7 December 2023

DS SMITH PLC – 2023/24 HALF YEAR RESULTS - ROBUST PERFORMANCE IN CHALLENGING ENVIRONMENT; ON TRACK FOR FY24

6 months to 31 October 2023 Continuing operations		Change (reported)	Change (constant currency)
Revenue	£3,513m	(18%)	(18%)
Adjusted operating profit(1)	£365m	(13%)	(12%)
Profit before tax	£268m	(15%)	(15%)
Adjusted basic EPS(1)	17.7p	(15%)	(15%)
Statutory basic EPS	14.8p	(12%)	(12%)
Dividend per share	6.0p	-	-
Return on sales (RoS)(2)	10.4%	+70bps	+70bps
ROACE(3)	12.8%	(40bps)	(30bps)
Net debt / EBITDA(6)	1.7x	-	-

See notes to financial table below

- Robust adjusted operating profit of £365m (£418m H1 FY22/23) in challenging environment
- Decline in like for like box volumes of 4.7% in H1, with sequential quarter-on-quarter improvement and H2 expected to show continued positive momentum
- Pricing has been resilient, underpinned by strong customer relationships, innovation and high service levels, with downward pressure offset by lower input costs and productivity initiatives
- Strong financial position: 1.7x net debt/EBITDA (FY22/23: 1.3x)
- Continued capital and operational investment to support our customers and improve productivity and environmental efficiency
- Full year trading in line with management expectations

Miles Roberts, Group Chief Executive, commented:
"I am pleased with the performance for the first half of the year. Our focus on value-added packaging solutions to predominantly FMCG customers, together with the benefit from our self-help productivity initiatives and flexible supply chain has driven a robust profit performance. Our Q2 volume performance was improved versus Q1 and we expect this trend to continue with H2 volumes stronger than H1, sequentially and on a like for like basis, as we continue to win market share.

While we anticipate markets to remain challenging, we remain focused on our customers and our costs and expect to deliver full year results in line with management expectations. Looking forward we remain confident in our business model and our capital and operational investment programmes which drive innovation, growth, improving productivity and environmental efficiency."

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There will be a webcast audio presentation at 9:00am with the slides of the half year results, followed by a Q&A, given by Miles Roberts, Group Chief Executive and Richard Pike, Group Finance Director.

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

The webcast will be available to review:
https://www.dssmith.com/investors/results-and-presentations

Notes to the financial tables

Note 14 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 3, note 7, and note 14.

(1) Operating profit (adjusted EBITA) is before adjusting items (as set out in note 3) and amortisation of £51 million.
(2) Operating profit before amortisation and adjusting items as percentage of revenue.
(3) 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.
(4) Corrugated box volumes on a 6 months basis (based on area (m2) of corrugated box sold), adjusted for working days, on an organic basis.
(5) GDP growth for rolling 6 months (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country = 0.7%. Source: Eurostat (14 Nov 2023) and ONS
(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 14 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.

Cautionary statement: This announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and DS Smith Plc undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast.

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.

Operating Review

Robust profit performance

The macro-economic environment has remained challenging with overall market demand continuing to be weak, leading to a decline in like for like box volumes of 4.7 per cent compared to H1 FY22/23. Encouragingly, with destocking amongst our customers now largely over, we are seeing signs of volume improvement, with the second quarter performance being better than the first, albeit remaining below the comparable prior period.

The largest decline in volume was in Northern Europe, which includes the UK and Germany, where we have a greater weighting to industrial and e-commerce customers, respectively. Eastern Europe was relatively resilient, with our North American division delivering volume growth for the period.

For the six month period, revenue declined to £3,513 million, down 18 per cent on a constant currency and reported basis driven by declines in box volumes (£142 million) and lower selling prices (£615 million) across the Group. Packaging prices were down £273 million, approximately 9 per cent, with the balance reflecting lower external paper, recyclate and energy sales. Packaging prices have been more resilient than expected reflecting our strong customer relationships, ongoing innovation and continued focus on high service levels.

The impact of box and other volume declines led to a £39 million reduction in adjusted operating profit. The decline in sales price was almost completely offset by a reduction in raw material costs and cost mitigation actions, which led to an overall decrease in costs, excluding the impact of volume declines, of £602 million versus the comparable period with a reduction in raw materials costs of £360 million and cost mitigation initiatives and reduced other costs totalling £242 million.

Group return on sales grew during the year to 10.4 per cent (2022/23: 9.7 per cent), reflecting robust profitability despite the impact of volumes and price declines.

Basic earnings per share from continuing operations fell 12 per cent on a constant currency basis to 14.8 pence. Adjusted basic earnings fell by 15 per cent on a constant currency basis to 17.7 pence per share.

Return on average capital employed fell slightly to 12.8 per cent, reflecting the movement in adjusted operating profit.

Strong financial position
Our balance sheet remains strong with a net debt/EBITDA ratio of 1.7 times, well within our medium-term target of at or below 2.0 times. Net debt was £1,990 million at 31 October 2023 up from £1,636 million at 30 April 2023.

As previously announced, free cash flow was impacted in the period by a number of one-off items and led to an outflow of £54 million versus a cash inflow of £494 million in the comparative period. The cash outflow included working capital outflow of £253 million including a net outflow of £79 million in respect of the reversal of prior cash collateralization of energy hedges which we undertook to limit our counterparty exposure. The underlying working capital outflow was also reflective of lower paper and energy prices reducing trade payables, lower box prices reducing trade receivables and lower paper prices reducing inventory. In September we paid the final amount of £103 million for the remaining outstanding shareholding in Interstate Resources, the majority of which we acquired in August 2017.

Performance vs. medium-term targets

Medium-term targets *Continuing operations*	Delivery in H1 2023/24
Organic volume growth[(4)] ≥GDP[(5)]+1%, being 1.7%	(4.7%)
Return on sales[(2)] 10% – 12%	10.4%
ROACE[(3)] 12% - 15%	12.8%
Net debt / EBITDA[(6)] ≤2.0x	1.7x
Cash conversion[(7,8)] ≥100%	41%

See notes to the financial tables above

Driving growth and productivity
We remain committed to investing in our business to drive higher returns and further efficiencies. As we communicated at the full year results in June 2023 this is focused on:

- Investing in products and services
- Investing in our capacity and capabilities
- Investing in energy and environmental efficiency

Net capital expenditure increased 28 per cent in the first half of the year to £208 million and our expectation for full year capital expenditure remains unchanged at £500 million.

In addition to a number of ongoing capital projects previously announced, new highlights from within the period include:

- The recent opening of our group-wide innovation hub, R8. This UK-based facility allows us, our customers, and partners to accelerate the research and development of new packaging solutions.

- We started construction on a €90 million project, which includes a subsidy of €15 million from the French Government, in a new biomass-from-waste boiler in France. Once complete, it will reduce emissions on site by 99,000 tonnes of CO_2 per year and offer returns of greater than 20 per cent.

We continue to see attractive returns on capital of between 15 and 20 per cent from the discretionary capital expenditure initiatives. Discretionary expenditure in the previous two financial years, together with the current year, will total c.£500 million with a further c.£300 million expected by the end of our FY26, totalling c.£800 million over the five-year period FY22-FY26.

We are also undertaking operational initiatives to drive productivity and efficiency including further procurement savings, improving labour productivity, enhancing our operational equipment effectiveness and driving down waste and overheads.

Leading the way in sustainability
Sustainability is central to our circular business model. We continue to work actively with our customers to help them address their sustainability challenges and have launched new innovative solutions to help replace plastic for our customers.

Following the refresh of our Now & Next Sustainability Strategy announced over the summer, we continue to drive the strategy into our business, with key projects and initiatives underway to lead the transition to a low carbon circular economy. These include developing our roadmap of decarbonisation projects for our science-based target, supplier engagement programme and human rights due diligence programme.

Dividend
The Board considers the dividend to be an important component of shareholder returns. Today, we are announcing an interim dividend for this year of 6.0 pence per share, maintaining our level from last year, despite the reduction in profits and reflecting our robust financial position and confidence in the future performance and opportunities for the business.

Outlook

While we anticipate markets to remain challenging, we remain focused on our customers and our costs and expect to deliver full year results in line with management expectations. Over the medium term, the structural growth drivers of plastic replacement and changing retail formats remain strong and we expect market corrugated volumes to return to being in line with GDP growth rates. We remain confident in our business model and our capital and operational investment programmes to drive innovation, growth, improving productivity and environmental efficiency.

Operating Review

Northern Europe

	Half year ended 31 October 2023	Half year ended 31 October 2022	Change – reported	Change – constant currency
Revenue	£1,348m	£1,624m	(17%)	(17%)
Adjusted operating profit*	£107m	£85m	26%	26%
Return on sales(2)	7.9%	5.2%	270bps	260bps

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

In Northern Europe, organic corrugated box volumes across the region declined more than the Group average. This region, which includes Germany and the UK has a greater weighting to industrial and e-commerce customers which have seen the biggest sectoral declines, and the economic environment has been particularly tough.

Revenues decreased by 17 per cent in the region due to a combination of the decrease in box volumes, reductions in sales prices for packaging, externally sold paper and volumes of recycled fibre. Adjusted operating profit increased, reflecting resilient pricing, due to a higher proportion of indexed pricing meaning packaging pricing reduced less than input costs with return on sales increasing to 7.9 per cent.

Southern Europe

	Half year ended 31 October 2023	Half year ended 31 October 2022	Change – reported	Change – constant currency
Revenue	£1,298m	£1,672m	(22%)	(23%)
Adjusted operating profit*	£189m	£252m	(25%)	(26%)
Return on sales(2)	14.6%	15.1%	(50bps)	(50bps)

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

Southern Europe saw a decline in box volumes approximately in line with the Group average with France weaker than Iberia and Italy, reflecting the weaker overall consumer market in France.

Revenue declined 23 per cent, due to the impact of decreases in both packaging and paper pricing. Adjusted operating profit declined by 26 per cent compared to the prior period, due largely to the decrease in the volume and price of paper sold externally, although margins remained significantly above the Group's target range. In the prior period the region benefited not only from excellent performance in packaging, but also from an exceptional contribution from the kraft paper mill in Viana, Portugal, reflecting strength in both its operations and kraft paper pricing.

Eastern Europe

	Half year ended 31 October 2023	Half year ended 31 October 2022	Change – reported	Change – constant currency
Revenue	£567m	£648m	(13%)	(14%)
Adjusted operating profit*	£38m	£38m	-	-
Return on sales(2)	6.7%	5.9%	80bps	90bps

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

Organic corrugated box volumes in Eastern Europe were resilient, declining less than the Group average, with some regions showing volume growth in the period.

Revenues declined 14 per cent, principally reflecting the decrease in packaging prices, while adjusted operating profit was flat for the period with packaging price declines offset by lower raw material costs and efficiency improvements.

North America

	Half year ended 31 October 2023	Half year ended 31 October 2022	Change – reported	Change – constant currency
Revenue	£300m	£355m	(15%)	(11%)
Adjusted operating profit*	£31m	£43m	(28%)	(23%)
Return on sales(2)	10.3%	12.1%	(180bps)	(160bps)

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

Packaging volumes grew during the period, reflecting excellent customer traction and our recent investments in additional capacity. Revenue in the region declined, reflecting pricing reductions in paper and packaging.

Adjusted operating profit declined by 23 per cent, principally reflecting the decline in paper profitability as the region produces more paper than it currently utilises for our own packaging production and hence retains some exposure to the paper export market. Despite this, return on sales margins remain attractive and the expected continued volume growth will reduce this exposure going forward.

Financial Review

2023/24 half year results

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

Revenue decreased by 18% on both a reported and constant currency basis to £3,513 million for the half year ended 31 October 2023 (H1 2022/23: £4,299 million), driven by lower average selling prices and a 4.7% decline in box volumes over the period versus the previous year, reflecting the current economic environment.

Operating profit of £314 million decreased by 10% versus the prior year on both a reported and constant currency basis (H1 2022/23: £349 million), and adjusted operating profit decreased to £365 million, a 13% decrease on a reported basis and 12% decrease on a constant currency basis (H1 2022/23: £418 million). On a constant currency basis, the effect of the decrease in the average sales price and mix (£615 million) was combined with the lower sales volumes (£39 million) and foreign exchange impact of £1 million, offset by lower input, distribution, energy and other costs, excluding the impact of volume declines, of (£602 million). The costs continue to be actively managed, with energy costs mitigated by the Group's three year rolling hedging programme. Labour costs were in line with the previous year.

Amortisation of £51 million is lower than the prior half year on both a reported (H1 2022/23: £62 million) and constant currency basis, as intangibles recognised on the acquisition of SCA Packaging are now fully amortised.

After the effects of exchange and disposals in the current and prior periods, depreciation was £157 million, £3 million higher on a reported and constant currency basis (H1 2022/23: £154 million) as a result of increased capital expenditure.

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 an outflow of £54 million (H1 2022/23: inflow of £494 million). The movement was due to lower adjusted operating profit, working capital, increased capital expenditure and higher taxes paid. The underlying working capital outflow of £174 million was due to the effect of lower paper and energy prices on payables along with box price decline effect on receivables and paper prices on the value of inventory. Including the effect of margin calls, the reported working capital cash flow was in total an outflow of £253 million. The net impact on working capital from margin calls was £79 million, with the unwind of margin calls taken in the previous year (£143 million), offset by additional margin calls made in the period (£64 million). There was no impact on income from these margin calls.

The Group's net debt position increased by £354 million to £1,990 million compared to the prior year end (30 April 2023: £1,636 million; 31 October 2022: £1,147 million). Net debt was impacted principally by free cash flow for the period of £54 million outflow, dividend payments of £165 million and the payment of the final tranche of the acquisition costs of the North American Interstate business, £103 million. Foreign exchange and fair value movements were a negative impact of £30 million.

Net capital expenditure was higher than in the previous half year at £208 million (H1 2022/23: £162 million) driven by incremental discretionary spend.

Return on average capital employed (ROACE) reduced by 40 basis points to 12.8 per cent against the previous half year.

Return on sales for the continuing operations at 10.4 per cent, improved 70 basis points against the previous half year of 9.7 per cent.

Certain items are presented within the financial statements as adjusting items, in order to assist in understanding the trading results of the Group. There were no costs recognised during the current half year (H1 2022/23: £7 million), with the prior half year costs relating to the put option for the final 10% stake in Interstate Resources when the option crystallised on 1 September 2022.

Net financing costs before adjusting items of £47 million (H1 2022/23: £35 million) relate to interest on borrowings and lease liabilities, higher than last year due to the higher interest rates primarily following the refinancing of the Group's European bonds in the period.

Income from associates was £1 million (H1 2022/23: £1 million).

Profit before income tax decreased to £268 million (H1 2022/23: £315 million) principally due to lower operating profit.

The rate of tax on adjusted profits before amortisation and adjusting items is 24%, lower than the previous year's rate of 25%. The total tax expense is £64 million (H1 2022/23: £83 million).

Profit after tax decreased to £204 million (H1 2022/23: £232 million), due to lower operating profit offset by a reduction in income tax.

Adjusted basic earnings per share before amortisation and adjusting items reduced by 15% to 17.7 pence on a constant currency basis (H1 2022/23: 20.9 pence), driven by the reduction in operating profit. Basic earnings per share decreased to 14.8 pence (H1 2022/23: 16.9 pence).

Financial position

Total shareholder funds decreased to £4,022 million (30 April 2023: £4,084 million; 31 October 2022: £4,590 million). The movement is due primarily to profit attributable to shareholders of £204 million (H1 2022/23: £232 million), actuarial losses on employee benefits of £23 million (H1 2022/23: £34 million), dividends to shareholders recognised of £165 million (H1 2022/23: £206 million), a net decrease in the translation reserve of £12 million (net foreign currency translation losses of £1 million, and a negative £11 million movement in the net investment hedge) and a net negative movement on derivative hedges of £80 million. The latter is driven by commodity hedging positions which have decreased in value as energy prices have fallen. The tax credit of total comprehensive income items amounts to £17 million (H1 2022/23: charge of £91 million).

Reported net debt of £1,990 million has increased from year end (30 April 2023: £1,636 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 covenants, which excludes the effects of IFRS 16 *Leases*. The ratio has increased to 1.7 times (30 April 2023: 1.3 times, 31 October 2022: 1.0 times), well within the primary covenant requirements of 3.75 times, owing to a reduction in EBITDA as a result of softer demand and a reduction in sales prices partly offset by improved input costs and the impact of cost control measures. In July 2023, the Group successfully issued a €1.5 billion bond split across two tranches (4 & 7 years) under the Group's Green Financing Framework. Alongside this, we bought back almost €300 million of the €750 million bond which is due to mature in 2024.

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 increased marginally to £364 million (30 April 2023: £360 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 6.0 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 31 January 2024 to ordinary shareholders on the register at close of business on 15 December 2023.

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 on pages 42 to 49 of the 2023 Annual Report, available on the Group's website, www.dssmith.com, remain relevant.

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

- Macroeconomic impacts
- Paper/fibre price volatility
- Cyber attacks
- Shopping habits
- Regulation and governance
- Sustainability commitments
- Organisational capability
- Packaging capacity fluctuations
- Disruptive market players
- Substitution of fibre packaging

- Security of paper/fibre supply
- Digital enablement

Going Concern

The Board has 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 caused by high inflation and the ongoing war in Ukraine and reactivation of Middle East conflict. More detail of the assessment performed is included in note 1 to the financial statements.

At 31st October 2023 there was significant liquidity headroom, at a level of c.£1.8 billion. The going concern assessment included the period to 30 April 2025 and considerations for the period immediately thereafter. Based on the resilience of the Group's operations to both the high-cost environment experienced throughout the last 24 months, adverse evolution of paper prices and the weak demand experienced during FY23 and FY24, 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 controllable 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 period of the going concern assessment. For this reason, the going concern basis has been adopted in preparing the financial statements.

The financial statements have been prepared on the going concern basis with no material uncertainty identified after a detailed assessment.

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	Richard Pike
Group Chief Executive	Group Finance Director

6 December 2023

INDEPENDENT REVIEW REPORT TO DS SMITH PLC

Conclusion

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 2023 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 the 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.

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 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, 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.

As disclosed in note 1 the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

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

Auditor’s Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
6 December 2023

Condensed consolidated income statement

Continuing operations	Note	Half year ended 31 October 2023 Unaudited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m	Half year ended 31 October 2022 Unaudited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m	Year ended 30 April 2023 Audited Before adjusting items £m	Adjusting items (note 3) £m	After adjusting items £m
Revenue	2	**3,513**	**-**	**3,513**	4,299	–	4,299	8,221	–	8,221
Operating costs		**(3,148)**	**-**	**(3,148)**	(3,881)	–	(3,881)	(7,360)	–	(7,360)
Operating profit before amortisation, acquisitions and divestments	2	**365**	**-**	**365**	418	–	418	861	–	861
Amortisation of intangible assets; acquisitions and divestments	3	**(51)**	**-**	**(51)**	(62)	(7)	(69)	(113)	(15)	(128)
Operating profit		**314**		**314**	356	(7)	349	748	(15)	733
Finance income	5	**6**	**-**	**6**	1	–	1	2	–	2
Finance costs	5	**(53)**	**-**	**(53)**	(36)	–	(36)	(75)	–	(75)
Employment benefit net finance expense		**-**	**-**	**-**	–	–	–	(1)	–	(1)
Net financing costs		**(47)**	**-**	**(47)**	(35)	–	(35)	(74)	–	(74)
Profit after financing costs		**267**	**-**	**267**	321	(7)	314	674	(15)	659
Share of profit of equity accounted investments, net of tax		**1**	**-**	**1**	1	–	1	2	–	2
Profit before income tax		**268**	**-**	**268**	322	(7)	315	676	(15)	661
Income tax (expense)/credit	6, 3	**(64)**	**-**	**(64)**	(83)	-	(83)	(172)	3	(169)
Profit for the period from continuing operations		**204**	**-**	**204**	239	(7)	232	504	(12)	492
Discontinued operations										
Profit for the period from discontinued operations net of tax		**-**	**-**	**-**	–	–	–	–	11	11
Profit for the period		**204**	**-**	**204**	239	(7)	232	504	(1)	503
Profit for the period attributable to:										
Owners of the parent		**204**	**-**	**204**	239	(7)	232	503	(1)	502
Non-controlling interests		**-**	**-**	**-**	–	–	–	1	–	1

Earnings per share

	Note	Half year ended 31 October 2023 Before adjusting items	Half year ended 31 October 2023 After adjusting items	Half year ended 31 October 2022 Before adjusting items	Half year ended 31 October 2022 After adjusting items	Year ended 30 April 2023 Before adjusting items	Year ended 30 April 2023 After adjusting items
Earnings per share from continuing and discontinued operations							
Basic	7		**14.8p**		16.9p		36.6p
Diluted	7		**14.8p**		16.8p		36.3p
Earnings per share from continuing operations							
Basic	7		**14.8p**		16.9p		35.8p
Diluted	7		**14.8p**		16.8p		35.5p
Adjusted earnings per share from continuing operations							
Basic	7	**17.7p**		20.9p		43.0p	
Diluted	7	**17.6p**		20.8p		42.7p	

Condensed consolidated statement of comprehensive income

	Half year ended 31 October 2023 Unaudited £m	Half year ended 31 October 2022 Unaudited £m	Year ended 30 April 2023 Audited £m
Profit for the period	**204**	232	503
Items which will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on employee benefits	**(23)**	(34)	11
Income tax on items which will not be reclassified subsequently to profit or loss	**6**	9	(2)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences	**(1)**	195	194
Reclassification to income statement on asset write down	**-**	–	(3)
Cash flow hedges fair value changes	**(77)**	674	(72)
Reclassification from cash flow hedge reserve to income statement	**(3)**	(355)	(573)
Movement in net investment hedge	**(11)**	(66)	(74)
Income tax on items which may be reclassified subsequently to profit or loss	**11**	(100)	149
Other comprehensive (expense)/income for the period, net of tax	**(98)**	323	(370)
Total comprehensive income for the period	**106**	555	133
Total comprehensive income attributable to:			
Owners of the parent	**106**	555	132
Non-controlling interests	**-**	–	1

Condensed consolidated statement of financial position

	Note	**At 31 October 2023 Unaudited £m**	At 31 October 2022 Unaudited £m	At 30 April 2023 Audited £m
Assets				
Non-current assets				
Intangible assets		**2,882**	2,980	2,927
Biological assets		**11**	11	11
Property, plant and equipment		**3,626**	3,249	3,529
Right-of-use assets		**212**	198	224
Equity accounted investments		**17**	18	17
Other investments		**18**	16	17
Employee Benefits		**12**	-	24
Deferred tax assets		**11**	7	11
Other receivables		**1**	1	1
Derivative financial instruments		**71**	797	165
Total non-current assets		**6,861**	7,277	6,926
Current assets				
Inventories		**610**	758	619
Biological assets		**5**	7	6
Income tax receivable		**31**	32	24
Trade and other receivables		**1,155**	1,385	1,256
Cash and cash equivalents	10	**908**	656	472
Derivative financial instruments		**69**	337	154
Assets classified as held for sale		**-**	2	-
Total current assets		**2,778**	3,177	2,531
Total assets		**9,639**	10,454	9,457
Liabilities				
Non-current liabilities				
Borrowings	10	**(2,081)**	(1,419)	(1,742)
Employee benefits	4	**(79)**	(112)	(79)
Other payables		**(39)**	(37)	(34)
Provisions		**(10)**	(7)	(11)
Lease liabilities	10	**(144)**	(139)	(154)
Deferred tax liabilities		**(231)**	(490)	(262)
Derivative financial instruments		**(63)**	(168)	(49)
Total non-current liabilities		**(2,647)**	(2,372)	(2,331)
Current liabilities				
Bank overdrafts	10	**(215)**	(196)	(104)
Borrowings	10	**(421)**	(23)	(74)
Trade and other payables		**(1,876)**	(2,811)	(2,253)
Income tax liabilities		**(190)**	(179)	(165)
Provisions		**(68)**	(86)	(54)
Lease liabilities	10	**(70)**	(63)	(70)
Derivative financial instruments		**(127)**	(132)	(319)
Total current liabilities		**(2,967)**	(3,490)	(3,039)
Total liabilities		**(5,614)**	(5,862)	(5,370)
Net assets		**4,025**	4,592	4,087
Equity				
Issued capital		**138**	138	138
Share premium		**2,252**	2,252	2,251
Reserves		**1,632**	2,200	1,695
Total equity attributable to owners of the parent		**4,022**	4,590	4,084
Non-controlling interests		**3**	2	3
Total equity		**4,025**	4,592	4,087

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 2023 (audited)	**138**	**2,251**	**113**	**15**	**(14)**	**1,581**	**4,084**	**3**	**4,087**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**204**	**204**	**-**	**204**
Actuarial loss on employee benefits	**-**	**-**	**-**	**-**	**-**	**(23)**	**(23)**	**-**	**(23)**
Foreign currency translation differences	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**	**-**	**(1)**
Cash flow hedges fair value changes	**-**	**-**	**(77)**	**-**	**-**	**-**	**(77)**	**-**	**(77)**
Reclassification from cash flow hedge reserve to income statement	**-**	**-**	**(3)**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
Movement in net investment hedge	**-**	**-**	**-**	**(11)**	**-**	**-**	**(11)**	**-**	**(11)**
Income tax on other comprehensive income	**-**	**-**	**10**	**1**	**-**	**6**	**17**	**-**	**17**
Total comprehensive income	**-**	**-**	**(70)**	**(11)**	**-**	**187**	**106**	**-**	**106**
Issue of share capital	**-**	**1**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Employee share trust	**-**	**-**	**-**	**-**	**4**	**(8)**	**(4)**	**-**	**(4)**
Share-based payment expense (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(165)**	**(165)**	**-**	**(165)**
Reclassification	**-**	**-**	**(2)**	**(5)**	**-**	**7**	**-**	**-**	**-**
Other changes in equity in the period	**-**	**1**	**(2)**	**(5)**	**4**	**(166)**	**(168)**	**-**	**(168)**
At 31 October 2023 (unaudited)	**138**	**2,252**	**41**	**(1)**	**(10)**	**1,602**	**4,022**	**3**	**4,025**
At 1 May 2022 (audited)	137	2,248	609	(105)	(9)	1,352	4,232	2	4,234
Profit for the period	–	–	–	–	–	232	232	–	232
Actuarial loss on employee benefits	–	–	–	–	–	(34)	(34)	–	(34)
Foreign currency translation differences	–	–	–	195	–	–	195	–	195
Cash flow hedges fair value changes	–	–	674	–	–	–	674	–	674
Reclassification from cash flow hedge reserve to income statement	–	–	(355)	–	–	–	(355)	–	(355)
Movement in net investment hedge	–	–	–	(66)	–	–	(66)	–	(66)
Income tax on other comprehensive income	–	–	(101)	1	–	9	(91)	–	(91)
Total comprehensive income	–	–	218	130	–	207	555	–	555
Issue of share capital	1	4	–	–	–	–	5	–	5
Employee share trust	–	–	–	–	1	(1)	–	–	–
Share-based payment expense (net of tax)	–	–	–	–	–	4	4	–	4
Dividends paid	–	–	–	–	–	(206)	(206)	–	(206)
Other changes in equity in the period	1	4	–	–	1	(203)	(197)	–	(197)
At 31 October 2022 (unaudited)	138	2,252	827	25	(8)	1,356	4,590	2	4,592

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

Condensed consolidated statement of cash flows

Continuing operations	Note	**Half year ended 31 October 2023 Unaudited £m**	Half year ended 31 October 2022 Unaudited £m	Year ended 30 April 2023 Audited £m
Operating activities				
Cash generated from operations	9	**259**	754	1,078
Interest received		**6**	1	2
Interest paid		**(56)**	(50)	(78)
Tax paid		**(55)**	(51)	(136)
Cash flows from operating activities		**154**	654	866
Investing activities				
Acquisition of subsidiary businesses, net of cash and cash equivalents	13	**(103)**	-	-
Capital expenditure		**(225)**	(163)	(545)
Proceeds from sale of property, plant and equipment and intangible assets		**17**	1	19
Cash flows used in restricted cash and other deposits		**2**	(5)	(2)
Other		**-**	-	2
Cash flows used in investing activities		**(309)**	(167)	(526)
Financing activities				
Proceeds from issue of share capital		**-**	4	4
Repayment of borrowings		**(601)**	(680)	(679)
Proceeds from borrowings		**1,290**	-	332
(Payments)/Proceeds in respect of derivative financial instruments		**-**	(3)	14
Repayment of principal on lease liabilities		**(35)**	(35)	(106)
Dividends paid to Group shareholders	8	**(165)**	(66)	(289)
Other		**(3)**	-	(4)
Cash flows used in financing activities		**486**	(780)	(728)
Increase/(decrease) in cash and cash equivalents		**331**	(293)	(388)
Net cash and cash equivalents at beginning of the period		**368**	746	746
Exchange (losses)/gains on cash and cash equivalents		**(6)**	7	10
Net cash and cash equivalents at end of the period	10	**693**	460	368

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the half year ended 31 October 2023 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 2023, which have been prepared in accordance with International Financial Reporting Standards as adopted by the UK ('IFRSs'). Those accounts were reported on by the Company's auditors 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 2023 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 2023 is unaudited but has been reviewed in accordance with ISRE 2410 *Review of Interim Financial Information* by Ernst & Young 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 2023, apart from as detailed below.

The following new accounting standards, amendments or interpretations have been adopted by the Group as of 1 May 2023:

- Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)
- Amendments to IAS 12 (Deferred tax related to Assets and Liabilities arising from a single transaction)
- Amendments to IAS 8 (Definition of accounting estimates)
- IFRS 17 Insurance Contracts
- International Tax Reform–Pillar Two Model Rules – Amendments to IAS 12

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

The Group's main currency exposures are to the Euro and the US dollar. The following significant exchange rates applied during the periods:

Foreign exchange rates

	Half year ended 31 October 2023		Half year ended 31 October 2022		Year ended 30 April 2023	
	Average	**Closing**	Average	Closing	Average	Closing
Euro	1.159	1.145	1.166	1.161	1.152	1.136
US dollar	1.255	1.216	1.189	1.151	1.201	1,247

Going Concern

Overview

As explained in the narrative section of this half year financial report under the heading 'Going Concern', the condensed interim financial statements are prepared on the going concern basis. This is considered appropriate given that the Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

Liquidity and financing position

The total drawn debt facilities at 31st October 2023 were £2.5bn, of which £2.45bn is publicly listed debt with no attached covenants. In addition, the Group has access to c£1.5bn committed bank facilities, which were undrawn at 31st October 2023, which provide liquidity to the Group and some of which carry the same covenant of net debt/EBITDA of less than 3.75 times. There is significant liquidity/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 the forecast prevailing at the half year, which anticipates flat organic box volume growth across each of our regions, together with stable paper price after price decline in H2 of FY23 and progressively lowering packaging selling prices in response to paper price decline, and some moderation on the inflationary pressures in direct costs and distribution. 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 forecast prevailing at the half year. The key inputs and assumptions include: Packaging flat volume growth in FY24 and at moderate levels across the future periods considered by the modelling, assuming recovery of consumer demand after demand fell in FY23 and modest recovery during FY24. Both paper and selling prices are forecast to be stable against H2 FY24 prices, which means we assume no recovery of Paper or selling prices. Inflation is in line with IMF guidelines;
- The downside case assumes European packaging volumes stagnating below FY23 levels, reflecting no future growth and higher inflationary pressures on the cost base, not mitigated by a commensurate increase in paper prices. With a significant portion of the Group's packaging contracts being either directly linked / referenced to a paper index, this results in higher input costs for the Group which are more difficult to pass through to end customers.

Mitigating actions

The outturns of the above scenario modelling, combined with the strong operating performance throughout FY23 and H1 of FY24 provide the Group a level of comfort that no significant cost / cash flow mitigations need to be built into 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 EBITDA, cash flow and net debt, including:

- Actions 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 brownfield sites and other expansionary spend);
- Strategic actions in respect of the Group's asset base could be considered in respect of disposals, mothballing and closures;
- 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 and optimising working capital by negotiating longer payment terms whilst continuing to pay suppliers in full and in line with contractual terms.

It is estimated that the Group EBITDA would have to fall by about 49% per cent from FY23 levels for a breach of the net debt/EBITDA covenant to occur although the Group would still have adequate liquidity. The Board considers this scenario to be a remote possibility based upon the Group historical performance.

Going concern basis

Based on the forecast and the scenarios modelled, together with the performance of the Group in 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 length of the going concern period until 30 April 2025. No reliance on refinancing has been assumed but the Group would intend to refinance borrowing maturing in November 2024. Accordingly, at the December 2023 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 2023. 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 units (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 2023 Annual Report.

IAS 36 requires goodwill and other intangibles with indefinite lives to be tested for impairment on an annual basis. DS Smith does this annually at the year end date, 30 April. At 31 October 2023, a review of "indicators of impairment" 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%, plus a blended country risk premium for each CGU, remained consistent with that adopted at 30 April 2023, as disclosed in the 2023 financial statements, updated for current rates as at 31 October 2023.

The modelling is based upon anticipated discounted future cash flows. At 31 October 2023, assessments performed indicated sufficient headroom existed. No impairment indicators were identified that would cause the carrying value of goodwill at 31 October 2023 to be impaired.

Whilst the Directors believe the assumptions used are realistic, it is possible that a reduction in the headroom would occur if any of the 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. In these cases, if future estimates of economic improvements were delayed, or if the estimated discount rates applied to the cash flows were increased by 0.5%, there would still be adequate headroom to support the carrying value of the assets. Based on this analysis, with the exception of North America, the Directors believe that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of CGUs to exceed their recoverable amounts, although the headroom would decrease. Sensitivities have also been conducted to determine the change required to the CGUs' EBITDA and discount rates, to reduce the recoverable amounts down to the carrying value of the assets. EBITDA growth is based on a number of elements over the long term, including price and volume growth in the first year as well as assumptions regarding inflation. For Northern Europe, it would require a reduction in EBITDA of 13% (year ended 30 April 2023: 17%) or a discount rate of 13.3% (discount rate assumption at half year to 31 October 2023: 10.2%; year ended 30 April 2023: 10.5%); Southern Europe a reduction in EBITDA of 8% (year ended 30 April 2023: 9%) or a discount rate of 13.3% (discount rate assumption at half year to 31 October 2023: 11.8%; year ended 30 April 2023: 12.4%) and Eastern Europe a reduction in EBITDA of 12% (year ended 30 April 2023: 12%) or a discount rate of 14.6% (discount rate assumption at half year to 31 October 2023: 12.1%; year ended 30 April 2023: 12.8%). For North America, where future cash flows include domestic volume growth from completed expansion projects and cyclical paper price improvements, the sensitivity conducted identified that a reasonably possible change to the EBITDA growth assumption or the discount rates applied could reduce the headroom of $357m (£288m) to breakeven. A reduction of 30% to the straight line average growth per annum of 17% (assessed over years 1-6) (year ended 30 April 2023: a 50% reduction to the straight line average growth per annum of 6% (assessed over years 1-6), against a headroom of $318m (£263m)) or a discount rate of 11.5% (year ended 30 April 2023: 11.7%) (discount rate assumption at half year to 31 October 2023: 9.7%; year ended 30 April 2023: 10.1%) would be required.

2. Segment reporting

Operating segments

Half year ended 31 October 2023	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue	**1,348**	**1,298**	**567**	**300**	**3,513**
Adjusted EBITDA[1]	161	250	64	47	**522**
Depreciation	(54)	(61)	(26)	(16)	**(157)**
Adjusted operating profit[1]	107	189	38	31	**365**
Unallocated items:					
Amortisation					**(51)**
Adjusting Items (note 3)					–
Total operating profit					**314**
Unallocated items:					
Net financing costs					**(47)**
Share of profit of equity accounted investments, net of tax					**1**
Profit before income tax					**268**
Income tax expense					**(64)**
Profit for the period					**204**
Analysis of total assets and total liabilities					
Segment assets	**2,532**	**3,115**	**1,466**	**1,389**	**8,502**
Unallocated items:					
Equity accounted investments and other investments					**35**
Derivative financial instruments					**140**
Cash and cash equivalents					**908**
Tax					**42**
Employee benefits					**12**
Total assets					**9,639**
Segment liabilities	**(1,093)**	**(754)**	**(232)**	**(109)**	**(2,188)**
Unallocated items:					
Borrowings, overdrafts and interest payable					**(2,736)**
Derivative financial instruments					**(190)**
Tax					**(421)**
Employee benefits					**(79)**
Total liabilities					**(5,614)**

1. Adjusted to exclude amortisation and adjusting items.

Half year ended 31 October 2022	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue	1,624	1,672	648	355	4,299
Adjusted EBITDA[1]	141	311	61	59	572
Depreciation	(56)	(59)	(23)	(16)	(154)
Adjusted operating profit[1]	85	252	38	43	418
Unallocated items:					
Amortisation					(62)
Adjusting Items (note 3)					(7)
Total operating profit					349
Unallocated items:					
Net financing costs					(35)
Share of profit of equity accounted investments, net of tax					1
Profit before income tax					315
Income tax expense					(83)
Profit for the period					232

Analysis of total assets and total liabilities					
Segment assets	2,282	3,755	1,217	1,335	8,589
Unallocated items:					
Equity accounted investments and other investments					34
Derivative financial instruments					1,134
Cash and cash equivalents					656
Tax					39
Assets classified as held for sale					2
Total assets					10,454
Segment liabilities	(1,429)	(1,141)	(306)	(122)	(2,998)
Unallocated items:					
Borrowings, overdrafts and interest payable					(1,643)
Derivative financial instruments					(300)
Tax					(669)
Dividend payable					(140)
Employee benefits					(112)
Total liabilities					(5,862)

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, Group initiated restructuring and optimisation projects, acquisition related and integration costs, and impairments.

Continuing operations	**Half year ended 31 October 2023 Unaudited £m**	Half year ended 31 October 2022 Unaudited £m	Year ended 30 April 2023 Audited £m
Acquisition related costs	**-**	(7)	(15)
Net loss on acquisitions and divestments	**-**	(7)	(15)
Total pre-tax adjusting items (recognised in operating profit)	**-**	(7)	(15)
Current tax credit on adjusting items	**-**	–	3
Total post-tax adjusting items	**-**	(7)	(12)

Half year ended 31 October 2023

There were no adjusting items during the half year ended 31 October 2023.

Half year ended 31 October 2022

On 1 September 2022, the put option for the final 10% stake in Interstate Resources crystallised. A charge of £7m was recognised in respect of this crystallisation.

Year ended 30 April 2023

On 1 September 2022 the put option for the final 10% stake in Interstate Resources crystallised. This resulted in additional costs of £15m in relation to performance conditions which have been met by the business and the costs of hedging the pending payment of the US dollar liability.

The current tax credit on adjusting items of £3m for the year ended 30 April 2023 was the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excluded non-tax-deductible deal related advisory fees in relation to acquisitions and divestments.

Adjusting items from discontinued operations comprised the gain on the settlement of certain costs and obligations arising from the disposal of the Plastics division.

4. Employee benefits

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

	Half year ended 31 October 2023 Unaudited £m	Half year ended 31 October 2022 Unaudited £m	Year ended 30 April 2023 Audited £m
Opening employee benefit deficit	**(55)**	(86)	(86)
Expense recognised in operating profit	**(2)**	(3)	(6)
Employment benefit net finance expense (excluding Pension Protection Fund levy)	**-**	–	(1)
Employer contributions	**11**	11	23
Other payments and contributions	**3**	2	9
Actuarial (losses)/gains	**(23)**	(34)	11
Currency translation	**(1)**	(2)	(5)
Closing employee benefit deficit	**(67)**	(112)	(55)
Deferred tax asset	**17**	28	14
Closing net employee benefit deficit	**(50)**	(84)	(41)

5. Finance income and costs

Continuing operations	**Half year ended 31 October 2023 Unaudited £m**	Half year ended 31 October 2022 Unaudited £m	Year ended 30 April 2023 Audited £m
Interest income from financial assets	**(6)**	(1)	(2)
Finance income	**(6)**	(1)	(2)
Interest on borrowings and overdrafts	**47**	23	49
Interest on lease liabilities	**6**	5	11
Other	**-**	8	15
Finance costs	**53**	36	75

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 2022: 25.0%). Finance (No 2) Bill 2023, which includes Pillar Two legislation, was substantively enacted on 20 June 2023 for IFRS purposes. The Group has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required by the amendments to IAS 12 - International Tax Reform–Pillar Two Model Rules, issued in May 2023.

7. Earnings per share

Basic earnings per share from continuing operations

	Half year ended 31 October 2023 Unaudited	Half year ended 31 October 2022 Unaudited	Year ended 30 April 2023 Audited
Profit from continuing operations attributable to ordinary shareholders	**£204m**	£232m	£492m
Weighted average number of ordinary shares	**1,376m**	1,376m	1,376m
Basic earnings per share	**14.8p**	16.9p	35.8p

Diluted earnings per share from continuing operations

	Half year ended 31 October 2023 Unaudited	Half year ended 31 October 2022 Unaudited	Year ended 30 April 2023 Audited
Profit from continuing operations attributable to ordinary shareholders	**£204m**	£232m	£492m
Weighted average number of ordinary shares	**1,376m**	1,376m	1,376m
Potentially dilutive shares issuable under share-based payment arrangements	**5m**	4m	10m
Weighted average number of ordinary shares (diluted)	**1,381m**	1,380m	1,386m
Diluted earnings per share	**14.8p**	16.8p	35.5p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the period of 2m (half year ended 31 October 2022: 2m, year ended 30 April 2023: 2m).

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 14.

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

	Half year ended 31 October 2023 Unaudited			Half year ended 31 October 2022 Unaudited			Year ended 30 April 2023 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	**204**	**14.8p**	**14.8p**	232	16.9p	16.8p	492	35.8p	35.5p
Add back:									
Amortisation of intangible assets	**51**	**3.7p**	**3.7p**	62	4.4p	4.4p	113	8.1p	8.1p
Tax credit on amortisation	**(12)**	**(0.8p)**	**(0.9p)**	(13)	(0.9p)	(0.9p)	(25)	(1.8p)	(1.8p)
Adjusting items, before tax	**-**	**-**	**-**	7	0.5p	0.5p	15	1.1p	1.1p
Tax on adjusting items and adjusting tax items	**-**	**-**	**-**	–	–	–	(3)	(0.2p)	(0.2p)
Adjusted earnings	**243**	**17.7p**	**17.6p**	288	20.9p	20.8p	592	43.0p	42.7p

8. Dividends proposed and paid

	Pence per share	£m
2021/22 interim dividend – paid	4.8p	66
2021/22 final dividend – paid	10.2p	140
2022/23 interim dividend – paid	6.0p	83
2022/23 final dividend – declared and paid	12.0p	165
2023/24 interim dividend- declared	**6.0p**	**83**

	Half year ended 31 October 2023 Unaudited £m
Paid during the period	**165**

The 2022/23 final dividend of 12.0p per share (£165m) was paid during the half year ended 31 October 2023.

An interim dividend in respect of the half year ended 31 October 2023 of 6.0 pence per share (£83m) has been proposed by the Directors after the reporting date.

9. Cash generated from operations

Continuing operations	**Half year ended 31 October 2023 Unaudited £m**	Half year ended 31 October 2022 Unaudited £m	Year ended 30 April 2023 Audited £m
Profit for the period	**204**	232	492
Adjustments for:			
Amortisation of intangible assets; acquisitions and divestments	**51**	69	128
Cash outflow for adjusting items	**-**	(2)	(14)
Depreciation	**157**	154	312
(Profit)/loss on sale of non-current assets	**(8)**	3	7
Share of profit of equity accounted investments, net of tax	**(1)**	(1)	(2)
Employment benefit net finance expense	**-**	–	1
Share-based payment expense	**(3)**	4	15
Finance income	**(6)**	(1)	(2)
Finance costs	**53**	36	75
Other non-cash items	**(2)**	12	24
Income tax expense	**64**	83	169
Change in provisions	**14**	38	19
Change in employee benefits	**(11)**	(11)	(25)
Cash generation before working capital movement	**512**	616	1,199
Changes in:			
Inventories	**3**	(44)	99
Trade and other receivables	**106**	(131)	15
Trade and other payables	**(362)**	313	(235)
Working capital movement	**(253)**	138	(121)
Cash generated from continuing operations	**259**	754	1,078

10. Net debt

	At 31 October 2023 Unaudited £m	At 31 October 2022 Unaudited £m	At 30 April 2023 Audited £m
Cash and cash equivalents	**908**	656	472
Bank overdrafts	**(215)**	(196)	(104)
Net cash and cash equivalents	**693**	460	368
Other investments – restricted cash	**6**	6	6
Other deposits	**27**	33	30
Borrowings – after one year	**(2,081)**	(1,419)	(1,742)
Borrowings – within one year	**(421)**	(23)	(74)
Lease liabilities	**(214)**	(202)	(224)
Derivative financial instruments			
assets	**-**	–	–
liabilities	**-**	(2)	–
	(2,683)	(1,607)	(2,004)
Net debt – reported basis	**(1,990)**	(1,147)	(1,636)
IFRS 16 liabilities	**211**	200	220
Net debt excluding IFRS 16 liabilities	**(1,779)**	(947)	(1,416)

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 £214m at 31 October 2023 are £211m 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 14.

Derivative financial instruments above relate to forward foreign exchange contracts 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 2023, the Group issued a €1.5 billion bond split across two tranches (4 & 7 years) under the Group's Green Financing Framework and bought back almost €300 million of the €750 million bond which is due to mature in 2024.

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

	Half year ended 31 October 2023 Unaudited £m	Half year ended 31 October 2022 Unaudited £m	Y year ended 30 April 2023 Audited £m
Profit for the period	**204**	232	492
Income tax expense	**64**	83	169
Share of profit of equity accounted investments, net of tax	**(1)**	(1)	(2)
Net financing costs	**47**	35	74
Amortisation of intangible assets; acquisitions and divestments	**51**	69	128
Adjusted operating profit	**365**	418	861
Depreciation	**157**	154	312
Adjusted EBITDA	**522**	572	1,173
Working capital movement	**(253)**	138	(121)
Change in provisions	**14**	38	19
Change in employee benefits	**(11)**	(11)	(25)
Other	**(13)**	19	46
Cash generated from operations before adjusting cash items	**259**	756	1,092
Capital expenditure	**(225)**	(163)	(545)
Proceeds from sale of property, plant and equipment and other investments	**17**	1	19
Tax paid	**(55)**	(51)	(136)
Net interest paid	**(50)**	(49)	(76)
Free cash flow	**(54)**	494	354
Cash outflow for adjusting items	**-**	(2)	(14)
Dividends paid	**(165)**	(66)	(289)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(103)**	-	-
Other	**(2)**	2	(2)
Net cash flow	**(324)**	428	49
Proceeds from issue of share capital	**-**	4	4
Net movement on debt	**(324)**	432	53
Foreign exchange, fair value and other non-cash movements	**(30)**	(95)	(205)
Net debt movement - continuing operations	**(354)**	337	(152)
Opening net debt	**(1,636)**	(1,484)	(1,484)
Closing net debt - reported basis	**(1,990)**	(1,147)	(1,636)

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 14.

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:

	Category	At 31 October 2023 Unaudited Carrying amount £m	At 31 October 2023 Unaudited Fair value £m	At 31 October 2022 Unaudited Carrying amount £m	At 31 October 2022 Unaudited Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**908**	**908**	656	656
Restricted cash	Amortised cost	**6**	**6**	6	6
Other investments	Fair value through other comprehensive income	**12**	**12**	10	10
Trade and other receivables	Amortised cost	**1,156**	**1,156**	1,386	1,386
Derivative financial instruments	Fair value – hedging instruments	**140**	**140**	1,134	1,134
Total financial assets		**2,222**	**2,222**	3,192	3,192
Financial liabilities					
Trade and other payables	Amortised cost	**(1,915)**	**(1,915)**	(2,848)	(2,848)
Bank and other loans	Amortised cost	**(6)**	**(6)**	(6)	(6)
Commercial paper	Amortised cost	**(15)**	**(15)**	(12)	(12)
Medium-term notes and other fixed-term debt	Amortised cost	**(2,481)**	**(2,346)**	(1,424)	(1,273)
Lease liabilities	Amortised cost	**(214)**	**(214)**	(202)	(202)
Bank overdrafts	Amortised cost	**(215)**	**(215)**	(196)	(196)
Derivative financial instruments	Fair value – hedging instruments	**(190)**	**(190)**	(300)	(300)
Total financial liabilities		**(5,036)**	**(4,901)**	(4,988)	(4,837)

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 rates and 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. 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 2023 are stated net of margin calls to reduce counterparty exposure amounting to £101m (31 October 2022: £311m).

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 pension investments 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 2023

The payment of £103m for the final 10% stake in Interstate Resources was made in the period.

(b) 2022/23 acquisitions and divestments

On 01 September 2022, the put option for the final 10% stake in Interstate Resources was exercised by the seller. The calculation of this included additional performance metrics only calculable at exercise date, the resulting output of these metrics and other acquisition costs meant an additional £7m relating to the exercise of the option was incurred in the half year ended 31 October 2022 (£15m in the year ended 30 April 2023).

14. 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 2023 £m	Half year ended 31 October 2022 £m	Year ended 30 April 2023 £m
Adjusted operating profit	**365**	418	861
Revenue	**3,513**	4,299	8,221
Return on sales	**10.4%**	9.7%	10.5%

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 discontinued operations are excluded.

	Half year ended 31 October 2023 £m	Half year ended 31 October 2022 £m	Year ended 30 April 2023 £m
Capital employed	**6,498**	5,757	6,203
Currency, inter-month and acquisition/divestment movements	**(181)**	(7)	(194)
Last 12 months' average capital employed	**6,317**	5,750	6,009
Last 12 months' adjusted operating profit	**808**	758	861
Adjusted return on average capital employed	**12.8%**	13.2%	14.3%

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 2023 £m	Half year ended 31 October 2022 £m	Year ended 30 April 2023 £m
Net debt – reported basis (see note 10)	**1,990**	1,147	1,636
IFRS 16 lease liabilities (see note 10)	**(211)**	(200)	(220)
Adjustment to average rate	**(6)**	(12)	(17)
Net debt – adjusted basis	**1,773**	935	1,399
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**1,123**	1,055	1,173
Adjust to IAS 17 basis	**(87)**	(78)	(85)
Adjusted EBITDA – banking covenant basis	**1,036**	977	1,088
Net debt/EBITDA	**1.7x**	1.0x	1.3x

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 2023 £m	Half year ended 31 October 2022 £m	Year ended 30 April 2023 £m
Growth capital expenditure	**87**	65	275
Non-growth capital expenditure	**138**	98	270
Total capital expenditure	**225**	163	545
Free cash flow (note 11)	**(54)**	494	354
Tax paid (note 11)	**55**	51	136
Net interest paid (note 11)	**50**	49	76
Growth capital expenditure	**87**	65	275
Change in employee benefits (note 11)	**11**	11	25
Adjusted free cash flow	**149**	670	866
Adjusted operating profit	**365**	418	861
Cash conversion	**41%**	160%	101%

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 2023 £m	Half year ended 31 October 2022 £m	Year ended 30 April 2023 £m
Inventories	**610**	758	619
Trade and other receivables	**1,115**	1,341	1,211
Trade and other payables	**(1,801)**	(2,536)	(2,105)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**26**	146	36
Last 12 months' average working capital	**(50)**	(291)	(239)
Last 12 months' revenue	**7,435**	8,178	8,221
Average working capital to sales	**(0.7%)**	(3.6%)	(2.9%)

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 2022	**4,299**	**418**
Currency effects	**(5)**	**(1)**
Constant currency basis – comparative half year ended 31 October 2022	**4,294**	**417**
Organic growth	**(781)**	**(52)**
Reported basis – half year ended 31 October 2023	**3,513**	**365**

15. Related party transactions

There were no significant related party transactions outside the normal course of business.

16. Subsequent events

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