9 December 2021

DS SMITH PLC – 2021/22 HALF YEAR RESULTS

Strong H1 results underpinning momentum

6 months to 31 October 2021 *Continuing operations*		Change (reported)	Change (constant currency)
Revenue	£3,362m	+16%	+22%
Adjusted operating profit(1)	£276m	+20%	+26%
Profit before tax	£175m	+80%	+88%
Adjusted basic EPS(1)	13.7p	+27%	+33%
Statutory basic EPS	9.8p	+81%	+92%
Interim dividend per share	4.8p	+20%	+20%
Return on sales(4)	8.2%	+20bps	+30bps
ROACE(5)	9.4%	+70bps	+60bps

See notes to the financial table below

Miles Roberts, Group Chief Executive, said:

"We are continuing to benefit from a very dynamic market with demand for packaging for different retail solutions evolving rapidly and COP26 intensifying the desire for sustainable packaging solutions for the circular economy. Our leadership in these areas has contributed to record volumes with particularly strong growth in the US and Southern Europe regions, where we have invested recently, as well as with our multi-national FMCG customers.

In a challenging operating environment, I am pleased to see good progress. Our supply chains have remained secure and the significant increases in input costs have been mitigated by effective hedging of energy cost, our long term supplier agreements and raising packaging prices. Combined with strong volume growth this has significantly increased our profit with continuing good progress recovering from the impacts of Covid-19. Strong cash generation has returned our financial leverage to within our medium-term target.

We have built a business to benefit from the significant structural growth drivers within fibre based corrugated packaging. These benefits, combined with our scale, geographic footprint, sustainability and innovation focus, position us very well for continued volume and market share growth. Together with pricing momentum, this underpins our confidence to deliver a significant improvement in profitability during the second half of this year in line with our expectations and towards our medium-term targets."

Highlights

- Record corrugated box volume growth of 9.4% vs H1 2020/21; 8.8%(2) LTM
- Strong pricing mitigating significant input cost pressures
- Good US momentum; +64% adjusted operating profit growth
- Good free cash flow of £188m driving leverage to 1.9x net debt/EBITDA
- Continued leadership in the circular economy and sustainability
- Investing for growth with innovation and increasing packaging capacity
    - 2 new state of the art facilities on track
- Positive outlook for continued growth over remainder of the financial year

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Presentation and dial-in details
There will be a webcast audio presentation at 9:00am with the slides of the half year results, followed by a live Q&A.

To access the webcast, please register here. A copy of the slides presented will also be available on the Group's website, https://www.dssmith.com/investors/results-and-presentations shortly before the start of the presentation.

If you would like to ask a question at the end of the webcast, then you will need to dial into the associated conference call using the following details. Please dial in 15 minutes before the start of the webcast to allow for registration.

Standard International Access: +44 (0) 33 0551 0200
UK Toll Free: 0808 109 0700
Password: DS Smith

An audio file and transcript will also be available on
https://www.dssmith.com/investors/results-and-presentations

Unless otherwise stated, all commentary and comparable analysis in the overview and operating review relates to the continuing operations of the Group, on a constant currency basis.

Summary

Strong organic growth

The period has seen sustained strong demand with organic corrugated box volumes growing by 9.4 per cent vs HY 2020/21 and 8.8 per cent over the last 12 months, reflecting continued growth in the resilient FMCG sector, which represents over 80 per cent of our volume, together with a recovery in the industrial sector. In a challenging supply chain environment, our large scale, security of supply and high service levels have driven ongoing gains with large multinational customers. Regionally, we have grown in all areas, with the US and Southern Europe performing especially well.

For the first 6 months, revenues grew strongly by 22 per cent, driven by packaging volume growth and higher selling prices across the Group. External paper and recycling revenues increased as higher pricing more than offset reduced volumes sold externally as we utilised a greater proportion of our paper production internally to satisfy the growth in our packaging volumes.

Raw material, energy and transportation input costs all rose significantly over the comparative period. However, these were mitigated by effective supplier arrangements, long term hedging positions and rising packaging selling prices.

Volume growth combined with increased packaging selling prices, partly offset by the increased input costs resulted in adjusted operating profit growing by 26 per cent to £276 million. The US performed well with profits up 64 per cent to £36 million. Corrugated box volume growth contributed £52 million, with higher box pricing of £432 million offsetting input cost increases of £427 million. Group return on sales grew to 8.2 per cent (2020/21: 8.0 per cent) reflecting the growth in profitability offsetting the dilutive effect of higher cost and selling prices. The momentum in the business gives confidence in an acceleration of margin growth to our medium-term target of 10–12 per cent.

Basic earnings per share from continuing operations grew 92 per cent on a constant currency basis to 9.8 pence. Adjusted basic earnings per share of 13.7 pence grew by 33 per cent compared to the prior period on a constant currency basis, reflecting the growth in profitability.

Return on average capital employed was up 60 bps to 9.4 per cent, principally reflecting the growth in adjusted operating profit for the prior 12 months. The improving trend in profitability combined with the improving returns from recent acquisitions and investments, gives us confidence in progression to our medium-term ROACE target of 12-15 per cent.

Strong cash generation and investing for growth
Cash generation remains strong, driven by enhanced profitability and good working capital management. The net debt/EBITDA ratio at 31 October 2021 of 1.9 times is in line with our medium-term target of at or lower than 2.0 times. We recently completed the sale of our non-core De Hoop paper mill; the proceeds will contribute towards the investment in our previously announced additional packaging manufacturing sites in Italy and Poland. Progress in construction remains on track with operations due to start in Q4 of this financial year and more than 50 per cent of the capacity for the plants already committed to by customers.

The strength of future demand underpinned by the structural growth drivers and the strength of our customer positions gives us confidence to continue to invest in growing the business. Capex spend remains in line with guidance of £430 million for the full year. We remain extremely focused on capital allocation and where possible recycling capital from disposal of non-core assets into investment in growth assets. All the projects undertaken must have estimated returns on capital in excess of the Group's target ROACE.

Dividend
The Board considers the dividend to be a very important component of shareholder returns. Today, we are announcing an interim dividend for this year of 4.8 pence per share, an increase of 20 per cent and consistent with our policy of 2.0-2.5 times dividend cover.

Sustainability
Sustainability has been at the heart of our business for many years as we have developed and grown into a solely fibre-based corrugated packaging business. We continue to work actively with our customers to help them address their sustainability challenges. Our circular design principles combined with our carbon reduction programme and focus on plastic replacement are allowing us to meet our customers' increasing sustainability requirements. Momentum in plastic replacement is accelerating and we have replaced 118 million units of plastic in H1, more than double the number of units in FY 21.

We continue to make good progress in delivering against our sustainability targets. We have reduced our CO_2 per tonne of production by 23 per cent from 2015 to 2020 and in June 2021 we announced our commitment to a Science Based Carbon CO_2 reduction target of a minimum of 40 per cent per tonne of production from 2019 to 2030 and achieving net zero carbon emissions by 2050.

We are delighted that this progress has been recognised with an improvement in rating by a number of external indices including MSCI ACWI Index, Dow Jones Sustainability Index, Ecovadis, Sustainalytics and CDP.

Progress against medium-term targets

Medium-term targets *Continuing operations*	Delivery in H1 2021/22[8]
Organic volume growth[2] ≥GDP[3]+1%, being 3.3%	8.8%
Return on sales[4] 10% – 12%	8.2%
ROACE[5] 12% - 15%	9.4%
Net debt / EBITDA[6] ≤2.0x	1.9x
Cash conversion[7] ≥100%	124%

See notes to the financial tables below

Notes to the financial tables

Note 15 explains the use of non-GAAP performance measures. These measures are used both internally and externally to evaluate business performance, as a key constituent of the Group's planning process, they are applied in the Group's financial and debt covenants, as well as establishing the targets against which compensation is determined. Reporting of non-GAAP measures alongside reported measures is considered useful to enable investors to understand how management evaluates performance and value creation internally, enabling them to track the Group's adjusted performance and the key business drivers which underpin it over time. Reported results are presented in the Consolidated Income Statement and reconciliations to adjusted results are presented on the face of the Consolidated Income Statement, in note 2, note 7, and note 15.

(1) Adjusted operating profit (adjusted EBITA) is before adjusting items (as set out in note 3) and amortisation of £69 million.

(2) Corrugated box volumes on a rolling 12 months basis (based on area (m2) of corrugated box sold), adjusted for working days, on an organic basis.

(3) GDP growth for rolling 12 months (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country = 3.3%. Source: Eurostat (16 Nov 2021).

(4) Operating profit before amortisation and adjusting items as percentage of revenue.

(5) Operating profit before amortisation and adjusting items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, right-of-use assets, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors, biological assets and assets/liabilities held for sale.

(6) EBITDA being operating profit before adjusting items, depreciation and amortisation and adjusted for the full year effect of acquisitions and disposals in the period. Net debt is calculated at average exchange rates as opposed to closing rates. Ratio as calculated in accordance with bank covenants. See note 15 on non-GAAP measures for reconciliation.

(7) Free cash flow before tax, net interest, growth capital expenditure, pension payments and adjusting cash flows as a percentage of operating profit before amortisation and adjusting items.

(8) Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisitions and divestment of subsidiary businesses (including borrowings acquired) and proceeds from issue of share capital.

Operating Review

Northern Europe

	Half year ended 31 October 2021	Half year ended 31 October 2020	Change – reported	Change – constant currency
Revenue	£1,331m	£1,146m	16%	20%
Adjusted operating profit*	£87m	£69m	26%	30%
Return on sales	6.5%	6.0%	50bps	50bps

*Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

In Northern Europe, organic corrugated box volume growth was strong, with particularly good performances in the Nordics, Benelux and Germany. The UK performance was good against particularly strong comparatives from last year.

Revenues have increased by 20 per cent in the region due to a combination of the increases in corrugated box volumes and pricing and the impact from an increase in sales price for externally sold paper and recycled fibre. Adjusted operating profit grew 30 per cent, reflecting the drop through of packaging volume growth to operating profit, together with increased pricing in packaging, recycling and external paper sales more than offsetting increased input costs, principally OCC.

Southern Europe

	Half year ended 31 October 2021	Half year ended 31 October 2020	Change – reported	Change – constant currency
Revenue	£1,234m	£1,026m	20%	27%
Adjusted operating profit*	£122m	£100m	22%	28%
Return on sales	9.9%	9.7%	20bps	10bps

* Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

Southern Europe saw very strong growth in volumes driven by Iberia in particular, which had been significantly impacted by reduced tourism in summer 2020.

Revenue grew by 27 per cent, due to the impact of higher box volumes and increases in both box and paper pricing. Adjusted operating profit grew by 28 per cent compared to the prior period, with the packaging operations benefitting from the pass through of higher paper prices, together with a very positive impact from paper sold externally.

Eastern Europe

	Half year ended 31 October 2021	Half year ended 31 October 2020	Change – reported	Change – constant currency
Revenue	£523m	£438m	19%	26%
Adjusted operating profit*	£31m	£37m	(16%)	(11%)
Return on sales	5.9%	8.4%	(250bps)	(260bps)

* Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

Organic corrugated box volumes in Eastern Europe have grown faster than the Group average, with good volume growth across the region.

Revenues grew 26 per cent, principally reflecting increases in corrugated box volumes and pricing. Adjusted operating profit fell 11 per cent, reflecting the timing lag in the recovery of higher paper prices through increased packaging pricing. The region has the lowest proportion of paper capacity relative to packaging production within the regions in the Group which impacts margin in the short term via the increased paper costs.

North America

	Half year ended 31 October 2021	Half year ended 31 October 2020	Change – reported	Change – constant currency
Revenue	£274m	£279m	(2%)	7%
Adjusted operating profit*	£36m	£24m	50%	64%
Return on sales*	13.1%	8.6%	450bps	450bps

*Operating profit before amortisation and adjusting items (refer to note 3 of the financial statements)

Packaging volumes in the region have seen the strongest increases within the Group, reflecting continued excellent customer traction with growth across a number of packaging sites as we manage the ramp-up of the box plant in Indiana. Full utilisation is expected to be completed on plan in the financial year 2022/23.

Revenues increased by 7 per cent, principally reflecting the packaging volume growth and the increase in export paper prices more than offsetting reduced volumes in external paper sales as we utilised, as planned, more of our paper production. Adjusted operating profit grew by 64 per cent, reflecting the benefit of improved volumes across our packaging plants and the improvement in paper and packaging pricing. As a result, return on sales significantly improved to 13.1 per cent.

Outlook

We have built a business to benefit from the significant structural growth drivers within fibre based corrugated packaging. These benefits, combined with our scale, geographic footprint, sustainability and innovation focus, position us very well for continued volume and market share growth. Together with pricing momentum, this underpins our confidence to deliver a significant improvement in profitability during the second half of this year in line with our expectations and towards our medium-term targets.

Financial Review

2021/22 half-year results

Prior year comparatives within the following commentary relate to the continuing operations of the Group.

Revenue increased by 16% on a reported basis and 22% on a constant currency basis to £3,362 million for the half year ended 31 October 2021 (H1 2020/21: £2,889 million), driven by strong demand for packaging in all our markets and higher average selling prices reflecting recovery of paper and other input costs. Box volumes grew by a record 9.4% over the comparative period.

Operating profit of £207 million increased by 50% versus the prior year, 58% on a constant currency basis (H1 2020/21: £138 million), and adjusted operating profit increased to £276 million, a 20% and 26% increase on a reported and constant currency basis (H1 2020/21: £230 million). On a constant currency basis, the effect of an increase in the average sales price and mix (£432 million) and overall increase in volumes (£52 million) was partially offset by a rise in input costs (£427 million). Significant rises in raw material and net impact of hedged energy costs of £294 million and £73 million (after the price benefit of energy sales), respectively, continue to be actively managed and were largely recovered through increased sales prices. The energy impact was mitigated by the Group's three year rolling hedging programme and the benefits of free allowances under phase 4 of the EU Emissions Trading Scheme. The Group's energy and carbon hedges increased significantly in value during the half and in order to manage our counterparty risk there were margin calls made of c.£85 million all of which relates to derivatives that mature in the current financial year. The cash receipts have been included in the first half cash flow; there was no impact on income from these margin calls. Labour costs increased marginally, reflecting both the additional volume produced in the period and inflationary pay rises. During the first half year, the Group disposed of its non-core Dutch paper mill operations for a consideration of €44 million, consistent with the previously described short paper strategy.

Amortisation of £69 million is marginally lower than the prior half year on a reported basis and in line with the prior half year on a constant currency basis (H1 2020/21: £72 million).

After the effects of exchange and disposals in the current and prior periods, depreciation was £147 million, marginally lower on a constant currency basis and £8 million lower on a reported basis (H1 2020/21: £155 million).

Free cash flow, comprising adjusted operating profit plus depreciation, movements in working capital (in addition to provisions and employee benefits), net capital expenditure, taxes and net interest paid was £188 million (H1 2020/21: £207 million). The improvement in adjusted operating profit and the reduction in capital expenditure was offset by higher taxes paid. Working capital was broadly flat with underlying outflows with debtors impacted by higher selling prices, inventories by higher paper prices and other input costs mitigated by a combination of the impact of higher prices in creditors and the realisation of hedging positions. Factored receivables reduced from the previous year end to £385 million (30 April 2021: £407 million).

The Group's net debt position improved by £155 million to £1,640 million compared to the prior year end (30 April 2021: £1,795 million; 31 October 2020: £2,087 million). Free cash flow for the period of £188 million and the benefit of the sale of the non-core De Hoop paper mill in the Netherlands were reduced by the resumption of dividend payments of £55 million, the settlement of £23 million of payments relating to past acquisitions and £6 million of adjusting items. Foreign exchange and fair value movements were a positive £15 million.

Net capital expenditure was marginally lower than in the previous half year at £125 million (H1 2020/21: £132 million) with higher expenditure expected in the second half relating to the investment in greenfield Packaging operations in Italy and Poland.

Return on average capital employed (ROACE) increased by 60 basis points to 9.4%, which is still below the Group's target rate of 12% to 15% following the initially dilutive impact of recent acquisitions and the effect on profitability from Covid-19. The Group's momentum supports our confidence in continued progress towards meeting the medium-term target.

Certain items are presented within the financial statements as adjusting items, in order to assist in understanding the trading results of the Group. Costs of £4 million (H1 2020/21: £11 million) relating to restructuring programmes were incurred together with finance costs relating to the unwind of the discount on the Interstate put option (£2 million) (H1 2020/21: £3 million). These costs are expected to be as previously guided below £10 million for the full year. The disposal of the non-core De Hoop paper mill together with other site disposal costs resulted in a net gain of £4 million.

Net financing costs before adjusting items of £34 million (H1 2020/21: £41 million) primarily relate to interest on borrowings and lease liabilities, lower than last year due to lower levels of borrowings and interest rates in the period.

Profit before income tax increased to £175 million (H1 2020/21: £97 million) due to higher operating profit and a £8 million reduction in net financing costs.

The rate of tax on adjusted profits before amortisation and adjusting items is 24%, an increase from the full year 20/21 rate of 23%.

Profit after tax increased to £135 million (H1 2020/21: £74 million), due to higher operating profit offset by an increase in income tax of £17 million. Income from associates of £4 million is marginally ahead of the comparative period.

Basic earnings per share before amortisation and adjusting items increased by 33% to 13.7 pence on a constant currency basis (H1 2020/21: 10.8 pence), impacted by the improvement in operating profit. Basic unadjusted earnings per share increased to 9.8 pence (H1 2020/21: 5.4 pence).

Financial position

Total shareholder funds increased to £3,718 million (30 April 2021: £3,533 million; 31 October 2020: £3,483 million). The movement is due to profit attributable to shareholders of £135 million (H1 2020/21: £74 million), actuarial gains on employee benefits of £11 million (H1 2020/21: £16 million loss), the resumption of the dividend programme resulting in £55 million outflow in the current period (H1 2020/21: nil), a net decrease in the translation reserve of £76 million (being primarily net foreign currency translation losses of £110 million, offset by a £41 million movement in the net investment hedge) and a net movement on derivative hedges of £168 million. The latter is driven by commodity hedging positions which have increased in value as energy prices have risen.

Reported net debt of £1,640 million has decreased from year end (30 April 2021: £1,795 million). The Group calculates its net debt to adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio in accordance with the methodology prescribed by its bank and private placement debt covenants, which excludes the effects of IFRS 16 *Leases*. The ratio has reduced to 1.9 times (30 April 2021: 2.2 times, 31 October 2020 : 2.4 times), well within the primary covenant requirements of 3.75 times, owing mainly to an improvement in EBITDA as a result of strong volume and price growth with improved trading conditions.

The Group continues to sell trade receivables without recourse, a process by which the trade receivable balance sold is de-recognised, with proceeds then presented within operating cash flows. Such arrangements enable the Group to optimise its working capital position and reduces the quantum of early payment discounts given. At constant currency, trade receivables sold under the factoring programme reduced marginally to £385 million (30 April 2021: £407 million).

Dividend

The Board considers the dividend to be an important component of shareholder returns. As first set out in December 2010, our policy is that dividends will be progressive and, in the medium term, dividend cover should be on average 2.0x to 2.5x through the cycle. In considering future dividends the Board will continue to be mindful of the Group's earnings growth potential, future expansion and leverage.

The Board declares an interim dividend of 4.8 pence per share in light of the strong business performance, building on the robust position of the second half of the previous year. The dividend will be paid on 3 May 2022 to ordinary shareholders on the register at close of business on 8 April 2022.

Risks and uncertainties

The Board has reconsidered the principal risks and uncertainties affecting the Group in the second half of the year. The principal risks and uncertainties discussed on pages 47 to 48 of the 2021 Annual Report, available on the Group's website at www.dssmith.com, remain relevant.

In summary, the Group's key risks and uncertainties are:

- Eurozone and macro-economic impacts
- Paper/fibre price volatility
- Cyber attacks
- Sustainability commitments
- Regulation and governance
- Security of paper/fibre supply
- Packaging capacity limits to growth
- Organisation capability
- Substitution of fibre packaging
- Disruptive market players
- Digitalisation
- Shopping habits

In addition to the risks noted above, the Group actively managed its exposure to energy related costs which have seen upwards cost pressure during the first half year.

Going Concern

The Board have reviewed a detailed consideration of going concern, based on the Group's recent trading and forecasts, and including scenario analysis. This takes into account reasonably foreseeable changes in trading performance, including the continued uncertainty of the long-term impacts on the economic landscape presented by a post-Covid-19 environment. More detail of the assessment performed is included in note 1 to the financial statements.

At 31 October 2021 there was significant headroom on the Group's committed debt facilities of c.£1.5 billion. The going concern assessment covered a forecast period of 12 months from the date of this half-yearly financial report. Based on the resilience of the Group's operations to both Covid-19 and the likely response in a post-Covid-19 environment, as well as the current and forecast liquidity available, the Board believes that the Group is well placed to manage its business risks successfully despite the uncertainties inherent in the current economic outlook, and to operate within its current debt facilities.

The Group's current committed bank facility headroom, its forecast liquidity headroom over the going concern period of assessment and potential mitigating activities available to management have been considered by the Directors in forming their view that it is appropriate to conclude that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the interim financial statements.

Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of financial statements, prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted for use in the United Kingdom and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication on important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report includes a fair review of the information required by DTR4.2.8R (disclosure of related parties’ transactions and changes therein).

Miles Roberts	Adrian Marsh
Group Chief Executive	Group Finance Director

8 December 2021

INDEPENDENT REVIEW REPORT TO DS SMITH PLC

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 31 October 2021 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated statement of cash flows and related notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

DIRECTORS' RESPONSIBILITIES

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 *Interim Financial Reporting*.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 October 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

USE OF OUR REPORT

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
8th December 2021

Condensed consolidated income statement

Continuing operations	Note	Half year ended 31 October 2021 Unaudited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m	Half year ended 31 October 2020 Unaudited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m	Year ended 30 April 2021 Audited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m
Revenue	2	**3,362**	**-**	**3,362**	2,889	–	2,889	5,976	–	5,976
Operating costs		**(3,086)**	**(4)**	**(3,090)**	(2,659)	(19)	(2,678)	(5,474)	(44)	(5,518)
Operating profit before amortisation, acquisitions and divestments	2	**276**	**(4)**	**272**	230	(19)	211	502	(44)	458
Amortisation of intangible assets; acquisitions and divestments	3	**(69)**	**4**	**(65)**	(72)	(1)	(73)	(142)	(5)	(147)
Operating profit		**207**	**-**	**207**	158	(20)	138	360	(49)	311
Finance income	5	**-**	**-**	**-**	1	–	1	1	–	1
Finance costs	5, 3	**(33)**	**(2)**	**(35)**	(41)	(3)	(44)	(76)	(7)	(83)
Employment benefit net finance expense		**(1)**	**-**	**(1)**	(1)	–	(1)	(3)	–	(3)
Net financing costs		**(34)**	**(2)**	**(36)**	(41)	(3)	(44)	(78)	(7)	(85)
Profit after financing costs		**173**	**(2)**	**171**	117	(23)	94	282	(56)	226
Share of profit of equity accounted investments, net of tax		**4**	**-**	**4**	3	–	3	5	–	5
Profit before income tax		**177**	**(2)**	**175**	120	(23)	97	287	(56)	231
Income tax (expense)/credit	6, 3	**(42)**	**2**	**(40)**	(27)	4	(23)	(65)	16	(49)
Profit for the period from continuing operations		**135**	**-**	**135**	93	(19)	74	222	(40)	182
Discontinued operations										
Profit for the period from discontinued operations, net of tax	14	**-**	**-**	**-**	–	–	–	–	12	12
Profit for the period		**135**	**-**	**135**	93	(19)	74	222	(28)	194
Profit for the period attributable to:										
Owners of the parent		**135**	**-**	**135**	93	(19)	74	222	(28)	194
Non-controlling interests		**-**	**-**	**-**	–	–	–	–	–	–
Earnings per share										
Earnings per share from continuing and discontinued operations										
Basic	7			**9.8p**			5.4p			14.2p
Diluted	7			**9.8p**			5.4p			14.1p
Earnings per share from continuing operations										
Basic	7			**9.8p**			5.4p			13.3p
Diluted	7			**9.8p**			5.4p			13.2p
Adjusted earnings per share from continuing operations										
Basic	7		**13.7p**			10.8p			24.2p	
Diluted	7		**13.6p**			10.8p			24.1p	

Condensed consolidated statement of comprehensive income

	Half year ended 31 October 2021 Unaudited £m	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Profit for the period	**135**	74	194
Items which will not be reclassified subsequently to profit or loss			
Actuarial gain /(loss) on employee benefits	**11**	(16)	(5)
Equity interests at FVOCI – net change in fair value	**-**	(3)	(3)
Income tax on items which will not be reclassified subsequently to profit or loss	**-**	5	(5)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences	**(107)**	111	(95)
Reclassification from translation reserve to income statement arising on divestment	**(3)**	–	–
Cash flow hedges fair value changes	**309**	(8)	103
Reclassification from cash flow hedge reserve to income statement	**(80)**	23	9
Reclassification from cash flow hedge reserve to balance sheet	**(5)**	–	–
Movement in net investment hedge	**41**	(56)	(2)
Income tax on items which may be reclassified subsequently to profit or loss	**(63)**	(2)	(21)
Other comprehensive income/(expense) for the period, net of tax	**103**	54	(19)
Total comprehensive income for the period	**238**	128	175
Total comprehensive income attributable to:			
Owners of the parent	**238**	128	175
Non-controlling interests	**-**	–	–

Condensed consolidated statement of financial position

	Note	**At 31 October 2021 Unaudited £m**	At 31 October 2020 Unaudited £m	At 30 April 2021 Audited £m
Assets				
Non-current assets				
Intangible assets		**2,883**	3,185	2,995
Biological assets		**9**	9	9
Property, plant and equipment		**2,972**	3,100	3,050
Right-of-use assets		**205**	241	226
Equity accounted investments		**42**	38	38
Other investments		**15**	15	13
Deferred tax assets		**8**	77	37
Other receivables		**1**	10	1
Derivative financial instruments		**237**	13	35
Total non-current assets		**6,372**	6,688	6,404
Current assets				
Inventories		**624**	513	537
Biological assets		**6**	6	6
Income tax receivable		**49**	42	41
Trade and other receivables		**1,009**	828	818
Cash and cash equivalents	10	**744**	534	813
Derivative financial instruments		**123**	14	80
Assets classified as held for sale		**1**	24	1
Total current assets		**2,556**	1,961	2,296
Total assets		**8,928**	8,649	8,700
Liabilities				
Non-current liabilities				
Borrowings	10	**(1,400)**	(2,145)	(2,066)
Employee benefits	4	**(153)**	(209)	(175)
Other payables		**(15)**	(15)	(15)
Provisions		**(8)**	(12)	(8)
Lease liabilities	10	**(143)**	(173)	(159)
Deferred tax liabilities		**(296)**	(298)	(271)
Derivative financial instruments		**(15)**	(32)	(15)
Total non-current liabilities		**(2,030)**	(2,884)	(2,709)
Current liabilities				
Bank overdrafts	10	**(130)**	(59)	(94)
Borrowings	10	**(674)**	(207)	(235)
Trade and other payables		**(2,015)**	(1,690)	(1,834)
Income tax liabilities		**(129)**	(157)	(133)
Provisions		**(55)**	(72)	(48)
Lease liabilities	10	**(66)**	(72)	(71)
Derivative financial instruments		**(109)**	(18)	(41)
Liabilities classified as held for sale		**-**	(6)	-
Total current liabilities		**(3,178)**	(2,281)	(2,456)
Total liabilities		**(5,208)**	(5,165)	(5,165)
Net assets		**3,720**	3,484	3,535
Equity				
Issued capital		**137**	137	137
Share premium		**2,243**	2,239	2,241
Reserves		**1,338**	1,107	1,155
Total equity attributable to owners of the parent		**3,718**	3,483	3,533
Non-controlling interests		**2**	1	2
Total equity		**3,720**	3,484	3,535

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings [1] £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2021 (audited)	137	2,241	53	(84)	(3)	1,189	3,533	2	3,535
Profit for the period	-	-	-	-	-	135	135	-	135
Actuarial gain on employee benefits	-	-	-	-	-	11	11	-	11
Reclassification from translation reserve to income statement arising on divestment	-	-	-	(3)	-	-	(3)	-	(3)
Foreign currency translation differences	-	-	-	(107)	-	-	(107)	-	(107)
Cash flow hedges fair value changes	-	-	309	-	-	-	309	-	309
Reclassification from cash flow hedge reserve to income statement	-	-	(80)	-	-	-	(80)	-	(80)
Reclassification from cash flow hedge reserve to balance sheet	-	-	(5)	-	-	-	(5)	-	(5)
Movement in net investment hedge	-	-	-	41	-	-	41	-	41
Income tax on other comprehensive income	-	-	(63)	-	-	-	(63)	-	(63)
Total comprehensive income	-	-	161	(69)	-	146	238	-	238
Issue of share capital	-	2	-	-	-	-	2	-	2
Employee share trust	-	-	-	-	(1)	(4)	(5)	-	(5)
Share-based payment expense (net of tax)	-	-	-	-	-	5	5	-	5
Other changes	-	-	7	(7)	-	-	-	-	-
Dividends paid	-	-	-	-	-	(55)	(55)	-	(55)
Other changes in equity in the period	-	2	7	(7)	(1)	(54)	(53)	-	(53)
At 31 October 2021 (unaudited)	137	2,243	221	(160)	(4)	1,281	3,718	2	3,720
At 1 May 2020 (audited)	137	2,238	(39)	14	(3)	1,003	3,350	1	3,351
Profit for the period	–	–	–	–	–	74	74	–	74
Actuarial loss on employee benefits	–	–	–	–	–	(16)	(16)	–	(16)
Equity interests at FVOCI – net change in fair value	–	–	–	–	–	(3)	(3)	–	(3)
Foreign currency translation differences	–	–	–	111	–	–	111	–	111
Cash flow hedges fair value changes	–	–	(8)	–	–	–	(8)	–	(8)
Reclassification from cash flow hedge reserve to income statement	–	–	23	–	–	–	23	–	23
Movement in net investment hedge	–	–	–	(56)	–	–	(56)	–	(56)
Income tax on other comprehensive income	–	–	(2)	–	–	5	3	–	3
Total comprehensive income	–	–	13	55	–	60	128	–	128
Issue of share capital	–	1	–	–	–	–	1	–	1
Employee share trust	–	–	–	–	1	(1)	–	–	–
Share-based payment expense (net of tax)	–	–	–	–	–	4	4	–	4
Other changes in equity in the period	–	1	–	–	1	3	5	–	5
At 31 October 2020 (unaudited)	137	2,239	(26)	69	(2)	1,066	3,483	1	3,484

1. Retained earnings include a reserve related to merger relief.

Condensed consolidated statement of cash flows

Continuing operations	Note	**Half year ended 31 October 2021 Unaudited £m**	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Operating activities				
Cash generated from operations	9	**403**	402	895
Interest received		**-**	–	1
Interest paid		**(46)**	(52)	(69)
Tax paid		**(50)**	(30)	(66)
Cash flows from operating activities		**307**	320	761
Investing activities				
Acquisition of subsidiary businesses, net of cash and cash equivalents	13	**(23)**	(88)	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	13	**37**	–	16
Capital expenditure		**(131)**	(135)	(331)
Proceeds from sale of property, plant and equipment and intangible assets		**6**	3	8
Cash flows (used in)/from restricted cash and other deposits		**(6)**	(1)	4
Other		**1**	–	2
Cash flows used in investing activities		**(116)**	(221)	(391)
Financing activities				
Proceeds from issue of share capital		**2**	1	3
Repayment of borrowings		**(474)**	(1,078)	(1,213)
Proceeds from borrowings		**288**	990	1,157
Payments in respect of derivative financial instruments		**(11)**	–	(16)
Repayment of principal on lease liabilities		**(35)**	(36)	(73)
Dividends paid to Group shareholders	8	**(55)**	–	–
Other		**(5)**	–	–
Cash flows used in financing activities		**(290)**	(123)	(142)
(Decrease)/increase in cash and cash equivalents from continuing operations		**(99)**	(24)	228
Discontinued operation				
Cash flows used in discontinued operation	14	**-**	(10)	(10)
(Decrease)/increase in cash and cash equivalents		**(99)**	(34)	218
Net cash and cash equivalents at beginning of the period		**719**	505	505
Exchange (losses)/gains on cash and cash equivalents		**(6)**	4	(4)
Net cash and cash equivalents at end of the period	10	**614**	475	719

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the half year ended 31 October 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the United Kingdom and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

These interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2021, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs'). Those accounts were reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was not qualified or modified, did not draw attention to any matters by way of emphasis and did not contain an adverse statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed information presented for the year ended 30 April 2021 does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half year ended 31 October 2021 is unaudited but has been reviewed in accordance with ISRE 2410 *Review of Interim Financial Information* by Deloitte LLP, the Group's auditor, and a copy of their review report forms part of this half year report.

The interim financial information has been prepared using the same accounting policies as those adopted in the annual financial statements for the year ended 30 April 2021, apart from as detailed below.

The following new accounting standards, amendments or interpretations have been adopted by the Group as of 1 May 2021:

- Amendments to IFRS 3 *Business Combinations*;
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*;
- Amendments to IAS 1 and IAS 8 *Definition of Material*; and
- Amendments to the Conceptual Framework for Financial Reporting.

The adoption of the amendments above has not had a material effect on the results for the Group's financial statements.

Foreign exchange rates

	Half year ended 31 October 2021		Half year ended 31 October 2020		Year ended 30 April 2021	
	Average	**Closing**	Average	Closing	Average	Closing
Euro	**1.169**	**1.184**	1.110	1.109	1.122	1.151
US dollar	**1.386**	**1.378**	1.276	1.297	1.320	1.391

Going concern

Overview

The financial statements have been prepared on the going concern basis with no material uncertainty identified, after a detailed assessment, this half year, reflecting, inter alia, a return to a pre-Covid-19 economic environment.

Further details, including the analysis performed and conclusion reached, are set out below.

Liquidity and financing position

The total drawn debt facilities at 31 October 2021 were £2.0bn, £1.8bn is publicly listed debt with no attached covenants and £0.2bn carries a covenant of Net debt:EBITDA of less than 3.25 times. In addition, the Group has access to c£1.5bn committed bank facilities, which were undrawn at 31 October 2021, which provide liquidity to the Group and carry the same covenant of Net Debt:EBITDA of less than 3.75 times. The Group is not forecast to increase net debt in the going concern analysis and there is significant liquidity and financing headroom across the going concern forecast period. For this reason, the going concern review has focused more on forecast covenant compliance.

In determining the going concern basis for preparing the financial statements, the Directors consider the Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position. The economic environment reflected in this Going Concern assessment is based on a return to pre-Covid-19 levels, reflective of the significant international efforts to combat the impacts of Covid -19. In preparing the financial statements, the Group has modelled two scenarios in its assessment of going concern.

These are:

- The base case: is derived from the second quarter full year forecast for the remainder of the 2022 financial year, which is the most recent formally adopted comparator for the 2022 financial year performance. The key inputs and assumptions include: Packaging volume growth at moderate levels across the future periods considered by the modelling, driven by continued FMCG and e-commerce demand, together with a recovery in industrial volumes from current levels. Both paper sale price and input fibre price are consistent with those anticipated in the second half of the 2022 financial year at the time the second quarter full year forecast was adopted and reflects the results of the upward trajectory from the market lows seen in October 2020.

- The downside case: has been constructed from the more conservative scenario compiled during the Corporate Plan process. Key assumptions include: European packaging volumes largely stagnating at anticipated 2022 financial year levels, reflecting minimal future growth; a rise in fibre prices from the first half of the 2022 financial year levels not mitigated by a commensurate increase in paper prices. With a significant portion of the Group's packaging contracts being either directly linked or referenced to a paper index, this results in higher input costs for the Group that are more difficult to pass through to end customers. A substantial cash outflow from working capital is incorporated into the 2023 financial year, providing an additional headwind to the Group's net debt and covenant ratios.

Mitigating actions

The outturns of the above scenario modelling, combined with the strong performance operating throughout the pandemic in the 2022 financial year and into the first half of the 2022 financial year, provide the Group a level of comfort that no significant cost / cash flow mitigations need to be built in to the going concern modelling. However, a range of options remain at the Group's disposal should they be required which provide the opportunity to support EBITA, cash flow and net debt, including:

- Action in respect of variable and controllable costs such as discretionary bonuses, pay rises, recruitment freezes and wider labour force actions in response to higher levels of volume reductions;
- Limiting capital expenditure to minimum maintenance levels by pausing growth spend (including greenfield sites and other expansionary spend);
- Settlement of the outstanding Interstate put option with shares instead of cash;
- Strategic actions in respect of the Group's asset base could be considered in respect of disposals, mothballing and closures; and
- A reduction or temporary suspension of the Group's dividend.

The Group could also consider actions to assist covenant compliance, such as increased utilisation of debt factoring facilities, optimising working capital by negotiating longer payment terms whilst continuing to pay suppliers in full and in line with contractual terms and reconsidering the level of dividends to be paid.

At a high level, we have estimated that the Group EBITA would have to fall by about 45% against the 2022 financial year forecast for a breach of the Net debt:EBITDA covenant to occur.

Going concern basis

Based on the forecast and the scenarios modelled, together with the performance of the Group in in the first half of the current year, the Directors consider that the Group has significant covenant and liquidity headroom in its borrowing facilities to continue in operational existence for the foreseeable future. Accordingly, at the December 2021 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the financial statements.

Estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect whether and how policies are applied, and the reported amounts of assets and liabilities, income and expenses.

The application of the Group's accounting policies requires management to make estimates and assumptions; these estimates and assumptions affect the reported assets and liabilities and financial results of the Group. Actual outcomes could differ from the estimates and assumptions used.

In preparing these interim financial statements, the key sources of estimates and the critical accounting judgement were the same as those that applied to the Group's consolidated financial statements for the year ended 30 April 2021. Key estimates were taxation, impairments and employee benefits. The critical accounting judgement is applying the adjusting items policy.

Goodwill impairment assessment - key assumptions and methodology

The cash-generating unit groups (CGU) that represent the lowest level at which goodwill is monitored for impairment indicators and internal management purposes remain consistent with the CGUs disclosed in the 2021 Annual Report.

IAS 36 requires goodwill and other intangibles with indefinite lives to be tested for impairment on an annual basis. DS Smith do this annually at the year-end date, 30 April. At 31 October 2021 an "indicators of impairment" review was undertaken, underpinned by high level modelling of future discounted cash flows based on the most recent view of the current year's performance.

The methodology used to determine the pre-tax discount rates (derived from the weighted average cost of capital ('WACC') for the Group of 9.5%) and country-specific, long-term growth rates remained consistent with that adopted at April 2021, as disclosed in the 2021 financial statements, updated for current rates as at 31 October 2021.

The modelling is based upon anticipated discounted future cash flows. At 31 October 2021, assessments performed indicated sufficient headroom existed. Whilst the Directors believe the assumptions used are realistic, it is possible that a reduction in the headroom would occur if any of the above key assumptions applied were adversely changed. Factors which could cause an impairment are:

- significant and prolonged underperformance relative to the forecast; and
- deteriorations in the economies in which the Group operates.

To support their assertions, the Directors have reviewed the sensitivity analyses to determine the impact that would result from the above situations, including reduction or delays in future growth and increased discount rates and have concluded that no reasonably possible scenarios have been identified where headroom would be eradicated. In these cases, if estimates of future economic growth were delayed, or if the estimated discount rates applied to the cash flows were increased by 0.5%, there would continue to be adequate headroom to support the carrying value of the assets assessed. Accordingly, the Directors believe that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of CGU groups assessed to exceed their recoverable amounts, although the headroom would decrease. Therefore, no impairment indicators were identified against the carrying value of goodwill at 31 October 2021.

2. Segment reporting

Operating segments

Half year ended 31 October 2021	**Northern Europe £m**	**Southern Europe £m**	**Eastern Europe £m**	**North America £m**	**Total continuing operations £m**
External revenue	**1,331**	**1,234**	**523**	**274**	**3,362**
Adjusted operating profit[1]	**87**	**122**	**31**	**36**	**276**
Unallocated items:					
Amortisation					**(69)**
Total operating profit (continuing operations)					**207**
Unallocated items:					
Net financing costs					**(36)**
Share of profit of equity accounted investments, net of tax					**4**
Profit before income tax					**175**
Income tax expense					**(40)**
Profit for the period (continuing operations)					**135**

Half year ended 31 October 2020	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue	1,146	1,026	438	279	2,889
Adjusted operating profit[1]	69	100	37	24	230
Unallocated items:					
Amortisation					(72)
Adjusting items in operating profit					(20)
Total operating profit (continuing operations)					138
Unallocated items:					
Net financing costs					(44)
Share of profit of equity accounted investment, net of tax					3
Profit before income tax					97
Income tax expense					(23)
Profit for the period (continuing operations)					74

1. Adjusted to exclude amortisation and adjusting items.

3. Adjusting items

Items are presented as adjusting in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the trading and financial results of the Group. Such items include business disposals, restructuring and optimisation, acquisition related and integration costs, and impairments.

Continuing operations	**Half year ended 31 October 2021 Unaudited £m**	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Acquisition related costs	**-**	(1)	(2)
Gains/(losses) on acquisitions and divestments	**4**	–	(3)
Acquisitions and divestments	**4**	(1)	(5)
Integration costs	**-**	(5)	(17)
Other restructuring costs	**(4)**	(11)	(27)
Impairment of assets	**-**	(3)	–
Total pre-tax adjusting items (recognised in operating profit)	**-**	(20)	(49)
Finance costs adjusting items	**(2)**	(3)	(7)
Adjusting tax items	**-**	–	5
Current tax credit on adjusting items	**2**	4	11
Total post-tax adjusting items	**-**	(19)	(40)

Half year ended 31 October 2021

On 12 October 2021 the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £37m and net assets divested were £29m, resulting in a net gain of £8m. In addition, there were £4m of site disposal costs.

Other restructuring costs of £4m primarily comprise a reorganisation and restructuring project across the Packaging business (£3m), focusing predominantly on reduction of indirect costs.

Finance costs adjusting items related to the unwind of the discount on the redemption liability related to the purchase of Interstate Resources.

The current tax credit on adjusting items of £2m for the half year ended 31 October 2021 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax-deductible deal related advisory fees in relation to acquisitions and divestments.

Half year ended 31 October 2020

Acquisition related costs of £1m comprise professional advisory, legal and consultancy fees for review of potential deals.

Integration costs relate to integration projects primarily to achieve cost synergies from the major acquisitions made in the previous financial years (of which £3m relates to Europac and £2m relates to Interstate Resources). They include redundancies, professional fees, IT costs and those directly attributable internal salary costs which would otherwise not be incurred.

Other restructuring costs of £11m primarily comprise a reorganisation and restructuring project across the Packaging business (£8m), focusing predominantly on reduction of indirect costs, begun in the prior year and expected to last three years, and a restructuring project in North America (£2m).

Impairment of assets of £3m is directly related to the restructuring project in North America and includes impairment of property, plant and equipment and right-of-use assets.

Finance costs adjusting items relate to the unwind of the discount on the redemption liability related to the purchase of Interstate Resources.

The current tax credit on adjusting items of £4m for the half year ended 31 October 2020 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax-deductible deal related advisory fees in relation to acquisitions and divestments.

4. Employee benefits

Movements in the net employee benefit deficit recognised in the Condensed consolidated statement of financial position:

	Half year ended 31 October 2021 Unaudited £m	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Opening employee benefit deficit	**(175)**	(199)	(199)
Divestments	**1**	–	–
Expense recognised in operating profit	**(3)**	(3)	(5)
Scheme settlement	**-**	–	5
Employment benefit net finance expense (excluding Pension Protection Fund levy)	**(1)**	(1)	(3)
Employer contributions	**10**	10	20
Other payments and contributions	**1**	3	10
Actuarial gains/(losses)	**11**	(16)	(5)
Currency translation	**3**	(3)	2
Closing employee benefit deficit	**(153)**	(209)	(175)
Deferred tax asset	**38**	47	40
Closing net employee benefit deficit	**(115)**	(162)	(135)

During the period ended 31 October 2020, the Group received government support for employee costs, in particular for furloughed employees, amounting to £5.1m. During the year ended 30 April 2021 £2.4m was repaid to the UK government and the resulting income of £2.7m was netted off in operating costs.

5. Finance income and costs

Continuing operations	**Half year ended 31 October 2021 Unaudited £m**	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Interest income from financial assets	**-**	–	(1)
Other	**-**	(1)	–
Finance income	**-**	(1)	(1)
Interest on borrowings and overdrafts	**23**	27	55
Interest on lease liabilities	**5**	6	12
Other	**5**	8	9
Finance costs before adjusting items	**33**	41	76
Finance costs adjusting items (note 3)	**2**	3	7
Finance costs	**35**	44	83

6. Income tax expense

Tax on profit from continuing operations has been charged at an underlying rate before adjusting items and amortisation of 24.0% (half year ended 31 October 2020: 23.0%), being the expected full year rate.

7. Earnings per share

Basic earnings per share from continuing operations

	Half year ended 31 October 2021 Unaudited	Half year ended 31 October 2020 Unaudited	Year ended 30 April 2021 Audited
Profit from continuing operations attributable to ordinary shareholders	**£135m**	£74m	£182m
Weighted average number of ordinary shares	**1,373m**	1,372m	1,371m
Basic earnings per share	**9.8p**	5.4p	13.3p

Diluted earnings per share from continuing operations

	Half year ended 31 October 2021 Unaudited	Half year ended 31 October 2020 Unaudited	Year ended 30 April 2021 Audited
Profit from continuing operations attributable to ordinary shareholders	**£135m**	£74m	£182m
Weighted average number of ordinary shares	**1,373m**	1,372m	1,371m
Potentially dilutive shares issuable under share-based payment arrangements	**7m**	3m	6m
Weighted average number of ordinary shares (diluted)	**1,380m**	1,375m	1,377m
Diluted earnings per share	**9.8p**	5.4p	13.2p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the period of 1m (half year ended 31 October 2020: 1m, year ended 30 April 2021: 1m).

	Half year ended 31 October 2021 Unaudited		Half year ended 31 October 2020 Unaudited		Year ended 30 April 2021 Audited	
	Basic pence per share	**Diluted pence per share**	Basic pence per share	Diluted pence per share	Basic pence per share	Diluted pence per share
Earnings per share from continuing operations	**9.8p**	**9.8p**	5.4p	5.4p	13.3p	13.2p
Earnings per share from discontinued operation	**-**	**-**	–	–	0.9p	0.9p
Earnings per share from continuing and discontinued operation	**9.8p**	**9.8p**	5.4p	5.4p	14.2p	14.1p

Adjusted earnings per share from continuing operations

Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders. Adjusted earnings is calculated by adding back the post-tax effects of both amortisation and adjusting items.

Further detail about the use of non-GAAP performance measures, including details of why amortisation is excluded, is given in note 15.

A reconciliation of basic to adjusted earnings per share is as follows:

	Half year ended 31 October 2021 Unaudited			Half year ended 31 October 2020 Unaudited			Year ended 30 April 2021 Audited		
	£m	**Basic pence per share**	**Diluted pence per share**	£m	Basic pence per share	Diluted pence per share	£m	Basic pence per share	Diluted pence per share
Basic earnings	**135**	**9.8p**	**9.8p**	74	5.4p	5.4p	182	13.3p	13.2p
Add back:									
Amortisation of intangible assets	**69**	**5.0p**	**5.0p**	72	5.2p	5.2p	142	10.3p	10.3p
Tax credit on amortisation	**(16)**	**(1.2p)**	**(1.2p)**	(17)	(1.2p)	(1.2p)	(32)	(2.3p)	(2.3p)
Adjusting items, before tax	**2**	**0.1p**	**0.1p**	23	1.7p	1.7p	56	4.1p	4.1p
Tax on adjusting items and adjusting tax items	**(2)**	**-**	**(0.1p)**	(4)	(0.3p)	(0.3p)	(16)	(1.2p)	(1.2p)
Adjusted earnings	**188**	**13.7p**	**13.6p**	148	10.8p	10.8p	332	24.2p	24.1p

8. Dividends proposed and paid

	Pence per share	£m
2019/20 interim dividend – cancelled	5.4p	74
2019/20 final dividend – proposed	nil	–
2020/21 interim dividend - paid	4.0p	55
2020/21 final dividend – paid	8.1p	111
2021/22 interim dividend – proposed	**4.8p**	**66**

	Half year ended 31 October 2021 Unaudited £m
Paid during the period	**55**

The 2020/21 interim dividend of 4.0 pence per share (£55m) was paid during the half year ended 31 October 2021. The final dividend in respect of the year ended 2020/21 of 8.1 pence per share (£111m) was paid on 1 November 2021.

An interim dividend in respect of the half year ended 31 October 2021 of 4.8 pence per share (£66m) has been proposed by the Directors after the reporting date.

9. Cash generated from operations

Continuing operations	**Half year ended 31 October 2021 Unaudited £m**	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Profit for the period	**135**	74	182
Adjustments for:			
Pre-tax integration costs and other adjusting items	**4**	19	44
Amortisation of intangible assets; acquisitions and divestments	**65**	73	147
Cash outflow for adjusting items	**(6)**	(19)	(48)
Depreciation	**147**	155	304
Profit on sale of non-current assets	**-**	–	2
Share of profit of equity accounted investments, net of tax	**(4)**	(3)	(5)
Employment benefit net finance expense	**1**	1	3
Share-based payment expense	**4**	4	9
Finance income	**-**	(1)	(1)
Finance costs	**35**	44	83
Other non-cash items	**(13)**	1	(6)
Income tax expense	**40**	23	49
Change in provisions	**8**	16	(9)
Change in employee benefits	**(10)**	(10)	(32)
Cash generation before working capital movement	**406**	377	722
Changes in:			
Inventories	**(104)**	14	(28)
Trade and other receivables	**(182)**	(64)	(75)
Trade and other payables	**283**	75	276
Working capital movement	**(3)**	25	173
Cash generated from continuing operations	**403**	402	895

10. Net debt

	At 31 October 2021 Unaudited £m	At 31 October 2020 Unaudited £m	At 30 April 2021 Audited £m
Cash and cash equivalents	**744**	534	813
Bank overdrafts	**(130)**	(59)	(94)
Net cash and cash equivalents	**614**	475	719
Other investments – restricted cash	**3**	3	3
Other deposits	**34**	34	29
Borrowings – after one year	**(1,400)**	(2,145)	(2,066)
Borrowings – within one year	**(674)**	(207)	(235)
Lease liabilities	**(209)**	(245)	(230)
Derivative financial instruments			
assets	**3**	3	–
liabilities	**(11)**	(5)	(15)
	(2,254)	(2,562)	(2,514)
Net debt – reported basis	**(1,640)**	(2,087)	(1,795)
IFRS 16 liabilities	**206**	240	227
Net debt excluding IFRS 16 liabilities	**(1,434)**	(1,847)	(1,568)

Net debt is a non-GAAP measure not defined by IFRS. While the Group has included lease liabilities after transition to IFRS 16 *Leases* within total lease liabilities (in addition to arrangements previously classified as finance leases under IAS 17), IFRS 16 liabilities are currently excluded from the definition of net debt as set out in the Group's banking covenant requirements. Within lease liabilities of £209m at 31 October 2021 are £206m of lease liabilities that would have been classified as operating leases and £3m of lease liabilities that would have been classified as finance lease liabilities under IAS 17.

Further detail on the use of non-GAAP measures and a reconciliation showing the calculation of adjusted net debt, as defined in the Group's banking covenants, is included in note 15.

Derivative financial instruments above relate to forward foreign exchange contracts and cross-currency swaps used to hedge foreign exchange exposure on the Group's borrowings and net assets of foreign operations. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the consolidated statement of financial position relates to derivative financial instruments that hedge forecast foreign currency transactions and firm commitments, and the Group's purchases of energy.

Other deposits are included, as these short-term receivables have the characteristics of net debt.

During the half year ended 31 October 2021, the Group repaid a term loan of €150m and USD private placement notes of $30m.

11. Reconciliation of net cash flow to movement in net debt

	Half year ended 31 October 2021 Unaudited £m	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Profit for the period	**135**	74	182
Income tax expense	**40**	23	49
Share of profit of equity accounted investments, net of tax	**(4)**	(3)	(5)
Net financing costs	**36**	44	85
Amortisation of intangible assets; acquisitions and divestments	**65**	73	147
Pre-tax integration costs and other adjusting items	**4**	19	44
Adjusted operating profit	**276**	230	502
Depreciation	**147**	155	304
Adjusted EBITDA	**423**	385	806
Working capital movement	**(3)**	25	173
Change in provisions	**8**	16	(9)
Change in employee benefits	**(10)**	(10)	(32)
Other	**(9)**	5	5
Cash generated from operations before adjusting cash items	**409**	421	943
Capital expenditure	**(131)**	(135)	(331)
Proceeds from sale of property, plant and equipment and other investments	**6**	3	8
Tax paid	**(50)**	(30)	(66)
Net interest paid	**(46)**	(52)	(68)
Free cash flow	**188**	207	486
Cash outflow for adjusting items	**(6)**	(19)	(48)
Dividends paid	**(55)**	–	–
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(23)**	(88)	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	**37**	–	16
Other	**(4)**	–	2
Net cash flow	**137**	100	366
Proceeds from issue of share capital	**2**	1	3
Borrowings divested, including deposits	**1**	–	3
Net movement on debt	**140**	101	372
Foreign exchange, fair value and other non-cash movements	**15**	(80)	(56)
Net debt movement – continuing operations	**155**	21	316
Net debt movement – discontinued operation	**-**	(10)	(10)
Opening net debt	**(1,795)**	(2,101)	(2,101)
Transfer to held for sale	**-**	3	–
Closing net debt – reported basis	**(1,640)**	(2,087)	(1,795)

Adjusted operating profit, adjusted EBITDA, free cash flow, and net debt are non-GAAP measures not defined by IFRS. Further detail on the use of non-GAAP measures is included in note 15.

12. Financial instruments

Carrying amounts and fair values of financial assets and liabilities

Set out below is the accounting classification of the carrying amounts and fair values of all of the Group's financial assets and liabilities:

		At 31 October 2021 Unaudited		At 31 October 2020 Unaudited	
	Category	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**744**	**744**	534	534
Other investments	Amortised cost	**-**	**-**	12	12
Other investments	Fair value through other comprehensive income	**15**	**15**	3	3
Trade and other receivables	Amortised cost	**1,010**	**1,010**	838	838
Derivative financial instruments	Fair value – hedging instruments	**360**	**360**	27	27
Total financial assets		**2,129**	**2,129**	1,414	1,414
Financial liabilities					
Trade and other payables	Amortised cost, except as detailed below	**(2,030)**	**(2,030)**	(1,705)	(1,705)
Bank and other loans	Amortised cost	**(19)**	**(19)**	(11)	(11)
Commercial paper	Amortised cost	**(33)**	**(33)**	(30)	(30)
Medium-term notes and other fixed-term debt	Amortised cost	**(2,022)**	**(2,084)**	(2,311)	(2,400)
Lease liabilities	Amortised cost	**(209)**	**(209)**	(245)	(245)
Bank overdrafts	Amortised cost	**(130)**	**(130)**	(59)	(59)
Derivative financial instruments	Fair value – hedging instruments	**(124)**	**(124)**	(50)	(50)
Total financial liabilities		**(4,567)**	**(4,629)**	(4,411)	(4,500)

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists. The Group uses forward prices for valuing forward foreign exchange and commodity contracts and uses valuation models with present value calculations based on market yield curves to value fixed rate borrowings and cross-currency swaps. All derivative financial instruments are shown at fair value in the consolidated statement of financial position.

Derivatives hedging energy and carbon certificate costs at 31 October 2021 are stated net of margin calls to reduce counterparty exposure amounting to £85m (31 October 2020: nil). The margin calls all relate to derivatives that are scheduled to mature in the current financial year.

The majority of the Group's medium-term notes and other fixed-term debt are in effective cash flow and net investment hedges. The fair values of financial assets and liabilities which bear floating rates of interest or are short-term in nature are estimated to be equivalent to their carrying amounts.

The Group's financial assets and financial liabilities are categorised within the fair value hierarchy that reflects the significance of the inputs used in making the assessments. The majority of the Group's financial instruments are Level 2 financial instruments in accordance with the fair value hierarchy, meaning that although the instruments are not traded in an active market, inputs to fair value are observable for the asset and liability, either directly (i.e. quoted market prices) or indirectly (i.e. derived from prices). The Group's medium-term notes are Level 1 financial instruments, as the notes are listed on the Luxembourg Stock Exchange. Certain other investments and the redemption liability arising on the acquisition of Interstate Resources (within trade and other payables) are Level 3 financial instruments. The fair value of other investments at fair value through other comprehensive income is derived from fair value calculations based on their cash flows.

13. Acquisitions and divestments

(a) Acquisitions and divestments in the half year ended 31 October 2021

In total, during the half year ended 31 October 2021, cash consideration for acquisition of subsidiary businesses, net of cash and cash equivalents, was £23m. This included £19m for the remainder of the consideration for the purchase of a further 10% stake in Interstate Resources on 26 June 2020 after the exercise of a portion of the put option held by the sellers. Remaining acquisitions are not material to the Group individually or in aggregate.

On 12 October 2021, the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £37 million and leases divested were £1m.

(b) 2020/21 acquisitions and divestments

On 26 June 2020, the purchase of a further 10% stake in Interstate Resources was completed after the exercise of a portion of the put option held by the sellers. Of the £106m consideration, £82m was paid in cash, with, by agreement, the remainder deferred to October 2022. The final 10% stake remains subject to the put option. As a substantial shareholder of the Group, the seller met the definition of a related party.

In total, during the half year ended 31 October 2020, cash consideration for acquisition of subsidiary businesses, net of cash and cash equivalents, was £88m, and borrowings acquired, including deposits, were £nil. Apart from the acquisition of the 10% stake in Interstate Resources, the remaining acquisitions are not material to the Group individually or in aggregate.

(c) Acquisition related costs

The Group incurred acquisition related costs in the half year ended 31 October 2021 of £nil (half year ended 31 October 2020: £1m, year ended 30 April 2021: £2m), primarily consisting of professional fees relating to review of potential deals, which have been included in administrative expenses within adjusting items.

14. Discontinued operation

Plastics division

Profit from discontinued operation for the year ended 30 April 2021 includes profit on disposal of £3m and a deferred tax asset of £9m in respect of tax losses.

The consolidated statement of cash flows presents a single amount of net cash flow from discontinued operation.

Cash flows used in discontinued operation

	Half year ended 31 October 2021 Unaudited £m	Half year ended 31 October 2020 Unaudited £m	Year ended 30 April 2021 Audited £m
Net cash used in investing activities	**-**	(10)	(10)

Cash flows relate to settlement of professional fees and transaction costs arising from the sale of the Plastics division.

15. Non-GAAP performance measures

The Group presents reported and adjusted financial information in order to provide shareholders with additional information to further understand the Group's operational performance and financial position.

The principal adjustments to financial information are made to exclude the effects of adjusting items (refer to note 3) and amortisation.

Total reported financial information represents the Group's overall performance and financial position, but can contain significant unusual or non-operational items that may obscure understanding of the key trends and position. These unusual or non-operational items include business disposals, restructuring and optimisation project costs, acquisition-related and integration costs, and impairments. Restructuring and optimisation items treated as adjusting items are major programmes usually spanning more than one year, with uneven impact on the profit and loss for those years affected. Other adjusting items, such as business disposals, impairments, integration and acquisition costs, are by nature either highly variable or can also have a similar distorting effect. Therefore, the Directors consider that presenting non-GAAP measures which exclude these adjusting items enables comparability of the recurring core business, complementing the IFRS measures presented.

Amortisation relates primarily to customer contracts and relationships and infrastructure optimisation projects arising from or as a result of business combinations. Significant costs are incurred in maintaining, developing and increasing the value of such intangibles, costs which are charged in determining adjusted profit. Exclusion of amortisation remedies this double count as well as, in the case of customer contracts and relationships, providing comparability over the accounting treatment of customer contracts and relationships arising from the acquisition of businesses and those generated internally.

The Group's key non-GAAP measures are used both internally and externally to evaluate business performance against the Group's KPIs and banking and debt covenants, as a key constituent of the Group's planning process, as well as comprising targets against which compensation is determined.

Certain non-GAAP performance measures can be, and are, reconciled to information presented in the financial statements. Other financial key performance measures are calculated using information which is not presented in the financial statements and is based on, for example, average 12-month balances or average exchange rates.

Key non-GAAP performance measures

The key non-GAAP performance measures used by the Group and their calculation methods are as follows:

Adjusted operating profit

Adjusted operating profit is operating profit excluding the pre-tax effects of both amortisation and adjusting items. Adjusting items include business divestment gains and losses, restructuring and optimisation costs, acquisition related and integration costs and impairments.

A reconciliation between reported and adjusted operating profit is set out on the face of the consolidated income statement.

Operating profit before adjusting items

A reconciliation between operating profit and operating profit before adjusting items is set out on the face of the consolidated income statement.

Other similar profit measures before adjusting items are quoted, such as profit before income tax and adjusting items, and are directly derived from the consolidated income statement, from which they can be directly reconciled.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is adjusted operating profit excluding depreciation. A reconciliation from adjusted operating profit to adjusted EBITDA is provided in note 11.

Adjusted earnings per share

Adjusted earnings per share is basic earnings per share adjusted to exclude the post-tax effects of adjusting items and amortisation. Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders.

A reconciliation between basic and adjusted earnings per share is provided in note 7.

Return on sales

Return on sales is adjusted operating profit measured as a percentage of revenue. Return on sales is used to measure the value we deliver to customers and the Group's ability to charge for that value.

	Half year ended 31 October 2021 £m	Half year ended 31 October 2020 £m	Year ended 30 April 2021 £m
Adjusted operating profit	**276**	230	502
Revenue	**3,362**	2,889	5,976
Return on sales	**8.2%**	8.0%	8.4%

Adjusted return on average capital employed (ROACE)

ROACE is the last 12 months' adjusted operating profit as a percentage of the average monthly capital employed over the previous 12 month period. Capital employed is the sum of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale. Assets and liabilities relating to the discontinued operation are excluded.

	Half year ended 31 October 2021 £m	Half year ended 31 October 2020 £m	Year ended 30 April 2021 £m
Capital employed	**5,589**	6,092	5,728
Currency, inter-month and acquisition/divestment movements	**258**	124	394
Last 12 months' average capital employed	**5,847**	6,216	6,122
Last 12 months' adjusted operating profit	**548**	539	502
Adjusted return on average capital employed	**9.4%**	8.7%	8.2%

Net debt and net debt/EBITDA

Net debt is the measure by which the Group assesses its level of overall indebtedness within its financial position. The components of net debt as they reconcile to the primary financial statements and notes to the accounts are disclosed in note 10.

Net debt/EBITDA is the ratio of net debt to adjusted EBITDA, calculated in accordance with the Group's banking covenant requirements.

Net debt/EBITDA is considered a key measure of balance sheet strength and financial stability by which the Group assesses its financial position.

The Group's banking covenant requirements currently exclude IFRS 16 liabilities from the definition of net debt, as well as requiring that EBITDA is calculated before the effects of IFRS 16, so an adjustment to the previous IAS 17 basis is made in the calculation.

In calculating the ratio, net debt is stated at average rates as opposed to closing rates, and adjusted EBITDA is adjusted operating profit before depreciation from the previous 12 month period adjusted for the full year effect of acquisitions and divestments in the period, and adjusted to an IAS 17 basis.

	Half year ended 31 October 2021 £m	Half year ended 31 October 2020 £m	Year ended 30 April 2021 £m
Net debt – reported basis (see note 10)	**1,640**	2,087	1,795
IFRS 16 lease liabilities (see note 10)	**(206)**	(240)	(227)
Adjustment to average rate	**32**	(40)	38
Net debt – adjusted basis	**1,466**	1,807	1,606
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**844**	843	806
Adjust to IAS 17 basis	**(80)**	(82)	(82)
Acquisition and divestment effects	**(4)**	–	2
Adjusted EBITDA – banking covenant basis	**760**	761	726
Net debt/EBITDA	**1.9x**	2.4x	2.2x

Free cash flow

Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and divestment of subsidiary businesses (including borrowings acquired), and proceeds from issue of share capital.

A reconciliation from Adjusted EBITDA to free cash flow is set out in note 11.

Cash conversion

Cash conversion is free cash flow, as defined above, adjusted to exclude tax, net interest, growth capital expenditure and pension payments as a percentage of adjusted operating profit. The cash conversion rate can be derived directly from note 11, other than growth capital expenditure, which is capital expenditure necessary for the development or expansion of the business.

	Half year ended 31 October 2021 £m	Half year ended 31 October 2020 £m	Year ended 30 April 2021 £m
Growth capital expenditure	**49**	36	100
Non-growth capital expenditure	**82**	99	231
Total capital expenditure	**131**	135	331

Free cash flow (note 11)	**188**	207	486
Tax paid (note 11)	**50**	30	66
Net interest paid (note 11)	**46**	52	68
Growth capital expenditure	**49**	36	100
Change in employee benefits (note 11)	**10**	10	32
Adjusted free cash flow	**343**	335	752
Adjusted operating profit	**276**	230	502
Cash conversion	**124%**	146%	150%

Average working capital to sales

Average working capital to sales measures the level of investment the Group makes in working capital to conduct its operations. It is measured by comparing the average monthly working capital balances for the previous 12 months as a percentage of revenue over the same period. Working capital is the sum of inventories, trade and other receivables, and trade and other payables, excluding capital and acquisition and divestment related debtors and creditors.

	Half year ended 31 October 2021 £m	Half year ended 31 October 2020 £m	Year ended 30 April 2021 £m
Inventories	**624**	513	537
Trade and other receivables	**974**	804	786
Trade and other payables	**(1,869)**	(1,520)	(1,669)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**89**	183	236
Last 12 months' average working capital	**(182)**	(20)	(110)
Last 12 months' revenue	**6,449**	5,744	5,976
Average working capital to sales	**(2.8%)**	(0.3%)	(1.8%)

Constant currency and organic growth

The Group presents commentary on both reported and constant currency revenue and adjusted operating profit comparatives in order to explain the impact of exchange rates on the Group's key income statement items. Constant currency comparatives recalculate the prior year revenue and adjusted operating profit as if they had been generated using the current year exchange rates. In addition, the Group then separates the incremental effects of acquisitions made in the current year, and the incremental effects of acquisitions made in the previous year, to determine underlying organic growth. The table below shows the calculations:

	Revenue £m	**Adjusted operating profit £m**
Reported basis – comparative half year ended 31 October 2020	**2,889**	**230**
Currency effects	**(132)**	**(11)**
Constant currency basis – comparative half year ended 31 October 2020	**2,757**	**219**
Organic growth	**605**	**57**
Reported basis – half year ended 31 October 2021	**3,362**	**276**

16. Subsequent events

There are no subsequent events after the reporting date which require disclosure.