operating activities			
Profit before income tax		**555.7**	453.3
Adjusted for:			
net finance expense	4	**62.8**	75.1
customer relationships and brands amortisation		**100.4**	107.3
acquisition related items	3	**42.7**	17.6
non-recurring pension scheme charges	3	**16.8**	-
Adjusted operating profit		**778.4**	653.3
Adjustments:			
depreciation and software amortisation	13	**171.7**	160.0
other non-cash items	13	**13.2**	(3.5)
working capital movement	13	**5.0**	4.3
Cash generated from operations before acquisition related items		**968.3**	814.1
Cash outflow from acquisition related items	12	**(24.3)**	(19.2)
Income tax paid		**(153.8)**	(125.6)
Cash inflow from operating activities		**790.2**	669.3
Cash flow from investing activities			
Interest received		**15.1**	9.8
Purchase of property, plant and equipment and software		**(33.1)**	(36.9)
Sale of property, plant and equipment		**1.2**	8.1
Purchase of businesses	12	**(363.2)**	(143.6)
Cash outflow from investing activities		**(380.0)**	(162.6)
Cash flow from financing activities			
Interest paid excluding interest on lease liabilities		**(56.6)**	(61.0)
Dividends paid		**(171.5)**	(167.3)
Increase in borrowings		**444.5**	75.5
Repayment of borrowings		**(133.5)**	(173.7)
Realised (losses)/gains on foreign exchange contracts		**(37.1)**	13.6
Payment of lease liabilities – principal	10	**(137.1)**	(128.3)
Payment of lease liabilities – interest	10	**(22.5)**	(23.3)
Proceeds from issue of ordinary shares to settle share options		**3.7**	5.7
Proceeds from exercise of market purchase share options		**37.0**	15.8
Purchase of employee trust shares		**(49.1)**	(49.2)
Cash outflow from financing activities		**(122.2)**	(492.2)
Increase in cash and cash equivalents		**288.0**	14.5
Cash and cash equivalents at start of year		**140.8**	144.2
Increase in cash and cash equivalents		**288.0**	14.5
Currency translation		**0.9**	(17.9)
Cash and cash equivalents at end of year	11	**429.7**	140.8

Consolidated cash flow statement (continued)
for the year ended 31 December 2020

Alternative performance measures[†]	Notes	2020 £m	2019 £m
Cash generated from operations before acquisition related items		**968.3**	814.1
Purchase of property, plant and equipment and software		**(33.1)**	(36.9)
Sale of property, plant and equipment		**1.2**	8.1
Payment of lease liabilities	10	**(159.6)**	(151.6)
Operating cash flow		**776.8**	633.7
Adjusted operating profit		**778.4**	653.3
Add back depreciation of right-of-use assets	8	**134.8**	128.1
Deduct payment of lease liabilities	10	**(159.6)**	(151.6)
Lease adjusted operating profit		**753.6**	629.8
Cash conversion (operating cash flow as a percentage of lease adjusted operating profit)		**103%**	101%

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

Notes

1. Basis of preparation and accounting policies

a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2020 have been approved by the Board of directors of Bunzl plc. They are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with International Accounting Standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The consolidated financial statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB). They are prepared under the historical cost convention with the exception of certain items which are measured at fair value.

Bunzl plc's 2020 Annual Report will be published in March 2021. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 December 2020 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2020 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 21 April 2021. The auditors have reported on those accounts; their report was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

The comparative figures for the year ended 31 December 2019 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 495 (4)(b) of the Companies Act 2006.

(i) Going Concern

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

In reaching this conclusion, the directors noted the Group's strong cash performance in the year and the substantial funding available to the Group as described in the Financial review. The directors also considered a range of different forecast scenarios for the 12 month period to the end of 28 February 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 different levels of stress testing against the base case projections. This included sensitising for the potential impacts of the Covid-19 pandemic; firstly reflecting lower trading activity in the foodservice and retail sectors for a period of six months; and secondly the possibility of the impact from the pandemic lasting for the remainder of the year, both resulting in lower profit and higher working capital. 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.

(ii) Impact of Covid-19 on the financial statements at 31 December 2020

The impact of the Covid-19 pandemic on the financial results for the Group for the year ended 31 December 2020 are detailed elsewhere in this report, notably in the Chief Executive Officer's review and the Financial review.

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

During 2020, the Group has seen a number of customers either entering insolvency processes or showing specific credit stress indicators that have impacted the recoverability of receivables and customer specific inventory particularly in the foodservice and retail sectors. This has resulted in a net charge of approximately £15m being taken during the year to reflect the risks around recoverability. In addition, there is a heightened risk of further recoverability issues with customers, mainly in these same sectors, as government support is withdrawn and the trading uncertainty continues. Consequently, the Group has taken an additional net charge of approximately £10m in the year relating to aged receivables and customer specific inventory for those customers identified as having a high or medium credit risk. The Group has also seen an 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 £15m in the year to increase slow moving inventory provisions. The resultant level of receivables and inventory provisions relative to the relevant total balances at the end of December 2020 are marginally below the levels seen in the global financial crisis in 2008.

1. Basis of preparation and accounting policies (continued)

Impairment reviews of goodwill and customer relationships assets were completed towards the end of the year using cash flow projections which took into account the latest expectations about the recovery of businesses in the market sectors impacted by the pandemic. Further details of the impairment testing carried out are shown in Note 9.

b) Newly adopted accounting policies

There are no new standards or amendments to existing standards that are effective that have had a material impact on the Group, nor does the Group anticipate any new or revised standards and interpretations that are effective from 1 January 2021 and beyond to have a material impact on its consolidated results or financial position.

2. Alternative performance measures

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

Adjusted operating profit	Operating profit before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables and in the Consolidated income statement)
Operating margin	Adjusted operating profit as a percentage of revenue
Adjusted profit before income tax	Profit before income tax, customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges and profit or loss on disposal of businesses (reconciled in the following tables)
Adjusted profit for the year	Profit for the year before customer relationships and brands amortisation, acquisition related items, non-recurring pension scheme charges, profit or loss on disposal of businesses and the associated tax (reconciled in the following tables)
Effective tax rate	Tax on adjusted profit before income tax as a percentage of adjusted profit before income tax (reconciled in Note 5)
Adjusted earnings per share	Adjusted profit for the year divided by the weighted average number of ordinary shares in issue (reconciled in the following tables and in Note 7)
Adjusted diluted earnings per share	Adjusted profit for the year divided by the diluted weighted average number of ordinary shares (reconciled in Note 7)
Operating cash flow	Cash generated from operations before acquisition related items after deducting purchases of property, plant and equipment and software and adding back the proceeds from the sale of property, plant and equipment and software and deducting the payment of lease liabilities (as shown in the Consolidated cash flow statement)
Free cash flow	Operating cash flow after deducting payments for tax and net interest excluding interest on lease liabilities
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)
Return on average operating capital	The ratio of adjusted operating profit to the average of the month end operating capital employed (being property, plant and equipment, right-of-use assets, software, inventories and trade and other receivables less trade and other payables)
Return on invested capital	The ratio of adjusted operating profit to the average of the month end invested capital (being equity after adding back net debt, lease liabilities, net defined benefit pension scheme liabilities, cumulative customer relationships and brands amortisation, acquisition related items and amounts written off goodwill, net of the associated tax)

2. Alternative performance measures (continued)

EBITDA	Adjusted operating profit on an 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 11)
Constant exchange rates	Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2019 at the average rates for the year ended 31 December 2020 so that they can be compared without the distorting impact of changes caused by foreign exchange translation. The principal exchange rates used for 2020 and 2019 can be found in the Financial review

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

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, adjustments to previously estimated earn outs, customer relationships asset impairment charges, goodwill impairment charges and interest on acquisition related income tax. Customer relationships and brands amortisation, acquisition related items and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions. The non-recurring pension scheme charges relate to non-recurring charges arising from the Group's participation in a number of defined benefit pension schemes. In the year ended 31 December 2020, these non-recurring pension scheme charges comprise the costs relating to the Group's decision to withdraw from three multi-employer pension plans in North America and a charge relating to the equalisation of guaranteed minimum pensions between male and female members on historical transfer values out of the Group's UK defined benefit pension scheme following the outcome of the High Court judgment in November 2020 in the case of Lloyds Banking Group Pension Trustees Limited vs Lloyds Bank plc. None of these items relate to the underlying operating performance of the business and, as a result, they distort comparability between businesses and reporting periods. Accordingly, these items are not taken into account by management when assessing the results of the business and are removed in calculating the profitability measures by which management assesses the performance of the Group.

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 IFRS measures

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

Year ended 31 December 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	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**

2. Alternative performance measures (continued)

Year ended 31 December 2019

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

3. Segment analysis

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

Year ended 31 December 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**
Purchase of property, plant and equipment	**6.3**	**7.1**	**6.1**	**4.6**	**0.3**	**24.4**
Depreciation of property, plant and equipment	**9.7**	**8.7**	**4.8**	**3.3**	**0.1**	**26.6**
Additions to right-of-use assets	**31.1**	**20.7**	**34.4**	**13.9**	**-**	**100.1**
Depreciation of right-of-use assets	**66.3**	**31.0**	**21.3**	**15.7**	**0.5**	**134.8**
Purchase of software	**3.7**	**2.1**	**1.7**	**1.0**	**0.2**	**8.7**
Software amortisation	**3.2**	**4.8**	**0.8**	**1.3**	**0.2**	**10.3**

Year ended 31 December 2019

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

3. Segment analysis (continued)

	North America £m	Continental Europe £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Purchase of property, plant and equipment	8.8	8.8	5.7	3.7	0.1	27.1
Depreciation of property, plant and equipment	8.8	8.2	4.1	3.3	0.1	24.5
Additions to right-of-use assets	56.6	29.2	12.4	7.0	-	105.2
Depreciation of right-of-use assets	61.8	29.9	20.4	15.5	0.5	128.1
Purchase of software	4.8	2.1	1.4	1.5	-	9.8
Software amortisation	2.4	2.6	0.9	1.3	0.2	7.4

Acquisition related items	**2020 £m**	2019 £m
Deferred consideration payments relating to the retention of former owners of businesses acquired	**13.2**	13.3
Transaction costs and expenses	**7.3**	4.1
Adjustments to previously estimated earn outs	**1.0**	(0.3)
Interest on acquisition related income tax	**-**	0.5
	21.5	17.6
Goodwill impairment charges	**12.1**	-
Customer relationships impairment charges	**9.1**	-
	42.7	17.6

4. Finance income/(expense)

	2020 £m	2019 £m
Interest on cash and cash equivalents	**2.6**	4.4
Interest income from foreign exchange contracts	**5.3**	7.2
Net interest income on defined benefit pension schemes in surplus	**0.3**	0.2
Interest related to income tax	**0.1**	-
Other finance income	**2.1**	0.6
Finance income	**10.4**	12.4
Interest on loans and overdrafts	**(44.2)**	(56.6)
Lease interest expense	**(22.5)**	(23.3)
Interest expense from foreign exchange contracts	**(2.4)**	(3.9)
Net interest expense on defined benefit pension schemes in deficit	**(1.0)**	(1.3)
Fair value loss on US private placement notes and senior bond in a hedge relationship	**(15.2)**	(10.7)
Fair value gain on interest rate swaps in a hedge relationship	**15.4**	10.8
Foreign exchange gain/(loss) on intercompany funding	**3.5**	(42.6)
Foreign exchange (loss)/gain on external debt and foreign exchange forward contracts	**(4.0)**	42.7
Interest related to income tax	**(1.1)**	(1.5)
Other finance expense	**(1.7)**	(1.1)
Finance expense	**(73.2)**	(87.5)
Net finance expense	**(62.8)**	(75.1)

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

5. Income tax

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.

	2020 **£m**	2019 £m
Income tax on profit	**125.7**	104.1
Tax associated with adjusting items	**39.4**	33.5
Tax on adjusted profit	**165.1**	137.6
Profit before income tax	**555.7**	453.3
Adjusting items	**159.9**	124.9
Adjusted profit before income tax	**715.6**	578.2
Reported tax rate	**22.6%**	23.0%
Effective tax rate	**23.1%**	23.8%

Future tax liabilities may be affected by the European Commission's ('the Commission') decision that part of the UK's tax regime is contrary to European Union State aid provisions. The Group, as well as HM Government and many other tax payers, have filed appeals to the EU General Court ('EU Court') on this issue but no hearing date has yet been set. The potential liability for this risk is estimated to be between £nil and £37m as at 31 December 2020 and its resolution will depend on the decision of the EU Court and any further appeals. Based on the current legal challenge the Group does not consider any provision is required for this risk. However, the Group notes that HM Government has recently passed legislation to facilitate collection of those amounts which HMRC considers represent State aid according to the Commission's decision. It is possible that tax will be payable to HMRC in 2021 of up to £37m and that a refund of the full amount would be made in the event of a favourable EU Court ruling on this matter.

In addition and as expected, the Group made a cash payment during the year of BRL100.4m (£15.2m) for tax plus interest and penalties in relation to a tax dispute in Brazil. This had no effect on the tax charge for the year.

6. Dividends

	2020 **£m**	2019 £m
2018 interim		50.7
2018 final		116.6
2019 interim	**51.7**	
2019 additional interim*	**119.8**	
Total	**171.5**	167.3

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

	Per share	
	2020	2019
Interim	**15.8p**	15.5p
Final*	**38.3p**	35.8p
Total	**54.1p**	51.3p

The 2020 interim dividend of 15.8p per share was paid on 7 January 2021 and comprised £52.8m of cash. The 2020 final dividend of 38.3p per share will be paid on 1 July 2021 to shareholders on the register at the close of business on 21 May 2021. The 2020 final dividend will comprise approximately £128m of cash.

* The 2019 final dividend of 35.8p per share recommended by the Board of directors of the Company in the 2019 Annual results announcement on 24 February 2020 was subsequently not proposed at the Annual General Meeting on 15 April 2020 as a result of the heightened uncertainty created by the Covid-19 pandemic. As a result of the better than expected trading performance during the first half of the year, the Board of directors of the Company decided to reinstate the final dividend for the year ended 31 December 2019 at the same level as originally proposed (35.8p per share) as an additional interim dividend for the year ended 31 December 2019. This was paid on 16 November 2020 and comprised £119.8m of cash.

7. Earnings per share

	2020 **£m**	2019 £m
Profit for the year	**430.0**	349.2
Adjusted for:		
customer relationships and brands amortisation	**100.4**	107.3
acquisition related items	**42.7**	17.6
non-recurring pension scheme charges	**16.8**	-
tax credit on adjusting items	**(39.4)**	(33.5)
Adjusted profit for the year	**550.5**	440.6

	2020	2019
Basic weighted average number of ordinary shares in issue (million)	**333.8**	333.3
Dilutive effect of employee share plans (million)	**1.3**	1.0
Diluted weighted average number of ordinary shares (million)	**335.1**	334.3

Basic earnings per share	**128.8p**	104.8p
Adjustment	**36.1p**	27.4p
Adjusted earnings per share	**164.9p**	132.2p
Diluted basic earnings per share	**128.3p**	104.5p
Adjustment	**36.0p**	27.3p
Adjusted diluted earnings per share	**164.3p**	131.8p

8. Right-of-use assets

2020	**Property** **£m**	**Motor Vehicles** **£m**	**Equipment** **£m**	**Total** **£m**
Net book value at beginning of year	**341.5**	**66.4**	**25.0**	**432.9**
Acquisitions (Note 12)	**30.8**	**3.9**	**0.5**	**35.2**
Additions	**62.4**	**24.7**	**13.0**	**100.1**
Depreciation charge in the year	**(95.2)**	**(29.4)**	**(10.2)**	**(134.8)**
Remeasurement adjustments	**22.7**	**0.5**	**1.0**	**24.2**
Currency translation	**(3.9)**	**0.3**	**(0.6)**	**(4.2)**
Net book value as at 31 December 2020	**358.3**	**66.4**	**28.7**	**453.4**

2019	Property £m	Motor Vehicles £m	Equipment £m	Total £m
Net book value at beginning of year	-	-	-	-
Right-of-use assets on transition to IFRS 16	359.4	65.4	24.6	449.4
Acquisitions (Note 12)	5.7	0.2	0.6	6.5
Additions	65.3	30.4	9.5	105.2
Depreciation charge in the year	(91.4)	(27.8)	(8.9)	(128.1)
Remeasurement adjustments	13.8	0.6	-	14.4
Currency translation	(11.3)	(2.4)	(0.8)	(14.5)
Net book value as at 31 December 2019	341.5	66.4	25.0	432.9

9. Intangible assets

Goodwill	2020 £m	2019 £m
Beginning of year	**1,403.6**	1,420.4
Acquisitions	**108.8**	39.8
Currency translation	**(5.7)**	(56.6)
End of year	**1,506.7**	1,403.6
Accumulated impairment		
Beginning of year	**-**	-
Impairment charge in year	**12.1**	-
End of year	**12.1**	-
Net book value of Goodwill	**1,494.6**	1,403.6
Customer relationships		
Cost		
Beginning of year	**1,710.9**	1,719.2
Acquisitions	**172.2**	71.7
Currency translation	**(8.9)**	(80.0)
End of year	**1,874.2**	1,710.9
Accumulated amortisation and impairment		
Beginning of year	**846.0**	778.0
Amortisation charge in year	**100.1**	107.3
Impairment charge in year	**9.1**	-
Currency translation	**6.3**	(39.3)
End of year	**961.5**	846.0
Net book value of Customer relationships	**912.7**	864.9
Net book value of Brands	**12.5**	-
Net book value of Software	**22.1**	22.4
Total net book value of Intangible assets	**2,441.9**	2,290.9

Goodwill, customer relationships and brands intangible assets have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 12.

Following a review of the Group’s operations within the Asia Pacific CGU, the Group announced the closure of a safety business in China with effect from 31 December 2020 and, as a result, recognised impairment charges of £14.8m during the year, comprising £12.1m relating to goodwill and £2.7m relating to customer relationships.

The Group last reviewed the composition of the Group’s CGUs in 2018. To reflect more appropriately the way that the Group is now structured, including recent changes to management oversight and responsibility, the allocation of goodwill to CGUs for impairment testing purposes was updated for the 2020 impairment testing exercise, with goodwill allocated across seven CGUs in 2020 (2019: 11). The change in the number of CGUs is driven by the consolidation of five CGUs across UK & Ireland into one combined UK & Ireland CGU for goodwill impairment testing purposes, reflecting changes in management responsibility and a move to greater centralisation of services and sharing of resources to drive synergies across the business area. Impairment testing was also performed in 2020 based on the previous CGUs to ensure that no potential impairments were avoided as a result of the change to the composition of the CGUs. Based on impairment testing using both the previous and updated CGUs no impairments were identified to the carrying value of goodwill within the Group other than the £12.1m goodwill impairment charge specifically related to the closure of a safety business in China as noted above.

As part of the annual impairment testing for goodwill, the Group also considered whether there were any indicators that individual customer relationships assets were impaired, focusing on businesses impacted adversely by the Covid-19 pandemic, including those in the foodservice and retail sectors. As a result of this impairment testing, in addition to the impairment charge of £2.7m recognised due to the closure of a safety business in China noted above, the Group has recognised a further impairment charge of £6.4m relating to the customer relationships intangible asset of a foodservice business within the UK & Ireland CGU and a safety business within the Rest of Continental Europe CGU.

10. Lease liabilities

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

Movement in lease liabilities	2020 £m	2019 £m
Beginning of year	**480.0**	-
Lease liabilities on transition to IFRS 16	**-**	498.3
Acquisitions (Note 12)	**35.2**	6.5
New leases	**100.1**	105.2
Interest charge in the year	**22.5**	23.3
Payment of lease liabilities	**(159.6)**	(151.6)
Remeasurement adjustments	**24.2**	14.4
Currency translation	**(4.9)**	(16.1)
End of year	**497.5**	480.0
Ageing of lease liabilities:		
Current lease liabilities	**129.1**	121.8
Non-current lease liabilities	**368.4**	358.2
End of year	**497.5**	480.0

11. Cash and cash equivalents and net debt

	2020 £m	2019 £m
Cash at bank and in hand	**944.3**	610.5
Bank overdrafts	**(514.6)**	(469.7)
Cash and cash equivalents	**429.7**	140.8
Interest bearing loans and borrowings - current liabilities	**(79.9)**	(83.7)
Interest bearing loans and borrowings - non-current liabilities	**(1,615.2)**	(1,314.2)
Derivatives managing the interest rate risk and currency profile of the debt	**10.4**	10.1
Net debt excluding lease liabilities	**(1,255.0)**	(1,247.0)
Lease liabilities	**(497.5)**	(480.0)
Net debt including lease liabilities	**(1,752.5)**	(1,727.0)

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

	2020 £m	2019 £m
Cash at bank and in hand net of amounts in the cash pool	**475.3**	180.6
Bank overdrafts net of amounts in the cash pool	**(45.6)**	(39.8)
Cash and cash equivalents	**429.7**	140.8

Movement in net debt	2020 £m	2019 £m
Beginning of year excluding lease liabilities	**(1,247.0)**	(1,386.5)
Net cash inflow	**14.1**	99.1
Realised (losses)/gains on foreign exchange contracts	**(37.1)**	13.6
Currency translation	**15.0**	26.8
End of year excluding lease liabilities	**(1,255.0)**	(1,247.0)
Lease liabilities	**(497.5)**	(480.0)
End of year including lease liabilities	**(1,752.5)**	(1,727.0)

12. Acquisitions

2020

Summary details of the businesses 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 the current year				**601.8**

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

The acquisition of MCR Safety is considered to be individually significant due to its impact on intangible assets. The acquisition is therefore separately disclosed in the table below. Although the Joshen Paper & Packaging acquisition represents approximately 42% of the annualised revenue acquired during the year, it is a lower than average margin business and as a result accounts for only 11% of the total cash outflow in respect of acquisitions. In 2019 there were no individually significant acquisitions. A summary of the effect of acquisitions in 2020 and 2019 is shown below:

	MCR Safety £m	Other £m	2020 Total £m	2019 £m
Customer relationships	**104.5**	**67.7**	**172.2**	71.7
Brands	**13.7**	**-**	**13.7**	-
Property, plant and equipment and software	**6.5**	**4.1**	**10.6**	1.2
Right-of-use assets	**18.0**	**17.2**	**35.2**	6.5
Inventories	**62.0**	**40.2**	**102.2**	25.9
Trade and other receivables	**35.0**	**54.6**	**89.6**	17.4
Trade and other payables	**(20.2)**	**(44.0)**	**(64.2)**	(10.8)
Net cash	**7.4**	**1.5**	**8.9**	1.1
Provisions	**(0.2)**	**(4.2)**	**(4.4)**	(1.4)
Lease liabilities	**(18.0)**	**(17.2)**	**(35.2)**	(6.5)
Income tax payable and deferred tax liabilities	**(0.1)**	**(9.8)**	**(9.9)**	(1.9)
Fair value of net assets acquired	**208.6**	**110.1**	**318.7**	103.2
Goodwill	**71.8**	**37.0**	**108.8**	39.8
Consideration	**280.4**	**147.1**	**427.5**	143.0
Satisfied by:				
cash consideration	**245.2**	**122.7**	**367.9**	138.6
deferred consideration	**35.2**	**24.4**	**59.6**	4.4
	280.4	**147.1**	**427.5**	143.0
Contingent payments relating to retention of former owners	**1.4**	**17.7**	**19.1**	13.4
Net cash acquired	**(7.4)**	**(1.5)**	**(8.9)**	(1.1)
Transaction costs and expenses	**2.1**	**5.2**	**7.3**	4.1
Total committed spend in respect of acquisitions completed in the current year	**276.5**	**168.5**	**445.0**	159.4
Spend on acquisition committed at prior year end but completed in the current year	**-**	**-**	**-**	(35.1)
Total committed spend in respect of acquisitions agreed in the current year	**276.5**	**168.5**	**445.0**	124.3

12. Acquisitions (continued)

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

	MCR Safety £m	**Other £m**	**2020 Total £m**	2019 £m
Cash consideration	**245.2**	**122.7**	**367.9**	138.6
Net cash acquired	**(7.4)**	**(1.5)**	**(8.9)**	(1.1)
Deferred consideration payments	**-**	**4.2**	**4.2**	6.1
Net cash outflow in respect of acquisitions	**237.8**	**125.4**	**363.2**	143.6
Transaction costs and expenses paid	**1.3**	**5.8**	**7.1**	3.8
Payments relating to retention of former owners	**-**	**17.2**	**17.2**	15.4
Total cash outflow in respect of acquisitions	**239.1**	**148.4**	**387.5**	162.8

Acquisitions completed in the year ended 31 December 2020 contributed £356.0m (2019: £109.0m) to the Group's revenue and £22.5m (2019: £14.5m) to the Group's adjusted operating profit for the year ended 31 December 2020.

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

	2020 £m	2019 £m
Revenue	**601.8**	136.7
Adjusted operating profit	**50.0**	17.0

2019

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

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

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

13. 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	**2020 £m**	2019 £m
Depreciation of right-of-use assets	**134.8**	128.1
Other depreciation and software amortisation	**36.9**	31.9
	171.7	160.0

Other non-cash items	**2020 £m**	2019 £m
Share based payments	**14.9**	13.5
Provisions	**4.7**	(6.3)
Retirement benefit obligations	**(8.4)**	(9.7)
Other	**2.0**	(1.0)
	13.2	(3.5)

13. Cash flow from operating activities (continued)

Working capital movement	**2020 £m**	2019 £m
(Increase)/decrease in inventories	**(192.5)**	15.2
(Increase)/decrease in trade and other receivables	**(81.0)**	38.9
Increase/(decrease) in trade and other payables	**278.5**	(49.8)
	5.0	4.3

14. Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group's defined benefit pension schemes and its key management as related parties for the purpose of IAS 24 'Related Party Disclosures'. There have been no transactions with those related parties during the year ended 31 December 2020 that have materially affected the financial position or performance of the Group during this period. All transactions with subsidiaries are eliminated on consolidation.

15. Principal risks and uncertainties

The Group operates in six core market sectors across more than 30 countries which exposes it to many risks and uncertainties, not all of which are necessarily within the Group's control. The risks summarised below represent the principal risks and uncertainties faced by the Group, being those which are material to the development, performance, position or future prospects of the Group, and the steps taken to mitigate such risks. However, these risks do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive.

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

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

O Organic growth
A Acquisition growth
M Operating model improvements
S Sustainability

Overall, the nature and type of the principal risks and uncertainties affecting the Group, and the likelihood and impact of each of the principal risks crystallising, are considered to be materially unchanged compared to the 2019 Annual Report, with one exception. As a result of the Covid-19 pandemic, the Group has now also included an additional principal risk relating to the financial collapse of either a large customer and/or a significant number of small customers within the retail and foodservice sectors.

Monitoring risks

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

The Board is continuing to monitor risks associated with the UK having left the European Union ('Brexit'). Although Bunzl is a UK headquartered company, less than 10% of the Group's profit is generated in the UK. Bunzl is highly decentralised, with each business in the Group operating as a standalone company, largely focused on customers in the country in which it is incorporated. Within the UK, less than 30% of the products purchased are direct imports from overseas, of which most are from countries outside of the European Union ('EU'). Accordingly, Bunzl's ability to service its customers' needs, whether they are inside or outside the EU, is unlikely to be affected materially by Brexit.

The risks to Bunzl arising from the UK leaving the EU are:

- foreign exchange volatility on the Group's translated results which, as noted in risk 10, *Currency translation*, is not hedged. Therefore, a strengthening or weakening of sterling will result in a change in the Group's reported results; and

15. Principal risks and uncertainties (continued)

- supply chain disruption as UK ports are unable to cope with additional border checks leading to inventory shortages. Selected UK warehouses have applied for simplified customs freight procedures authorisation ('CFSP') to attempt to minimise port delays. Additional stocks of certain items are held to minimise the risk of inventory shortages.

The Board is also monitoring the ongoing situation with respect to trade tariffs in the United States of America ('US'). During 2020 the impact of trade tariffs levied on products imported into the US were mitigated through price increases or by identifying alternative sources of supply.

Based on these mitigations and recent developments, and the assessment of the potential risks associated with Brexit, the Group does not consider that its principal risks and uncertainties have changed as a result of the Brexit or US trade tariff related risks.

Emerging risks

Emerging risks are 'new' risks that have the potential to crystallise at some point in the future but are unlikely to impact the business during the next year. The outcome of such risks is often more uncertain. They may begin to evolve rapidly or simply not materialise.

The Board monitors the Group's business activities and external and internal environments for new, emerging and changing risks to ensure that these are managed appropriately. Annually, input from each business area is combined with external insight to scan the horizon for emerging risks. A summary of emerging risks is presented for assessment to the Audit Committee and the Board. Emerging risks continue to be monitored as part of the ongoing risk management processes. Climate change is the emerging risk that is currently being considered. Climate change is rapidly becoming a material issue, which may impact both Bunzl's direct operations and the value chain in which the Group operates. The Group is already facing increased pressure from some customers who expect Bunzl to contribute to their climate change commitments. In future, the Group may face increased business continuity risks from acute and chronic climatic events. To meet increasing demands for greater disclosure of and response to climate-related risks, an analysis has been undertaken to understand how Bunzl businesses may be impacted under different climate change scenarios. This work was carried out as part of revising the Group-level sustainability strategy. For more details on our climate change work see the sustainability section of the 2020 Annual Report.

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

Covid-19 Impact

During the Covid-19 pandemic, we have seen diverging effects within our business. Increased sales of products related to Covid-19 have offset the weakness in the foodservice and retail sectors which have been impacted by pandemic-related restrictions. Further, we have seen significant disruption from impacted supply chains but have been able to minimise the impact given our wide-reaching supplier relationships across multiple jurisdictions and our internal supplier auditing capabilities in Asia that has been a source of strength over the year. To date the net balance has been positive for Bunzl's performance. Going forward, whilst we envisage continued strength of demand for Covid-19 related products in the near-term, our net performance will depend on how these two diverging trends continue to play out and correlate with one another.

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Strategic risks			
1. Competitive pressures Revenue and profits are reduced as the Group loses a customer or lowers prices due to competitive pressures **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O	• The Group operates in highly competitive markets and faces price competition from international, national, regional and local companies in the countries and markets in which it operates. • Unforeseen changes in the competitive landscape could also occur, such as an existing competitor or new market entrant introducing disruptive technologies or changes in routes to market. • Customers, especially large or growing customers, could exert pressure on the Group's selling prices, thereby reducing its margins, switch to a competitor or ultimately choose to deal directly with suppliers. • Any of these competitive pressures could lead to a loss of market share and a reduction in the Group's revenue and profits.	• The Group's geographic and market sector diversification allow it to withstand shifts in demand, while this global scale across many markets also enables the Group to provide the broadest possible range of customer specific solutions to suit their exacting needs. • The Group maintains high service levels and close contact with its customers to ensure that their needs are being met satisfactorily. This includes continuing to invest in e-commerce and digital platforms to enhance further its service offering to customers. • The Group maintains strong relationships with a variety of different suppliers, thereby enabling the Group to offer a broad range of products to its customers, including own brand products, in a consolidated one-stop-shop offering at competitive prices.	• The Group's various sales forces connected with customers to help them understand the range of products available to meet their needs and continued to work with the customers to develop holistic sustainability solutions to help them achieve their sustainability goals. This is perceived by customers to be an important value creator.

15. Principal risks and uncertainties (continued)

<table>
<tr><th>Principal risks facing the Group</th><th>Description of risk and how it might affect the Group’s prospects</th><th>How the risk is managed or mitigated</th><th>Developments in 2020</th></tr>
<tr><td colspan="3">Strategic risks (cont.)</td><td></td></tr>
<tr><td>2. Financial collapse of either a large customer and/or a significant number of small customers
Revenue and profits are reduced as the Group loses customers

Risk owner:
CEO and Business Area Heads

Change to risk level:
New

Included in viability statement: Yes

O</td><td>An unexpected insolvency of either a large customer or a significant number of small customers, particularly within the retail and foodservice sectors, could lead to a sudden reduction in revenue and profits, including the cost of impairing any irrecoverable receivables balances, as well as operating margin erosion due to under-used capacity.
The Group’s revenue and profits may be affected as well as receivables and inventory (if customer specific inventory is held).</td><td>The Group monitors significant developments in relationships with key customers, including credit checks and limits set for each customer.
Delegation of authority limits mean that there is oversight of all material customer contracts at Business Area and Executive Committee level. At local level, customer relationships are managed closely by the business leaders.</td><td>As a result of the Covid-19 pandemic, many customers across the world have been adversely impacted financially by the government imposed lockdowns and travel restrictions put in place to control the pandemic as they have been unable to operate at their normal levels. Therefore, there is a significant risk of a large customer and/or a large number of small customers, particularly within the retail and foodservice sectors, experiencing financial difficulties, as government support for businesses ceases or is significantly reduced.
In 2020, provisions were increased relating to the Group’s credit exposure from customers in foodservice and retail businesses.</td></tr>
</table>

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Strategic risks (cont.)			
3. Product cost deflation Revenue and profits are reduced due to the Group's need to pass on cost price reductions **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, M	• In the event of indexed or cost plus contracts, a reduction in the cost of products bought by the Group, due to suppliers passing on lower commodity prices (such as plastic or paper) or other price reductions, lower trade tariffs and/or foreign currency fluctuations, coupled with actions of competitors, may require the Group to pass on such cost reductions to customers, resulting in a reduction in the Group's revenue and profits. • Operating profits may also be lower due to the above factors if operating costs are not reduced commensurate with the reduction in revenue.	• The Group uses its considerable experience in sourcing and selling products to manage prices during periods of deflation in order to minimise the impact on profits. • Focus on the Group's own brand products, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.	• In 2020, significant changes in demand for products in certain categories created an unusual level of price volatility. In order to protect profitability, the Group focused even more than usual on maintaining sufficient but not excessive inventory levels to ensure no significant adverse impact of holding inventory in a time of declining prices. The Group also worked to move further away from cost plus pricing arrangements to fee per case with consumer price indexing to mitigate any risks relating to product cost deflation. • There have been a range of activities to reduce fuel and energy consumption, consolidation of facilities and minimising travel costs.

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Strategic risks (cont.)			
4. Cost inflation Profits are reduced from the Group's inability to pass on product or operating cost increases **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, M	• Significant or unexpected cost increases by suppliers, due to the pass through of higher commodity prices (such as plastic or paper) or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if the Group is unable to pass on such product cost increases to customers. • Operating profits may also be lower due to the above factors if selling prices are not increased commensurate with the increases in operating costs.	• The Group sources its products from a number of different suppliers based in different countries so that it is not dependent on any one source of supply for any particular product, or overly exposed to a particular country changing trade tariffs, and can purchase products at the most competitive prices. • The majority of the Group's transactions are carried out in the functional currencies of the Group's operations, but for foreign currency transactions some forward purchasing of foreign currencies is used to reduce the impact of short term currency volatility. • If necessary, the Group will, where possible, pass on price increases from its suppliers to its customers. • The Group continually looks at ways to improve productivity and implement other efficiency measures to manage and, where possible, reduce its operating costs.	• In response to the Covid-19 pandemic, the Group increased use of its Shanghai global sourcing function to secure products supply quickly and of the right quality. Focus on own brand development also increased to improve gross margins. • Supply chains were continuously monitored to ensure that the business was able to compete effectively on price and maintain margins. • Significant exchange rate driven inflation has wherever possible been passed on to customers.

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Strategic risks (cont.)			
5. Inability to make further acquisitions Profit growth is reduced from the Group's inability to acquire new companies **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes A	• Acquisitions are a key component of the Group's growth strategy and one of the key sources of the Group's competitive advantage, having made 172 acquisitions since 2004. • Insufficient acquisition opportunities, through a lack of availability of suitable companies to acquire or an unwillingness of business owners to sell their companies to Bunzl, could adversely impact future profit growth.	• The Group maintains a large acquisition database which continues to grow with targets identified by managers of current Bunzl businesses, research undertaken by the Group's dedicated and experienced in-house corporate development team and information received from banking and corporate finance contacts. • The Group has a strong track record of successfully making acquisitions. At the same time the Group maintains a decentralised management structure which facilitates a strong entrepreneurial culture and encourages former owners to remain within the Group after acquisition, which in turn encourages other companies to consider selling to Bunzl.	• The acquisition pipeline is closely monitored with continued research of any available opportunities for investment. • Despite challenging conditions, 2020 has been one of the highest years of committed spend (£445 million).

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Strategic risks (cont.)			
6. Unsuccessful acquisition Profits are reduced, including by an impairment charge, due to an unsuccessful acquisition or acquisition integration **Risk owner:** CEO and Business Area Heads **Change to risk level:** No change **Included in viability statement:** Yes O, A	• Inadequate pre-acquisition due diligence related to a target company and its market, or an economic decline shortly after an acquisition, could lead to the Group paying more for a company than its fair value. • Furthermore, the loss of key people or customers, exaggerated by inadequate post-acquisition integration of the business, could in turn result in underperformance of the acquired company compared to pre-acquisition expectations which could lead to lower profits as well as a need to record an impairment charge against any associated intangible assets.	• The Group has established processes and procedures for detailed pre-acquisition due diligence related to acquisition targets and the post-acquisition integration thereof. • The Group's acquisition strategy is to focus on those businesses which operate in sectors where it has or can develop competitive advantage and which have good growth opportunities. • The Group endeavours to maximise the performance of its acquisitions through the recruitment and retention of high quality and appropriately incentivised management combined with effective strategic planning, investment in resources and infrastructure and regular reviews of performance by both business area and Group management.	• The Board reviews performance of recent acquisitions annually. In 2020 the Board reviewed the principal acquisitions made in 2018 and noted that performance was in line with expectations.

15. Principal risks and uncertainties (continued)

<table>
<tr><th>Principal risks facing the Group</th><th>Description of risk and how it might affect the Group’s prospects</th><th>How the risk is managed or mitigated</th><th>Developments in 2020</th></tr>
<tr><td colspan="3">Strategic risks (cont.)</td><td></td></tr>
<tr><td>7. Sustainability driven market changes
Revenue and profits are reduced from the Group’s inability to offer sustainable products in response to changes in legislation, consumer preferences or the competitive environment

Risk owner:
CEO and Business Area Heads

Change to risk level:
No change

Included in viability statement: Yes

O, S</td><td>Regulations have been announced in the EU and UK that target reductions or prohibitions of certain plastic-based products and new legislation discouraging the use of certain single-use plastic products is being considered in other countries.
An increasing number of consumers are making changes to their behaviour in response to environmental and sustainability concerns, often in advance of changes in legislation. These changes are likely to lead to a reduction in demand for single-use plastic-based products that the Group sells while, at the same time, increase demand for sustainably sourced, recyclable or reusable alternatives.
The Group’s revenue and profits could be reduced if it is unable to offer more sustainably sourced, recyclable, compostable, biodegradable or re-useable alternatives that replace products that cannot be sold due to legislation, or products where demand is lower due to changes in consumer preferences.</td><td>Bunzl’s scale and unique position as a distributor at the centre of the supply chain, supported by dedicated sustainability managers, gives the Group an opportunity to provide customers with advice about alternative products which are sustainably sourced, recyclable, compostable, biodegradable or reusable, or a combination of these.
The Group maintains strong relationships with a variety of different suppliers enabling the Group to innovate, source and offer the broadest possible range of products that meet a variety of sustainability objectives, whether in response to legislative changes, consumer preference driven changes or a desire to offer market leading products to the Group’s customers.
The Group maintains high service levels and close contact with its customers. Data on customer product usage, coupled with the Group’s detailed product knowledge, ensures that the Group is well-positioned to be able to support its customers in shaping and achieving their sustainability strategies (such as a reduction in single-use plastics).</td><td>The Group strategically engaged customers to ensure Bunzl’s sustainability strategy takes account of significant social and environmental topics – a detailed materiality assessment was performed to support this.
A new network of 49 sustainability ambassadors in North America, Continental Europe and UK & Ireland was created.
The Group is in the process of developing new solutions, including customer-facing ‘consultancy’ tools and consolidated ranges of own brand sustainable products.
New governance for sustainability across the Group’s businesses was introduced, including CEO-led quarterly governance meetings and sustainability presentations at four Board meetings in 2020.</td></tr>
</table>

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Operational risks			
8. Cyber security failure Revenue and profits are reduced as the Group is unable to operate and serve its customers' needs due to being impacted by a cyber-attack **Risk owner:** CIO **Change to risk level:** Increasing **Included in viability statement:** Yes O, M	• The frequency, sophistication and impact of cyber-attacks on businesses are rising at the same time as Bunzl is increasing its connectivity with third parties and its digital footprint through acquisition and investment in e-commerce platforms and efficiency enhancing IT systems. • Weak cyber defences, both now and in the future, through a failure to keep up with increasing cyber risks and insufficient IT disaster recovery planning and testing, could increase the likelihood and severity of a cyber-attack leading to business disruption, reputational damage and loss of customers and/or a fine under applicable data protection legislation.	• Concurrent with the Group's IT investments, the Group is continuing to improve information security policies and controls to improve its ability to monitor, prevent, detect and respond to cyber threats. • Cyber security awareness campaigns have been deployed across all regions to enhance the knowledge of Bunzl personnel and their resilience to phishing attacks. • IT disaster recovery and incident management plans, which would be implemented in the event of any such failure, are in place and periodically tested. The Group Chief Information Officer and Group Head of Information Security coordinate activity in this area.	• The roll out of a range of cyber activities to meet the ever-changing landscape continued, including enhanced information security and privacy training and simulated phishing attacks for personnel across the Group with mandatory attendance for all information system users. • A global security scanning service was rolled out to ensure vulnerabilities are tracked, managed and remediated. • Email protection was enhanced to prevent the most common vector of attack. • Privacy enhancement programmes were undertaken in line with changing privacy regulations across the globe. • Security controls were adapted to address Covid-19 related risks and remote working.
Financial risks			
9. Availability of funding Insufficient liquidity in financial markets leading to insolvency **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** Yes O, A, M	• Insufficient liquidity in financial markets could lead to banks and institutions being unwilling to lend to the Group, resulting in the Group being unable to obtain necessary funds when required to repay maturing borrowings, thereby reducing the cash available to meet its trading obligations, make acquisitions and pay dividends.	• The Group arranges a mixture of borrowings from different sources and continually monitors net debt and forecast cash flows to ensure that it will be able to meet its financial obligations as they fall due and that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term.	• The Group recently established a Euro Medium Term Note ('EMTN') programme which allows the Group to access funds in a timely manner from the public markets. • The Group has recently issued £400 million debt under this Programme with a 2030 maturity and no covenant. These funds can be used to refinance near term maturities.

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Financial risks (cont.)			
10. Currency translation Significant change in foreign exchange rates leading to a reduction in reported results and/or a breach of banking covenants **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** No O, A, M	• The majority of the Group's revenue and profits are earned in currencies other than sterling, the Group's presentation currency. • As a result, a significant strengthening of sterling against the US dollar and the euro in particular could have a material translation impact on the Group's reported results and/or lead to a breach of net debt to EBITDA banking covenants.	• The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. The Board believes that the benefits of its geographical spread outweigh the risks. • Results are reported at constant exchange rates so that investors can observe the underlying performance of the Group excluding the translation impact on the Group's reported results. • The Group's borrowings are denominated in US dollars, sterling and euros in similar proportions to the relative profit contribution of each of these currencies to the Group's EBITDA. This reduces the volatility of the ratio of net debt to EBITDA from foreign exchange movements. In addition, net debt for the purposes of covenant calculations in the Group's financing documents is calculated using average rather than closing exchange rates. Consequently, any significant movement in exchange rates towards the end of an accounting period should not materially affect the ratio of net debt to EBITDA. Both these factors minimise the risk that banking covenants will be breached as a result of foreign currency fluctuations.	• In 2020 currency translation had an adverse impact on the Group's reported results, decreasing revenue, profits and earnings by between 1% and 2%. • The Group's results are reviewed at constant exchange rates to show the underlying performance of the Group excluding the currency translation impact.

15. Principal risks and uncertainties (continued)

Principal risks facing the Group	Description of risk and how it might affect the Group's prospects	How the risk is managed or mitigated	Developments in 2020
Financial risks (cont.)			
11. Increase in taxation Increases in Group tax rate and/or cash tax **Risk owner:** CFO **Change to risk level:** No change **Included in viability statement:** Yes O, A	• The resolution of uncertain prior year tax matters or the introduction of legislative changes could cause a higher tax expense and higher cash tax payments, thereby adversely affecting the Group's profits and cash flows. • In particular, changes could result from the legal arguments between the European Commission and the UK government over whether part of the UK's tax regime is contrary to European Union State Aid provisions.	• Oversight of the Group's tax strategy is within the remit of the Board and tax risks are assessed by the Audit Committee. • The Group seeks to plan and manage its tax affairs efficiently but also responsibly with a view to ensuring that it complies fully with the relevant legal obligations in the countries in which the Group operates while endeavouring to manage its tax affairs to protect value for the Company's shareholders in line with the Board's broader fiduciary duties. • The Group manages and controls these risks through an internal tax department made up of experienced tax professionals who exercise judgement and seek appropriate advice from specialist professional firms. • At the same time the Group monitors international developments in tax law and practice, adapting its approach where necessary to do so.	• The Group responded to the several tax changes enacted in response to the Covid-19 pandemic, monitoring these centrally as well as reacting locally. All tax benefits taken were repaid where possible. • Short term reductions in taxation could be replaced by longer term increases to fund Covid-19 government support (e.g. a higher federal income tax rate of 28% (currently 21%) was proposed in the US). The financial implications of such changes have been modelled and any legislative proposals that are put forward will be monitored.

16. Forward-looking statements

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

17. Responsibility statements

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

Each of the directors, whose names and functions are set out in the 2020 Annual Report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with 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 and IFRSs issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

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

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

On behalf of the Board

Frank van Zanten
Chief Executive Officer
1 March 2021

Richard Howes
Chief Financial Officer