Bunzl PLC - BNZL Final Results
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ANNUAL RESULTS ANNOUNCEMENT

Bunzl plc, the international distribution and outsourcing Group, today publishes its annual results for the year ended 31 December 2016.

Financial results	**2016**	2015	Growth as reported	Growth at constant exchange
Revenue	**£7,429.1m**	£6,489.7m	14%	4%
Adjusted operating profit*	**£525.0m**	£455.0m	15%	5%
Adjusted profit before income tax*	**£478.2m**	£411.2m	16%	6%
Adjusted earnings per share*	**106.1p**	91.0p	17%	6%
Dividend for the year	**42.0p**	38.0p	11%	

Statutory results			
Operating profit	**£409.7m**	£366.5m	12%
Profit before income tax	**£362.9m**	£322.7m	12%
Basic earnings per share	**80.7p**	71.0p	14%

Highlights include:

- Good increases at constant exchange rates in revenue, adjusted operating profit* and adjusted earnings per share*
- Group operating margin up 10bp to 7.1% benefitting from acquisitions
- Committed acquisition spend of £184 million on 14 businesses; one further acquisition announced today
- Return on average operating capital of 55.9% with return on invested capital of 16.7%
- Continued strong cash conversion (operating cash flow† to adjusted operating profit*) of 99%
- 24 year track record of dividend growth continues with an 11% increase in the dividend for the year

* Before customer relationships amortisation, acquisition related costs and associated tax where relevant (see Note 1)
† Before acquisition related costs (see Consolidated cash flow statement)

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

"Bunzl has delivered another good set of results in 2016. The strength, resilience and reliability of our business model and strategy that we have applied consistently over many years, together with the compounding effect of our high cash conversion and our ability to take advantage of market consolidation opportunities, have enabled Bunzl to produce a strong long term performance.

I am also delighted that we have been able to announce the acquisition of LSH in Singapore following which we now have operations across 30 countries globally.

Looking forward, against the backdrop of mixed macroeconomic and market conditions, we believe that our well positioned portfolio of international businesses and improving organic growth rates, recent customer wins and a promising acquisition pipeline will lead to continued overall growth for the Group."

Business area highlights:

	Revenue (£m)		Growth at constant	Adjusted operating profit* (£m)		Growth at constant	Operating margin*	
	2016	2015◊	exchange	**2016**	2015◊	exchange	**2016**	2015◊
North America	**4,362.1**	3,784.2	3%	**289.6**	249.0	4%	**6.6%**	6.6%
Continental Europe	**1,355.1**	1,088.6	10%	**126.6**	99.5	13%	**9.3%**	9.1%
UK & Ireland	**1,087.8**	1,102.4	(2)%	**83.7**	84.9	(2)%	**7.7%**	7.7%
Rest of the World	**624.1**	514.5	11%	**46.6**	42.1	4%	**7.5%**	8.2%

North America (59% of revenue and 53% of adjusted operating profit†)

- Revenue increase from acquisitions and improved organic growth
- Growth in grocery from contract wins and expansion of business with existing customers
- Redistribution growth from category management programmes
- Safety impacted by downturn in oil and gas sector
- Strong growth in businesses serving food processor, convenience stores and agricultural sectors
- Further expansion of national distribution platform in Canada

Continental Europe (18% of revenue and 23% of adjusted operating profit†)

- Significant increase in revenue and profit, principally driven by acquisitions with operating margin* up 20 bp
- Return to growth in cleaning & hygiene in France
- Performance in the Netherlands mixed
- Strong growth in Germany and expansion in healthcare through acquisition
- Increased sales and profit in Denmark
- Strong performance in Spain and central Europe with increased levels of profitability

UK & Ireland (15% of revenue and adjusted operating profit†)

- Margin maintained despite lower revenue
- Improved profitability in safety in sluggish markets and good performance in cleaning & hygiene
- Food retail restructured following previously announced account loss; non-food retail performing well
- Hospitality impacted by lower investment by customers but should improve with recent contract win
- Solid growth in healthcare
- Excellent performance in Ireland across all sectors

Rest of the World (8% of revenue and 9% of adjusted operating profit†)

- Margins remained under pressure due to macroeconomic conditions and currency weakness
- Significant benefit from 2015 acquisitions, particularly in Latin America
- Latin America
    - Underlying profit maintained in Brazil as market conditions show signs of stability

  - Elsewhere overall business trading in line with expectations
- Australasia
  - Market conditions remain challenging

* Before customer relationships amortisation and acquisition related costs (see Notes 1 and 2)
◊ Restated to reflect the internal transfer of a business from Continental Europe to North America (see Note 2)
† Before customer relationships amortisation, acquisition related costs and corporate costs (see Note 2)

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

CHAIRMAN'S STATEMENT

Results

I am pleased to report another good set of results against the background of mixed macroeconomic and market conditions across the countries in which we operate. Overall currency translation movements due to the weakening of sterling had a significant positive impact on the reported Group growth rates at actual exchange rates.

Group revenue increased 14% to £7,429.1 million (2015: £6,489.7 million) and adjusted operating profit before customer relationships amortisation and acquisition related costs was up 15% to £525.0 million (2015: £455.0 million). Adjusted earnings per share were 106.1p (2015: 91.0p), an increase of 17%.

At constant exchange rates, revenue increased by 4% and adjusted operating profit rose by 5%. The Group operating margin improved from 7.0% to 7.1% with adjusted earnings per share up 6% at constant exchange rates.

Return on average operating capital increased to 55.9% from 55.5% in 2015, driven by an improvement in the operating capital in the underlying business, partly offset by an adverse impact from exchange rate movements, a slightly lower underlying operating margin and the impact of the lower return on operating capital from acquisitions. Return on invested capital of 16.7% was down from 17.1% in 2015, principally due to the effect of acquisitions and limited organic growth.

Dividend

The Board is recommending a final dividend of 29.0p. This brings the total dividend for the year to 42.0p, up 11% compared to 2015. Shareholders will again have the opportunity to participate in our dividend reinvestment plan.

Strategy

Our consistent and proven strategy of developing the business through organic growth, consolidating our markets through focused acquisitions and continuously improving our operations has delivered another successful year of growth for the Group.

We look to achieve organic growth by applying our resources and expertise to enable our customers to reduce or eliminate the hidden costs of sourcing and distributing a broad range of goods not for resale. By outsourcing these activities to Bunzl they are able to focus on their core business and run their operations more cost-effectively by achieving purchasing efficiencies and savings, while at the same time freeing up working capital, improving their distribution capabilities, reducing carbon emissions and simplifying their internal administration.

Acquisition activity continued throughout 2016. Including Saebe Compagniet and Prorisk and GM Equipement, which we agreed to acquire in November 2016 and completed in January 2017, we made 14 acquisitions with a total committed spend of £184 million, thereby adding annualised revenue of £201 million. These acquisitions have helped to strengthen our position in many of the markets that we serve. In addition, the acquisition of Packaging Film Sales in the US was announced and completed at the beginning of 2017 and we are today announcing the purchase of LSH in Singapore. We now have operations in 30 countries.

Investment

Investment in the business to support our growth strategy and enhance our asset base is an ongoing process. We have continued to improve our facilities and open new ones, both as a result of acquisitions and by consolidating our warehouse footprint in order to make it more efficient. Systems are critical to our ability to serve our customers in the most effective way. We continuously upgrade our IT systems as we integrate new businesses into the Group's operations and increase the functionality of our existing systems. By doing so we are able to enhance our customer offering and retain a competitive advantage, thereby maintaining our leading position in the marketplace.

Corporate responsibility

We continue to focus on sustainable operating processes throughout our businesses while at the same time, through our one-stop-shop offering to our customers, also actively contribute to the sustainable footprint of our customers' businesses by consolidating their product deliveries. We work closely with our suppliers with a view to ensuring that they also adopt corporate responsibility ('CR') policies similar to our own, while the quality assurance/quality control team in Shanghai undertakes audits of our key Asian suppliers to assist them in meeting our stringent standards. In addition, we continually look to add to our full range of environmentally friendly products. Integrity is at the heart of Bunzl's standards and we ensure that all relevant employees undertake CR training and that our whistleblowing programme is communicated throughout the Group.

Employees

Bunzl's decentralised business model drives local empowerment and fast decision making, thereby allowing us to demonstrate repeatedly our understanding of our customers' needs and deliver great service. Throughout our operations around the world, it is the enthusiasm with which our employees undertake their responsibilities, their commitment to improve our performance and their willingness to go the extra mile that allows us continually to delight our customers. I would like to thank them all for their achievements this year which have contributed greatly to the Group's continued success.

Board

After more than a decade in the role, Michael Roney retired as Chief Executive and stood down from the Board at the conclusion of the Annual General Meeting in April 2016. He was succeeded by Frank van Zanten who for the previous 10 years was Managing Director of the Continental Europe business area. The management transition has gone well with Frank's appointment providing continuity for the business as well as its customers and employees.

Following his appointment as Chief Executive of Brammer plc, Meinie Oldersma resigned as a non-executive director in August 2016.

David Sleath, who has served as a non-executive director since September 2007, will be retiring after the Company's Annual General Meeting in April 2017. During his time he has also served as Chairman of the Audit Committee and Senior Independent Director. His independent advice and significant contribution to our success have been greatly appreciated and he leaves the Board with our thanks and best wishes.

Today we are announcing the appointment of Lloyd Pitchford as non-executive director with effect from 1 March 2017. Lloyd is currently Chief Financial Officer of Experian plc and has extensive international business experience which will be of great value to Bunzl as we continue to expand and develop. Upon David Sleath's retirement at the Annual General Meeting, Lloyd will assume the role of Chairman of the Audit Committee and Vanda Murray will become the Senior Independent Director.

CHIEF EXECUTIVE'S REVIEW

Operating performance

With more than 85% of the Group's revenue generated outside the UK, the weakening of sterling against most currencies has had a significant positive translation impact on the Group's reported results, increasing revenue, profits and earnings by approximately 10%. As in previous years, the operations, including the relevant growth rates and changes in operating margins, are therefore reviewed below at constant exchange rates to remove the distorting impact of these currency movements. Changes in the level of revenue and profits at constant exchange rates have been calculated by retranslating the results for 2015 at the average rates used for 2016. Unless otherwise stated, all references in this review to operating profit are to adjusted operating profit (being operating profit before customer relationships amortisation and acquisition related costs).

Revenue increased 4% (14% at actual exchange rates) to £7,429.1 million, principally due to the effect of recent acquisitions together with some organic growth. Although the level of organic growth at 0.3% was subdued for most of the year by the impact of some previously announced customer losses and price declines on plastic resin-based products, it started to improve during the fourth quarter to approximately 1.5% as a result of recent business wins and the abatement of the impact of such price declines. Operating profit was £525.0 million, an increase of 5% (15% at actual exchange rates). The percentage growth in operating profit was greater than that of revenue due to the impact of higher margin acquisitions, resulting in an improvement in the Group operating margin by 10 basis points at both constant and actual exchange rates to 7.1%.

In North America revenue rose 3% (15% at actual exchange rates) principally due to the impact of acquisitions completed in both 2015 and 2016, while operating profit increased 4% (16% at actual exchange rates) with the operating margin unchanged at both constant and actual exchange rates at 6.6%. Revenue in Continental Europe rose 10% (24% at actual exchange rates) as a result of organic revenue growth and the impact of acquisitions, with operating profit up 13% (27% at actual exchange rates) and the operating margin up 20 basis points at both constant and actual exchange rates to 9.3%. In UK & Ireland revenue was down 2% (down 1% at actual exchange rates) with a decline in organic revenue principally due to a previously announced account loss in our food retail business at the beginning of 2016. Operating profit also reduced 2% (down 1% at actual exchange rates) with the operating margin stable at both constant and actual exchange rates at 7.7%. In Rest of the World revenue increased 11% (21% at actual exchange rates) with operating profit up 4% (11% at actual exchange rates) due to the impact of acquisitions completed in 2015, particularly in Latin America. Margins came under pressure due to the challenging macroeconomic conditions and some adverse foreign exchange transaction impact of weaker local currencies in the relevant markets in both Latin America and Australasia, with the business area operating margin down 50 basis points (70 basis points at actual exchange rates) to 7.5%.

Basic earnings per share were 4% higher (14% at actual exchange rates) at 80.7p. Adjusted earnings per share, which excludes the effect of customer relationships amortisation and acquisition related costs, were 106.1p, an increase of 6% (17% at actual exchange rates).

The operating cash flow, which is before acquisition related costs, continued to be strong with cash conversion (the ratio of operating cash flow to adjusted operating profit) at 99%. The ratio of net debt to EBITDA calculated at average exchange rates decreased from 2.1 times as at the end of 2015 to 2.0 times, which is at the lower end of our target range of 2.0 to 2.5 times.

As a responsible business, Bunzl actively promotes sustainability and we continually challenge ourselves to reduce the environmental footprint of our operations, introduce more sustainable practices to the businesses we acquire and improve the safety of all our sites. We remain committed to reducing our impact on the environment and supporting the communities within which we operate. Once again a rigorous assessment of our supply chain with regard to social issues has been undertaken and in our Corporate responsibility report we seek to show the benefits of our collective endeavours on the lives of our people, suppliers and customers. During the year we undertook a detailed employee survey and were delighted that 82% of our employees took part and 93% of respondents 'enjoy the work they do'. Finally our focus on collaboration and the sharing of best practice continues to bring opportunities for our colleagues to work together, contributing greatly to Bunzl's continued success.

Acquisitions

Acquisitions are a key component of the Group's growth strategy. Our committed spend in 2016 was £184 million from a total of 14 transactions, including Saebe Compagniet and Prorisk and GM Equipement which we agreed to acquire in November 2016 and completed in January 2017.

At the beginning of February we purchased Earthwise Bag, a distributor of reusable bags to supermarkets and other retailers in the US, which has expanded our offering of environmentally friendly products. Revenue in 2015 was £12 million. Bursa Pazari, which had revenue of £31 million in 2015, was acquired at the end of March and represents our second step in Turkey, extending our operations there into the foodservice and healthcare sectors. It is engaged in the sale of a variety of packaging and other foodservice supplies and disposable gloves to wholesalers, retailers and hospitals throughout Turkey and also exports to a number of countries.

At the end of May we completed three further acquisitions. Inkozell and Mo Ha Ge are both engaged in the sale of healthcare related consumables, mainly incontinence products, to a variety of home end users and care homes throughout Germany. The aggregate revenue of the businesses in 2015 was £16 million. In the UK we purchased Classic Bag which develops and distributes bespoke retail packaging for non-food retailers in the UK, Hong Kong and elsewhere in Europe. It complements our existing retail supplies business in the UK, enhances our customer base and extends our presence in this market in Hong Kong. Revenue in 2015 was £7 million. Polaris Chemicals distributes cleaning & hygiene supplies to both redistributors and end users, including government and education establishments, retirement homes and cleaning companies, throughout the Brussels and Walloon regions of Belgium. The acquisition has brought additional scale to our cleaning & hygiene supplies business in Belgium. Revenue in 2015 was £3 million.

The purchase in July of Plus II and Apex, which had revenues in 2015 of £16 million and £6 million respectively, has further expanded our cleaning & hygiene supplies business in Canada which has grown significantly in recent years through acquisition. At the end of August we acquired Blyth, a Prague based distributor of a broad range of personal protection equipment to a variety of end user customers throughout the Czech Republic and Slovakia. Revenue in 2015 was £5 million.

In September we purchased three further businesses. Kingsbury Packaging, which is located in Northern Ireland and had revenue of £5 million in 2015, supplies food packaging related products to convenience stores and food retailers in Ireland. Silwell has provided additional scale to our business in Hungary by extending our operations there in the foodservice sector. Revenue in 2015 was £6 million. Tri-Star Packaging is also engaged in the distribution of food packaging and foodservice products, as well as some cleaning & hygiene consumables, to end user customers including 'food-to-go' retailers, contract caterers and food processors throughout the UK. Revenue in 2015 was £28 million.

At the end of December we acquired Woodway, a leading supplier of packaging products and solutions to a variety of end user customers in the UK. It specialises in supporting the e-commerce activities of retailers and had revenue in the year ended June 2016 of £31 million.

In November we entered into agreements to acquire Saebe Compagniet in Denmark and Prorisk and GM Equipement in France, both of which were completed in January 2017. Saebe Compagniet is a distributor of cleaning & hygiene related products to a variety of end user customers, particularly in the hotel, restaurant and catering sectors, in Denmark. Revenue in the year ended April 2016 was £13 million. Prorisk and GM Equipement, which together had aggregate revenue in 2015 of £6 million, are principally engaged in the sale of a variety of personal protection equipment and first aid related products to both end users and distributors throughout France.

Since the year end we have acquired two further businesses. In early January 2017 we purchased the business of Packaging Film Sales which distributes food packaging products, including flexible barrier films and speciality bags and pouches, to food processors in the US. Revenue in 2015 was £5 million. Finally, today we are announcing the acquisition of LSH, a distributor of safety products, primarily to end users, based in Singapore which was completed at the end of January 2017. This represents our first step into Singapore and should provide a base from which to develop our operations in Asia. Revenue in 2016 was £5 million.

North America

	2016 £m	2015◊ £m	Growth at constant exchange
Revenue	**4,362.1**	3,784.2	3%
Adjusted operating profit*	**289.6**	249.0	4%
Operating margin*	**6.6%**	6.6%	

* Before customer relationships amortisation and acquisition related costs (see Notes 1 and 2)

◊ Restated to reflect the internal transfer of a business from Continental Europe (see Note 2)

In North America, revenue increased by 3% to £4,362.1 million due to the impact of the acquisitions completed in 2015 and 2016 as well as organic growth of 1%, the level of which improved relative to that achieved in 2015. The recent acquisitions have expanded our footprint in several of our market sectors while adding further products and services to our portfolio. Although we continued to face challenges in growing sales organically due to deflationary pressures on product prices and slow growth rates in several customer sectors, we saw a pick up during the fourth quarter of the year due to some additional business won and the abatement of the impact of price declines on plastic resin-based products towards the end of the year. Operating profit increased 4% to £289.6 million with the operating margin remaining unchanged at 6.6%.

Despite the deflationary pressures on product prices that persisted for most of the year, our largest business serving the grocery sector grew as a result of securing new contract wins and expanding business with existing customers. We have activated our 'pick-and-pack' services at several large customers to provide many new items and offer a wider range of products with the convenience of single source delivery. Additionally the acquisition of Earthwise Bag, acquired in February 2016, has strengthened our offering in eco-friendly products through the supply of reusable bags that can be custom-branded for promotional purposes. Our expanded product offering combined with our flexible store delivery programmes allow us to deliver unmatched service and improved asset utilisation for our customers. For our largest customer we have also agreed to take on the distribution of a range of additional items which are new to the business area and which we expect to offer to other customers operating in both the grocery and retail sectors.

Overall our business serving the retail sector remained stable with the adverse impact of some lost accounts being offset by new business secured during the year. We have expanded our available products as well as enhanced our service capabilities by consolidating operations to provide faster deliveries. Our network of warehouses and fleet of trucks provide an attractive business model for large retailers with expansive footprints requiring distribution to multiple locations. We have continued to promote our material consolidation services, primarily used by our largest retail customer, to retailers with similar operations. Our materials management capabilities help retailers reduce costs and open or remodel stores faster so that they can begin generating revenue sooner.

In our business serving the redistribution sector, we have experienced growth through the implementation of category management programmes at new and already established foodservice distribution customers. These engagements often begin using innovative, proprietary digital tools to illustrate to both prospective and existing customers the substantial revenue generating opportunities that a complete redistribution programme has to offer. We are expanding our sales of janitorial and sanitation ('jan-san') products in this sector and others through our central warehouse initiative. In support of this initiative, we opened a warehouse in the north east US for the stocking and distribution of jan-san products in the region and we have continued to enhance our central warehouse infrastructure and jan-san inventory in strategic US locations. We have also continued to drive sales through innovative products such as our proprietary oneSAFE single-use glove dispensing system.

Our business serving the safety sector experienced a difficult year with lower revenue and operating profit due to a downturn in the oil and gas industry as well as some weakness in the welding segment. Despite these factors, we have made gains in other areas, such as the automotive and industrial markets. We have taken steps to reduce operating costs while seeking new ways to expand our business. We have also continued to invest in the development of our own brand of personal protection equipment. These products contribute higher margins while at the same time allow us to offer added value to our customers when compared to branded alternatives.

In our business serving the food processor sector, although customer consolidation has continued, we have expanded our existing customer relationships and gained new business by offering a total plant operating supplies programme. This one-stop-shop solution encompasses jan-san and safety products as well as our own label products including vacuum pouches, shrink wrap bags and bin liners. Our national accounts sales team is continually looking to drive sales by identifying and pursuing customers who understand the benefit of a single-source solution for their plant operations.

We have also seen growth in our business that supplies the agricultural sector. The business is achieving greater levels of profitability after migrating all of our companies serving this sector onto a unified IT platform that includes a warehouse management system which has enhanced operational efficiencies across the business.

Our business serving the convenience store sector has grown strongly despite competition from non-traditional suppliers as well as some customer consolidation. We continue to execute our pull-through selling strategy by partnering with our primary wholesale customers to help them increase sales with convenience store retailers and we have expanded this business with the addition of other items carried by convenience stores. Our ability to manage our customers' inventory enables them to have the right products at the right time so that they can reduce their working capital and warehouse space needs. We have also improved our transportation efficiencies and inventory management capabilities in this sector.

Our business in Canada continues to operate successfully with all of the recent acquisitions continuing to perform well. In the second half of the year we acquired two further businesses, Apex in Toronto and Plus II in Montreal, which have allowed us to expand our jan-san products and services in the region as well as our e-commerce capabilities for our Canadian customers. We continue to leverage our national distribution platform and restructure our business as needed to enhance our operations serving all of our market sectors in Canada.

Finally, all of our businesses throughout North America are benefiting from a continuous improvement initiative which is focused on enhancing our operational capabilities. This includes a warehouse optimisation programme to ensure we have the most efficient infrastructure to support our customers as well as a routing system that maximises our truck fleet utilisation.

Continental Europe

	2016 £m	2015◊ £m	Growth at constant exchange
Revenue	**1,355.1**	1,088.6	10%
Adjusted operating profit*	**126.6**	99.5	13%
Operating margin*	**9.3%**	9.1%	

* Before customer relationships amortisation and acquisition related costs (see Notes 1 and 2)

◊ Restated to reflect the internal transfer of a business to North America (see Note 2)

Continental Europe once again developed strongly with revenue rising by 10% to £1,355.1 million and operating profit up 13% to £126.6 million. Organic revenue growth of 2% improved on the level seen in 2015 with the results also boosted by the full year impact of the eight acquisitions made in 2015 and the part year contribution of the five acquisitions completed in 2016. While gross margins reduced slightly, ongoing management of the cost base enabled the business area to maintain its underlying profitability and, with the benefit of higher margin acquisitions, the business area operating margin rose by 20 basis points at constant exchange rates to 9.3%.

In France, sales at our cleaning & hygiene business returned to growth following investment in our e-commerce and telesales capabilities. Additional cost reductions offset margin pressures and operating profit again increased in the year. However, our personal protection equipment business recorded lower sales which could only partly be offset by lower costs. Ligne T, the specialist safety business acquired in May 2015, traded ahead of expectations and the acquisition of Prorisk and GM Equipement, which was completed at the end of January 2017, has further increased our scale in the French safety market and broadened our product range. Comatec, which was acquired in November 2015 and specialises in the distribution of high-end, innovative, single-use tableware to the hotel, restaurant and catering ('horeca') sector, also traded well ahead of expectations with growth both in the local French and export markets.

In the Netherlands, sales grew modestly with mixed performances across the sectors that we serve. The results were particularly impacted by De Ridder which delivered a weaker performance in 2016, having benefitted in the prior year from unusually high sales of products to government agencies.

In Belgium, sales continued to increase in the cleaning & hygiene sector as a result of additional business with a number of larger customers although this growth was partly offset by lower sales in the grocery and food processor sectors. Gross margins were stable but operating profit was impacted by higher temporary costs linked to the implementation of a new ERP system in one of the hygiene businesses.

In Germany, sales again grew well with both national and regional accounts and gross margins improved. Some cost reductions and efficiency gains following the 2015 implementation of a new ERP system also helped lead to a significant increase in operating profit. In May 2016 we acquired Inkozell and Mo Ha Ge, both active in the distribution of incontinence products to 'at home' end users and care homes. The businesses are integrating well with our other German operations.

In Switzerland, sales declined as a contraction in the horeca sector, linked to lower levels of tourism due to the continued strength of the Swiss franc, was not fully offset by gains in the retail and industry sectors.

Sales to the medical sector were broadly flat. Competition from lower cost neighbouring countries in the Eurozone also put further pressure on margins resulting in operating profit being below that of the previous year.

Meier Verpackungen, which we acquired in September 2015 as our first business in Austria, grew well with an increase in sales of food and meat packaging products more than offsetting lower fruit and vegetable packaging sales which were disrupted by a poor local harvest due to extreme weather conditions in the spring.

In Denmark, revenue increased strongly, in particular due to higher sales to the horeca sector, food processors and redistributors as well as higher demand for personal protection equipment. Sales to customers serving the retail sector improved marginally while sales to customers in the public sector were flat following the loss of one major account. As a result of the overall revenue growth, the operating profit also increased. The acquisition of Saebe Compagniet was completed in early January 2017 and has further strengthened our cleaning & hygiene operations.

In Spain, sales grew well in both the cleaning & hygiene and safety sectors due to a combination of customer wins and product range extension. The cleaning & hygiene business relocated to a new warehouse in Madrid to provide a platform for further growth and efficiency gains. Quirumed, the healthcare products business acquired in January 2015, saw lower sales but improved profitability due to cost reduction measures. Cemelim and Faru, both acquired in the last quarter of 2015, have integrated well with Cemelim now fully merged into our cleaning & hygiene business. Overall profitability in Spain increased significantly.

In Israel, sales have grown rapidly in the horeca sector and also increased in the bakery sector despite disruption caused by a warehouse relocation following a fire. Margins improved in both areas and careful cost control led to a substantial rise in operating profit.

In central Europe, revenue rose strongly in all of our local businesses from new customer wins as well as increased levels of activity with existing customers and underlying profits rose accordingly. In August we completed the acquisition of Blyth, a specialist distributor of personal protection equipment based in the Czech Republic, and in September we bought Silwell, which is based in Hungary and sells disposable foodservice items to the horeca sector. Both businesses are integrating well with our existing operations in those countries.

In Turkey, sales at our personal protection equipment business, Istanbul Ticaret which was acquired at the end of May 2015, grew strongly despite the uncertain environment in the country following the failed coup attempt in July. The weaker Turkish lira has, however, put pressure on margins. At the end of March 2016 we acquired Bursa Pazari, a distributor of packaging and other foodservice supplies and disposable gloves, which has subsequently traded ahead of expectations.

We continue to roll out our common e-commerce platform across the business area. After launching this at our first company in late 2015, a further five businesses went live on the system during 2016. This will be further rolled out in 2017, helping to drive both sales growth and cost efficiencies going forward.

UK & Ireland

	2016 £m	2015 £m	Growth at constant exchange
Revenue	**1,087.8**	1,102.4	(2)%
Adjusted operating profit*	**83.7**	84.9	(2)%
Operating margin*	**7.7%**	7.7%	

* Before customer relationships amortisation and acquisition related costs (see notes 1 and 2)

In UK & Ireland revenue decreased by 2% to £1,087.8 million and operating profit was also 2% lower at £83.7 million. The previously announced loss of an account in food retail at the beginning of 2016 combined with subdued market conditions in the UK resulted in a weaker performance compared to 2015 with organic revenue declining by 3%. Although a significant amount of our products sold are essential everyday items, some uncertainty, which was seen in the run up to the EU referendum in June, continued across certain of our markets in the second half of 2016, most notably in relation to investment in the hospitality and construction sectors. We completed four acquisitions during the year which, due to the timing of their completion, will have a greater impact on the results in 2017.

Despite our safety business successfully winning new business with a number of major companies, it continues to operate in sluggish markets. This is particularly so in the construction sector where the lack of major government investment in infrastructure has delayed projects and in the oil & gas sector where production has been curtailed, in both cases resulting in reduced demand for protective clothing and equipment. The business undertook a restructuring at the end of 2015 to reduce its cost base further and has continued to develop its own label product offering which has resulted in increased levels of profitability. We have also continued to invest in both people and technology to help drive operational efficiencies. Our cleaning & hygiene business has continued to perform well in a competitive marketplace and has similarly invested in additional technology, most notably in vehicle telematics and e-commerce enhancements, to improve our efficiency and enhance our levels of customer service.

The food retail business has been successfully restructured following the account loss at the start of 2016 and has recently won new business with a clearly defined value proposition supported by an improved suite of customer centric technology. The acquisition of Classic Bag in May complements our existing non-food retail business which has performed well during the year, growing with both existing and new customers, completing a re-brand and delivering innovative new packaging solutions to the high street retail sector. Our recent acquisition of Woodway in December has further strengthened our offering in high quality packaging products. It provides bespoke value-added services through a specialist technical services team that gives customers a complete solution for their distribution packaging needs, particularly relating to their e-commerce activities. Finally, our marketing services business has continued to develop its online marketing tools for customers alongside the fulfilment of point-of-sale products and has created capacity for further growth by opening an additional distribution centre.

The catering and hospitality sector has continued to be both competitive and challenging with many customers cutting back on future investments, particularly in kitchen design and heavy catering equipment. However, our proposition remains strong and we have managed to win a long term contract with a major contract caterer across a range of non-food areas, adding expertise and value to the customer offering. We have invested heavily in digital technology with both new web and app developments giving our customers sophisticated tools to help them run their businesses better. We continue to grow our exclusive brand product offering, creating new ranges that offer both quality and value and the addition of Tri-Star Packaging in September has further expanded our reach with 'food-to-go' retailers, contract caterers and food processors.

Although the UK healthcare market continues to be under pressure from ongoing government imposed spending constraints, our healthcare business has continued to grow in both the public and private acute sectors. Our business that is focused on own brand products has been challenged by both rapid commoditisation and the significant weakening of sterling in the wake of the EU referendum vote but has continued to develop new value-adding products and has also increased sales overseas. The care home supplies business continues to grow against a backdrop of an ageing UK population needing more care.

Our business in Ireland experienced excellent growth throughout the year and profitability improved as we continued to put a greater focus on margin improving initiatives. All sectors benefited, from catering, hospitality and retail through to cleaning & hygiene and safety. We are investing in a new purpose built warehouse in Northern Ireland to support future growth. Finally, the acquisition in September of Kingsbury Packaging has further expanded our product offering and extended our customer base in the foodservice and food retail sectors.

It is difficult to give a firm view as to the probable impact of the 2016 referendum result in the UK as the terms of leaving the European Union are not yet known. However, with more than 85% of our business based outside the UK, we do not currently expect the impact on the Group's overall operations to be significant.

Rest of the World

	2016 £m	2015 £m	Growth at constant exchange
Revenue	**624.1**	514.5	11%
Adjusted operating profit*	**46.6**	42.1	4%
Operating margin*	**7.5%**	8.2%	

* Before customer relationships amortisation and acquisition related costs (see notes 1 and 2)

In Rest of the World revenue increased 11% to £624.1 million and operating profit was up 4%. With no organic revenue growth, the results benefitted from the impact of acquisitions made in 2015, particularly in Latin America. Margins remained under pressure due to the challenging macroeconomic conditions and the impact of currency movements which affected those businesses that import large volumes of products. As a result, the business area operating margin reduced by 50 basis points at constant exchange rates to 7.5%.

In Brazil, the economic and political volatility has continued although the market has begun to show some signs of greater stability following the challenges faced during the Presidential impeachment process. Despite some of the sectors we serve experiencing ongoing market weakness, our diversified business portfolio enabled us to grow our underlying revenue and maintain operating profit. In our safety business, due to the continued impact of our customers postponing investments and higher levels of unemployment, sales and margins grew only slightly. Operating margins were impacted by the cost of restructuring measures undertaken during the year to reposition the business for the anticipated upturn. The challenging market conditions also affected Casa do EPI, acquired in November 2015, which performed below our expectations due to soft demand in Minas Gerais, particularly in the mining sector. Further steps were taken to integrate fully Casa do EPI with our Prot Cap business which is expected to generate future synergies and strengthen our end user personal protection equipment offering.

The cleaning & hygiene sector in Brazil continued to be adversely affected by the difficult market conditions. Large account losses by several key contract cleaning customers reduced sales volumes while intense competition also impacted margins. To combat these declines, operating costs were reduced and we moved our São Paulo headquarters to a more efficient and lower cost location. A new online B2B platform was also developed and launched, the results of which have so far been very encouraging.

In contrast, our healthcare businesses in Brazil saw strong sales growth, particularly with imported products. The highly successful integration of Labor and Lamedid, which consolidated three warehouses into one, led to cost synergies with minimal business interruption and operating profits grew significantly. Dental Sorria, acquired in December 2015, has settled in well and towards the end of the year moved into new premises which will improve service levels and support further growth. We continue to see the growing healthcare sector in Brazil as one of the most attractive markets in which to invest.

In the rest of Latin America, the picture is more positive with our overall business trading in line with our expectations. In Chile, Vicsa grew sales and significantly improved its gross margins through product mix management. Tecno Boga, on the other hand, suffered from lower demand for its premium footwear products in the mining industry which impacted both sales and margins. New product lines were launched to reverse this trend and operating costs were reduced. DPS, our catering disposables business, traded in line with expectations but achieved higher operating margins due to strong purchasing initiatives.

In Colombia, our business grew sales well. Solmaq, acquired in June 2015, performed in line with our expectations and relocated its offices and warehouse to more suitable locations.

In Mexico, our safety business grew sales and operating profit through successful margin management initiatives combined with good cost control. The outcome of the US Presidential election resulted in a sharp devaluation in the Mexican peso towards the end of the year but the business was able to mitigate much of this impact with selling price adjustments. However, in the short term we expect more volatility and uncertainty in the Mexican market but our business is well prepared to react to these changing conditions.

In Australasia, the market conditions also remained challenging throughout the year. There were, however, some positive signs in the resources sector towards the end of the year with commodity prices improving. While our business in Australasia has a significant exposure to this sector, our business strategy continues to focus on developing a sustainable position in more resilient market sectors to enable our operations to remain strong throughout all economic cycles.

Our largest business, Outsourcing Services, has been impacted by the market downturn and currency related margin pressure. However, the business is focused on the more resilient healthcare, cleaning, catering and retail sectors and is well placed to take advantage of changes to government funding for community healthcare. We are also continuing to work with new and existing customers to develop supply solutions. Part of this will come from the work we have underway with our new digital trading platform to create an efficient and easy to access online mobile customer portal. In addition, we migrated two of our recently acquired businesses onto the main ERP system and also consolidated the Newcastle warehouse operation into the larger and more efficient Enfield operation in Sydney. We will shortly relocate the Melbourne head office and distribution centre into a larger and more efficient facility in Dandenong and will also consolidate our two healthcare businesses in Victoria.

Our food processor business also faced a number of challenges throughout 2016. This was due mainly to a shortage of livestock as a result of severe drought conditions in some regions causing plant closures and reduced operating schedules which impacted our results in these areas. This sector should recover as the herds are replenished. The ongoing business strategy has been to continue to diversify our presence across the wider food processor sector and, as such, we continue to make good progress with these endeavours. The business has had a number of major customer wins across Australia and New Zealand and we should see the benefit of this diversification through the coming year.

Our industrial and safety supplies business has again been the most impacted by the resources market downturn in Australia, particularly in the regions that support this sector. We have been working hard to widen our operations into sectors outside mining and have made solid progress developing new business opportunities in the construction, energy and government sectors. We have also continued to reduce costs by consolidating facilities and reorganising the business to fit the current market environment. By doing so we have been able to maintain our market presence by retaining our regional footprint to ensure that we are able to capitalise quickly as the market starts to improve. An upgrade of our ERP system in the industrial and safety businesses has been successfully completed. This forms part of our ongoing technology investment and will enable us to streamline our operational platform and processes to help drive productivity and enhance our competitive position. We will continue to evaluate opportunities across our national footprint and, where applicable, consolidate facilities and realign the business to the prevailing market conditions.

Prospects

Against the backdrop of mixed macroeconomic and market conditions, the combination of our strong competitive position, diversified and resilient businesses and ability to consolidate our fragmented markets further is expected to lead to continued growth. If exchange rates remain at their current levels, the significant weakening of sterling last year will have a further positive translation effect on the reported results in 2017, particularly in the first half.

In North America, the pick up in organic revenue growth towards the end of 2016 is expected to continue due to some additional business won, albeit at lower margins, and the abatement of the impact of price declines on plastic resin-based products. In Continental Europe we expect to see a good performance due to the benefit of acquisitions and organic growth. Despite ongoing uncertainty in some of our markets, UK & Ireland should make progress due to the impact of acquisitions and the benefit of a recent account win, although we continue to focus on mitigating the adverse foreign exchange transaction impact from the weakening of sterling. With many of the economies in Rest of the World showing less volatility and the major local currencies having strengthened, we expect to see a more stable trading performance from our businesses there.

The pipeline of potential acquisitions remains promising. We are in discussions with various targets and we expect to complete further transactions during 2017.

The Board believes that the prospects of the Group are positive due to its strong market position and ability to grow the business both organically and through acquisitions.

FINANCIAL REVIEW

Group performance

With more than 85% of the Group's revenue generated outside the UK, the weakening of sterling against most currencies has had a significant positive translation impact on the Group's reported results increasing revenue, profits and earnings by approximately 10%.

Revenue increased to £7,429.1 million (2015: £6,489.7 million), up 4% at constant exchange and 14% at actual exchange rates, reflecting the benefit of acquisitions and some growth in the underlying businesses. Adjusted operating profit (being operating profit before customer relationships amortisation and acquisition related costs) increased to £525.0 million (2015: £455.0 million), an increase of 5% at constant exchange rates and 15% at actual exchange rates. At both constant and actual exchange rates, the adjusted operating profit margin increased from 7.0% to 7.1% due to the impact of higher margin acquisitions. Customer relationships amortisation and acquisition related costs increased £26.8 million to £115.3 million due to a £14.5 million increase in customer relationships amortisation and a £12.3 million increase in acquisition related costs. The net interest expense of £46.8 million was £3.0 million higher than in 2015 at actual exchange rates but down £0.8 million at constant exchange rates principally due to a reduction in the net interest expense associated with the Group's pension schemes. Adjusted profit before income tax (being profit before income tax, customer relationships amortisation and acquisition related costs) was £478.2 million (2015: £411.2 million), up 6% at constant exchange rates and up 16% at actual exchange rates, principally due to the growth in adjusted operating profit.

Tax

The tax rate on adjusted profit for the year was 26.9% (2015: 27.5%). The reduction in the rate compared with recent years is principally due to one-off benefits in 2016 which are not expected to be repeated in 2017. In addition, enacted changes in tax legislation will increase the taxable base which will increase the tax rate in the coming year. It is therefore expected that the tax rate on adjusted profit for 2017 will be between 1.5 and 2.0 percentage points higher than in 2016. This estimate does not seek to anticipate the impact of other potential changes for which legislation has not been published. As noted in the Principal risks and uncertainties in note 12, the Group is monitoring the development of proposals for tax reforms in the US. The reported tax rate on statutory profit before tax was 26.7% (2015: 27.9%).

Profit for the year

Profit after tax of £265.9 million was up £33.2 million, primarily due to a £43.2 million increase in operating profit offset by a £3.0 million increase in the net interest expense and a £7.0 million increase in the tax charge.

Earnings

The weighted average number of shares increased to 329.4 million from 327.6 million in 2015 due to employee share option exercises partly offset by shares being purchased from the market for the Group's employee benefit trust. Earnings per share were 80.7p, up 4% on 2015 at constant exchange rates and 14% at actual exchange rates. After adjusting for customer relationships amortisation, acquisition related costs and the associated tax, adjusted earnings per share were 106.1p, an increase on 2015 of 6% at constant exchange rates and 17% at actual exchange rates.

Customer relationships amortisation, acquisition related costs and associated tax are items which are not taken into account by management when assessing the results of the business as they do not relate to the underlying operating performance. Accordingly, such items are removed in calculating the adjusted earnings per share on which management assesses the performance of the Group. For further details of this and other non-GAAP measures see Note 1.

Dividends

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

	2016	2015	Growth
Interim dividend (p)	**13.00**	11.75	11%
Final dividend (p)	**29.00**	26.25	10%
Total dividend (p)	**42.00**	38.00	11%
Dividend cover (times)*	**2.5**	2.4	

* Based on adjusted earnings per share

The Company's practice has been to pay a progressive dividend with the aim of delivering year-on-year increases in dividends, growing at approximately the same rate as the growth in adjusted earnings per share. The 2016 dividend is 11% higher than the 2015 dividend, compared to the adjusted earnings per share which have grown by 6% at constant exchange rates and 17% at actual exchange rates. Bunzl has sustained a growing dividend to shareholders over the past 24 years.

Before approving any dividends, the Board considers the level of borrowings of the Group by reference to the ratio of net debt to operating profit before depreciation, amortisation and acquisition related costs ('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 Company'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 enable dividends to be funded.

The risks and constraints to maintaining a growing dividend are principally those linked to the Group's trading performance and liquidity, as described in the Principal risks and uncertainties in Note 12. 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 2016 Bunzl plc had sufficient distributable reserves to cover more than three years of dividends at the cost of the 2016 dividends, which is expected to be approximately £139 million.

Acquisitions

We completed 12 acquisitions and agreed to acquire two further businesses during the year ended 31 December 2016. The estimated annualised revenue and adjusted operating profit of the businesses acquired were £182.3 million and £21.5 million respectively. Including the two businesses agreed to be acquired during 2016 but which completed in January 2017, the estimated annualised revenue was £201.1 million. A summary of the effect of acquisitions is as follows:

	£m
Fair value of net assets acquired	86.4
Goodwill	51.0
Consideration	137.4
Satisfied by:	
cash consideration	124.4
deferred consideration	13.0
	137.4
Contingent payments relating to the retention of former owners	18.2
Net cash acquired	(1.0)
Transaction costs and expenses	6.8
Total committed spend in respect of acquisitions completed in the current year	**161.4**
Spend on acquisitions committed as at 31 December 2016	22.8
Total committed spend in respect of acquisitions agreed in the current year	**184.2**

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

	£m
Cash consideration	124.4
Net cash acquired	(1.0)
Deferred consideration in respect of prior year acquisitions	36.2
Net cash outflow in respect of acquisitions	159.6
Acquisition related costs*	17.0
Total cash outflow in respect of acquisitions	**176.6**

* Cash flow on acquisition related costs relates to £5.9 million of transaction costs paid and £11.1 million from payments relating to the retention of former owners.

Cash flow

Cash generated from operations before acquisition related costs was £546.7 million, an £81.7 million increase from 2015, primarily due to a £70.0 million increase in adjusted operating profit. The Group's free cash flow of £355.5 million was up £45.3 million from 2015, primarily due to the £81.7 million increase in cash generated from operations, partly offset by a £30.7 million increase in the cash outflow relating to tax. After payment of dividends of £125.4 million in respect of 2015 (2015: £116.1 million in respect of 2014), an acquisition cash outflow of £176.6 million (2015: £371.2 million) and a £37.5 million outflow on employee share schemes (2015: £29.5 million), the net cash inflow was £16.0 million (2015: £206.6 million outflow). The summary cash flow for the year was as follows:

	£m
Cash generated from operations*	546.7
Net capital expenditure	(24.8)
Operating cash flow*	521.9
Cash conversion %†	**99%**
Net interest	(43.2)
Tax	(123.2)
Free cash flow	355.5
Dividends	(125.4)

Acquisitions	(176.6)
Employee share schemes	(37.5)
Net cash inflow	**16.0**

* Before acquisition related costs

† The ratio of operating cash flow to adjusted operating profit

Balance sheet

Return on average operating capital increased to 55.9% from 55.5% in 2015, driven by an improvement in the operating capital in the underlying business, partly offset by an adverse impact from exchange rate movements, a slightly lower underlying operating margin and the impact of the lower return on operating capital from acquisitions. Return on invested capital of 16.7% was down from 17.1% in 2015, principally due to the effect of acquisitions and limited organic growth.

Intangible assets increased by £301.5 million to £1,947.6 million due to an increase from exchange of £249.9 million, intangible assets arising on acquisitions in the year of £131.3 million and software additions of £7.3 million, partly offset by an amortisation charge of £87.0 million. The Group's net pension deficit of £84.1 million at 31 December 2016 was £44.1 million higher than at 31 December 2015, largely due to an actuarial loss of £42.4 million. The actuarial loss arose largely as a result of the impact of a £81.7 million increase in the present value of scheme liabilities from changes in assumptions, principally lower discount rates, partly offset by the actual return on scheme assets being £39.3 million higher than expected.

Net debt to EBITDA calculated at average exchange rates was 2.0 times (2015: 2.1 times). The movements in shareholders' equity and net debt during the year were as follows:

Shareholders' equity	**£m**
At 1 January 2016	1,016.3
Profit for the year	265.9
Dividends	(125.4)
Currency (net of tax)	207.7
Actuarial loss on pension schemes (net of tax)	(34.1)
Share based payments (net of tax)	15.8
Employee share options	(33.7)
At 31 December 2016	**1,312.5**

Net debt	**£m**
At 1 January 2016	(1,107.2)
Net cash inflow	16.0
Currency	(137.4)
At 31 December 2016	**(1,228.6)**
Net debt to EBITDA (times)	**2.0**

Consolidated income statement
for the year ended 31 December 2016

	Notes	**2016 £m**	2015 £m	Growth: Actual exchange rates	Growth: Constant exchange rates
Revenue	2	**7,429.1**	6,489.7	14%	4%
Operating profit	2	**409.7**	366.5	12%	2%
Finance income	3	**7.1**	4.8		
Finance expense	3	**(53.9)**	(48.6)		
Profit before income tax		**362.9**	322.7	12%	2%
Income tax	4	**(97.0)**	(90.0)		

Profit for the year attributable to the Company's equity holders		**265.9**	232.7	14%	4%
Earnings per share attributable to the Company's equity holders					
Basic	6	**80.7p**	71.0p	14%	4%
Diluted	6	**79.7p**	70.2p	14%	4%
Dividend per share	5	**42.0p**	38.0p	11%	

Non-GAAP measures*					
Operating profit	2	**409.7**	366.5	12%	2%
Adjusted for:					
Customer relationships amortisation	2	**81.3**	66.8		
Acquisition related costs	2	**34.0**	21.7		
Adjusted operating profit		**525.0**	455.0	15%	5%
Finance income	3	**7.1**	4.8		
Finance expense	3	**(53.9)**	(48.6)		
Adjusted profit before income tax		**478.2**	411.2	16%	6%
Tax on adjusted profit	4	**(128.6)**	(113.1)		
Adjusted profit for the year		**349.6**	298.1	17%	7%
Adjusted earnings per share	6	**106.1p**	91.0p	17%	6%

* See Note 1 for further details of the non-GAAP measures.

Consolidated statement of comprehensive income
for the year ended 31 December 2016

	2016 £m	2015 £m
Profit for the year	**265.9**	232.7
Other comprehensive (expense)/income		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit pension schemes	**(42.4)**	27.0
Tax on items that will not be reclassified to profit or loss	**8.3**	(6.7)
Total items that will not be reclassified to profit or loss	**(34.1)**	20.3
Items that may be reclassified to profit or loss:		
Foreign currency translation differences on foreign operations	**267.0**	(77.8)
Loss taken to equity as a result of effective net investment hedges	**(59.7)**	(13.5)
Gain recognised in cash flow hedge reserve	**2.6**	9.6
Movement from cash flow hedge reserve to income statement	**(1.5)**	(10.6)
Tax on items that may be reclassified to profit or loss	**(0.7)**	(0.4)
Total items that may be reclassified subsequently to profit or loss	**207.7**	(92.7)
Other comprehensive income/(expense) for the year	**173.6**	(72.4)
Total comprehensive income attributable to the Company's equity holders	**439.5**	160.3

Consolidated balance sheet
at 31 December 2016

	Notes	**2016 £m**	2015* £m
Assets			
Property, plant and equipment		**123.3**	112.6
Intangible assets	7	**1,947.6**	1,646.1
Defined benefit pension assets		**-**	5.4
Derivative financial assets		**14.9**	16.5
Deferred tax assets		**2.3**	-
Total non-current assets		**2,088.1**	1,780.6
Inventories		**960.9**	794.2

Income tax receivable		**5.7**	0.7
Trade and other receivables		**1,157.5**	947.5
Derivative financial assets		**12.5**	17.2
Cash at bank and in hand	8	**282.4**	281.8
Total current assets		**2,419.0**	2,041.4
Total assets		**4,507.1**	3,822.0
Equity			
Share capital		**107.9**	107.7
Share premium		**167.5**	163.9
Translation reserve		**27.7**	(179.1)
Other reserves		**21.1**	20.2
Retained earnings		**988.3**	903.6
Total equity attributable to the Company's equity holders		**1,312.5**	1,016.3
Liabilities			
Interest bearing loans and borrowings	8	**1,283.6**	1,058.8
Defined benefit pension liabilities		**84.1**	45.4
Other payables		**30.5**	20.8
Provisions		**31.0**	25.3
Derivative financial liabilities		**1.7**	-
Deferred tax liabilities		**124.9**	112.8
Total non-current liabilities		**1,555.8**	1,263.1
Bank overdrafts	8	**155.7**	231.1
Interest bearing loans and borrowings	8	**86.0**	120.8
Income tax payable		**82.9**	74.8
Trade and other payables		**1,297.8**	1,096.4
Derivative financial liabilities		**8.1**	10.0
Provisions		**8.3**	9.5
Total current liabilities		**1,638.8**	1,542.6
Total liabilities		**3,194.6**	2,805.7
Total equity and liabilities		**4,507.1**	3,822.0

*Revised to reflect a change in the presentation of Cash at bank and in hand and Bank overdrafts and a reclassification of software assets from Property, plant and equipment to intangible assets. See Note 1.

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Share capital £m	**Share premium £m**	**Translation reserve £m**	**Other reserves◊ £m**	**Retained earnings† £m**	**Total equity £m**
At 1 January 2016	**107.7**	**163.9**	**(179.1)**	**20.2**	**903.6**	**1,016.3**
Profit for the year					**265.9**	**265.9**
Actuarial loss on defined benefit pension schemes					**(42.4)**	**(42.4)**
Foreign currency translation differences on foreign operations			**267.0**			**267.0**
Loss taken to equity as a result of effective net investment hedges			**(59.7)**			**(59.7)**
Gain recognised in cash flow hedge reserve				**2.6**		**2.6**
Movement from cash flow hedge reserve to income statement				**(1.5)**		**(1.5)**
Income tax (charge)/credit on other comprehensive income			**(0.5)**	**(0.2)**	**8.3**	**7.6**
Total comprehensive income			**206.8**	**0.9**	**231.8**	**439.5**
2015 interim dividend					**(38.6)**	**(38.6)**
2015 final dividend					**(86.8)**	**(86.8)**

Issue of share capital	**0.2**	**3.6**				**3.8**
Employee trust shares					**(37.5)**	**(37.5)**
Share based payments					**15.8**	**15.8**
At 31 December 2016	**107.9**	**167.5**	**27.7**	**21.1**	**988.3**	**1,312.5**

	Share capital £m	Share premium £m	Translation reserve £m	Other reserves◊ £m	Retained earnings† £m	Total equity £m
At 1 January 2015	107.6	160.3	(87.2)	21.0	782.2	983.9
Profit for the year					232.7	232.7
Actuarial gain on defined benefit pension schemes					27.0	27.0
Foreign currency translation differences on foreign operations			(77.8)			(77.8)
Loss taken to equity as a result of effective net investment hedges			(13.5)			(13.5)
Gain recognised in cash flow hedge reserve				9.6		9.6
Movement from cash flow hedge reserve to income statement				(10.6)		(10.6)
Income tax (charge)/credit on other comprehensive income			(0.6)	0.2	(6.7)	(7.1)
Total comprehensive (expense)/income			(91.9)	(0.8)	253.0	160.3
2014 interim dividend					(36.0)	(36.0)
2014 final dividend					(80.1)	(80.1)
Issue of share capital	0.1	3.6				3.7
Employee trust shares					(30.2)	(30.2)
Share based payments					14.7	14.7
At 31 December 2015	107.7	163.9	(179.1)	20.2	903.6	1,016.3

◊ Other reserves comprise merger reserve of £2.5m (2015: £2.5m), capital redemption reserve of £16.1m (2015: £16.1m) and cash flow hedge reserve of £2.5m (2015: £1.6m).

† Retained earnings comprise earnings of £1,120.7m (2015: £1,022.5m) and own shares of £(132.4)m (2015: £(118.9)m).

Consolidated cash flow statement
for the year ended 31 December 2016

	Notes	**2016 £m**	2015 £m
Cash flow from operating activities			
Profit before income tax		**362.9**	322.7
Adjusted for:			
net finance expense		**46.8**	43.8
customer relationships amortisation	7	**81.3**	66.8
acquisition related costs	2	**34.0**	21.7
Adjusted operating profit		**525.0**	455.0
Adjustments:			
non-cash items	10	**28.0**	19.8
working capital movement	10	**(6.3)**	(9.8)
Cash generated from operations before acquisition related costs		**546.7**	465.0
Cash outflow from acquisition related costs	9	**(17.0)**	(42.7)
Income tax paid		**(123.2)**	(92.5)
Cash inflow from operating activities		**406.5**	329.8
Cash flow from investing activities			
Interest received		**5.9**	2.8
Purchase of property, plant and equipment and software		**(25.4)**	(24.8)
Sale of property, plant and equipment		**0.6**	2.4

Purchase of businesses	9	**(159.6)**	(328.5)
Cash outflow from investing activities		**(178.5)**	(348.1)
Cash flow from financing activities			
Interest paid		**(49.1)**	(42.7)
Dividends paid		**(125.4)**	(116.1)
Increase in borrowings		**206.1**	256.4
Repayment of borrowings		**(210.5)**	(73.8)
Realised gains on foreign exchange contracts		**22.9**	27.5
Proceeds from issue of ordinary shares to settle share options		**3.8**	3.7
Proceeds from exercise of market purchase share options		**26.4**	23.1
Purchase of employee trust shares		**(67.7)**	(56.3)
Cash (outflow)/inflow from financing activities		**(193.5)**	21.8
Increase in cash and cash equivalents		**34.5**	3.5
Cash and cash equivalents at start of year		**50.7**	54.3
Increase in cash and cash equivalents		**34.5**	3.5
Currency translation		**41.5**	(7.1)
Cash and cash equivalents at end of year	8	**126.7**	50.7

Non-GAAP measures*		
Cash generated from operations before acquisition related costs	**546.7**	465.0
Purchase of property, plant and equipment and software	**(25.4)**	(24.8)
Sale of property, plant and equipment	**0.6**	2.4
Operating cash flow	**521.9**	442.6
Cash conversion % (operating cash flow to adjusted operating profit)	**99%**	97%

* See Note 1 for further details of the non-GAAP measures.

Notes

1. Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 have been approved by the directors. They are prepared in accordance with (i) EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the IFRS Interpretations Committee ('IFRS IC') and those parts of the Companies Act 2006 as applicable to companies using IFRS and (ii) IFRS as issued by the 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. The directors consider that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Bunzl plc's 2016 Annual Report will be published during March 2017. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 December 2016 but is derived from those accounts and the accompanying directors' report. Statutory accounts for 2016 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 19 April 2017. 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 2015 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.

In March 2016 an agenda decision of the IFRS IC was issued which provided clarity over the situations where cash pooling arrangements meet the requirements of IFRS to present cash and overdrafts on a net basis. As a result, the 31 December 2015 comparative figures for Cash at bank and in hand and Bank overdrafts have been increased by £202.6m. These balances were previously presented on a net basis in the Consolidated balance sheet and relevant notes (see Note 8).

In prior years software related assets were included as a part of Property, plant and equipment in the Consolidated balance sheet. As the Group continues to upgrade its IT systems and invest in new e-commerce platforms, separate disclosure of the net book value of these assets is considered to enhance existing disclosures and increase transparency. The Group has therefore changed the presentation of software assets to show them as a separate component of Intangible assets, increasing Intangible assets and reducing Property, plant and equipment by £14.1m at 31 December 2015 (see Note 7).

Non-GAAP measures

Further to the various performance measures defined under IFRS, the Group reports a number of alternative performance 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 (known as 'non-GAAP measures') and may not be directly comparable with other companies' non-GAAP measures. They are not designed to be a substitute for any of the IFRS measures of performance. The principal alternative performance measures used within the consolidated financial statements and the location of the reconciliations to equivalent IFRS measures are:

- adjusted operating profit and adjusted profit before income tax (as reconciled on the face of the consolidated income statement);
- adjusted profit for the year (as reconciled on the face of the consolidated income statement); and
- adjusted earnings per share and adjusted diluted earnings per share (as reconciled in Note 6).

These measures exclude the charge for customer relationships amortisation, acquisition related costs and any associated tax, where relevant. Acquisition related costs comprise transaction costs and expenses, deferred consideration payments relating to the retention of former owners of businesses acquired and adjustments to previously estimated earn outs. Customer relationships amortisation, acquisition related costs and any associated tax are not items which are taken into account by management when assessing the results of the business as they do not relate to the underlying operating performance and distort comparability between businesses and between reporting periods. Accordingly, these items are removed in calculating the profitability measures by which management assess the performance of the Group. Other non-GAAP measures are used to monitor the performance of the Group and a number of these are based on, or derived from, the non-GAAP measures noted above. All non-GAAP measures in this annual results announcement have been calculated consistently with the methods applied in the 2015 Annual Report. Growth rates at constant exchange rates are calculated by retranslating the results for the year ended 31 December 2015 at the average rates for the year ended 31 December 2016 so that they can be compared without the distorting impact of changes caused by foreign exchange translation.

2. Segment analysis

Year ended 31 December 2016	**North America £m**	**Continental Europe £m**	**UK & Ireland £m**	**Rest of the World £m**	**Corporate £m**	**Total £m**
Revenue	**4,362.1**	**1,355.1**	**1,087.8**	**624.1**		**7,429.1**
Adjusted operating profit/(loss)	**289.6**	**126.6**	**83.7**	**46.6**	**(21.5)**	**525.0**
Customer relationships amortisation	**(23.1)**	**(34.9)**	**(8.3)**	**(15.0)**	**-**	**(81.3)**
Acquisition related costs	**(11.7)**	**(12.5)**	**(1.8)**	**(8.0)**	**-**	**(34.0)**
Operating profit/(loss)	**254.8**	**79.2**	**73.6**	**23.6**	**(21.5)**	**409.7**
Finance income						**7.1**
Finance expense						**(53.9)**
Profit before income tax						**362.9**
Adjusted profit before income tax						**478.2**
Income tax						**(97.0)**
Profit for the year						**265.9**
Purchase of property, plant and equipment and software	**7.4**	**8.0**	**5.4**	**3.8**	**0.8**	**25.4**
Depreciation and software amortisation	**9.8**	**9.4**	**4.5**	**3.4**	**0.3**	**27.4**

Year ended 31 December 2015	North America* £m	Continental Europe* £m	UK & Ireland £m	Rest of the World £m	Corporate £m	Total £m
Revenue	3,784.2	1,088.6	1,102.4	514.5		6,489.7

Adjusted operating profit/(loss)	249.0	99.5	84.9	42.1	(20.5)	455.0
Customer relationships amortisation	(18.9)	(27.3)	(8.0)	(12.6)	-	(66.8)
Acquisition related costs	(9.5)	(5.3)	(0.8)	(6.1)	-	(21.7)
Operating profit/(loss)	220.6	66.9	76.1	23.4	(20.5)	366.5
Finance income						4.8
Finance expense						(48.6)
Profit before income tax						322.7
Adjusted profit before income tax						411.2
Income tax						(90.0)
Profit for the year						232.7
Purchase of property, plant and equipment and software	9.1	6.6	4.3	4.1	0.7	24.8
Depreciation and software amortisation	8.7	8.1	4.3	2.9	0.1	24.1

*The segment analysis for the year ended 31 December 2015 previously included, within Continental Europe, the results of a business based in Europe that also had operations in the US. That part of the business is now managed and reported as part of the North America operating segment. Accordingly, the Group has restated the operating segment information for the year ended 31 December 2015 to include the business within the North America segment. For the year ended 31 December 2015 additional revenue of £32.4m and adjusted operating profit of £5.0m are now being reported in North America with a corresponding reduction in revenue and adjusted operating profit in Continental Europe. Customer relationships amortisation, purchase of property, plant and equipment and depreciation and software amortisation have also been restated.

Acquisition related costs for the year ended 31 December 2016 comprise transaction costs and expenses of £6.8m (2015: £7.9m), deferred consideration payments of £29.6m (2015: £24.3m) relating to the retention of former owners of businesses acquired and a credit of £2.4m (2015: £10.5m credit) from adjustments to previously estimated earn outs.

3. Finance income/(expense)

	2016 £m	2015 £m
Interest on cash and cash equivalents	**3.0**	1.9
Interest income from foreign exchange contracts	**3.0**	1.9
Net interest income on defined benefit pension schemes in surplus	**0.4**	-
Other finance income	**0.7**	1.0
Finance income	**7.1**	4.8
Interest on loans and overdrafts	**(49.7)**	(43.3)
Interest expense from foreign exchange contracts	**(1.1)**	(1.7)
Net interest expense on defined benefit pension schemes in deficit	**(1.9)**	(2.4)
Fair value gain/(loss) on US private placement notes in a hedge relationship	**2.9**	(2.9)
Fair value (loss)/gain on interest rate swaps in a hedge relationship	**(3.1)**	2.9
Foreign exchange gain on intercompany funding	**117.8**	2.0
Foreign exchange loss on external debt not in a hedge relationship	**(118.3)**	(3.0)
Other finance expense	**(0.5)**	(0.2)
Finance expense	**(53.9)**	(48.6)
Net finance expense	**46.8**	43.8

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

4. Income tax

In assessing the underlying performance of the Group, management uses adjusted profit which excludes customer relationships amortisation and acquisition related costs. Similarly the tax effect of these items is excluded in monitoring the tax rate on the adjusted profit of the Group (also referred to as the underlying tax rate) which is shown in the table below:

	2016	2015

	£m	£m
Income tax on profit	**97.0**	90.0
Tax associated with customer relationships amortisation and acquisition related costs	**31.6**	23.1
Tax on adjusted profit	**128.6**	113.1
Profit before income tax	**362.9**	322.7
Customer relationships amortisation and acquisition related costs	**115.3**	88.5
Adjusted profit before income tax	**478.2**	411.2
Reported tax rate	**26.7%**	27.9%
Tax rate on adjusted profit	**26.9%**	27.5%

5. Dividends

	2016 £m	2015 £m
2014 interim		36.0
2014 final		80.1
2015 interim	**38.6**	
2015 final	**86.8**	
Total	**125.4**	116.1

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

	Per share	
	2016	2015
Interim	**13.00p**	11.75p
Final	**29.00p**	26.25p
Total	**42.00p**	38.00p

The 2016 interim dividend of 13.0p per share was paid on 3 January 2017 and comprised £42.8m of cash. The 2016 final dividend of 29.0p per share will be paid on 3 July 2017 to shareholders on the register at the close of business on 26 May 2017.

6. Earnings per share

	2016 £m	2015 £m
Profit for the year	**265.9**	232.7
Adjusted for:		
customer relationships amortisation	**81.3**	66.8
acquisition related costs	**34.0**	21.7
tax credit on adjusting items	**(31.6)**	(23.1)
Adjusted profit for the year	**349.6**	298.1
Basic weighted average ordinary shares in issue (million)	**329.4**	327.6
Dilutive effect of employee share plans (million)	**4.3**	4.1
Diluted weighted average ordinary shares (million)	**333.7**	331.7
Basic earnings per share	**80.7p**	71.0p
Adjustment	**25.4p**	20.0p
Adjusted earnings per share	**106.1p**	91.0p
Diluted basic earnings per share	**79.7p**	70.2p
Adjustment	**25.1p**	19.7p
Adjusted diluted earnings per share	**104.8p**	89.9p

7. Intangible assets

Goodwill	**2016 £m**	2015* £m
Beginning of the period	**999.3**	922.3
Acquisitions	**51.0**	109.0
Currency translation	**141.2**	(32.0)
End of the period	**1,191.5**	999.3

Customer relationships

Cost		
Beginning of the period	**1,069.2**	938.9
Acquisitions	**80.2**	172.2
Currency translation	**157.0**	(41.9)
End of the period	**1,306.4**	1,069.2
Amortisation		
Beginning of the period	**436.5**	382.4
Charge in the period	**81.3**	66.8
Currency translation	**50.9**	(12.7)
End of the period	**568.7**	436.5
Net book value of Customer relationships	**737.7**	632.7
Net book value of Software	**18.4**	14.1
Total net book value of intangible assets	**1,947.6**	1,646.1

* The Group has changed the presentation of software assets to show them as a separate component of Intangible assets, increasing Intangible assets and reducing Property, plant and equipment by £14.1m at 31 December 2015.

Both goodwill and customer relationships have been acquired as part of business combinations. Further details of acquisitions made in the year are set out in Note 9 together with details of acquisitions committed to be acquired in 2017.

8. Cash and cash equivalents and net debt

	2016 £m	2015* £m
Cash at bank and in hand	**282.4**	281.8
Bank overdrafts	**(155.7)**	(231.1)
Cash and cash equivalents	**126.7**	50.7
Interest bearing loans and borrowings - current liabilities	**(86.0)**	(120.8)
Interest bearing loans and borrowings - non-current liabilities	**(1,283.6)**	(1,058.8)
Derivatives managing the interest rate risk and currency profile	**14.3**	21.7
Net debt	**(1,228.6)**	(1,107.2)

* The 31 December 2015 comparative figures for Cash at bank and in hand and Bank overdrafts have been increased by £202.6m. This amount, being the overdraft included in the Group's cash pool at the end of 2015, was previously netted against cash at bank and in hand in the Consolidated balance sheet. Notwithstanding the change in presentation, the cash pool continues to operate as previously, enabling the Group to access cash in its subsidiaries to pay down the Group's borrowings. The Group continues to have the legal right to set-off balances within the cash pool and the change in presentation has no impact on the Group's net debt or its compliance with banking covenants. The Cash at bank and in hand and Bank overdrafts figures net of the amounts in the cash pool are disclosed below for reference:

	2016 £m	2015 £m
Cash at bank and in hand net of amounts in the cash pool	**139.6**	79.2
Bank overdraft net of amounts in the cash pool	**(12.9)**	(28.5)
Cash and cash equivalents	**126.7**	50.7

Movement in net debt	**2016 £m**	2015 £m
Beginning of year	**(1,107.2)**	(877.4)
Net cash inflow/(outflow)	**16.0**	(206.6)
Realised gain on foreign exchange contracts	**22.9**	27.5
Currency translation	**(160.3)**	(50.7)
End of year	**(1,228.6)**	(1,107.2)

9. Acquisitions

2016

Summary details of the businesses acquired or agreed to be acquired during the year ended 31 December 2016 are included in the table below.

Business	**Sector**	**Country**	**Acquisition date 2016**	**Annualised revenue £m**
Earthwise Bag	Grocery	USA	9 February	13.2
Bursa Pazari	Foodservice	Turkey	30 March	32.3
Inkozell and Mo Ha Ge	Healthcare	Germany	31 May	19.3
Classic Bag	Retail	United Kingdom	31 May	7.4
Polaris Chemicals	Cleaning & hygiene	Belgium	31 May	2.9
Plus II	Cleaning & hygiene	Canada	25 July	17.8
Apex	Cleaning & hygiene	Canada	26 July	6.6
Blyth	Safety	Czech Republic	31 August	5.7
Kingsbury Packaging	Foodservice	United Kingdom	14 September	5.4
Silwell	Foodservice	Hungary	30 September	7.9
Tri-star Packaging	Foodservice	United Kingdom	30 September	27.8
Woodway	Retail	United Kingdom	30 December	36.0
Completed acquisitions				**182.3**
Saebe Compagniet	Foodservice	Denmark	2 January 2017	12.4
Prorisk and GM Equipement	Safety	France	31 January 2017	6.4
Committed acquisitions				**201.1**

A summary of the effect of acquisitions completed in 2016 and 2015 is detailed below:

	2016 £m	2015 £m
Customer relationships	**80.2**	172.2
Property, plant and equipment and software	**(0.5)**	8.7
Inventories	**16.5**	73.6
Trade and other receivables	**44.1**	57.2
Trade and other payables	**(32.3)**	(40.7)
Net cash/(overdrafts)	**1.0**	(0.6)
Provisions	**(3.8)**	(9.4)
Defined benefit pension liabilities	**(1.0)**	-
Income tax payable and deferred tax liabilities	**(17.8)**	(17.3)
Fair value of net assets acquired	**86.4**	243.7
Goodwill	**51.0**	109.0
Consideration	**137.4**	352.7
Satisfied by:		
cash consideration	**124.4**	311.5
deferred consideration	**13.0**	41.2
	137.4	352.7
Contingent payments relating to retention of former owners	**18.2**	36.2
Net (cash)/overdraft acquired	**(1.0)**	0.6
Transaction costs and expenses	**6.8**	7.9
Total committed spend in respect of acquisitions completed in the current year	**161.4**	397.4
Spend on acquisitions committed but not completed as at 31 December 2016	**22.8**	-
Spend on acquisition committed as at 31 December 2014 but completed in January 2015	**-**	(70.2)
Total committed spend in respect of acquisitions agreed in the current year	**184.2**	327.2

The net cash outflow in the year in respect of acquisitions comprised:	**2016 £m**	2015 £m
Cash consideration	**124.4**	311.5
Net (cash)/overdraft acquired	**(1.0)**	0.6
Deferred consideration in respect of prior year acquisitions	**36.2**	16.4
Net cash outflow in respect of acquisitions	**159.6**	328.5
Transaction costs and expenses	**5.9**	8.5
Payments relating to retention of former owners	**11.1**	34.2
Total cash outflow in respect of acquisitions	**176.6**	371.2

Acquisitions completed in the year ended 31 December 2016 contributed £85.7m (2015: £217.1m) to the Group's revenue and £11.2m (2015: £26.9m) to the Group's adjusted operating profit for the year ended 31 December 2016.

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:

	2016 £m	2015 £m
Revenue	**182.3**	389.5
Adjusted operating profit	**21.5**	49.1

The estimated revenue which would have been contributed by the businesses acquired or agreed to be acquired during the year to the results for the year ended 31 December 2016 if such acquisitions had been made at the beginning of the year is £201.1m (2015: £324.1m, excluding Tillman).

2015
Summary details of the businesses acquired during the year ended 31 December 2015 are included in the table below:

Business acquired	**Sector**	**Country**	**Acquisition date 2015**	**Annualised Revenue £m**
Tillman	Safety	USA	2 January	65.4
Quirumed	Healthcare	Spain	30 January	14.6
Jan-Mar	Cleaning & hygiene	Canada	30 January	6.1
Janssen Packaging	Retail	Netherlands	10 March	6.5
Prescott	Cleaning & hygiene	Canada	31 March	8.6
Emballages Maska	Cleaning & hygiene	Canada	31 March	15.9
Istanbul Ticaret	Safety	Turkey	29 May	24.4
Ligne T	Safety	France	29 May	4.4
GF	Retail	Canada	1 June	41.8
Solmaq	Safety	Colombia	30 June	13.6
Cordova Safety Products	Safety	USA	30 June	54.9
Steiner Industries	Safety	USA	1 July	12.0
Bidvest Hospitality Supplies	Foodservice	Australia	1 July	4.7
Delta Hospitality	Foodservice	Australia	17 July	5.2
Meier Verpackungen	Foodservice	Austria	1 September	29.0
Planet Clean	Cleaning & hygiene	Canada	16 September	13.4
ICB	Cleaning & hygiene	New Zealand	30 October	2.3
Cemelim	Cleaning & hygiene	Spain	2 November	2.5
Casa do Epi	Safety	Brazil	3 November	16.0
DPS	Foodservice	Chile	30 November	25.4
Faru	Safety	Spain	30 November	3.3
Comatec	Hospitality	France	1 December	13.8
Dental Sorria	Healthcare	Brazil	18 December	5.7
Completed acquisitions				**389.5**
Tillman (committed on 30 December 2014)				(65.4)
Committed acquisitions				**324.1**

10. Cash flow from operating activities

The tables below give further details on the adjustments for non-cash items and the working capital movement shown in the consolidated cash flow statement.

Non-cash items	**2016 £m**	2015 £m
Depreciation and software amortisation	**27.4**	24.1
Share based payments	**10.2**	9.1
Provisions	**(3.0)**	(3.9)
Retirement benefit obligations	**(9.0)**	(7.4)
Other	**2.4**	(2.1)
	28.0	19.8

Working capital movement		
Increase in inventories	**(18.0)**	(16.1)
Increase in trade and other receivables	**(39.6)**	(23.7)
Increase in trade and other payables	**51.3**	30.0
	(6.3)	(9.8)

11. Related party disclosures

The Group has identified the directors of the Company, their close family members, the Group 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 2016 that have materially affected the financial position or performance of the Group during this period. All transactions with subsidiaries are eliminated on consolidation.

12. Principal risks and uncertainties

The Group operates in many business environments and across a number of geographies in which risks and uncertainties exist, not all of which are necessarily within the Company's control. The risks identified in the 2015 Annual Report remain those of most concern to the business at the end of 2016.

Although the principal risks affecting the Group are unchanged from the previous year, the Board is continuing to monitor the potential risks associated with the June 2016 referendum vote for the UK to leave the European Union. The position is presently unclear and it is too early to understand properly the impact that the UK leaving the European Union will have on the Group's operations. However, these risks are most likely to relate to the impact of foreign exchange volatility, an economic slowdown in the UK and the imposition of trade tariffs. Of these risks, the first two have already been identified as principal risks for the Group, further details of which are set out below under 'Foreign exchange' and 'Economic environment'. The risk relating to trade tariffs is considered to be a Group risk but is not currently thought to be a principal risk.

The principal risks and uncertainties faced by the Group and the steps taken to mitigate such risks and uncertainties are summarised below. The risks identified do not comprise all of the risks that the Group may face and accordingly this summary is not intended to be exhaustive and is not presented in order of potential probability or impact.

Competitive pressures - The Group operates in highly competitive markets and faces competition from international companies as well as national, regional and local companies in the countries in which it operates. Increased competition and unanticipated actions by competitors or customers could lead to an adverse effect on results and hinder the Group's growth potential. This could result from: customer pressure on sales volumes or margins; the loss of customers due to service or pricing issues; increased price competition; customers and suppliers dealing directly with one another; or unforeseen changes in the competitive landscape due to the introduction of disruptive technologies or changes in routes to market.

The Group seeks to remain competitive by maintaining high service levels and close contacts with its customers to ensure that their needs and demands are being met satisfactorily, developing a national presence in the markets in which the Group operates and maintaining 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. The Group also regularly reviews the competitive environment in which it operates.

Product price changes - The purchase price of products distributed by the Group can fluctuate from time to time, thereby potentially affecting the results of operations. There could be significant increases in the cost of specific products leading to a diminution in margins if cost increases cannot be passed on in full to customers or substitute products sourced from elsewhere. Potential causes could include changes in the input costs of products purchased through commodity price inflation. In addition, a period of commodity price deflation may lead to reductions in the price and value of the Group's products where sales prices are indexed or if competitors reduced their selling prices. If this was to occur, the Group's revenue and, as a result, its profits, could be reduced and the value of inventory held in stock may not be fully recoverable.

The Group endeavours, whenever possible, to pass on price increases from its suppliers to its customers and to source its products from a number of different suppliers so that it is not dependent on any one source of supply for any particular product. Increased focus on the Group's own import programmes and brands, together with the reinforcement of the Group's service and product offering to customers, helps to minimise the impact of price deflation. The Group also mitigates against the risk of holding overvalued inventory in a deflationary environment by managing stock levels efficiently and ensuring they are kept to a minimum.

The Group uses its considerable experience in sourcing and selling products to manage prices during periods of both inflation and deflation in order to minimise the impact on operating margins.

Economic environment - The Group's business is partially dependent on general economic conditions in the US, the UK, the Eurozone and other important markets. A significant deterioration in these conditions could have an adverse effect on the Group's business and results of operations.

The Group's operations and its customer base are diverse, with a variable and flexible cost base, and many of the sectors in which it competes are traditionally, by their nature, relatively resilient to economic downturns.

Foreign exchange - The majority of the Group's sales are made and income is earned in US dollars, euros and other foreign currencies. The Group does not hedge the impact of exchange rate movements arising on translation of earnings into sterling at average exchange rates. As a result, movements in exchange rates may have a material translation impact on the Group's reported results.

The Group is also subject to transaction exposures where products are purchased in one currency and sold in another. As a result, movements in exchange rates may also adversely impact both operating margins and the value of the Group's net assets.

The Group believes that the benefits of its geographical spread outweigh the associated risks.

The majority of the Group's transactions are carried out in the functional currency of the Group's operations. As a result, transaction exposures are usually limited and exchange rate fluctuations have minimal effect on the quality of earnings unless there is a sudden and significant adverse movement of a foreign currency in which products are purchased which may lead to a delay in passing on to customers the resulting price increases. The Group undertakes some forward purchasing of foreign currencies for identified exposures to reduce the impact of short term volatility.

The impact of changes in foreign exchange rates and related hedging activity is regularly monitored by senior management. The Group's approach to managing foreign exchange risk is reviewed annually by the Board.

Financial liquidity and debt covenants - The Group needs continuous access to funding in order to meet its trading obligations, to support investment in organic growth, to make acquisitions when appropriate opportunities arise, and to pay dividends to shareholders. There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavourable terms.

The Group's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result from a significant and rapid deterioration in the business's performance, foreign exchange rate fluctuations or the failure to manage working capital levels. Ultimately this could result in a significant proportion of the Group's borrowings becoming repayable immediately.

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.

Compliance with the Group's biannual debt covenants is monitored on a monthly basis based on the management accounts. Sensitivity analyses using various scenarios are applied to forecasts to assess their impact on covenants.

The majority of the Group's borrowings are effectively denominated in US dollars, sterling and euros, aligning them to the respective functional currencies of the component parts of the Group's EBITDA. This currency composition minimises the impact of movements in foreign exchange rates on the ratio of net debt to EBITDA.

Taxation - In an increasingly complex corporate tax environment, it is possible that changes in tax law, including those that might arise from the OECD's current Base Erosion and Profit Shifting project, may lead to higher tax rates for many international businesses, thereby adversely affecting the Group's future cash flows.

Following the change in administration in the US, there is also an increased likelihood that future tax reform there could affect the Group's results, either positively or negatively.

Oversight of the Group's tax strategy is within the remit of the Board. 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. Tax risks are assessed by the Audit Committee and are also incorporated within the Group risk assessment reviewed by the Board as part of the formal governance process relating to risk management.

Acquisitions - A significant portion of the Group's historical growth has been achieved through the acquisition of businesses and the Group's growth strategy includes additional acquisitions. Although the Group operates in a number of fragmented markets which provide future acquisition opportunities, there can be no assurance that the Group will be able to make acquisitions in the future. There is also a risk that not all of the acquisitions made will be successful due to the loss of key people or customers after the acquisition, deterioration in the economic environment of the acquired business or the failure to perform adequate pre-acquisition due diligence or appropriately manage the post-acquisition integration of the business.

In the longer term, if an acquisition consistently underperforms compared to its original investment case, there is a risk that this will lead to a permanent impairment in the carrying value of the intangible assets attributed to that acquisition.

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 continually reviews acquisition targets and has established processes and procedures with regard to detailed pre-acquisition due diligence and post-acquisition integration.

The Group endeavours to maximise the performance of an acquisition 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.

Business continuity - The Group would be adversely affected if any of its major distribution facilities was destroyed or damaged or there was a significant failure of its information systems resulting from either hardware failure or a cybersecurity breach.

The Group seeks to reduce the impact of destruction of, or damage to, facilities through the use of multi-site facilities with products stocked in more than one location together with appropriate insurance cover. The impact of information systems' failure is mitigated through regular renewal of hardware, layered security measures and disaster recovery plans which are periodically tested and which would be implemented in the event of any such failure.

Laws and regulations - The international nature of the Group's operations exposes it to potential claims as the Group is subject to a broad range of laws and regulations in each of the jurisdictions in which it operates.

In addition, the Group faces potential claims from customers in relation to the supply of defective products or breaches of their contractual arrangements. The sourcing of products from lower cost countries increases the risk of the Group being unable to recover any potential losses relating thereto from the relevant supplier.

Although the Group does not operate in particularly litigious market sectors, it has in place processes to report, manage and mitigate against third party litigation using external advisers where necessary.

The use of reputable suppliers and internal quality assurance and quality control procedures reduces the risks associated with defective products.

13. 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.

14. 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 on page 48 of the Annual Report, confirm on behalf of the Board that to the best of their knowledge:

- the Group and parent company financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Frank van Zanten	**Brian May**
Chief Executive	Finance Director
27 February 2017	

END

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