

12 November 2019

DCC Reports Strong First Half Performance and New US Health & Beauty Acquisition

DCC, the leading international sales, marketing and support services group, is today announcing its results for the six months ended 30 September 2019.

Highlights	2019	2018	% change
Revenue	£7.312bn	£7.418bn	-1.4%
Adjusted operating profit ^{1,2}	£162.6m	£141.9m	+14.5%
DCC LPG	£49.0m	£40.9m	+19.8%
DCC Retail & Oil	£59.7m	£56.3m	+6.0%
DCC Technology	£25.4m	£17.8m	+42.6%
DCC Healthcare	£28.5m	£26.9m	+5.8%
Adjusted earnings per share ^{1,2}	110.2p	107.1p	+3.0%
Interim dividend	49.48p	44.98p	+10.0%
Operating cash flow	£149.9m	£173.2m	

- Strong first half performance with Group adjusted operating profit increasing by 14.5% (up 13.7% on a constant currency basis) to £162.6 million, in line with expectations. All divisions recording good profit growth in the seasonally less significant first half of the year.
- Adjusted earnings per share up 3.0% to 110.2 pence, reflecting strong earnings growth being offset by the increased number of shares in issue following the equity placing in the prior year.
- Interim dividend increased by 10% to 49.5 pence per share.
- The Group continues to be active from a development perspective and has today separately announced the recent acquisition by DCC Healthcare of Ion Laboratories Inc, a Florida-based contract manufacturer of nutritional products for an enterprise value of approximately \$60 million. The acquisition represents a significant step in DCC Healthcare's strategy to build a material presence in the attractive US health supplements and nutritional products market.
- The Group balance sheet at 30 September 2019 remains very strong and liquid, with net debt (excluding lease creditors) of £245.3 million, which will facilitate further development activity for the Group.
- Notwithstanding the continuing uncertain macroeconomic outlook impacting the UK economy, and the Technology business in particular, the Group believes that the year ending 31 March 2020 will be another year of good operating profit growth and further development and will be broadly in line with current market consensus expectations.

¹ The current financial period includes the impact of the adoption of IFRS 16 *Leases*; the comparatives have not been restated in accordance with transitional guidelines.

² Excluding net exceptionals and amortisation of intangible assets.

Commenting on the results, Donal Murphy, Chief Executive, said:

"I am pleased to report that the first half of the year has been another period of good growth and development for DCC. The business has performed strongly, with Group operating profit well ahead of the prior year and all divisions delivering good profit growth, despite the more difficult economic and market backdrop, particularly in the UK.

DCC Healthcare's acquisition of Ion Laboratories Inc in the US is a material step in the division's strategy to build a business of scale in the world's largest health supplements and nutritional products market. The US market is highly innovative, fragmented and growing strongly and, we believe, presents an exciting opportunity for the Group to develop, both organically and through acquisition, a leading market position in this attractive market.

The Group's significant development in recent years has resulted in DCC having the platforms, opportunities and capability to build the Group into a global leader in its chosen sectors.

Notwithstanding the continuing uncertain macroeconomic outlook impacting the UK economy, and the Technology business in particular, the Group believes that the year ending 31 March 2020 will be another year of good operating profit growth and further development and will be broadly in line with current market consensus expectations."

Presentation of results and dial-in / webcast facility

There will be a presentation of these results to analysts and fund managers at 9.00 am today in the London Stock Exchange. The slides for this presentation can be downloaded from DCC's website, www.dcc.ie.

There will also be audio conference access to, and a live webcast of, the presentation. The access details for the presentation are:

Ireland: +353 (0)1 4319615
UK: +44 (0) 8445718892
International: +44 (0) 2071 928000
Passcode: 6157159
Webcast Link: <https://edge.media-server.com/mmc/p/4uhsuse2>

This report, the webcast of the presentation and further information on DCC is available at www.dcc.ie.

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Group Results

A summary of the Group's results for the six months ended 30 September 2019 is as follows:

	2019 ¹ £'m	2018 £'m	% change
Revenue	<u>7,312</u>	<u>7,418</u>	-1.4%
Adjusted operating profit²			
DCC LPG	49.0	40.9	+19.8%
DCC Retail & Oil	59.7	56.3	+6.0%
DCC Technology	25.4	17.8	+42.6%
DCC Healthcare	<u>28.5</u>	<u>26.9</u>	+5.8%
Group adjusted operating profit²	162.6	141.9	+14.5%
Finance costs (net) and other	<u>(26.7)</u>	<u>(22.1)</u>	
Profit before net exceptionals, amortisation of intangible assets and tax	135.9	119.8	+13.5%
Net exceptional items before tax and non-controlling interests	<u>(45.7)</u>	<u>(6.3)</u>	
Amortisation of intangible assets	<u>(32.6)</u>	<u>(27.6)</u>	
Profit before tax	57.6	85.9	
Taxation	<u>(15.4)</u>	<u>(14.0)</u>	
Profit after tax	42.2	71.9	
Non-controlling interests	<u>(4.5)</u>	<u>(3.9)</u>	
Attributable profit	<u>37.7</u>	<u>68.0</u>	
Adjusted earnings per share²	110.2 pence	107.1 pence	+3.0%
Dividend per share	49.48 pence	44.98 pence	+10.0%
Operating cash flow	149.9	173.2	
Net debt at 30 September (excluding lease creditors)	245.3	830.4	
Lease creditors	286.4	2.0	
Net debt at 30 September (including lease creditors)	531.7	832.4	

¹The current financial period includes the impact of the adoption of IFRS 16 *Leases*; the comparatives have not been restated in accordance with transitional guidelines. As anticipated, the Group adjusted operating profit reflects a benefit of £2.7 million, while finance costs reflect an incremental charge of £4.2 million from the adoption of IFRS 16, resulting in a net after-tax negative impact on earnings of approximately £1.2 million, or 1.3 pence per share. See page 4 for further detail.

²Excluding net exceptionals and amortisation of intangible assets.

Transition to IFRS 16

The Group transitioned to the new leasing standard, IFRS 16, with effect from 1 April 2019. In common with most companies, DCC has elected to adopt the modified retrospective approach, meaning that comparatives are not restated.

In transitioning to IFRS 16, the Group is capitalising approximately 2,000 leases. These 2,000 leases are with approximately 700 lessors, with no one lease or lessor relationship being individually significant. The applicable weighted average lease term is approximately four years. The capitalisation of the right to use assets underlying these leases has resulted in a 'Right-of-Use leased asset' of £286 million at 30 September 2019, with a related lease creditor of £286 million at the same date.

As anticipated, the transition to IFRS 16 resulted in a favourable impact on adjusted operating profit of approximately £2.7 million in the first half of the financial year, reflecting the replacement of operating lease charges with depreciation of a discounted right-of-use leased asset. It also resulted in an increase in net interest of approximately £4.2 million in the period reflecting the unwinding of the lease liability. Consequently, the net after-tax impact on earnings for the first six months of the financial year was a charge of approximately £1.2 million, or 1.3 pence per share.

Reporting currency

The Group's financial statements are presented in sterling. Results and cash flows of operations based in non-sterling jurisdictions have been translated into sterling at average rates for the year. The principal exchange rates used for the translation of results into sterling were as follows:

	Average rate	
	2019	2018
	Stg£1=	Stg£1=
Euro	1.1265	1.1306
Danish Krone	8.4133	8.4245
Swedish Krona	11.9717	11.7550
Norwegian Krone	11.0116	10.8614
US Dollar	1.2620	1.3409
Hong Kong Dollar	9.8892	10.5233

The net impact of currency translation on the Group income statement versus the prior period was modest, with average sterling exchange rates weakening against the US Dollar and marginally weakening against euro.

Revenue

Overall, Group revenue decreased by 1.4% (1.7% decrease on a constant currency basis) to £7.3 billion.

DCC LPG sold 798,500 tonnes in the first half of the year, an increase of 7.7% on the prior year (7.1% on a like-for-like basis). The strong volume performance was set against weaker comparatives in the prior year, but included good organic volume growth in both the LPG and natural gas product sectors.

DCC Retail & Oil sold 5.93 billion litres of product in the first half, a 3.8% decline versus the prior year (4.9% on a like-for-like basis). The reduction reflected lower volumes in the UK, particularly in the lower margin marine and commercial sectors as the business actively exited high volume, lower margin relationships, but also reflected lower commercial activity generally, given the more difficult UK economic backdrop. Volumes across Continental Europe, Scandinavia and Ireland were in line with expectations.

Revenue excluding DCC LPG and DCC Retail & Oil increased by 11.7% (up 10.8% on a constant currency basis) to £2.1 billion and declined modestly organically, driven by a decline in revenue in the Technology business in the UK.

Group adjusted operating profit

Group adjusted operating profit increased by 14.5% to £162.6 million (13.7% ahead on a constant currency basis), in the seasonally less significant first half of the year. The positive effect of IFRS 16 on Group adjusted operating profit was approximately 1.9% of the constant currency growth in the period. Approximately one-third of the remaining constant currency growth was organic.

DCC LPG recorded strong operating profit growth in the seasonally less significant first half of the year, with operating profit increasing to £49.0 million, 19.8% ahead of the prior year (18.6% on a constant currency basis), approximately three-quarters of which was organic. The performance was driven primarily by good organic volume growth and also the acquisition of Pacific Coast Energy.

In DCC Retail & Oil, operating profit increased by 6.0%, approximately one-third of which was organic. This good performance was driven by good organic profit growth from the businesses in France and Denmark with the remaining businesses performing in line with expectations.

Operating profit in DCC Technology was significantly ahead of the prior year, increasing by 42.6% (38.1% on a constant currency basis) in the seasonally less significant first half of the financial year. This performance was driven by the contribution from acquisitions completed in both the current and prior year and profits declined organically, with the UK business negatively impacted by increasingly difficult market conditions, given the economic environment, particularly in the consumer and enterprise channels. Good profit growth was achieved in North America, Ireland, the Middle East and Continental Europe.

DCC Healthcare recorded a good performance in the first half of the year, generating operating profit growth of 5.8%, over three-quarters of which was organic. DCC Vital performed well and generated good growth in the pharma sector in Ireland. DCC Health & Beauty Solutions generated strong growth in premium skincare products and good growth across its nutritional products, particularly in liquids and soft gel formats.

Finance costs (net)

Net finance and other costs increased to £26.7 million (2018: £22.1 million). The increase primarily reflects the impact of IFRS 16 in the current period of £4.2 million. The average net debt, excluding lease creditors, in the period was £349 million, compared to an average net debt of £914 million in the prior year. The decrease in average net debt excluding lease creditors reflects the benefit of the equity issuance completed in October 2018. The Group's gross private placement debt, which is the primary driver of finance costs, increased modestly versus the prior year.

Profit before net exceptional items, amortisation of intangible assets and tax

Profit before net exceptional items, amortisation of intangible assets and tax increased by 13.5% (12.5% ahead on a constant currency basis) to £135.9 million.

Net exceptional items before tax and non-controlling interests and amortisation of intangible assets

The Group recorded a net exceptional charge before tax and non-controlling interests of £45.7 million in the first six months of the year as follows:

	£'m
Loss on disposal	34.3
Restructuring and integration costs and other	6.1
Acquisition and related costs	4.9
IAS 39 mark-to-market ineffectiveness charge	<u>0.4</u>
Net exceptional charge	<u>45.7</u>

In September 2019, DCC Healthcare completed the disposal of DCC Vital's UK generic pharma activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories). The disposal sharpens the strategic focus of DCC Vital, allowing it to concentrate on those areas where it has market-leading positions and sustainable competitive advantage, in particular in the sales, marketing and distribution of medical products in Britain and Ireland. Whilst part of the DCC Group, the cashflows generated by the disposed business more than recovered its acquisition cost, however, the transaction will result in a loss on disposal of £34.3 million, principally representing a non-cash impairment of the goodwill recognised on the initial acquisition of the business.

Restructuring and integration costs and other of £6.1 million principally comprise the ongoing dual running costs relating to the UK SAP implementation which is live in an element of the UK business and to which the remaining components of the business will transition on a phased basis shortly following the end of the financial year. It also includes a restructuring charge relating to the LPG business in Britain, following acquisition activity (including the acquisition of Countrywide and a number of small dealers) in prior periods.

Acquisition and related costs include the professional fees and tax costs (such as stamp duty) relating to the evaluation and/or completion of acquisition opportunities and amounted to £4.9 million.

Most of the Group's debt has been raised in the US private placement market and swapped, where appropriate, using long-term interest and cross currency interest rate derivatives, to both fixed and floating rate sterling and euro. The level of ineffectiveness calculated under IAS 39 on the fair value and cash flow hedge relationships is charged or credited as an exceptional item. In the six months ended 30 September 2019, this amounted to an exceptional non-cash charge of £0.4 million. Following this charge, the cumulative net exceptional charge taken in respect of the Group's outstanding US private placement debt and related hedging instruments is £1.6 million. This, and any subsequent similar non-cash charges or gains, will net to zero over the remaining term of this debt and the related hedging instruments.

The charge for the amortisation of acquisition related intangible assets increased to £32.6 million from £27.6 million in the prior year, with the increase reflecting acquisitions completed in the prior year.

Profit before tax

Profit before tax decreased to £57.6 million.

Taxation

The effective tax rate for the Group in the first half of the year of 17.0% is based on the anticipated mix of profits for the full year and compares to a full year effective tax rate in the prior year of 17.0%.

Adjusted earnings per share

Adjusted earnings per share increased by 3.0% to 110.2 pence, with the growth in profit before exceptional items and goodwill amortisation of 13.5% being offset by the increased number of shares in issue following the equity placing, which was successfully completed in the prior year.

Dividend

The Board has decided to pay an interim dividend of 49.48 pence per share, which represents a 10.0% increase on the prior year interim dividend of 44.98 pence per share. This dividend will be paid on 11 December 2019 to shareholders on the register at the close of business on 22 November 2019.

Cash flow

As with its operating profit, the Group's operating cash flow is significantly weighted towards the second half of the year. The cash flow of the Group for the six months ended 30 September 2019 can be summarised as follows:

Six months ended 30 September	2019 £'m	2018 £'m
Adjusted operating profit	162.6	141.9
Increase in working capital	(98.1)	(25.7)
Depreciation and other	<u>85.4</u>	<u>57.0</u>
Operating cash flow	149.9	173.2
Repayment of lease creditors ¹	(31.8)	-
Capital expenditure (net)	<u>(87.7)</u>	<u>(82.1)</u>
Free cash flow¹	30.4	91.1
Net interest, tax paid and other	<u>(46.0)</u>	<u>(34.2)</u>
Free cash flow after interest and tax	(15.6)	56.9
Acquisitions	(118.3)	(270.3)
Dividends	(90.9)	(73.2)
Exceptional items (net) and disposals	25.4	(11.1)
Share issues	<u>0.3</u>	<u>1.1</u>
Net outflow	(199.1)	(296.6)
Opening net debt	(18.4)	(542.7)
Translation and other	<u>(20.1)</u>	<u>6.9</u>
	(237.6)	(832.4)
IFRS 16 transition adjustment at 1 April 2019	<u>(294.1)</u>	-
Closing net debt (including lease creditors)	(531.7)	<u>(832.4)</u>
Analysis of closing net debt (including lease creditors):		
Net debt at 30 September (excluding lease creditors)	(245.3)	(830.4)
Lease creditors at 30 September	<u>(286.4)</u>	<u>(2.0)</u>
	(531.7)	<u>(832.4)</u>
¹ Following the adoption of IFRS 16, <i>Leases</i> , the Group has redefined 'Free Cash Flow' to include repayment of lease creditors which ensures that the Group's reported Free Cash Flow is consistent with those previously reported and consequently the comparative measure has not been restated.		

Working capital increased by £98.1 million over the six-month period from 31 March 2019, driven by seasonal working capital requirements, lower supply chain financing utilisation and the increasing scale of the Group's activities. The value of working capital at 30 September 2019 was £110.1 million versus £60.0 million at 30 September 2018, which reflects the completion of acquisitions since the prior year and the increasing scale of the Group. Overall working capital days at 30 September 2019 were 2.4 days sales, which, excluding completed acquisitions, were broadly in line with the prior year (2018: 1.3 days sales). DCC Technology selectively uses supply chain financing solutions to sell, on a non-recourse basis, a portion of its receivables relating to certain larger supply chain/sales and marketing activities. The level of supply chain financing at 30 September 2019 was

£189.3 million (2018: £211.1 million) and supply chain financing had a positive impact on Group working capital days of 4.1 days (30 September 2018: 4.4 days).

Net capital expenditure for the six months amounted to £87.7 million (2018: £82.1 million), was net of disposal proceeds of £4.3 million, and reflects continued investment in development initiatives across the Group. In the current year, investments in DCC LPG primarily comprised investment in relation to the Avonmouth LPG storage facility in the UK and further development expenditure to support the continued growth of the business including conversion of oil customers to LPG. In the Retail & Oil division, there was continued investment in new retail sites and site upgrades including capital expenditure in relation to the project to optimise the depot network in the UK to bring greater network and capital efficiency over time. The majority of the capital expenditure in DCC Technology relates to the SAP implementation which is ongoing in Exertis UK. In DCC Healthcare, the capital expenditure primarily relates to the previously announced investment in the expansion of the soft gel facility in South Wales, the construction of which is nearing completion and the commissioning process will commence shortly. Net capital expenditure exceeded the depreciation charge (excluding right-of-use leased assets) in the six months by £29.7 million.

Free cash flow in the six months ended 30 September 2019 of £30.4 million compares to £91.1 million in the prior year.

Total cash spend on acquisitions in the six months to 30 September 2019

The total cash spend on acquisitions in the six months ended 30 September 2019 was £118.3 million. This included the payment of deferred and contingent acquisition consideration previously provided of £24.5 million, completion of the acquisition of Pacific Coast Energy by DCC LPG, the completion of Amacom and Comm-Tec by DCC Technology and the completion of a number of small bolt-on acquisitions in DCC Retail & Oil and DCC Healthcare.

Committed acquisition and capital expenditure

Committed acquisition and capital expenditure in the period amounted to £163.4 million as follows:

	Acquisitions	Capex	Total
	£'m	£'m	£'m
DCC LPG	1.5	32.4	33.9
DCC Retail & Oil	3.5	33.9	37.4
DCC Technology	6.1	9.8	15.9
DCC Healthcare	<u>64.6</u>	<u>11.6</u>	<u>76.2</u>
Total	<u>75.7</u>	<u>87.7</u>	<u>163.4</u>

Acquisition activity

Acquisition expenditure committed by the Group since the announcement of 2019 Final Results in May 2019 amounted to £75.7 million and included:

DCC Healthcare

As separately announced today, DCC Healthcare has acquired Ion Laboratories, Inc ('Ion'), a Florida-based contract manufacturer of nutritional products for an enterprise value of approximately \$60 million. This acquisition represents a significant step in DCC Health & Beauty Solutions' strategy to build a material presence in the attractive US health supplements and nutritional products market. This acquisition follows the acquisition of Elite One Source in February 2018, and will significantly enhance DCC Health & Beauty Solution's service offering to customers in the US market, the world's largest health supplement and nutritional products market.

Ion has a broad product format capability encompassing tablets, capsules, powders and liquids across a variety of product categories including herbal and botanical products, probiotics and liquid nutritionals. In addition, Ion is currently commissioning a new nutritional gummies manufacturing line which will provide DCC Health & Beauty Solutions with capability in this fast growth category. Ion operates from well invested facilities which comply with FDA cGMP (current Good Manufacturing Practices) and Health Canada standards. The business is led by an experienced management team, employs 360 people and the business has annual revenues of approximately \$80 million.

In addition, DCC Vital completed a number of complementary bolt-on acquisitions in Britain which have expanded its product portfolio and strengthened its market presence. SP Services is a leading supplier of medical consumables and equipment for first aid, ambulance, paramedic and rescue professionals in the 'blue light' and occupational health sectors. VacSax is a small British manufacturer and supplier of disposable suction devices used in operating theatres and hospitals.

DCC Retail & Oil

DCC Retail & Oil completed a number of small complementary bolt-on acquisitions in Britain during the period. These acquisitions have been successfully integrated into the existing business.

DCC Technology

DCC Technology acquired two small businesses during the period, a managed service business in Ireland and a Pro-AV specialist in the Benelux region. Although small, both acquisitions support DCC Technology's strategy to continuously enhance the service offering it provides to its customers and suppliers.

Disposal

DCC Healthcare

Kent Pharma and Athlone Laboratories

In September 2019, DCC Vital completed the disposal of its UK generic pharma activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories). The disposal sharpens the strategic focus of DCC Vital, allowing it to concentrate on those areas where it has market-leading positions and sustainable competitive advantage, in particular in the sales, marketing and distribution of medical products in Britain and Ireland. DCC Vital will also continue to develop its pharma activities in Ireland which encompass a market leadership position in the procurement and sales of exempt medicinal products and agency distribution into the hospital and retail pharmacy segments.

Financial strength

An integral part of the Group's strategy is the maintenance of a strong and liquid balance sheet which, amongst other benefits, enables it to take advantage of development opportunities as they arise. At 30 September 2019, the Group had net debt (excluding lease creditors) of £0.25 billion, being term debt of £1.82 billion, and cash resources, net of overdrafts, of £1.57 billion. Lease creditors at the same date amounted to £0.28 billion. The Group's outstanding term debt at 30 September 2019, which has been raised in the US private placement market, had an average maturity of 6.2 years, with an implied average credit margin of 1.69% over Euribor/Libor. In April 2019, DCC successfully drew down a private placement issuance of approximately £350 million, the proceeds of which will be used to repay maturing private placement debt.

Outlook

Notwithstanding the continuing uncertain macroeconomic outlook impacting the UK economy, and the Technology business in particular, the Group believes that the year ending 31 March 2020 will be another year of good operating profit growth and further development and will be broadly in line with current market consensus expectations.

Performance Review – Divisional Analysis

DCC LPG	2019	2018	% change
Volumes (thousand tonnes)	798.5kT	741.6kT	+7.7%
Operating profit	£49.0m	£40.9m	+19.8%
Operating profit per tonne	£61.40	£55.16	

DCC LPG recorded strong operating profit growth in the seasonally less significant first half of the year. Operating profit increased to £49.0 million, 19.8% ahead of the prior year (18.6% ahead on a constant currency basis), approximately three-quarters of which was organic. The performance was driven by good organic volume growth and the acquisition of Pacific Coast Energy in the US, which completed in May 2019.

DCC LPG sold 798,500 tonnes in the first half of the year, an increase of 7.7% on the prior year (7.1% on a like-for-like basis). The strong volume performance was set against weaker comparatives in the prior year and, as anticipated, operating profit per tonne increased versus the prior year. This reflected a more benign cost of product environment during the first six months of the year (versus a prior year which had been impacted by sustained rising cost of product) and strong cost control, which more than offset the mix effect of increased natural gas volumes.

The French business performed in line with expectations during the first half of the year and has continued to make progress in developing its offering in adjacent product areas, broadening its position in the French energy market. The continued rollout of the 'Click & Collect' cylinder offering has been a positive development for the LPG business, offering an additional route to market. The overall performance in France benefited from strong organic growth in the natural gas B2B sector, driven by good business development with new customers, and the business continues to grow its presence in the B2C natural gas and power sector.

In Britain & Ireland, the business performed strongly, achieving organic volume growth and also benefiting from good procurement and cost control. The German business delivered good LPG volume growth and was successful in winning new customers through its newly launched online platform, while the business in Hong Kong & Macau also performed in line with expectations, notwithstanding the impact of the ongoing protests in the region.

The US business performed well during the first half of the year and has fully integrated Pacific Coast Energy, acquired in April 2019, significantly strengthening its footprint in the north west of the US.

DCC LPG has substantial operations in ten countries and is very well placed to continue its development both in existing and new territories, as well as expanding its position in adjacencies, which broadens its service offering to its customers.

DCC Retail & Oil	2019	2018	% change
Volumes (billion litres)	5.930bn	6.157bn	-3.8%
Operating profit	£59.7m	£56.3m	+6.0%
Operating profit per litre	1.01ppl	0.91 ppl	

DCC Retail & Oil performed in line with expectations in the first half of the financial year and delivered good operating profit growth of 6.0%, approximately one-third of which was organic.

DCC Retail & Oil sold 5.93 billion litres of product in the first half, a 3.8% decline on the prior year (4.9% on a like-for-like basis). The reduction reflected lower volumes in Britain, particularly in the lower margin marine and commercial sectors as the business actively exited some high volume, lower margin, relationships but also reflected lower commercial activity generally, given the more difficult UK economic backdrop. Volumes across Continental Europe, Scandinavia and Ireland were in line with expectations.

In Britain and Ireland, the business performed in line with expectations, delivering organic profit growth. The impact of reduced marine and commercial volumes was partially offset by increased penetration of premium fuels, including premium heating oil, and a good cost performance. The business continues to make good progress in expanding its retail network, as well as developing into adjacent areas, such as lubricants, having now successfully integrated the two modest lubricant blending businesses acquired in the prior year. In addition, the business has continued to develop its HGV truck stop network and enhance its offering of additional services to HGVs at these truck stops, such as secure parking and truck washes. The Fuel Card business delivered good organic profit growth, notwithstanding the more difficult economic environment impacting the commercial sector of the market.

In Scandinavia, the Danish business continued to deliver strong organic profit growth, driven by a good performance in retail fuels. In July 2019, the business entered into a new branded marketing and distribution agreement with Shell Aviation, which involved Shell taking a stake in the existing Danish aviation operations, giving the business access to Shell's global network and settlements platform, further strengthening DCC Retail & Oil's presence in the aviation fuels market. The businesses in both Norway and Sweden performed in line with expectations.

The French business delivered strong organic profit growth, reflecting a continued focus on business development and customer engagement following the successful implementation of customer-centred initiatives in the prior year including a loyalty programme, fuel differentiation through Esso's Synergy Fuels, and an improved car wash offering. The business in Austria performed in line with expectations.

DCC Retail & Oil has substantial operations in eight countries and has developed a low-cost and scalable platform to grow the business in existing and new territories.

DCC Technology	2019	2018	% change
Revenue	£1.795bn	£1.588bn	+13.1%
Operating profit	£25.4m	£17.8m	+42.6%
Operating margin	1.4%	1.1%	

DCC Technology achieved very strong operating profit growth in the seasonally less significant first half of the year. Operating profit increased by 42.6% (38.1% on a constant currency basis) with the performance driven by the contribution from acquisitions completed in both the current and prior years. Operating profit declined organically, reflecting weakness in the UK market.

During the first half of the year, the UK business was increasingly impacted by general weakness in the UK technology market, reflecting the more difficult economic environment of recent months. This slowdown particularly impacted demand in the consumer and enterprise channels. Following the pilot transition of a component of the UK business to the new ERP system last year, the remainder of the business will transition to the new ERP system on a phased basis shortly following the end of the financial year. The upgrade is expected to significantly enhance the capability of the business to service both its customers and suppliers. The business in Ireland performed well, generating good operating profit growth on the back of a strong retail market and an expansion of its B2B service offering.

The business in the Nordics generated strong revenue growth, especially in the AV and IT product categories, and continues to drive efficiencies on the back of investments made in the operating infrastructure in the prior year. In Western Europe, the acquisition of Amacom, which services retailers across the Netherlands, has performed well since its acquisition in June 2019 and will provide additional service capability to support the growth of DCC Technology's consumer proposition. The B2B business also performed in line with expectations and continues to invest in its audio-visual proposition, with the business' offering in this area being further supported by the recent acquisition of Comm-Tec in Germany and a small bolt-on acquisition in the Benelux region. The business in the Middle East performed well and continued its track record of achieving organic revenue and operating profit growth.

During the prior year, DCC Technology acquired both Stampede and Jam, providing DCC with platforms for growth and development in North America in the Pro AV, Pro Audio and consumer electronics markets. These acquisitions represented a significant step in DCC Technology's strategy to extend its geographic footprint and product range, strengthening its partnership with existing suppliers while also broadening its base of customers and suppliers. Both businesses have been integrated successfully and traded in line with expectations during the first half of the year delivering organic profit growth. The good performance was driven by strong demand for display and projector products from the hospitality and government sectors in the US in particular, and the business also saw good demand for Pro Audio and professional event lighting products.

Following an active period of development over the last eighteen months, DCC Technology is building an international business of scale and has excellent platforms for further development in its chosen markets.

DCC Healthcare	2019	2018	% change
Revenue	£287.3m	£275.9m	+4.1%
Operating profit	£28.5m	£26.9m	+5.8%
Operating margin	9.9%	9.8%	

DCC Healthcare recorded a good performance in the first half of the year, generating operating profit growth of 5.8%, approximately three-quarters of which was organic. During the period, the business also made material progress in sharpening its strategic focus by divesting its UK generic pharma activities and enhancing its market positions through a number of bolt-on acquisitions. Subsequent to the half-year end, in November 2019, DCC Health & Beauty Solutions took a further step in its strategy to build a significant presence in the US market, completing the acquisition of Ion, a Florida-based contract manufacturer of nutritional products.

DCC Vital, which is focused on the sales and marketing of medical products and pharmaceuticals to healthcare providers in Britain and Ireland, performed well in the first half of the year and enhanced its strategic positioning. In the Irish market, the business generated good growth in the pharma sector, particularly in sales of blood plasma products and exempt medicinal products. In Britain, the business performed robustly against a market background which was impacted by some destocking post the original March Brexit deadline, as well as continued public healthcare funding constraints. During the period, DCC Vital expanded its product portfolio and strengthened its market presence by completing a number of small bolt-on acquisitions in the medical devices and primary care sectors in Britain.

In September 2019, DCC Vital completed the disposal of its UK generic pharma activities (and related beta lactam antibiotic manufacturing facility in Ireland). This disposal allows DCC Vital to focus on those areas where it has strong market positions and sustainable competitive advantage, including further developing its presence in the primary care sector in Britain and continuing to scale its medical devices activities.

DCC Health & Beauty Solutions, which provides outsourced solutions to international nutrition and beauty brand owners, generated good sales growth in the first half of the year. The business generated strong growth in premium skincare products and good growth across its nutritional product formats, particularly liquids and soft gels, despite the impact of some destocking from certain customers. Profit growth was held back by some short-term costs required to onboard new customer and product wins in the beauty sector, as well as investments made to enhance operational capability and increase capacity generally. DCC Health & Beauty Solutions made good progress across a range of capacity expansion projects, most notably the expansion of its soft gel encapsulation plant in Wales. The construction of the plant is nearing completion and the commissioning process will begin shortly.

The acquisition of Ion in November 2019 is another significant step in DCC Health & Beauty Solutions ambition to build a leading contract manufacturing business in the US, to complement its existing presence in Europe. The US is the largest market in the world for health supplements and nutritional products and is an innovative, growing and fragmented market. Ion will add new customer relationships and new product format capability in the US. Ion has a broad product format capability encompassing tablets, capsules, powders and liquids. The business is currently commissioning a nutritional gummies manufacturing line which will provide DCC Health & Beauty Solutions with an entry into this fast growth product category. Ion will work closely with Elite One Source in Montana and DCC Health & Beauty Solutions' European business to cross-sell the full breadth of DCC Health & Beauty Solutions' comprehensive service offering.

Forward-looking statements

This announcement contains some forward-looking statements that represent DCC's expectations for its business, based on current expectations about future events, which by their nature involve risk and uncertainty. DCC believes that its expectations and assumptions with respect to these forward-looking statements are reasonable; however, because they involve risk and uncertainty as to future circumstances, which are in many cases beyond DCC's control, actual results or performance may differ materially from those expressed in or implied by such forward-looking statements.

Principal risks and uncertainties

The Board of DCC is responsible for the Group's risk management and internal control systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives. The Board has approved a Risk Management Policy which sets out delegated responsibilities and procedures for the management of risk across the Group.

The principal risks and uncertainties facing the Group in the short to medium term, as set out on pages 17 to 20 of the 2019 Annual Report (together with the principal mitigation measures), continue to be the principal risks and uncertainties facing the Group for the remaining six months of the financial year.

This is not an exhaustive statement of all relevant risks and uncertainties. Matters which are not currently known to the Board or events which the Board considers to be of low likelihood could emerge and give rise to material consequences. The mitigation measures that are maintained in relation to these risks are designed to provide a reasonable and not an absolute level of protection against the impact of the events in question.

Group Income Statement

		Unaudited 6 months ended 30 September 2019			Unaudited 6 months ended 30 September 2018			Audited year ended 31 March 2019		
		Pre exceptionals £'000	Exceptionals (note 6) £'000	Total £'000	Pre exceptionals £'000	Exceptionals (note 6) £'000	Total £'000	Pre exceptionals £'000	Exceptionals (note 6) £'000	Total £'000
Notes										
Revenue	5	7,311,721	-	7,311,721	7,418,009	-	7,418,009	15,226,893	-	15,226,893
Cost of sales		(6,510,346)	-	(6,510,346)	(6,704,752)	-	(6,704,752)	(13,589,254)	-	(13,589,254)
Gross profit		801,375	-	801,375	713,257	-	713,257	1,637,639	-	1,637,639
Administration expenses		(249,874)	-	(249,874)	(217,752)	-	(217,752)	(410,388)	-	(410,388)
Selling and distribution expenses		(387,697)	-	(387,697)	(354,174)	-	(354,174)	(793,514)	-	(793,514)
Other operating income		15,622	241	15,863	13,985	112	14,097	45,600	2,537	48,137
Other operating expenses		(16,865)	(45,570)	(62,435)	(13,398)	(10,403)	(23,801)	(18,815)	(30,722)	(49,537)
Adjusted operating profit		162,561	(45,329)	117,232	141,918	(10,291)	131,627	460,522	(28,185)	432,337
Amortisation of intangible assets		(32,664)	-	(32,664)	(27,569)	-	(27,569)	(63,312)	-	(63,312)
Operating profit	5	129,897	(45,329)	84,568	114,349	(10,291)	104,058	397,210	(28,185)	369,025
Finance costs		(49,427)	(371)	(49,798)	(40,122)	-	(40,122)	(83,595)	-	(83,595)
Finance income		22,324	-	22,324	17,720	3,974	21,694	36,980	4,307	41,287
Equity accounted investments' profit after tax		469	-	469	248	-	248	717	-	717
Profit before tax		103,263	(45,700)	57,563	92,195	(6,317)	85,878	351,312	(23,878)	327,434
Income tax expense	7	(15,414)	44	(15,370)	(13,396)	(628)	(14,024)	(55,617)	(685)	(56,302)
Profit after tax for the financial period		87,849	(45,656)	42,193	78,799	(6,945)	71,854	295,695	(24,563)	271,132
Profit attributable to:										
Owners of the Parent Company		83,304	(45,617)	37,687	74,947	(6,945)	68,002	287,156	(24,563)	262,593
Non-controlling interests		4,545	(39)	4,506	3,852	-	3,852	8,539	-	8,539
		87,849	(45,656)	42,193	78,799	(6,945)	71,854	295,695	(24,563)	271,132
Earnings per ordinary share										
Basic earnings per share	8			38.34p			76.15p			280.14p
Diluted earnings per share	8			38.26p			76.02p			279.73p
Adjusted basic earnings per share	8			110.22p			107.05p			358.16p
Adjusted diluted earnings per share	8			109.99p			106.87p			357.63p

The current financial period includes the impact of the adoption of IFRS 16 *Leases*; the comparatives have not been restated in accordance with transitional guidelines.

Group Statement of Comprehensive Income

	Unaudited 6 months ended 30 Sept. 2019 £'000	Unaudited 6 months ended 30 Sept. 2018 £'000	Audited year ended 31 March 2019 £'000
Group profit for the period	42,193	71,854	271,132
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation	43,742	38,005	5,649
Movements relating to cash flow hedges	(9,702)	26,532	1,555
Movement in deferred tax liability on cash flow hedges	1,650	(4,510)	(264)
	<u>35,690</u>	<u>60,027</u>	<u>6,940</u>
Items that will not be reclassified to profit or loss			
Group defined benefit pension obligations:			
- remeasurements	(5,513)	2,928	(1,346)
- movement in deferred tax asset	937	(489)	223
	<u>(4,576)</u>	<u>2,439</u>	<u>(1,123)</u>
Other comprehensive income for the period, net of tax	<u>31,114</u>	<u>62,466</u>	<u>5,817</u>
Total comprehensive income for the period	<u>73,307</u>	<u>134,320</u>	<u>276,949</u>
Attributable to:			
Owners of the Parent Company	67,452	129,975	269,387
Non-controlling interests	5,855	4,345	7,562
	<u>73,307</u>	<u>134,320</u>	<u>276,949</u>

Group Balance Sheet

	Notes	Unaudited 30 Sept. 2019 £'000	Unaudited 30 Sept. 2018 £'000	Audited 31 March 2019 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,047,558	980,731	996,536
Right-of-use leased assets	12	285,962	-	-
Intangible assets and goodwill		2,117,107	2,136,655	2,069,558
Equity accounted investments		27,273	24,933	24,233
Deferred income tax assets		26,792	26,872	26,142
Derivative financial instruments		209,049	119,661	143,554
		3,713,741	3,288,852	3,260,023
Current assets				
Inventories		736,480	728,648	678,006
Trade and other receivables		1,471,835	1,459,337	1,517,507
Derivative financial instruments		42,331	78,232	67,987
Cash and cash equivalents		1,675,517	977,571	1,554,093
		3,926,163	3,243,788	3,817,593
Total assets		7,639,904	6,532,640	7,077,616
EQUITY				
Capital and reserves attributable to owners of the Parent Company				
Share capital		17,422	15,455	17,422
Share premium		882,881	281,587	882,561
Share based payment reserve	10	32,392	25,315	28,706
Cash flow hedge reserve	10	(22,939)	5,844	(14,887)
Foreign currency translation reserve	10	150,115	138,608	107,722
Other reserves	10	932	932	932
Retained earnings		1,314,696	1,231,736	1,368,250
Equity attributable to owners of the Parent Company		2,375,499	1,699,477	2,390,706
Non-controlling interests		50,467	39,604	42,821
Total equity		2,425,966	1,739,081	2,433,527
LIABILITIES				
Non-current liabilities				
Borrowings		1,849,457	1,547,012	1,441,904
Lease creditors	12	232,770	1,462	452
Derivative financial instruments		2,187	7,489	1,122
Deferred income tax liabilities		172,783	196,434	174,250
Post employment benefit obligations	13	3,200	(4,515)	(1,397)
Provisions for liabilities		279,295	283,025	269,580
Acquisition related liabilities		84,692	86,118	73,586
Government grants		336	348	342
		2,624,720	2,117,373	1,959,839
Current liabilities				
Trade and other payables		2,112,083	2,134,197	2,218,838
Current income tax liabilities		41,207	23,107	49,799
Borrowings		298,602	438,584	331,124
Lease creditors	12	53,640	547	449
Derivative financial instruments		21,985	12,726	9,008
Provisions for liabilities		43,183	40,809	47,208
Acquisition related liabilities		18,518	26,216	27,824
		2,589,218	2,676,186	2,684,250
Total liabilities		5,213,938	4,793,559	4,644,089
Total equity and liabilities		7,639,904	6,532,640	7,077,616
Net debt included above (excluding lease creditors)	11	(245,334)	(830,347)	(17,524)

The current financial period includes the impact of the adoption of IFRS 16 *Leases*; the comparatives have not been restated in accordance with transitional guidelines.

Group Statement of Changes in Equity

For the six months ended 30 September 2019

	Attributable to owners of the Parent Company					Non-controlling interests £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves (note 10) £'000	Total £'000		
At 1 April 2019	17,422	882,561	1,368,250	122,473	2,390,706	42,821	2,433,527
Profit for the period	-	-	37,687	-	37,687	4,506	42,193
Currency translation	-	-	-	42,393	42,393	1,349	43,742
Group defined benefit pension obligations:							
- remeasurements	-	-	(5,513)	-	(5,513)	-	(5,513)
- movement in deferred tax asset	-	-	937	-	937	-	937
Movements relating to cash flow hedges	-	-	-	(9,702)	(9,702)	-	(9,702)
Movement in deferred tax liability on cash flow hedges	-	-	-	1,650	1,650	-	1,650
Total comprehensive income	-	-	33,111	34,341	67,452	5,855	73,307
Re-issue of treasury shares	-	320	-	-	320	-	320
Share based payment	-	-	-	3,686	3,686	-	3,686
Sale of equity interest to non-controlling interest	-	-	4,306	-	4,306	1,791	6,097
Dividends	-	-	(90,971)	-	(90,971)	-	(90,971)
At 30 September 2019	17,422	882,881	1,314,696	160,500	2,375,499	50,467	2,425,966

For the six months ended 30 September 2018

	Attributable to owners of the Parent Company					Non-controlling interests £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves (note 10) £'000	Total £'000		
At 1 April 2018	15,455	280,533	1,237,937	108,733	1,642,658	35,259	1,677,917
IFRS 9 transition adjustment	-	-	(3,450)	-	(3,450)	-	(3,450)
At 1 April 2018 (restated)	15,455	280,533	1,234,487	108,733	1,639,208	35,259	1,674,467
Profit for the period	-	-	68,002	-	68,002	3,852	71,854
Currency translation	-	-	-	37,512	37,512	493	38,005
Group defined benefit pension obligations:							
- remeasurements	-	-	2,928	-	2,928	-	2,928
- movement in deferred tax asset	-	-	(489)	-	(489)	-	(489)
Movements relating to cash flow hedges	-	-	-	26,532	26,532	-	26,532
Movement in deferred tax liability on cash flow hedges	-	-	-	(4,510)	(4,510)	-	(4,510)
Total comprehensive income	-	-	70,441	59,534	129,975	4,345	134,320
Re-issue of treasury shares	-	1,054	-	-	1,054	-	1,054
Share based payment	-	-	-	2,432	2,432	-	2,432
Dividends	-	-	(73,192)	-	(73,192)	-	(73,192)
At 30 September 2018	15,455	281,587	1,231,736	170,699	1,699,477	39,604	1,739,081

For the year ended 31 March 2019

	Attributable to owners of the Parent Company					Non-controlling interests £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves (note 10) £'000	Total £'000		
At 1 April 2018	15,455	280,533	1,237,937	108,733	1,642,658	35,259	1,677,917
IFRS 9 transition adjustment	-	-	(3,349)	-	(3,349)	-	(3,349)
At 1 April 2018 (restated)	15,455	280,533	1,234,588	108,733	1,639,309	35,259	1,674,568
Profit for the period	-	-	262,593	-	262,593	8,539	271,132
Currency translation	-	-	-	6,626	6,626	(977)	5,649
Group defined benefit pension obligations:							
- remeasurements	-	-	(1,346)	-	(1,346)	-	(1,346)
- movement in deferred tax asset	-	-	223	-	223	-	223
Movements relating to cash flow hedges	-	-	-	1,555	1,555	-	1,555
Movement in deferred tax liability on cash flow hedges	-	-	-	(264)	(264)	-	(264)
Total comprehensive income	-	-	261,470	7,917	269,387	7,562	276,949
Issue of share capital	1,967	600,970	(10,847)	-	592,090	-	592,090
Re-issue of treasury shares	-	1,058	-	-	1,058	-	1,058
Share based payment	-	-	-	5,823	5,823	-	5,823
Dividends	-	-	(116,961)	-	(116,961)	-	(116,961)
At 31 March 2019	17,422	882,561	1,368,250	122,473	2,390,706	42,821	2,433,527

Group Cash Flow Statement

	Unaudited 6 months ended 30 Sept. 2019 £'000	Unaudited 6 months ended 30 Sept. 2018 £'000	Audited year ended 31 March 2019 £'000
Cash flows from operating activities			
Profit for the period	42,193	71,854	271,132
Add back non-operating expenses/(income)			
- tax	15,370	14,024	56,302
- share of equity accounted investments' profit	(469)	(248)	(717)
- net operating exceptionals	45,329	10,291	28,185
- net finance costs	27,474	18,428	42,308
Group operating profit before exceptionals	129,897	114,349	397,210
Share-based payments expense	3,686	2,432	5,823
Depreciation	87,964	54,434	109,626
Amortisation of intangible assets	32,664	27,569	63,312
Profit on disposal of property, plant and equipment	(1,347)	(863)	(2,182)
Amortisation of government grants	(6)	(34)	(40)
Other	(4,822)	1,049	(3,709)
(Increase)/decrease in working capital	(98,133)	(25,717)	37,465
Cash generated from operations before exceptionals	149,903	173,219	607,505
Exceptionals	(12,600)	(19,626)	(34,619)
Cash generated from operations	137,303	153,593	572,886
Interest paid (including lease interest)	(41,877)	(39,142)	(78,031)
Income tax paid	(30,221)	(12,780)	(34,500)
Net cash flows from operating activities	65,205	101,671	460,355
Investing activities			
Inflows:			
Proceeds from disposal of property, plant and equipment	4,282	4,252	8,810
Dividends received from equity accounted investments	-	-	420
Disposal of subsidiaries and equity accounted investments	38,040	8,573	8,492
Interest received	21,890	17,715	34,831
	64,212	30,540	52,553
Outflows:			
Purchase of property, plant and equipment	(91,984)	(86,341)	(182,311)
Acquisition of subsidiaries	(93,858)	(249,259)	(266,525)
Payment of accrued acquisition related liabilities	(24,462)	(21,048)	(30,311)
	(210,304)	(356,648)	(479,147)
Net cash flows from investing activities	(146,092)	(326,108)	(426,594)
Financing activities			
Inflows:			
Proceeds from issue of shares	320	1,054	593,148
Net cash inflow on derivative financial instruments	43,903	-	-
Increase in interest-bearing loans and borrowings	353,210	201,357	201,357
Increase in lease creditors	-	989	492
	397,433	203,400	794,997
Outflows:			
Repayment of interest-bearing loans and borrowings	(123,700)	-	(201,357)
Repayment of lease creditors	(27,565)	(53)	(630)
Dividends paid to owners of the Parent Company	(90,971)	(73,192)	(116,961)
	(242,236)	(73,245)	(318,948)
Net cash flows from financing activities	155,197	130,155	476,049
Change in cash and cash equivalents	74,310	(94,282)	509,810
Translation adjustment	30,203	(900)	(8,075)
Cash and cash equivalents at beginning of period	1,466,028	964,293	964,293
Cash and cash equivalents at end of period	1,570,541	869,111	1,466,028
Cash and cash equivalents consists of:			
Cash and short-term bank deposits	1,675,517	977,571	1,554,093
Overdrafts	(104,976)	(108,460)	(88,065)
	1,570,541	869,111	1,466,028

The current financial period includes the impact of the adoption of IFRS 16 *Leases*; the comparatives have not been restated in accordance with transitional guidelines.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

1. Basis of Preparation

The Group condensed interim financial statements which should be read in conjunction with the annual financial statements for the year ended 31 March 2019 have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency rules of the Irish Financial Services Regulatory Authority and in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses together with disclosure of contingent assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis.

These condensed interim financial statements for the six months ended 30 September 2019 and the comparative figures for the six months ended 30 September 2018 are unaudited and have not been reviewed by the Auditors. The summary financial statements for the year ended 31 March 2019 represent an abbreviated version of the Group's full accounts for that year, on which the Auditors issued an unqualified audit report and which have been filed with the Registrar of Companies.

2. Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the Group condensed interim financial statements are consistent with those applied in the 2019 Annual Report and are described in those financial statements on pages 193 to 201, except for those noted below.

The following new standards have been adopted in the current year:

IFRS 16 Leases

This standard replaces IAS 17 *Leases*. The changes under IFRS 16 are significant and predominantly affect lessees, the accounting for which is substantially reformed. The lessor accounting requirements contained in IFRS 16's predecessor, IAS 17, remain largely unchanged. The main impact on lessees is that almost all leases are recognised on the balance sheet as the distinction between operating and finance leases is removed for lessees. Under IFRS 16, an asset (the right to use the leased item) and a liability (the lease creditor) to pay rentals are recognised. The only exemptions are short-term leases and low-value leased assets. The standard introduces new estimates and judgemental thresholds that affect the identification, classification and measurement of lease transactions.

The Group adopted IFRS 16 on the transition date of 1 April 2019 using the modified retrospective approach, which means that comparatives do not need to be restated. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Account for leases ending within 12 months of the date of initial application as short-term leases;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- Rely on a previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review.

At transition date, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a creditor and a right-of-use leased asset on the Group's Balance Sheet. The right-of-use leased asset was adjusted for any prepayments, accruals and onerous lease provisions with no adjustment to opening retained earnings. The discount rates applied were arrived at using a methodology to calculate the incremental borrowing rates across the Group. The Group engaged a specialist valuation expert to assist with this process. The weighted average incremental borrowing rate applied to lease creditors on the Consolidated Balance Sheet was 3.0% at 1 April 2019.

In the Income Statement, the Group previously recognised operating lease rentals in operating expenses. Under IFRS 16, a right-of-use leased asset is capitalised and depreciated over the term of the lease as an operating expense with an associated finance cost applied annually to the lease creditor. The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met; such lease costs continue to be expensed in the Income Statement as incurred. Wholly variable lease payments are also expensed as incurred. See note 12, Leases, for further information.

The adoption of IFRS 16 had a material impact on the Group's interim financial statements as follows:

- Right-of-use leased assets: increase of £297 million on transition at 1 April 2019;
- Lease creditors: increase of £294 million on transition at 1 April 2019;
- Adjusted operating profit: increase of £2.7 million in the period;
- Net finance cost: increase of £4.2 million in the period; and
- Adjusted earnings per share: decrease of 1.3 pence in the period.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

2. Accounting Policies (continued)

A reconciliation of the operating lease commitment previously reported under IAS 17 to the discounted lease creditor as at 1 April 2019 under IFRS 16 is as follows:

	As at 1 April 2019 £'000
Operating lease commitment under IAS 17	376,337
Contracts identified as leases under IFRS 16	25,509
Wholly variable leases not capitalised under IFRS 16	(29,749)
Commitments relating to low value leased assets and short-term leases	(5,017)
Existing IAS 17 finance leases	901
Impact of discounting	(72,940)
Discounted lease creditor under IFRS 16 as at 1 April 2019	<u>295,041</u>

Set out below is the new accounting policy of the Group upon adoption of IFRS 16, *Leases*:

The Group enters into leases for a range of assets, principally relating to property. These property leases have varying terms and renewal rights, including periodic rent reviews linked with indices. The Group also leases motor vehicles, plant, machinery and other equipment. The terms and conditions of these leases do not impose significant financial restrictions on the Group.

A contract contains a lease if it is enforceable and conveys the right to control the use of a specified asset for a period of time in exchange for consideration, which is assessed at inception. A right-of-use asset and lease creditor are recognised at the commencement date for contracts containing a lease, with the exception of leases with a term of 12 months or less, leases where the underlying asset is of low value and leases with associated payments that vary directly in line with usage or sales (such lease costs continue to be expensed in the Income Statement as incurred). The commencement date is the date at which the asset is made available for use by the Group.

The lease creditor is initially measured at the present value of the future minimum lease payments, discounted using the incremental borrowing rate over the remaining lease term. Lease payments include fixed payments, variable payments that are dependent on an index known at the commencement date, payments for an optional renewal period and termination option payments, if the Group is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Management applies judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised.

Incremental borrowing rates are calculated using a portfolio approach, based on the risk profile of the entity holding the lease and the term and currency of the lease.

After initial recognition, the lease creditor is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future minimum lease payments or when the Group changes its assessment of whether it is reasonably certain to exercise an option within the contract. A corresponding adjustment is made to the carrying amount of the right-of-use asset.

The right-of-use asset is initially measured at cost, which comprises the lease creditor adjusted for any payments made at or before the commencement date, initial direct costs incurred, lease incentives received and an estimate of the cost to dismantle or restore the underlying asset or the site on which it is located at the end of the lease term. The right-of-use asset is depreciated over the lease term and is tested periodically for impairment if an impairment indicator is considered to exist.

IFRIC 23 *Uncertainty over Income Tax Treatments*

This IFRIC clarifies the accounting for uncertainties in income taxes and is applied to the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. The adoption of this IFRIC has had an immaterial impact on the Group's interim financial statements.

The following changes to IFRS became effective for the Group during the period but did not result in material changes to the Group's consolidated financial statements:

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: *Plan amendment, curtailment or settlement*
- Amendments to IAS 28: *Long-term interests in associates and joint ventures*
- Amendments to IFRS 9: *Prepayment features with negative compensation*

The Group has not applied certain new standards, amendments and interpretations to existing standards that have been issued but are not yet effective. They are either not expected to have a material effect on the consolidated financial statements or they are not currently relevant for the Group.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

3. Going Concern

Having reassessed the principal risks facing the Group (as detailed on pages 17 to 20 of the 2019 Annual Report), the Directors believe that the Group is well placed to manage these risks successfully.

The Directors have a reasonable expectation that DCC plc, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the condensed interim financial statements.

4. Reporting Currency

The Group's financial statements are presented in sterling, denoted by the symbol '£'. Results and cash flows of operations based in non-sterling countries have been translated into sterling at average rates for the period, and the related balance sheets have been translated at the rates of exchange ruling at the balance sheet date. The principal exchange rates used for translation of results and balance sheets into sterling were as follows:

	Average rate			Closing rate		
	6 months ended	6 months ended	Year ended	6 months ended	6 months ended	Year ended
	30 Sept. 2019	30 Sept. 2018	31 March 2019	30 Sept. 2019	30 Sept. 2018	31 March 2019
	Stg£1=	Stg£1=	Stg£1=	Stg£1=	Stg£1=	Stg£1=
Euro	1.1265	1.1306	1.1319	1.1291	1.1270	1.1651
Danish Krone	8.4133	8.4245	8.4407	8.4297	8.4035	8.6977
Swedish Krona	11.9717	11.7550	11.7467	12.0761	11.6184	12.1146
Norwegian Krone	11.0116	10.8614	10.9172	11.1723	10.6689	11.2536
US Dollar	1.2620	1.3409	1.3184	1.2294	1.3046	1.3090
Hong Kong Dollar	9.8892	10.5233	10.3392	9.6385	10.2084	10.2755

5. Segmental Reporting

DCC is an international sales, marketing and support services group headquartered in Dublin, Ireland. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Mr. Donal Murphy, Chief Executive and his executive management team. The Group is organised into four operating segments: DCC LPG, DCC Retail & Oil, DCC Technology and DCC Healthcare.

DCC LPG is a leading liquefied petroleum gas ('LPG') sales and marketing business with presences in Europe, North America and Asia and a developing business in the retailing of natural gas and electricity in Europe.

DCC Retail & Oil is a leader in the sales, marketing and retailing of transport fuels and commercial fuels, heating oils and related products and services in Europe.

DCC Technology is a leading route-to-market and supply chain partner for global technology brands.

DCC Healthcare is a leading healthcare business, providing products and services to healthcare providers and health and beauty brand owners.

The chief operating decision maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit before amortisation of intangible assets and net operating exceptional items. Net finance costs and income tax are managed on a centralised basis and therefore these items are not allocated between operating segments for the purpose of presenting information to the chief operating decision maker and accordingly are not included in the detailed segmental analysis.

The consolidated total assets of the Group as at 30 September 2019 amounted to £7.6 billion. This figure was not materially different from the equivalent figure at 31 March 2019 and therefore the related segmental disclosure note has been omitted in accordance with IAS 34 *Interim Financial Reporting*. Intersegment revenue is not material and thus not subject to separate disclosure.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

5. Segmental Reporting (continued)

An analysis of the Group's performance by segment and geographic location is as follows:

(a) By operating segment

	Unaudited six months ended 30 September 2019				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Segment revenue	<u>685,934</u>	<u>4,542,944</u>	<u>1,795,538</u>	<u>287,305</u>	<u>7,311,721</u>
Adjusted operating profit	49,034	59,670	25,342	28,515	162,561
Amortisation of intangible assets	(15,932)	(5,286)	(9,436)	(2,010)	(32,664)
Net operating exceptionals (note 6)	<u>(4,075)</u>	<u>(969)</u>	<u>(4,526)</u>	<u>(35,759)</u>	<u>(45,329)</u>
Operating profit	<u>29,027</u>	<u>53,415</u>	<u>11,380</u>	<u>(9,254)</u>	<u>84,568</u>
	Unaudited six months ended 30 September 2018				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Segment revenue	<u>721,410</u>	<u>4,832,561</u>	<u>1,588,153</u>	<u>275,885</u>	<u>7,418,009</u>
Adjusted operating profit	40,915	56,288	17,767	26,948	141,918
Amortisation of intangible assets	(16,176)	(5,258)	(2,979)	(3,156)	(27,569)
Net operating exceptionals (note 6)	<u>(2,236)</u>	<u>(1,467)</u>	<u>(6,034)</u>	<u>(554)</u>	<u>(10,291)</u>
Operating profit	<u>22,503</u>	<u>49,563</u>	<u>8,754</u>	<u>23,238</u>	<u>104,058</u>
	Audited year ended 31 March 2019				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Segment revenue	<u>1,778,293</u>	<u>9,241,281</u>	<u>3,630,934</u>	<u>576,385</u>	<u>15,226,893</u>
Adjusted operating profit	201,826	133,731	64,638	60,327	460,522
Amortisation of intangible assets	(31,525)	(10,574)	(14,885)	(6,328)	(63,312)
Net operating exceptionals (note 6)	<u>(7,041)</u>	<u>(4,063)</u>	<u>(16,175)</u>	<u>(906)</u>	<u>(28,185)</u>
Operating profit	<u>163,260</u>	<u>119,094</u>	<u>33,578</u>	<u>53,093</u>	<u>369,025</u>

(b) By geography

The Group has a presence in 20 countries worldwide. The following represents a geographical revenue analysis about the country of domicile (Republic of Ireland) and countries with material revenue.

	Unaudited 6 months ended 30 Sept. 2019 £'000	Unaudited 6 months ended 30 Sept. 2018 £'000	Audited year ended 31 March 2019 £'000
Republic of Ireland	391,597	420,661	849,795
United Kingdom	3,345,739	3,559,461	7,345,634
France	1,403,076	1,401,882	2,958,479
Other	2,171,309	2,036,005	4,072,985
	<u>7,311,721</u>	<u>7,418,009</u>	<u>15,226,893</u>

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

5. Segmental Reporting (continued)

(c) Disaggregation of revenue

The following table disaggregates revenue by primary geographical market, major revenue lines and timing of revenue recognition. The economic factors within each geographic region which affect the nature, amount, timing and uncertainty of revenue and cash flows within sub categories of LPG, retail & oil and technology products and services are similar. DCC Healthcare revenues have been further disaggregated into two product sub categories reflecting the different economic factors affecting those sub categories.

	Unaudited six months ended 30 September 2019				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Republic of Ireland (country of domicile)	48,715	176,163	120,392	46,327	391,597
United Kingdom	117,141	1,974,964	1,036,101	217,533	3,345,739
France	344,124	947,051	111,901	-	1,403,076
Other	175,954	1,444,766	527,144	23,445	2,171,309
	685,934	4,542,944	1,795,538	287,305	7,311,721
Products transferred at point in time	685,934	4,542,944	1,795,538	287,305	7,311,721
Products transferred over time	-	-	-	-	-
	685,934	4,542,944	1,795,538	287,305	7,311,721
LPG and related products	685,934	-	-	-	685,934
Oil and related products	-	4,542,944	-	-	4,542,944
Technology products and services	-	-	1,795,538	-	1,795,538
Medical and pharmaceutical products	-	-	-	171,666	171,666
Nutrition and health & beauty products	-	-	-	115,639	115,639
	685,934	4,542,944	1,795,538	287,305	7,311,721

	Unaudited six months ended 30 September 2018				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Republic of Ireland (country of domicile)	53,009	166,802	159,525	41,325	420,661
United Kingdom	119,415	2,131,002	1,095,321	213,723	3,559,461
France	354,263	955,507	92,112	-	1,401,882
Other	194,723	1,579,250	241,195	20,837	2,036,005
	721,410	4,832,561	1,588,153	275,885	7,418,009
Products transferred at point in time	721,410	4,832,561	1,588,153	275,885	7,418,009
Products transferred over time	-	-	-	-	-
	721,410	4,832,561	1,588,153	275,885	7,418,009
LPG and related products	721,410	-	-	-	721,410
Oil and related products	-	4,832,561	-	-	4,832,561
Technology products and services	-	-	1,588,153	-	1,588,153
Medical and pharmaceutical products	-	-	-	166,813	166,813
Nutrition and health & beauty products	-	-	-	109,072	109,072
	721,410	4,832,561	1,588,153	275,885	7,418,009

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

5. Segmental Reporting (continued)

(c) Disaggregation of revenue (continued)

	Audited year ended 31 March 2019				
	DCC LPG £'000	DCC Retail & Oil £'000	DCC Technology £'000	DCC Healthcare £'000	Total £'000
Republic of Ireland (country of domicile)	128,086	365,814	268,795	87,100	849,795
United Kingdom	298,731	4,125,047	2,477,365	444,491	7,345,634
France	911,829	1,835,326	211,324	-	2,958,479
Other	439,647	2,915,094	673,450	44,794	4,072,985
	<u>1,778,293</u>	<u>9,241,281</u>	<u>3,630,934</u>	<u>576,385</u>	<u>15,226,893</u>
Products transferred at point in time	1,778,293	9,241,281	3,630,934	576,385	15,226,893
Products transferred over time	-	-	-	-	-
	<u>1,778,293</u>	<u>9,241,281</u>	<u>3,630,934</u>	<u>576,385</u>	<u>15,226,893</u>
LPG and related products	1,778,293	-	-	-	1,778,293
Oil and related products	-	9,241,281	-	-	9,241,281
Technology products and services	-	-	3,630,934	-	3,630,934
Medical and pharmaceutical products	-	-	-	344,955	344,955
Nutrition and health & beauty products	-	-	-	231,430	231,430
	<u>1,778,293</u>	<u>9,241,281</u>	<u>3,630,934</u>	<u>576,385</u>	<u>15,226,893</u>

6. Exceptionals

	Unaudited 6 months ended 30 Sept. 2019 £'000	Unaudited 6 months ended 30 Sept. 2018 £'000	Audited year ended 31 March 2019 £'000
Restructuring costs	(6,233)	(5,124)	(19,430)
Acquisition and related costs	(4,939)	(5,123)	(9,564)
Loss on disposal	(34,265)	-	-
Adjustments to contingent acquisition consideration	211	49	1,727
Other operating exceptional items	(103)	(93)	(918)
Net operating exceptional items	<u>(45,329)</u>	<u>(10,291)</u>	<u>(28,185)</u>
Mark to market of swaps and related debt	(371)	3,974	4,307
Net exceptional items before taxation	<u>(45,700)</u>	<u>(6,317)</u>	<u>(23,878)</u>
Deferred tax	44	(628)	(685)
Net exceptional items after taxation	<u>(45,656)</u>	<u>(6,945)</u>	<u>(24,563)</u>
Non-controlling interest share of net exceptional items after taxation	39	-	-
Net exceptional items attributable to owners of the Parent Company	<u>(45,617)</u>	<u>(6,945)</u>	<u>(24,563)</u>

In September 2019, DCC Healthcare completed the disposal of DCC Vital's UK generic pharma activities and related manufacturing facility in Ireland (Kent Pharma and Athlone Laboratories). The disposal sharpens the strategic focus of DCC Vital, allowing it to concentrate on those areas where it has market-leading positions and sustainable competitive advantage, in particular in the sales, marketing and distribution of medical products in Britain and Ireland. Whilst part of the DCC Group, the cashflows generated by the disposed business more than recovered its acquisition cost, however, the transaction will result in a loss on disposal of £34.265 million, principally representing a non-cash impairment of the goodwill recognised on the initial acquisition of the business.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

6. Exceptionals (continued)

Restructuring and integration costs of £6.233 million principally comprise the ongoing dual running costs relating to the UK SAP implementation which is live in an element of the UK business and to which the remaining components of the business will transition on a phased basis shortly following the end of the financial year. It also includes a restructuring charge relating to the LPG business in Britain, following acquisition activity (including the acquisition of Countrywide and a number of small dealers) in prior periods.

Acquisition and related costs include the professional fees and tax costs (such as stamp duty) relating to the evaluation and/or completion of acquisition opportunities and amounted to £4.939 million.

Most of the Group's debt has been raised in the US private placement market and swapped, where appropriate, using long-term interest and cross currency interest rate derivatives, to both fixed and floating rate sterling and euro. The level of ineffectiveness calculated under IAS 39 on the fair value and cash flow hedge relationships is charged or credited as an exceptional item. In the six months ended 30 September 2019, this amounted to an exceptional non-cash charge of £0.371 million. Following this charge, the cumulative net exceptional charge taken in respect of the Group's outstanding US private placement debt and related hedging instruments is £1.6 million. This, and any subsequent similar non-cash charges or gains, will net to zero over the remaining term of this debt and the related hedging instruments.

7. Taxation

The taxation expense for the interim period is based on management's best estimate of the weighted average tax rate that is expected to be applicable for the full year. The Group's effective tax rate for the period was 17% (six months ended 30 September 2018: 17% and year ended 31 March 2019: 17%).

8. Earnings per Ordinary Share

	Unaudited 6 months ended 30 Sept. 2019 £'000	Unaudited 6 months ended 30 Sept. 2018 £'000	Audited year ended 31 March 2019 £'000
Profit attributable to owners of the Parent	37,687	68,002	262,593
Amortisation of intangible assets after tax	25,050	20,647	48,565
Exceptionals after tax	45,617	6,945	24,563
Adjusted profit after taxation and non-controlling interests	<u>108,354</u>	<u>95,594</u>	<u>335,721</u>

Basic earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares. The adjusted figures for basic earnings per ordinary share (a non-GAAP financial measure) are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and net exceptionals.

	Unaudited 6 months ended 30 Sept. 2019 pence	Unaudited 6 months ended 30 Sept. 2018 pence	Audited year ended 31 March 2019 pence
Basic earnings per ordinary share	38.34p	76.15p	280.14p
Amortisation of intangible assets after tax	25.48p	23.12p	51.81p
Exceptionals after tax	46.40p	7.78p	26.21p
Adjusted basic earnings per ordinary share	<u>110.22p</u>	<u>107.05p</u>	<u>358.16p</u>
Weighted average number of ordinary shares in issue (thousands)	<u>98,306</u>	<u>89,297</u>	<u>93,736</u>

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

8. Earnings per Ordinary Share (continued)

Diluted earnings per ordinary share

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options and awards are the Company's only category of dilutive potential ordinary shares. Employee share options and awards, which are performance-based, are treated as contingently issuable shares because their issue is contingent upon satisfaction of specified performance conditions in addition to the passage of time. These contingently issuable shares are excluded from the computation of diluted earnings per ordinary share where the conditions governing exercisability would not have been satisfied as at the end of the reporting period if that were the end of the vesting period.

The adjusted figures for diluted earnings per ordinary share (a non-GAAP financial measure) are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and net exceptionals.

	Unaudited 6 months ended 30 Sept. 2019 pence	Unaudited 6 months ended 30 Sept. 2018 pence	Audited year ended 31 March 2019 pence
Diluted earnings per ordinary share	38.26p	76.02p	279.73p
Amortisation of intangible assets after tax	25.43p	23.08p	51.73p
Exceptionals after tax	46.30p	7.77p	26.17p
Adjusted diluted earnings per ordinary share	<u>109.99p</u>	<u>106.87p</u>	<u>357.63p</u>
Weighted average number of ordinary shares in issue (dilutive, thousands)	<u>98,514</u>	<u>89,451</u>	<u>93,874</u>

The earnings used for the purposes of the diluted earnings per ordinary share calculations were £37.687 million (six months ended 30 September 2018: £68.002 million) and £108.354 million (six months ended 30 September 2018: £95.594 million) for the purposes of the adjusted diluted earnings per ordinary share calculations. The weighted average number of ordinary shares used in calculating the diluted earnings per ordinary share for the six months ended 30 September 2019 was 98.514 million (six months ended 30 September 2018: 89.451 million). A reconciliation of the weighted average number of ordinary shares used for the purposes of calculating the diluted earnings per ordinary share amounts is as follows:

	Unaudited 6 months ended 30 Sept. 2019 '000	Unaudited 6 months ended 30 Sept. 2018 '000	Audited year ended 31 March 2019 '000
Weighted average number of ordinary shares in issue	98,306	89,297	93,736
Dilutive effect of options and awards	208	154	138
Weighted average number of ordinary shares for diluted earnings per share	<u>98,514</u>	<u>89,451</u>	<u>93,874</u>

9. Dividends

	Unaudited 6 months ended 30 Sept. 2019 £'000	Unaudited 6 months ended 30 Sept. 2018 £'000	Audited year ended 31 March 2019 £'000
Interim - paid 44.98 pence per share on 12 December 2018	-	-	43,853
Final - paid 93.37 pence per share on 18 July 2019 (paid 82.09 pence per share on 19 July 2018)	<u>90,971</u>	<u>73,192</u>	<u>73,108</u>
	<u>90,971</u>	<u>73,192</u>	<u>116,961</u>

On 11 November 2019, the Board approved an interim dividend of 49.48p pence per share (£48.662 million). These condensed interim financial statements do not reflect this dividend payable.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

10. Other Reserves

For the six months ended 30 September 2019

	Share based payment reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Total £'000
At 1 April 2019	28,706	(14,887)	107,722	932	122,473
Currency translation	-	-	42,393	-	42,393
Movements relating to cash flow hedges	-	(9,702)	-	-	(9,702)
Movement in deferred tax liability on cash flow hedges	-	1,650	-	-	1,650
Share based payment	3,686	-	-	-	3,686
At 30 September 2019	32,392	(22,939)	150,115	932	160,500

For the six months ended 30 September 2018

	Share based payment reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Total £'000
At 1 April 2018	22,883	(16,178)	101,096	932	108,733
Currency translation	-	-	37,512	-	37,512
Movements relating to cash flow hedges	-	26,532	-	-	26,532
Movement in deferred tax liability on cash flow hedges	-	(4,510)	-	-	(4,510)
Share based payment	2,432	-	-	-	2,432
At 30 September 2018	25,315	5,844	138,608	932	170,699

For the year ended 31 March 2019

	Share based payment reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Other reserves £'000	Total £'000
At 1 April 2018	22,883	(16,178)	101,096	932	108,733
Currency translation	-	-	6,626	-	6,626
Movements relating to cash flow hedges	-	1,555	-	-	1,555
Movement in deferred tax liability on cash flow hedges	-	(264)	-	-	(264)
Share based payment	5,823	-	-	-	5,823
At 31 March 2019	28,706	(14,887)	107,722	932	122,473

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

11. Analysis of Net Debt

	Unaudited 30 Sept. 2019 £'000	Unaudited 30 Sept. 2018 £'000	Audited 31 March 2019 £'000
Non-current assets:			
Derivative financial instruments	209,049	119,661	143,554
Current assets:			
Derivative financial instruments	42,331	78,232	67,987
Cash and cash equivalents	1,675,517	977,571	1,554,093
	<u>1,717,848</u>	<u>1,055,803</u>	<u>1,622,080</u>
Non-current liabilities:			
Derivative financial instruments	(2,187)	(7,489)	(1,122)
Unsecured Notes	(1,849,457)	(1,547,012)	(1,441,904)
	<u>(1,851,644)</u>	<u>(1,554,501)</u>	<u>(1,443,026)</u>
Current liabilities:			
Derivative financial instruments	(21,985)	(12,726)	(9,008)
Bank overdrafts	(104,976)	(108,460)	(88,065)
Bank borrowings	-	(206,960)	-
Unsecured Notes	(193,626)	(123,164)	(243,059)
	<u>(320,587)</u>	<u>(451,310)</u>	<u>(340,132)</u>
Net debt (excluding lease creditors)	<u>(245,334)</u>	<u>(830,347)</u>	<u>(17,524)</u>
Lease creditors - non-current*	(232,770)	(1,462)	(452)
Lease creditors - current*	(53,640)	(547)	(449)
Total lease creditors	<u>(286,410)</u>	<u>(2,009)</u>	<u>(901)</u>
Net debt (including lease creditors)	<u>(531,744)</u>	<u>(832,356)</u>	<u>(18,425)</u>

*Lease creditors at 30 September 2018 and 31 March 2019 represent amounts previously disclosed as 'finance leases'.

An analysis of the maturity profile of the Group's net debt (including lease creditors) at 30 September 2019 is as follows:

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total £'000
At 30 September 2019					
Cash and short-term deposits	1,675,517	-	-	-	1,675,517
Overdrafts	(104,976)	-	-	-	(104,976)
Cash and cash equivalents	1,570,541	-	-	-	1,570,541
Unsecured Notes	(193,626)	(116,631)	(691,878)	(1,040,948)	(2,043,083)
Derivative financial instruments - Unsecured Notes	38,375	17,537	132,531	58,974	247,417
Derivative financial instruments - other	(18,029)	(2,180)	-	-	(20,209)
Net debt (excluding lease creditors)	<u>1,397,261</u>	<u>(101,274)</u>	<u>(559,347)</u>	<u>(981,974)</u>	<u>(245,334)</u>
Lease creditors	(53,640)	(40,297)	(76,884)	(115,589)	(286,410)
Net debt (including lease creditors)	<u>1,343,621</u>	<u>(141,571)</u>	<u>(636,231)</u>	<u>(1,097,563)</u>	<u>(531,744)</u>

The Group's Unsecured Notes fall due between 24 March 2020 and 4 April 2034 with an average maturity of 6.2 years at 30 September 2019. The full fair value of a hedging derivative is allocated to the time period corresponding to the maturity of the hedged item.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

12. Leases

The Group adopted IFRS 16 *Leases* with effect from 1 April 2019. At the date of transition, the Group calculated the lease commitments outstanding at that date and applied appropriate discount rates to calculate the present value of the lease commitment which was recognised as a lease creditor and a right-of-use leased asset on the Group's Balance Sheet.

The movement in the Group's right-of-use leased assets during the period is as follows:

	Land and buildings £'000	Motor vehicles £'000	Plant, machinery & other £'000	Total £'000
At 1 April 2019, net carrying amount	-	-	-	-
Effect of adopting IFRS 16	240,413	53,425	2,968	296,806
Translation adjustment	3,806	972	54	4,832
Net additions	8,346	2,472	137	10,955
Arising on acquisition	3,346	-	-	3,346
Depreciation charge for the period	(17,386)	(12,291)	(300)	(29,977)
At 30 September 2019, net carrying amount	238,525	44,578	2,859	285,962

The movement in the Group's lease creditors during the period is as follows:

	£'000
At 1 April 2019	901
Effect of adopting IFRS 16	294,140
Translation adjustment and other	4,633
Net additions of right-of-use assets	10,955
Arising on acquisition	3,346
Payments	(31,818)
Discount unwinding	4,253
At 30 September 2019	286,410

An analysis of the maturity profile of the discounted lease creditor arising from the Group's leasing activities as at 30 September 2019 is as follows:

	Unaudited 30 Sept. 2019 £'000
Within one year	53,640
Between one and two years	40,297
Between two and five years	76,884
Over 5 years	115,589
Total	286,410
Analysed as:	
Non-current liabilities	232,770
Current liabilities	53,640
	286,410

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

12. Leases (continued)

The Group avails of the exemption from capitalising lease costs for short-term leases and low-value assets where the relevant criteria are met. Wholly variable lease payments directly linked to sales or usage are also expensed as incurred. The following lease costs have been charged to the Income Statement as incurred:

	Unaudited 6 months ended 30 Sept. 2019 £'000
Short-term leases	3,031
Leases of low value assets	52
Wholly variable lease payments	2,938
Total	<u>6,021</u>

The total cash outflow for lease payments during the period was as follows:

Cash outflow for short-term leases, leases of low value assets and wholly variable lease payments	6,021
Lease payments relating to capitalised right-of-use leased assets	31,818
Total cash outflow for lease payments	<u>37,839</u>

Lease commitments for short-term leases are similar to the portfolio of short-term leases for which costs were expensed to the Income Statement. The effect of excluding future cash outflows arising from variable lease payments, termination options, residual value guarantees, and leases not yet commenced from lease creditors was not material for the Group. Income from subleasing and gains/losses on sales and leaseback transaction were not material for the Group.

13. Post Employment Benefit Obligations

The Group's defined benefit pension schemes' assets were measured at fair value at 30 September 2019. The defined benefit pension schemes' liabilities at 30 September 2019 were updated to reflect material movements in underlying assumptions.

The Group's post employment benefit obligations moved from a net asset of £1.397 million at 31 March 2019 to a net deficit of £3.200 million at 30 September 2019. This movement was primarily driven by an actuarial loss on liabilities arising from a decrease in the discount rates used to value these liabilities.

The following actuarial assumptions have been made in determining the Group's retirement benefit obligation for the six months ended 30 September 2019:

	Unaudited 6 months ended 30 Sept. 2019	Unaudited 6 months ended 30 Sept. 2018	Audited year ended 31 March 2019
Discount rate			
- Republic of Ireland	1.05%	2.20%	1.75%
- United Kingdom	1.85%	2.80%	2.50%
- Germany	<u>1.05%</u>	<u>2.20%</u>	<u>1.75%</u>

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

14. Business Combinations

A key strategy of the Group is to create and sustain market leadership positions through acquisitions in markets it currently operates in, together with extending the Group's footprint into new geographic markets. In line with this strategy, the principal acquisitions completed by the Group during the period, together with percentages acquired, were as follows:

- The acquisition by DCC LPG in April 2019 of 100% of Pacific Coast Energy, an LPG distribution business operating in the north-west of the US;
- The acquisition by DCC Technology in June 2019 of 75% of Amacom Holding BV ('Amacom'). Amacom is a leading distributor of consumer electronics, AV and IT products, primarily to the retail and e-tail sectors in the Netherlands; and
- The acquisition by DCC Technology in July 2019 of 100% of Comm-Tec GmbH ('Comm-Tec'). Comm-Tec is a leading value-added distributor of Pro AV and IT products to system integrators and resellers across Germany, Austria, Switzerland, Italy and Spain.

The acquisition data presented below reflects the fair value of the identifiable net assets acquired (excluding cash and cash equivalents acquired) in respect of acquisitions completed during the six months ended 30 September 2019.

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000
Assets		
Non-current assets		
Property, plant and equipment	10,892	13,894
Right-of-use leased assets	3,346	-
Equity accounted investments	1,802	-
Total non-current assets	16,040	13,894
Current assets		
Inventories	30,237	105,207
Trade and other receivables	40,442	139,044
Total current assets	70,679	244,251
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	(104)	(447)
Lease creditors	(2,494)	-
Provisions for liabilities and charges	(76)	(2,128)
Total non-current liabilities	(2,674)	(2,575)
Current liabilities		
Trade and other payables	(38,653)	(119,376)
Current income tax (liability)/asset	(84)	233
Lease creditors	(852)	-
Government grants	-	(147)
Total current liabilities	(39,589)	(119,290)
Identifiable net assets acquired	44,456	136,280
Intangible assets - goodwill	72,534	146,318
Total consideration	116,990	282,598
Satisfied by:		
Cash	81,226	256,796
Cash and cash equivalents acquired	12,632	(7,537)
Net cash outflow	93,858	249,259
Acquisition related liabilities	23,132	33,339
Total consideration	116,990	282,598

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

14. Business Combinations (continued)

None of the business combinations completed during the period were considered sufficiently material to warrant separate disclosure of the fair values attributable to those combinations.

There were no adjustments made to the carrying amounts of assets and liabilities acquired in arriving at their fair values. The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of a number of the business combinations above given the timing of closure of these transactions. Any amendments to these fair values within the twelve-month timeframe from the date of acquisition will be disclosable in the Group's condensed interim financial statements for the six months ending 30 September 2020 as stipulated by IFRS 3.

The principal factors contributing to the recognition of goodwill on business combinations entered into by the Group are the expected profitability of the acquired business and the realisation of cost savings and synergies with existing Group entities.

Acquisition and related costs included in other operating expenses in the Group Income Statement amounted to £4.939 million (six months ended 30 September 2018: £5.123 million).

No contingent liabilities were recognised on the acquisitions completed during the financial period or the prior financial years.

The gross contractual value of trade and other receivables as at the respective dates of acquisition amounted to £40.608 million. The fair value of these receivables is £40.442 million (all of which is expected to be recoverable).

Approximately £26.3 million of the goodwill recognised in respect of acquisitions completed during the period is expected to be deductible for tax purposes.

The fair value of contingent consideration recognised at the date of acquisition is calculated by discounting the expected future payment to present value at the acquisition date. In general, for contingent consideration to become payable, pre-defined profit thresholds must be exceeded. On an undiscounted basis, the future payments for which the Group may be liable for acquisitions completed during the period range from nil to £46.0 million.

The acquisitions during the period contributed £77.9 million to revenues and £2.9 million to profit after tax. Had all the business combinations effected during the period occurred at the beginning of the period, total Group revenue for the six months ended 30 September 2019 would have been £7,365.7 million and total Group profit after tax would have been £43.3 million.

15. Seasonality of Operations

The Group's operations are significantly second-half weighted primarily due to a portion of the demand for DCC's LPG and Retail & Oil products being weather dependent and seasonal buying patterns in DCC Technology.

16. Related Party Transactions

There have been no related party transactions or changes in the nature and scale of the related party transactions described in the 2019 Annual Report that could have had a material impact on the financial position or performance of the Group in the six months ended 30 September 2019.

Notes to the Condensed Financial Statements

for the six months ended 30 September 2019

17. Events after the Balance Sheet Date

In November 2019, DCC Healthcare acquired Ion Laboratories, Inc, a Florida-based contract manufacturer of nutritional products for an enterprise value of approximately US\$60 million. An initial assignment of fair values to identifiable net assets acquired has not been completed given the timing of the closure of this transaction.

18. Board Approval

This report was approved by the Board of Directors of DCC plc on 11 November 2019.

19. Distribution of Interim Report

This report and further information on DCC is available at the Company's website www.dcc.ie. A printed copy is available to the public at the Company's registered office at DCC House, Leopardstown Road, Foxrock, Dublin 18, Ireland.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU; and
- the interim management report includes a fair review of the information required by:
 - Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

John Moloney
Chairman

Donal Murphy
Chief Executive

11 November 2019

Supplementary Financial Information

Alternative Performance Measures

The Group reports certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards ('IFRS') which represent the generally accepted accounting principles ('GAAP') under which the Group reports. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with our IFRS financial information, provides investors with a more meaningful understanding of the underlying financial and operating performance of the Group and its divisions.

These APMs are primarily used for the following purposes:

- to evaluate the historical and planned underlying results of our operations;
- to set director and management remuneration; and
- to discuss and explain the Group's performance with the investment analyst community.

None of the APMs should be considered as an alternative to financial measures derived in accordance with GAAP. The APMs can have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP. These performance measures may not be calculated uniformly by all companies and therefore may not be directly comparable with similarly titled measures and disclosures of other companies.

The principal APMs used by the Group, together with reconciliations where the non-GAAP measures are not readily identifiable from the financial statements, are as follows:

Adjusted operating profit ('EBITA')

Definition

This comprises operating profit as reported in the Group Income Statement before net operating exceptional items and amortisation of intangible assets. Net operating exceptional items and amortisation of intangible assets are excluded in order to assess the underlying performance of our operations. In addition, neither metric forms part of Director or management remuneration targets.

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000	Year ended 31 March 2019 £'000
Operating profit	84,568	104,058	369,025
Net operating exceptional items	45,329	10,291	28,185
Amortisation of intangible assets	32,664	27,569	63,312
Adjusted operating profit ('EBITA')	162,561	141,918	460,522

Net interest

Definition

The Group defines net interest as the net total of finance costs and finance income before interest related exceptional items as presented in the Group Income Statement.

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000	Year ended 31 March 2019 £'000
Finance costs before exceptional items	(49,427)	(40,122)	(83,595)
Finance income before exceptional items	22,324	17,720	36,980
Net interest	(27,103)	(22,402)	(46,615)

Supplementary Financial Information

Alternative Performance Measures (continued)

Constant currency

Definition

The translation of foreign denominated earnings can be impacted by movements in foreign exchange rates versus sterling, the Group's presentation currency. In order to present a better reflection of underlying performance in the period, the Group retranslates foreign denominated current year earnings at prior year exchange rates.

	6 months ended 30 Sept. 2019 £'000	Restated 6 months ended 30 Sept. 2018 £'000
Calculation: Revenue - constant currency		
Revenue	7,311,721	7,418,009
Currency impact	(18,446)	-
Revenue - constant currency	7,293,275	7,418,009

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000
Calculation: Adjusted operating profit - constant currency		
Adjusted operating profit	162,561	141,918
Currency impact	(1,268)	-
Adjusted operating profit - constant currency	161,293	141,918

Effective tax rate

Definition

The Group's effective tax rate expresses the income tax expense before exceptionals and deferred tax attaching to the amortisation of intangible assets as a percentage of EBITA less net interest.

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000	Year ended 31 March 2019 £'000
Adjusted operating profit	162,561	141,918	460,522
Net interest	(27,103)	(22,402)	(46,615)
Earnings before taxation	135,458	119,516	413,907
Income tax expense	15,370	14,024	56,302
Exceptional deferred tax	44	(628)	(685)
Deferred tax attaching to amortisation of intangible assets	7,614	6,922	14,747
Total income tax expense before exceptionals and deferred tax attaching to amortisation of intangible assets	23,028	20,318	70,364
Effective tax rate (%)	17.0%	17.0%	17.0%

Supplementary Financial Information

Alternative Performance Measures (continued)

Net capital expenditure

Definition

Net capital expenditure comprises purchases of property, plant and equipment, proceeds from the disposal of property, plant and equipment and government grants received in relation to property, plant and equipment.

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000	Year ended 31 March 2019 £'000
Purchase of property, plant and equipment	91,984	86,341	182,311
Proceeds from disposal of property, plant and equipment	(4,282)	(4,252)	(8,810)
Net capital expenditure	87,702	82,089	173,501

Free cash flow

Definition

Free cash flow is defined by the Group as cash generated from operations before exceptional items as reported in the Group Cash Flow Statement after repayment of lease creditors and net capital expenditure. Following the adoption of IFRS 16, *Leases*, the Group has redefined 'free cash flow' to include repayment of lease creditors which ensures that the Group's reported free cash flow is consistent with those measures previously reported and consequently the comparative measures have not been restated.

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000	Year ended 31 March 2019 £'000
Cash generated from operations before exceptionals	149,903	173,219	607,505
Repayment of lease creditors	(31,818)	-	-
Net capital expenditure	(87,702)	(82,089)	(173,501)
Free cash flow	30,383	91,130	434,004

Free cash flow (after interest and tax payments)

Definition

Free cash flow (after interest and tax payments) is defined by the Group as free cash flow after interest paid (excluding interest relating to lease creditors), income tax paid, dividends received from equity accounted investments and interest received. As noted in the definition of free cash flow, interest amounts relating to the repayment of lease creditors has been deducted in arriving at the Group's free cash flow and are therefore excluded from the interest paid figure in arriving at the Group's free cash flow (after interest and tax payments).

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000	Year ended 31 March 2019 £'000
Free cash flow	30,383	91,130	434,004
Interest paid (excluding interest relating to lease creditors)	(37,624)	(39,142)	(78,031)
Income tax paid	(30,221)	(12,780)	(34,500)
Dividends received from equity accounted investments	-	-	420
Interest received	21,890	17,715	34,831
Free cash flow (after interest and tax payments)	(15,572)	56,923	356,724

Supplementary Financial Information

Alternative Performance Measures (continued)

Committed acquisition expenditure

Definition

The Group defines committed acquisition expenditure as the total acquisition cost of subsidiaries as presented in the Group Cash Flow Statement (excluding amounts related to acquisitions which were committed to in previous years) and future acquisition related liabilities for acquisitions committed to during the period.

	6 months ended 30 Sept. 2019 £'000	6 months ended 30 Sept. 2018 £'000	Year ended 31 March 2019 £'000
Net cash outflow on acquisitions during the period	93,858	249,259	266,525
Net cash outflow on acquisitions which were committed to in the previous period	(75,245)	(10,488)	(14,750)
Acquisition related liabilities arising on acquisitions during the period	23,132	33,339	29,946
Acquisition related liabilities which were committed to in the previous period	(20,359)	(7,171)	(4,099)
Amounts committed in the current period	54,278	7,000	90,700
Committed acquisition expenditure	75,664	271,939	368,322

Net working capital

Definition

Net working capital represents the net total of inventories, trade and other receivables (excluding interest receivable), and trade and other payables (excluding interest payable, amounts due in respect of property, plant and equipment and current government grants).

	As at 30 Sept. 2019 £'000	As at 30 Sept. 2018 £'000	As at 31 March 2019 £'000
Inventories	736,480	728,648	678,006
Trade and other receivables	1,471,835	1,459,337	1,517,507
Less: interest receivable	(631)	(134)	(193)
Trade and other payables	(2,112,083)	(2,134,197)	(2,218,838)
Less: interest payable	12,335	4,403	5,058
Less: amounts due in respect of property, plant and equipment	2,192	1,912	2,831
Less: government grants	11	11	11
Net working capital	110,139	59,980	(15,618)

Working capital (days)

Definition

Working capital days measures how long it takes in days for the Group to convert working capital into revenue.

	As at 30 Sept. 2019 £'000	As at 30 Sept. 2018 £'000	As at 31 March 2019 £'000
Net working capital	110,139	59,980	(15,618)
September/March revenue	1,374,838	1,438,866	1,343,551
Working capital (days)	2.4 days	1.3 days	(0.4 days)