

Bunzl UK Limited - registered number 2902454
Annual report and financial statements for the year ended
31 December 2019

Bunzl UK Limited

**Annual report and financial
statements for the year ended
31 December 2019**

Registered number 2902454



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Strategic report

The directors present their Strategic report for Bunzl UK Limited ("the Company") for the year ended 31 December 2019.

The principal activities of the Company during the year continued to be the wholesale distribution of cleaning, hygiene and associated products, catering disposables, personal protection equipment and food packaging equipment and supplies.

Business review

The directors report turnover for the year ended 31 December 2019 of £699,908,000 (2018: £645,591,000) and operating profit of £56,496,000 (2018: £51,364,000). The Profit and loss account shows a profit for the financial year of £32,750,000 (2018: £29,952,000). The balance sheet as at 31 December 2019 shows net assets of £59,059,000 (31 December 2018: £51,590,000).

The Company operates in a number of distinct UK markets including the safety market, the cleaning & hygiene market, the catering market and the food packaging market. The Company serves these markets through its trading divisions Bunzl Safety, Bunzl Cleaning & Hygiene Supplies, Bunzl Catering Supplies, Bunzl Lockhart Catering Equipment, Aggora, Tri-Star Packaging, WK Thomas, Bunzl McLaughlin, Bunzl Rafferty Hospitality Products and Kingsbury Packaging.

Our safety business was adversely impacted by the slowdown in both the industrial and construction markets which resulted in reduced spend by existing customers. Despite this, we were able to secure a number of new customers and some new business within the transport sector during the latter part of the year, launching some innovative new bespoke products. Investment in the business continued with the implementation of new warehouse management systems and through the introduction of several new e-commerce initiatives.

Our cleaning & hygiene supplies business grew well as we won several new customers during the year. Investment in new digital functionality has further enabled customers to manage their costs product compliance. We also launched a number of new sustainable product ranges which will allow our customers to support their own and their customers' sustainability objectives going forward. Further investment in stock availability and service flexibility is facilitating business growth with both existing and new customers.

The catering industry has continued to experience rising food and labour costs combined with excess capacity amongst many high street chains. This has resulted in difficult trading conditions in certain areas of the hospitality sector and a number of high profile well-known brands either ceasing to trade or scaling back their operations. These trends have particularly impacted our catering supplies business as many customers have reduced their number of trading outlets. Despite this, as part of our service offering, we have continued to provide specialist and added-value advice to customers on the most suitable sustainable product ranges available in the marketplace, together with futureproofing customers' businesses against the background of environmental and legislative pressures. We have also completed the enhancement of our vehicle telematics platforms, giving real-time delivery information and greater transparency.

In Northern Ireland our business has continued to grow. Improved digital platforms allow customers to benefit from more functionality which in turn permits them to focus on their businesses. Further investment in our sustainability expertise has resulted in the successful launch of an extended range of new sustainable product offerings for the catering sector. This, together with the provision of valuable expert advice and our detailed understanding of customers' needs, allows them to realise their own environmental goals and ambitions.

All of the above-mentioned trading divisions contributed to the overall operating profit in the year.

Strategic report *(continued)*

Acquisitions

Aggora (Technical) Limited, Aggora Group Ltd, Aggora Limited and Aggora Projects Ltd are UK incorporated companies which are indirectly owned by the Company's ultimate holding company, Bunzl plc. As part of a group reorganisation the trade, assets and liabilities of Aggora (Technical) Limited, Aggora Group Ltd, Aggora Limited and Aggora Projects Ltd were acquired by the Company at book value on 1st January 2019. For further details, see Note 21 to the financial statements.

Key performance indicators

The directors monitor and manage the performance of the Company, assisted by the production of detailed monthly management reports containing accounts and a number of key financial and non-financial performance measures including profit margins, working capital levels, cash flows, return on average operating capital, levels of carbon emissions and fuel usage.

Principal risks and uncertainties

The Company operates in a changing economic and competitive environment that presents risks, some of which are driven by factors that the Company cannot control or predict.

The key risks facing the Company include:

- economic, political and market conditions which could affect the Company's revenue growth and profitability;
- failure to achieve the Company's financial forecasts due to the Company's inability to secure new sales contracts or renegotiate existing contracts;
- as a result of competitive pressures, changes to the Company's pricing models may result in price reductions which would adversely affect revenue and profitability;
- the ability of the Company to operate and service its customers' needs are impacted by a cyber-attack;
- the risks associated with the UK leaving the European Union ('Brexit'). The risks to Bunzl arising from Brexit will most likely be limited to the following:
 - the imposition of trade tariffs could result in an increase in product costs in the UK.
 - supply chain disruption as UK ports are unable to cope with additional border checks leading to inventory shortages.

Covid-19 pandemic

- The aforementioned risks still remain relevant and significant to the Company. As a result of the Covid-19 pandemic, the Company has now also included an additional principal risk relating to the financial collapse of either a large customer and/or a significant number of small customers within the retail and foodservice sectors. Foodservice and retail customers have been adversely impacted financially by the government imposed lockdowns and travel restrictions put in place to control the pandemic as they have been unable to operate at their normal levels. Therefore, there is a significant risk of a large customer and/or a large number of small customers in these sectors having financial difficulties, particularly in the second half of 2020 as government support for businesses comes to an end.

Strategic report *(continued)*

- The Company has also considered broader risks relating to Covid-19 (e.g. physical and mental wellbeing of staff risk, supply chain disruption risk and warehouse closures risk due to high infection rates). However, these risks are not deemed to be sufficiently heightened to be significant risks, particularly given the successful management and mitigation of these risks during the first half of the year. The businesses in the Company are in the process of updating their Business Continuity Plans to, where possible, ensure they have captured the lessons learnt from the pandemic (e.g. from mobilisation of staff to work from home to provision of appropriate personal protection equipment for warehouse staff to operate).

Engaging with our stakeholders

The Company's Board of directors recognises the importance of understanding the views of the Company's key stakeholders. From the perspective of the Board, as a result of the governance structure of Bunzl plc and its subsidiaries (together the "Group"), the matters that the Board is responsible for considering under section 172 of the Companies Act 2006 ("s172") have been considered to an appropriate extent by the Board of directors of Bunzl plc (the "Group Board"), the ultimate parent and controlling party, in relation both to the Group and to the Company. The Board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Group Board has considered the matters set out in s172 (for the Group and for the Company) is set out in Bunzl plc's Annual Report 2019, which does not form part of this report. The Bunzl plc Annual Report 2019 is available on the company's website, www.bunzl.com.

By order of the Board



PN Hussey
Secretary

18 September 2020

**Registered
office:**
York House
45 Seymour Street
London
W1H 7JT

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Dividends

The directors do not recommend the payment of a final dividend (2018: £nil). An interim dividend of £22,000,000 (2018: £25,000,000) was paid to Bunzl Holding LCE Ltd during the year.

Directors

The directors who held office during the year and up to the date of the signing of the financial statements were as follows:

D Cousins
LW Hill
MR Johnson
RD Kelly
AP McLaughlin
SR Norris
GDN Tarratt
AJ Tedbury
AD Wright
Chris Wakeman (appointed 01/01/2020)
N Rogers (resigned 01/02/2020)
D Stokes (resigned 01/01/2020)

Corporate governance

The Company did not apply a corporate governance code for the 2019 financial year. Bunzl plc, the Company's ultimate parent and controlling party, adheres to the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (the "Code").

Bunzl plc directs and governs all of the subsidiaries within the Bunzl Group and its Board ensures that the Group's robust governance framework is implemented across the business and that good governance principles and practices are adhered to. As such, the Company considers that it complies with the ethos of the code.

Employee engagement statement

The Board regards employee engagement as a matter of great importance. The Board ensures that it engages with and understands the views of the workforce through a number of different channels, including communications boards, an intranet, in-house bulletins, discussions, briefing meetings and audiovisual presentations. The Board believes that the diversity of perspectives enables the directors to make better decisions based on the well-informed feedback received.

A savings related share option scheme ('Sharesave') is currently in operation under which employees are given the opportunity to purchase Bunzl plc ordinary shares in the future at a discount.

Directors' report *(continued)*

Disabled employees

It is the Company's policy that disabled applicants should be considered for employment and career development on the basis of their aptitude and abilities. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation or training.

Engagement with suppliers, customers and other stakeholders

Understanding the views of the Company's stakeholders is a key priority for the Board and the Group as a whole. It helps to focus the Company's resources, engagement and reporting activities by addressing those issues that matter most to the business and to its wider stakeholders. Fostering strong business relationships is an intrinsic part of the Company's strategy and a key consideration in all decision making. More information about Bunzl's engagement with the Group's suppliers, customers and wider stakeholder groups can be found in the Bunzl plc Annual Report 2019 on pages 32 and 33.

Directors' indemnities

Indemnities were in force throughout 2019 and remain in force as at the date of this report, under which Bunzl plc, the ultimate holding company of the Company, has agreed to indemnify the Company's directors and the Company Secretary, to the extent permitted by law and Bunzl plc's Articles of Association, in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as a director or officer of the Company.

Financial Instruments

Financial risk management

The Company's operations expose it to a variety of financial risks that include price and foreign currency risk. The Company has in place a risk management programme that seeks to limit the adverse effect on the financial performance of the Company by regularly monitoring the financial risks.

The policies set by the Board of directors are implemented by the Company's finance department.

Price risk

The Company continually monitors the price and availability of materials and for a substantial part of its product offering agrees prices with suppliers and customers, based on foreign currency exchange rates and commodity prices, at the time of order.

Foreign currency risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. Exposures are usually relatively limited but where they do occur the Company's policy is to hedge significant exposures of firm commitments for a period of up to one year as soon as they are committed to using forward exchange contracts.

Directors' report *(continued)*

Future developments

The Company intends to continue to follow its consistent and proven strategy. This comprises growing organically, either by expanding and developing business with existing customers, or by gaining new business with additional customers, improving the efficiency of operations and by acquiring businesses that meet the specific parameters that fit our business model and growth strategy.

It is difficult to assess with any certainty the impact that the Covid-19 pandemic will have on the Company's performance for the remainder of the year. Foodservice and retail, being those sectors that have been significantly adversely impacted by Covid-19 during the second quarter, are expected to recover partially as lockdown restrictions are gradually relaxed but we expect revenue in these sectors to remain below historic levels. Although the other main sectors served by the Company have been less affected by the Covid-19 crisis, we expect that these sectors will see underlying weakness persist, particularly in safety and healthcare, against the background of very challenging macroeconomic conditions. As a result of reduced Covid-19 related sales which in turn will lead to a lower weighting of own brand products being sold, and against the backdrop of continued macroeconomic weakness globally, we expect there to be a significant reduction in operating margin during the second half of the year compared to the same period last year.

However, the fundamental aspects of the business looking forward remain attractive. Our customer proposition and strength of our supply chain have been reinforced during these challenging times and our business model has proven its resilience in the most difficult of circumstances.

Political donations

The Company made no political donations during the year (2018: £nil).

Disclosure of information to auditors

As at the date of approval of this Directors' report, each of the directors of the Company confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors

The Company has abolished the requirement to hold annual general meetings. Subject to the receipt of any objections as provided under statute or the Company's Articles of Association, the Company is relying on the provisions as provided in section 487 of the Companies Act 2006 for the deemed reappointment of PricewaterhouseCoopers LLP as auditors.

Directors' report *(continued)*

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

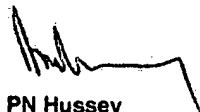
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

By order of the Board



PN Hussey
Secretary

18 September 2020

**Registered
office:**
York House
45 Seymour Street
London
W1H 7JT

Independent auditors' report to the members of Bunzl UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Bunzl UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Profit and loss account and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Sturges (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 September 2020

Profit and loss account
for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	699,908	645,591
Cost of sales		(483,860)	(445,337)
Gross profit		216,048	200,254
Selling and distribution costs		(83,152)	(81,863)
Administrative expenses		(76,401)	(67,027)
Operating profit		56,496	51,364
Income from shares in group undertaking		1,643	1,689
Interest payable and similar expenses	3	(17,614)	(16,415)
Profit before taxation	4	40,525	36,638
Tax on profit	7	(7,775)	(6,686)
Profit for the financial year		32,750	29,952

There is no other comprehensive income for the year.

All amounts relate to continuing operations in 2019 and 2018.

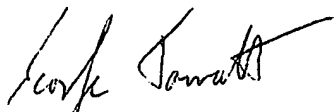
The Notes on pages 15 to 32 form part of these financial statements.

Balance sheet
as at 31 December 2019

	Note	2019		2018	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		30,043		30,158
Tangible assets	9		19,282		17,816
Right-of-use assets	10		72,095		-
Investments	11		999		999
			<u>122,429</u>		<u>48,973</u>
Current assets					
Stocks	12	88,118		65,650	
Debtors: amounts falling due within one year	13	242,199		629,787	
Debtors: amounts falling due after more than one year	14	2,925		1,852	
Cash at bank and in hand		18,744		28,849	
		<u>329,986</u>		<u>726,138</u>	
Creditors: amounts falling due within one year	16	(299,711)		(712,359)	
Lease liabilities: amounts falling due within one year	10	(13,860)		-	
		<u>16,415</u>		<u>13,779</u>	
Net current assets			<u>16,415</u>		<u>13,779</u>
Total assets less current liabilities			<u>138,844</u>		<u>62,752</u>
Creditors: amounts falling due after more than one year	17		(2,977)		(3,356)
Lease liabilities: amounts falling due after more than one year	10		(68,500)		-
Provisions for liabilities	18		(8,308)		(7,806)
			<u>59,059</u>		<u>51,590</u>
Net assets			<u>59,059</u>		<u>51,590</u>
Capital and reserves					
Called up share capital	19		1,000		1,000
Capital contribution reserve			6,187		4,480
Profit and loss account			51,872		46,110
			<u>59,059</u>		<u>51,590</u>
Total shareholders' funds			<u>59,059</u>		<u>51,590</u>

The Notes on pages 15 to 32 form part of these financial statements.

The financial statements on pages 12 to 32 were authorised for issue by the Board of directors on 18/09/2020 and were signed on its behalf by:



GDN Tarratt
Director

Statement of changes in equity
for the year ended 31 December 2019

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 1 January 2018	1,000	2,900	41,158	45,058
Total comprehensive income for the year *	-	-	29,952	29,952
<i>Transactions with owners, recorded directly in equity</i>				
Share based payment transactions	-	1,580	-	1,580
Interim dividends paid	-	-	(25,000)	(25,000)
Total contributions by and distributions to owners	-	1,580	(25,000)	(23,420)
Balance at 31 December 2018	1,000	4,480	46,110	51,590
Effect of adoption of IFRS 16: Leases	-	-	(4,988)	(4,988)
Balance at 1 January 2019 (as restated)	1,000	4,480	41,122	46,602
Total comprehensive income for the year *	-	-	32,750	32,750
<i>Transactions with owners, recorded directly in equity</i>				
Share based payment transactions	-	1,707	-	1,707
Interim dividends paid	-	-	(22,000)	(22,000)
Total contributions by and distributions to owners	-	1,707	(22,000)	(20,293)
Balance at 31 December 2019	1,000	6,187	51,872	59,059

* the Company had no *other comprehensive income* during the current or prior year and therefore *total comprehensive income* for the year is solely the profit for the financial year as per the Profit and loss account. The Notes on pages 15 to 32 form part of these financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

The Company is a private company limited by shares, incorporated and domiciled in the UK and registered in England and Wales under number 2902454. The Company's registered office address is York House, 45 Seymour Street, London W1H 7JT.

Basis of preparation

The financial statements of Bunzl UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. The financial statements of the Company have been prepared on a going concern basis.

In preparing these financial statements the Company applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible fixed assets;
- disclosures in respect of transactions with fellow wholly owned subsidiaries and also capital management;
- the effects of new but not yet effective International Financial Reporting Standards ("IFRSs");
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- disclosures in respect of the compensation of Key Management Personnel.

The Company is a wholly owned subsidiary of Bunzl Holding LCE Ltd and of its ultimate parent, Bunzl plc, which is incorporated in the UK. The Company is included in the consolidated financial statements of Bunzl plc which are publicly available from its registered office at York House, 45 Seymour Street, London W1H 7JT. Bunzl Plc is the smallest and largest group to consolidate the financial statements.

Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

As the consolidated financial statements of Bunzl plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of Assets* in respect of impairment of goodwill and indefinite life intangible assets;
- certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- the disclosures required by IFRS 7 *Financial Instruments* or IFRS 13 *Fair Value Measurement* have not been provided apart from those which are relevant for financial instruments which are held at fair value and are not either held as part of trading portfolio or dividends.

The accounting policies set out below have, unless otherwise stated, been applied consistently in dealing with items which are considered material to all periods presented in these financial statements.

New accounting Standards and interpretations

The Company adopted IFRS 16 'Leases' with effect from 1 January 2019 using the modified retrospective approach to transition. The new standard requires that the Company's leased assets are recorded as right-of-use assets together with their corresponding lease liabilities.

Adoption of the new standard has had a material impact on the Company's financial statements, with right-of-use assets of £66.8million recognised on transition together with lease liabilities of £75.4million. As at 31 December 2019 the right-of-use assets were £72.1million and the lease liabilities were £82.4million.

Notes (continued)

1 Accounting policies (continued)

A summary of the impact of the adoption of IFRS 16 on the Group's results for the year ended 31 December 2019 is shown in the table below:

	Proforma IAS 17 2019	Impact of IFRS 16 £000	IFRS 16 £000
Operating profit	53,633	2,863	56,496
Income from shares in group undertaking	1,643	-	1,643
Interest payable and similar expenses	(14,669)	(2,944)	(17,614)
Profit before income tax	40,607	(82)	40,525
Tax on profit	(7,776)	1	(7,775)
Profit for the year	32,830	(81)	32,750

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

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

The lease liabilities as at the transition date of 1 January 2019 are reconciled to the operating lease commitments reported as at 31 December 2018 as follows:

	1 January 2019 £000
Operating lease commitments disclosed as at 31 December 2018	91,156
Discounted using the lessee's incremental borrowing rate at 1 January 2019	(14,610)
Leases committed not yet started	(1,797)
Adjustments from different treatment of extension and termination options	2,826
Short term and low value leases recognised on a straight line basis as an expense	(2,147)
Lease liability recognised as at 1 January 2019	75,428
Ageing of lease liabilities recognised:	
Current lease liabilities	12,071
Non-current lease liabilities	63,357
Lease liability recognised as at 1 January 2019	75,428

On transition the Company elected not to reassess whether a contract is, or contains, a lease, instead relying on the assessment already made in applying International Accounting Standard ('IAS') 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

In addition, the Company applied the following available practical expedients permitted by the standard:

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

Measurement convention

The financial statements of the Company have been prepared under the historical cost convention.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in profit or loss on foreign exchange, whilst those arising from the interest differential element of forward currency contracts are included in external interest.

Turnover

The Company adopts IFRS 15 'Revenue from Contracts with Customers', which requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The vast majority of the Company's revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. The Company's other revenue generating activities represent approximately 1% of total revenue. The majority of this other revenue relates to design and fit out services for foodservice customers and fulfilment services where the Company does not take title to inventory.

The Company is engaged in the sale of goods to customers. Turnover from a sale is recognised in the Profit and loss account upon delivery of the relevant goods, which is the point in time at which the control of ownership of the goods is transferred.

Turnover is valued at invoiced amounts, excluding sales taxes, less estimated provisions for returns and trade discounts where relevant. Returns provisions and early settlement discounts are based on experience over an appropriate period whereas volume discounts are based on agreements with customers.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

There was no material impact on the financial statements as a result of the application of IFRIC 23.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company. In these financial statements, business combinations only arise when the Company purchases the trade and assets of an entity.

Notes (continued)

1 Accounting policies (continued)

Purchases of subsidiaries are accounted for as an increase to the cost of fixed asset investments in these financial statements. Also, acquisitions as a result of group reorganisations which involve the transfer of trade and assets from a fellow subsidiary are accounted for at book value.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amounts are credited or charged to the income statement at each reporting period.

Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

Goodwill was previously amortised under UK Generally Accepted Accounting Practice but from 1 January 2014 goodwill is no longer amortised. For the acquisitions that occurred between 31 May 2011 and 1 January 2014, and for which the business combination accounting has been restated, goodwill is not amortised.

Other intangible assets and amortisation

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation is charged to the Profit and loss account in administrative expenses on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

- contract specific intangible assets – over the life of the contract;
- customer list intangible assets – over their assessed useful economic life of 10 to 19 years; and
- software assets – over their assessed useful economic life of three to seven years.

Impairment

The carrying amounts of the Bunzl UK Limited's group's assets are reviewed annually to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into cash generating units ('CGUs') which are the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the business combination.

The recoverable amount of an asset or CGU is the greater of its fair value less the costs to sell and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using appropriate pre-tax discount rates specific to the asset or CGU. Impairment losses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, with impairment losses being recognised in profit or loss. Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible assets.

Depreciation is charged to the Profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- | | | |
|--------------------------------|---|----------------------------|
| • Freehold buildings | - | 2% per annum |
| • Land and buildings leasehold | - | over the term of the lease |
| • Plant and machinery | - | 10% – 25% per annum |
| • Motor vehicles | - | 25% per annum |
| • Fixtures and fittings | - | 10% – 25% per annum |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

1 Accounting policies (continued)

Fixed asset investments

Fixed asset investments in subsidiary undertakings are recorded at cost less accumulated impairment losses.

Debtors

Debtors are initially measured at fair value, which for trade receivables is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost less any provision for impairment losses including expected credit losses. In accordance with IFRS 9 the Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics such as the ageing of the debt and the credit risk of the customers. An historical credit loss rate is then calculated for each group and then adjusted to reflect expectations about future credit losses. The Company does not have any significant contract assets.

Provisions

A provision is recognised in the Balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Stock

Stock consist of items purchased for resale and are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs where relevant and other costs in bringing them to their existing location and condition. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Employee benefits

Some of the Company's employees participate in a group defined contribution plan, which is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Profit and loss account in the periods during which services are rendered by employees.

Some of the Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan (and the closing deficit or surplus on the scheme) is recognised fully by the sponsoring employer, which is Bunzl plc. The Company recognises a cost equal to its contribution payable for the period as determined by the rules of the pension scheme.

Some employees of the Company are eligible to participate in the equity settled share based compensation plans operated by the ultimate parent undertaking, Bunzl plc. The total expected expense relating to these equity settled plans is based on the fair value of options and other share based incentives on the grant date, calculated using a valuation model, and is spread over the expected vesting period with a corresponding credit to equity. The amounts recognised as expenses are adjusted to reflect the actual number of options and other share based incentives that are expected to vest.

Dividends

The interim dividend is recognised in the statement of changes in equity in the period in which it is paid and, to the extent applicable, a final dividend is recognised in the period in which it is approved by shareholders.

Interest-bearing inter-company borrowings

Interest-bearing inter-company borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. The Company has no external borrowings.

Notes (continued)

1 Accounting policies (continued)

Financial instruments

Classification and measurement

Under IFRS 9 'Financial Instruments: Classification and Measurement', financial instruments are initially measured at fair value with subsequent measurement depending upon the classification of the instrument. IFRS 13 'Fair Value Measurement' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss in cost of sales (£245k).

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are immediately recognised in the income statement.

The Company documents its risk management objective and strategy for undertaking its hedge transactions. At inception of hedge relationships, the Company documents the economic relationship between the hedging instruments and the hedged items.

Accounting estimates and judgements

The application of the Company's accounting policies requires the use of management judgement and estimation, which often involves assumptions regarding future events which can vary from what is anticipated. The key sources of estimation at the balance sheet date that have risk of causing material adjustment to the carrying amounts of assets and liabilities are set out below. The directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's performance and financial position.

Recoverability of intangible assets

FRS 101 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance and customer attrition rates. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement.

Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. The conclusion of this impairment assessment and, where material, additional disclosures concerning the sensitivity to key assumptions, is included in note 8.

Provisions

The measurement of provisions requires the use of estimation techniques and the actual outcome may be materially different. In particular, the Company has provisions to restore leased premises to their original condition based on contractual commitments contained in its lease agreements and to reduce the stock value at the net realisable value considering obsolete, slow moving or defective items where appropriate.

With regards to the provision for restoring leased premises to their original condition, the greatest uncertainty in estimating the provision is the costs that will be incurred, especially when the lease is long-term in nature. The extent of changes made to any leased premises, current anticipated repair costs, inflation and discount rates all impact the value of the provision required. Where the estimated costs of restoring leased premises to their original condition is twice the value estimated, the value of the provision would double. In respect of the stock provision, the greatest uncertainties in estimating the provision are to identify and measure the obsolete, slow moving or defective items.

These estimates are updated at least annually at the balance sheet date, but also as and when new information becomes available about the likely costs that will be incurred.

Notes (continued)

2 Turnover

The analysis of turnover by origin and destination is as follows:

	2019 £000	2018 £000
UK	654,981	603,607
Europe	43,112	41,551
Rest of World	1,815	433
	<u>699,908</u>	<u>645,591</u>

The Company had only one class of business in 2019 (2018: one). The analysis of revenue by class of business is therefore not presented.

Each operating company sell products across a range of market sectors, with the vast majority of revenue generated from the delivery of goods to customers. The table below provides a breakdown of revenue by market sector. The other category covers a wide range of market sectors, none of which is sufficiently material to warrant separate disclosure.

The analysis of turnover by market sector

	2019 £000	2018 £000
Grocery	10,382	9,218
Food Service	360,301	310,478
Cleaning & Hygiene	184,740	176,024
Safety	113,385	112,136
Retail	8,371	7,576
Healthcare	13,975	17,975
Other	8,754	12,184
	<u>699,908</u>	<u>645,591</u>

3 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on loans from group undertakings	14,599	16,415
Lease interest expense	3,015	-
Interest payable and similar expenses	<u>17,614</u>	<u>16,415</u>

Notes (continued)

4 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2019 £000	2018 £000
Cost of goods sold	483,860	445,337
Auditors' remuneration:		
Audit of these financial statements	224	202
Depreciation and other amounts written off fixed assets:		
Owned	2,484	2,700
Leased	224	187
Amortisation of intangible assets	1,150	1,922
Gain on sale of fixed assets	(524)	(18)
	<u> </u>	<u> </u>

Cost of goods sold consists of the cost of the inventories sold or disposed of in the period where the cost of inventories is net of supplier rebate income related to those inventories.

Amounts receivable by the Company's auditors in respect of services to the Company other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent company (see note 1 for details of the ultimate parent company's financial statements).

5 Directors remuneration

	2019 £000	2018 £000
Directors' remuneration	2,542	2,399
Gains made from long term share incentive schemes	1,137	1,252
Company contribution to pension schemes	152	159
	<u> </u>	<u> </u>
	3,831	3,810
	<u> </u>	<u> </u>

During the year the aggregate remuneration and amounts receivable under long term incentive schemes of the highest paid director was £840,019 (2018: £851,493), and Company pension contributions of £5,015 (2018: £33,739) were made on his behalf. They are a member of a defined benefit pension scheme under which his accrued pension at the year-end was £47,552 (2018: £91,691). The highest paid director exercised share options during the year in respect of 32,530 ordinary shares (2018: 37,721), with an associated gain of £573,120 (2018: £387,671).

The number of directors with retirement benefits accruing under defined benefit schemes during the year was 3 (2018: 3) and under a defined contribution scheme was 9 (2018: 12). The number of directors who exercised share options was 6 (2018: 9).

6 Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Selling	689	705
Distribution and warehouse	1,269	1,113
General and administration	700	510
	<u> </u>	<u> </u>
	2,658	2,328
	<u> </u>	<u> </u>

Notes (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	75,936	67,905
Social security costs	6,626	6,971
Share based payments	1,707	1,580
Other pension costs	7,487	7,337
	<u>91,756</u>	<u>83,793</u>

Refer to the Accounting policies (note 1) for an explanation of the Company's pension scheme arrangements and also exemptions taken with regard to share based payments disclosures.

7 Tax on profit

Analysis of charge for the year

	2019 £000	2018 £000
<i>Current tax:</i>		
UK corporation tax based on the results for the year at 19.0% (2018: 19.0%)	7,272	6,382
Adjustments in respect of prior years	(68)	425
Total current tax	<u>7,204</u>	<u>6,807</u>
<i>Deferred tax (note 15)</i>		
Origination and reversal of temporary differences	570	(7)
Adjustments in respect of prior years	1	(114)
Total deferred tax	<u>571</u>	<u>(121)</u>
Tax on profit	<u>7,775</u>	<u>6,686</u>

The Company's results for this accounting year are taxed at a rate of 19.0% (2018: 19.0%). There is no tax recognised directly in equity.

Notes (continued)

7 Tax on profit (continued)

Factors affecting current tax charge

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK. The differences are as follows:

	2019 £000	2018 £000
Profit before taxation	40,525	36,638
Tax using UK corporation tax rate of 19.0% (2018: 19.0%)	7,700	6,960
Non-taxable income	(312)	(320)
Net deductibles	235	(224)
Tax rate adjustment	220	(41)
Adjustments in respect of prior years	(68)	311
Total tax expense	7,775	6,686

On the 11 March 2020, it was announced that the UK corporation tax rate would remain at 19% from 1 April 2020 as opposed to the proposed reduction to 17%. The deferred tax for the period ending 31 December 2019 remains calculated at the tax rate enacted at the balance sheet date, and any future rate changes should be adopted in the period which the rate change is substantively enacted.

Notes (continued)

8 Intangible assets

	Goodwill	Customer list intangible assets	Software	Other intangible assets	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	24,436	6,502	5,240	8,228	44,406
Additions	-	-	1,020	-	1,020
Adjustments	-	-	5	-	5
Disposals	-	-	(127)	-	(127)
At end of year	24,436	6,502	6,138	8,228	45,304
Accumulated amortisation					
At beginning of year	-	2,862	3,158	8,228	14,248
Amortisation charged in the year	-	414	736	-	1,150
Adjustments	-	-	(10)	-	(10)
Disposals	-	-	(127)	-	(127)
At end of year	-	3,276	3,757	8,228	15,261
Net book value					
At 31 December 2019	24,436	3,226	2,381	-	30,043
At 31 December 2018	24,436	3,640	2,082	-	30,158

No individual goodwill or intangible asset is considered significant in comparison to the Company's total carrying amount of such assets. Annual impairment testing has been performed with no impairment charges considered necessary. The allocation of goodwill to cash generating units ('CGUs') is a judgement made by management. The identification of CGUs reflects the way in which the business is managed on a UK market basis. There are 3 CGUs that are a part of the Company, *Cleaning and Safety, Ireland and Hospitality*. No reasonably possible change in key assumptions would result in impairment of any of the Company's goodwill or intangible asset values. Amortisation is recorded in administrative expenses.

Notes (continued)

9 Tangible assets

	Land and buildings freehold £000	Land and buildings leasehold £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost						
At beginning of year	10,194	3,866	3,012	1,942	21,625	40,639
Additions	29	185	536	128	3,121	3,999
Acquired assets	-	-	1	644	39	684
Adjustments	368	1,161	972	62	5,832	8,395
Disposals	(368)	(18)	(356)	(523)	(3,143)	(4,408)
At end of year	10,223	5,194	4,165	2,253	27,474	49,309
Accumulated depreciation						
At beginning of year	2,171	1,731	1,931	1,326	15,664	22,823
Charge for year	259	224	252	376	1,597	2,708
Acquired assets	-	-	1	68	10	79
Adjustments	363	1,147	840	8	6,049	8,407
Disposals	(193)	(62)	(232)	(393)	(3,120)	(4,000)
At end of year	2,600	3,040	2,792	1,385	20,200	30,017
Net book value						
At 31 December 2019	7,623	2,154	1,373	868	7,274	19,292
At 31 December 2018	8,023	2,135	1,081	616	5,961	17,816

Freehold land amounting to £3,148,000 (2018: £3,148,000) has not been depreciated.

The net book value of leasehold improvements for land and buildings comprises:

	2019 £000	2018 £000
Long leasehold	1,871	2,001
Short leasehold	283	134
	2,154	2,135

Notes (continued)

10 Leases

The company has lease contracts for various offices, warehouses, equipment and vehicles used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

i) **Amounts recognised in the balance sheet**

	31 December 2019 £000	1 January 2019* £000
Right-of-use assets		
Property	62,027	56,405
Motor Vehicles	9,979	10,222
Equipment	89	195
	<hr/>	<hr/>
Total	72,095	66,822
	<hr/> <hr/>	<hr/> <hr/>
Lease Liabilities		
Current	(13,860)	(12,071)
Non-current	(68,500)	(63,357)
	<hr/>	<hr/>
Total	(82,360)	(75,428)
	<hr/> <hr/>	<hr/> <hr/>

*In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. The assets were presented in fixed assets and the liabilities as part of the company's borrowings. Additions to the right-of-use assets during the 2019 financial year were £9,505,000.

ii) **Amounts recognised in the profit and loss account**

	2019 £000	2018 £000
Depreciation charge of right-of-use assets		
Property	(9,219)	-
Motor Vehicles	(4,427)	-
Equipment	(122)	-
	<hr/>	<hr/>
Total	(13,768)	-
	<hr/> <hr/>	<hr/> <hr/>
Interest Expense	3,015	
Expense relating to short term leases	327	
Expense relating to leases of low-value assets that are not shown above	-	

Notes (continued)

10 Leases (continued)

Future minimum lease payments as at 31 December 2019 are as follows:

	2019 £000	2018 £000
Not later than one year	(16,763)	(15,545)
Later than one year and not later than five years	(48,801)	(44,912)
Later than five years	(36,699)	(29,489)
Total gross payments	(102,263)	(89,946)
Impact of finance expenses	19,903	-
Carrying amount of liability	(82,360)	-

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16. The total cash outflow for leases in 2019 was £16,731,000.

11 Investments

Investments in subsidiary undertakings

	Cost £000	Net book value £000
At 1 January 2019	999	999
Additions	-	-
At 31 December 2019	999	999

Subsidiary undertakings

In accordance with section 409 of the Companies Act 2006, a full list of the Company's subsidiary undertakings and their registered office addresses are disclosed below. Unless otherwise stated the subsidiary undertakings listed are wholly owned and held directly by the Company with ordinary shares issued. The Company does not have any joint venture companies or associated undertakings.

Subsidiary undertakings	Principal place of business	Registered office address
Yorse No. 1 Limited	United Kingdom	York House, 45 Seymour Street, London W1H 7JT, United Kingdom
GrowModule 365 Limited	United Kingdom	York House, 45 Seymour Street, London W1H 7JT, United Kingdom

Notes (continued)

12 Stocks

	2019	2018
	£000	£000
Finished goods for resale	68,118	65,650

During the year £436,000 (2018: £522,000) was written off from inventories due to obsolescence or damage. The provision for slow moving, obsolete or defective inventories at 31 December 2019 was £15,901,000 (2018: £17,123,000). There has been no reversal of inventory write-down during the year (2018: £nil).

13 Debtors: amounts falling due within one year

	2019	2018
	£000	£000
Trade debtors	110,247	102,911
Amounts due from fellow group undertakings	93,744	490,041
Prepayments and accrued income	34,085	32,875
Derivative financial assets	10	255
Deferred tax asset (see Note 15)	4,113	3,705
	242,199	629,787

The carrying amount of debtors is a reasonable approximation to their fair value. Derivative financial assets are valued based on discounting expected future cash flows using observable inputs and translating at the appropriate balance sheet date exchange rates, a level 2 fair value measurements technique.

Amounts due from fellow group undertakings are unsecured and repayable on demand. Amounts due are either non-interest bearing or have interest payable at Bank of England base rate plus a margin.

The expected credit loss provision in respect of trade debtors was £3.1m (2018: £3.0m).

14 Debtors: amounts falling due after one year

	2019	2018
	£000	£000
Prepayments and accrued income	2,925	1,852

Notes (continued)

15 Deferred tax

Recognised deferred tax assets are recorded within debtors and are attributable to the following:

	Intangible assets £000	Capital allowances £000	Leases £000	Other timing differences £000	Total £000
At 1 January 2018	(315)	806	-	3,191	3,682
Charged to profit or loss	(34)	(42)	-	(45)	(121)
Acquired assets	-	-	-	144	144
Balance at 31 December 2018	(349)	764	-	3,290	3,705
Impact of transition to IFRS 16 as restated	-	-	1,012	-	1,012
Balance at 1 January 2019	(349)	764	1,012	3,290	4,717
Charged to profit or loss	(111)	(75)	(72)	(313)	(571)
Acquired assets	-	-	-	(33)	(33)
At 31 December 2019	(460)	689	940	2,944	4,113

Deferred tax is calculated in full on temporary differences under the liability method at 17% (2018: 17%). There are no unrecognised deferred tax assets or liabilities (2018: none).

16 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loans and overdrafts	3,868	3,384
Trade creditors	122,176	117,561
Amounts due to fellow group undertakings	119,211	529,894
UK corporation tax payable	7,334	6,641
VAT payable	6,076	10,488
Social security and PAYE	2,244	2,045
Other creditors	24,772	23,685
Accruals and deferred income	14,030	18,661
	299,711	712,359

Amounts due to fellow group undertakings are unsecured and repayable on demand. Amounts due are either non-interest bearing or have a market rate of interest payable based on the Bank of England base rate.

Bank loans and overdrafts are guaranteed under a cross guarantee structure by certain group companies participating in a bank account pooling arrangement.

17 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Other creditors	2,692	3,011
Accruals and deferred income	285	345
	2,977	3,356

Notes (continued)

18 Provisions for liabilities

	Dilapidations £000	Other provisions £000	Total provisions £000
At 1 January 2019	7,187	619	7,806
Acquired liabilities	263	24	287
Provisions created during the year	734	25	759
Provisions transferred during the year	12	(12)	-
Provisions utilised during the year	(521)	-	(521)
Provisions released during the year	(23)	-	(23)
At 31 December 2019	7,652	656	8,308

The provisions relate to a number of property lease contract costs, dilapidations and environmental costs provided for subsequent to the Company's acquisitions of the trade, assets and liabilities of certain businesses. These provisions cover the length of the lease agreements which typically extend for one to ten years. Other provisions relate mainly to other property and legal costs.

19 Called up share capital

Called up share capital

	2019 £000	2018 £000
<i>Issued, allotted, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each (2018: 1,000,000)	1,000	1,000

Reserves

Interim dividends paid are recorded in the profit and loss reserve as shown in the Statement of changes in equity. Interim dividends of £22,000,000 (2018: 25,000,000) were paid during the year.

20 Commitments and contingent liabilities

There were no capital commitments or contingent liabilities at the end of the financial year (2018: nil).

Notes (continued)

21 Transfers of trade and assets

Aggora (Technical) Limited, Aggora Group Limited, Aggora Limited and Aggora Projects Limited are UK incorporated companies which are indirectly owned by the Company's ultimate holding company, Bunzl plc. As part of a group reorganisation the trade, assets and liabilities of Aggora (Technical) Limited, Aggora Group Limited, Aggora Limited and Aggora Projects Limited were acquired by the Company at £8,441,000 on 1st January 2019. The consideration of £8,441,000 was left outstanding as an inter-company payable.

	Aggora (Technical) Limited, Aggora Group Limited, Aggora Limited and Aggora Projects Limited	£000
Tangible Assets		605
Stock		744
Deferred Tax		(33)
Debtors		12,508
Cash at bank and in hand		702
Creditors		(5,798)
Provisions for liabilities and other charges		(287)
Net assets acquired		8,441