DS Smith Plc

6 December 2012

DS SMITH PLC – 2012/13 HALF YEAR RESULTS

Strong strategic and financial momentum

"In the first half of the financial year we have transformed our ability to serve customers on a pan-European basis. Though markets remain challenging, we are well placed to create further significant value for our investors through the robust performance of our corrugated and plastic packaging businesses, allied to acquisition synergy benefits that are ahead of our initial expectations."

Highlights

- Revenue +61.6% to £1,671.8m (H1 2011/2012: £1,034.5m)
- Adjusted operating profit(1) +57.3% to £123.2m (H1 2011/2012: £78.3m)
- Profit before tax (1) + 62.5% to £106.1m (H1 2011/2012: £65.3m)
- Free cash flow +175.3% to £151.8m (H1 2011/2012: £55.1m)
- ROACE(1)+80bps, to 13.7% (H1 2011/2012: 12.9%)
- Return on sales(1) -20bps to 7.4% (H1 2011/2012: 7.6%)
- EPS(1) + 15.8% to 8.8p (H1 2011/2012: 7.6p)
- Interim dividend per share + 31.6% to 2.5p (H1 2011/2012: 1.9p)
- Profit after tax £44.2m (H1 2011/2012: £34.8m)

(1) continuing operations, before exceptional items and amortisation

These results include four months' contribution from the acquisition of SCA Packaging completed on 30 June. As previously announced, DS Smith has revised its reporting structure to reflect more fully the significant change in its pan-European business going forward.

Delivering on our strategy

Over the period we have significantly re-shaped the Group in line with our strategic aim to become the leader in recycled packaging for consumer goods. We are pleased with the organic progress made with underlying performance in line with expectations, together with the integration of SCA Packaging which continues to run ahead of our original plan. We have strengthened our commercial proposition to our major customers from whom we continue to receive a positive reaction. In addition, the new management structures are working well and we have been encouraged by the level of employee engagement across the enlarged Group.

Strategic highlights for the first half include:

- Acquisition of SCA Packaging completed on 30 June 2012
- Integration progressing well and ahead of original expectations
- Upgraded cost and cash synergy targets
- Significant reduction in net debt/EBITDA to 2.1x - on track to achieve net debt/EBITDA target of ≤ 2.0x by April 2013

Delivering on our strategy – financial impact

These results give us confidence that our medium term targets remain achievable.

Target	Delivery in H1 2012/13 (continuing operations)
Organic volume growth[1] target of GDP[2] +1% = 0.2%	+0.5%[1]
Return on sales[3] of 7% – 9%	7.4%, -20bps to prior period
Return on average capital employed[3] 12% – 15%	13.7%, +80bps period-on-period[5]
Net debt / EBITDA less than 2.0x	2.1x
Operating cash flow[4] / operating profit[3] >120%	176%

(1)Corrugated box
(2)Weighted GDP for the countries in which DS Smith operates = (0.8%)
(3)Before amortisation and exceptional items
(4)Free cash flow before tax, net interest and growth capital expenditure
(5)For the 12 months to 31 October 2012 and the 12 months to 31 October 2011

Miles Roberts, Group Chief Executive, said:

"We are pleased with the strategic, operating and financial progress made in the first half, particularly against a challenging economic backdrop. We have seen underlying performance in line with expectations, whilst the integration of the SCA Packaging business is going very well. We continue to focus on strengthening our position across a significantly enlarged geographic footprint having transformed our ability to serve customers on a pan-European basis. At the same time we are developing and investing in group-wide capabilities for innovation, design, sales and marketing. With these factors working together, we are starting to see growth in customers across the enlarged business.

"As expected, markets and the paper cycle in particular, remain challenging. However we believe we are well placed to create further significant value for our investors through the robust performance of our corrugated and plastic packaging businesses, where we continue to see good growth prospects, allied to acquisition synergy benefits that are ahead of our initial expectations. We are delivering on our medium term financial targets, and with our strong and consistent cash flow, net debt is set to fall below 2.0x EBITDA by the year end. The company is trading in line with our expectations for substantial year-on-year EPS growth. The Board views the remainder of the year with confidence, as shown by the Board's decision to increase the interim dividend by 32%."

Enquiries

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Presentation and Dial-in details

A presentation to investors and analysts will be held at 9:30a.m. today at Holborn Bars 138-142 Holborn, London EC1N 2HG. The slides accompanying the presentation will be available on our website shortly before the start.
Dial-in access for the presentation is available, with details as follows:
UK / International +44 (0) 20 3003 2666, Password DS Smith

A play-back facility of this call will be available until 13 December 2012. The dial-in number is: +44 (0) 20 8196 1998, access pin 1592867. A recording and transcript of the call will also be available through the Investor Relations section of our website: www.dssmith.uk.com

Forthcoming dates

Q3 IMS	7 March 2013.

Glossary of terms

- *Return on sales:* earnings before interest, tax, amortisation and exceptional items as a percentage of revenue
- *Return on average capital employed:* earnings before interest, tax, amortisation and exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors and assets/liabilities held for sale
- *Free cash flow:* cash generated from operations, after capital expenditure, tax and interest, please refer to note 13 of the financial statements attached

Overview

In the first six months, we have completed the acquisition of SCA Packaging and made considerable progress in integrating the two businesses. Over the period we have faced challenging market conditions, particularly in paper where both pricing and volumes have been under pressure as a result of weak demand and continuing over-capacity in the European paper sector. Long-term we are evaluating our options to reduce the impact that this cyclicality has upon our business with a view to further improving the overall return on capital. Our corrugated and plastic packaging businesses have delivered strong performances and continue to demonstrate the relative resilience of these markets, with our strong focus on the robust FMCG sector.

Volume growth of 0.5% in the period is slightly ahead of our group GDP +1% target. This is a combination of a growing DS Smith business, a flat SCA Packaging business and our previously announced policy of exiting business that does not deliver attractive returns to shareholders.

Whilst the poor performance in paper has impacted the overall Group operating margin, underlying margins in both the corrugated and plastic packaging businesses have shown good increases, reflecting an improving business mix together with lower input costs. Against a challenging economic and market backdrop, some of the weaker trading conditions have been offset with synergy benefits arising from the integration of the two businesses, with £10.5m of cost synergies and £47.9m of cash synergies being delivered in the first half.

As previously announced, DS Smith has revised its reporting structure to more fully reflect the pan-European business going forward (though Northern Europe and Central Europe have subsequently been merged into DACH and Northern Europe to better reflect the similar way these countries support their customers). The performance in each of the new operating divisions is shown below.

Operating review

UK

	Half-year ended 31 October 2012	Half-year ended 31 October 2011
Revenue	£490.3m	£514.4m
Operating profit *	£26.0m	£39.9m
Return on sales *	5.3%	7.8%

* Before amortisation and exceptional items

In the UK, total revenues are down 4.7% at £490.3m (H1 2011/2012: £514.4m), with adjusted operating profit down 34.9% to £26.0m (H1 2011/2012: £39.9m). Revenues have been significantly reduced by continuing weakness in the paper market, as a result of which prices and demand have remained subdued. As expected financial returns in paper have been disappointing, adversely affecting the overall UK operating result. However the performance in our core UK corrugated packaging business has been much stronger, and reflects the on-going focus on driving higher margin, value added business together with lower costs.

Western Europe

	Half-year ended 31 October 2012	Half-year ended 31 October 2011
Revenue	£444.6m	£296.3m
Operating profit *	£37.6m	£19.2m
Return on sales *	8.5%	6.5%

* Before amortisation and exceptional items

Western Europe has delivered a strong performance with revenue up 50.0% and operating profit up 95.8%, driven by a strong first time contribution from SCA Packaging, particularly from the operations in Benelux.

DACH (Germany, Austria, Switzerland) and Northern Europe

	Half-year ended 31 October 2012	Half-year ended 31 October 2011
Revenue	£327.7m	£3.4m
Operating profit *	£26.1m	£0.2m
Return on sales *	8.0%	5.4%

* Before amortisation and exceptional items

This region is newly formed with nearly all of the revenues and operating profit being delivered through the acquisition of SCA Packaging. Overall, the region has delivered a good result, with a decline in the German paper business being offset by a more resilient performance in our packaging businesses, particularly in the Nordics. The increase in return on sales of 260bps reflects an improving sales mix, where we have seen continued business wins in the Display sector with our FMCG customers, together with synergies arising from the integration.

Central Europe and Italy

	Half-year ended 31 October 2012	Half-year ended 31 October 2011
Revenue	£257.1m	£86.5m
Operating profit *	£19.9m	£8.6m
Return on sales *	7.7%	9.9%

* Before amortisation and exceptional items

As a newly formed region, revenue and operating growth has been driven predominantly by the inclusion of SCA Packaging together with strong performances in our packaging businesses in Poland, Hungary and the Baltics. This strong growth has been partially offset by weakness in the Italian Paper and Sheet businesses, where in Sheet we have made the strategic decision to exit low margin business. As in the UK, financial returns in paper have been disappointing, affecting the overall Central Europe and Italy operating result, with return on sales declining by 220bps.

Plastic Packaging

	Half-year ended 31 October 2012	Half-year ended 31 October 2011
Revenue	£152.1m	£133.9m
Operating profit *	£13.6m	£10.4m
Return on sales *	9.0%	7.8%

* Before amortisation and exceptional items

The plastic packaging business has delivered strong growth with revenue up 13.6% and operating profit up 31.0%. The liquid packaging and dispensing business performed particularly strongly in North America with the continued strong performance of our bag-in-box businesses where we continue to take market share and introduce new products. We have also opened a new plant in Thailand which will not only improve the efficiency and service offering to our customers, but will also enable further growth in the region. Operating performance, with return on sales up by 120bps, has benefited from improvements in business mix and lower operating costs as a result of the restructuring and rationalisation of the operational structure in Europe.

Summary and outlook

We are pleased with the progress made in the first half where we have seen good performances across the Group and also in our plastic packaging business, and we are particularly pleased with the integration of the two businesses.

We remain confident in the outlook for DS Smith for the remainder of this financial year despite the uncertain macro-economic and market environment. Whilst we face headwinds in Europe and in the paper cycle, we expect these to be offset by continued growth in both our corrugated and plastic packaging businesses together with the delivery of synergy benefits which are ahead of our original plans from the on-going integration of SCA Packaging.

Financial Results

Group revenue from continuing operations for the half-year to 31 October 2012 was up 61.6% to £1,671.8 million (H1 2011/2012: £1,034.5 million), with that increase largely driven by the inclusion of SCA Packaging for four months of the period. Falling prices and volumes in the paper markets led to a significant revenue decline in our paper business.

Adjusted operating profit from continuing operations was up 57.3% to £123.2 million (H1 2011/2012: £78.3 million). Return on sales from continuing operations was marginally down at 7.4% (H1 2011/2012: 7.6%), affected by the poor performance of the paper business, together with some modest margin dilution from SCA Packaging where operating margins have historically been lower than in the legacy DS Smith business.

Free cash flow was 175.3% ahead of the prior year at £151.8 million (H1 2011/2012: £55.1 million), reflecting the increase in operating profits from the business (in part due to the inclusion of SCA Packaging) and focused working capital management. Net capital expenditure has been higher in the period, at £65.4 million (H1 2011/2012: £37.3 million) reflecting investments in performance packaging and high quality printing. The cash cost of interest has increased slightly period-on-period, reflecting the funding cost of the SCA Packaging acquisition. Cash tax has increased by £11.8 million to £23.2 million, reflecting increased profitability.

The charge for amortisation has risen to £18.2 million (H1 2011/2012: £4.5 million) reflecting the amortisation on the intangible assets arising on the acquisition of SCA Packaging. Depreciation has increased to £53.3 million (H1 2011/2012: £33.5 million) following the inclusion of SCA Packaging. Given that the SCA Packaging acquisition was completed on 30 June, all balance sheet fair values and certain income statement items have been determined on a provisional basis. The consideration paid for SCA Packaging of £1.28 billion is subject to customary completion accounts adjustments.

Return on average capital employed for continuing operations (for the 12 months to 31 October 2012) has increased 80 basis points to 13.7% (12 months to 31 October 2011: 12.9%), despite the dilutive impact from the acquisition of SCA Packaging, reflecting continued strong capital discipline.

On 30 June, we completed the acquisition of SCA Packaging for £1.28 billion (net of cash and external debt), funded through a combination of proceeds from the rights issue in February 2012, which raised £466.2 million and from new and existing debt facilities.

The Group has signed sale and purchase agreements for two remedy disposals and has entered into an exclusive position for another, fulfilling our obligations to meet the requirements of the European Competition authorities, following the acquisition of SCA Packaging. Together these property and business disposals form an important contribution to achieving the previously announced asset disposals target of €100m.

Exceptional costs of £30.9 million (H1 2011/2012: £18.0 million) were principally attributable to acquisition and integration costs relating to SCA Packaging. There is an associated tax credit of £7.3 million and the cash cost of the exceptional items is £47.0 million (partly attributable to costs provided last year).

Net interest expense has increased to £17.1 million (H1 2011/2012: £13.0 million) due to an increase in finance costs, driven predominantly by the cost of additional debt to fund the SCA Packaging acquisition, partially offset by the funding benefit of lower working capital and a lower (non-cash) employment benefit charge of £2.3 million (H1 2011/2012: £2.5 million).

Tax on profits has been charged at a rate on continuing operations before exceptional items of 24.0% (H1 2011/2012: 28.3%, year to 30 April 2012: 27.6%), and as previously indicated in the 100-day update in October, we expect the group tax rate for 2012/2013 to fall to 24%, reflecting the varying tax rates and profits of the regions in which the enlarged Group operates.

Profit after tax for continuing operations after exceptional items increased 52.9% to £44.2 million (H1 2011/2012: £28.9 million) while profit after tax from continuing operations before amortisation and exceptional items, increased 76.7% to £85.0 million (H1 2011/2012: £48.1 million). Earnings per share for continuing operations before amortisation and exceptional items increased 15.8% to 8.8p (H1 2011/2012: 7.6p)* as a result of strong profit growth, offset by the increased average number of shares in issue.

* Earnings per share restated in the prior year to adjust for rights issue

Financial position

Net debt at 31 October 2012 was £857.2 million (30 April 2012: net cash £321.7 million). The change from net cash to net debt during the period reflects the acquisition of SCA Packaging for £1.28 billion (net of cash and external debt). However the Group has already made significant progress on reducing its level of net debt and remains on track to achieve its net debt/EBITDA target of ≤2.0x by April 2013.

During the period the Group refinanced a €300 million bank term loan (due to mature in 2015) with the proceeds from a private placement of debt to US institutions, where $400 million was issued with an average maturity of 9 years. At 31 October 2012, total committed borrowing facilities available were £1,515 million with headroom of £575 million. Post the period end, private placement debt of £108 million was repaid (on 14 November).

Dividend

The Board considers the dividend to be an important component of shareholder returns. In considering dividends, the Board will be mindful of the Group's leverage, earnings growth potential and future expansion plans. 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.

The Board recommends an interim dividend for this half-year of 2.5 pence per share (H1 2011/2012: 1.9p)*. This represents an increase of 31.6%, demonstrating our commitment to a progressive dividend and the directors' confidence in the outlook for the business. The dividend will be paid on 1 May 2013 to ordinary shareholders on the register at the close of business on 5 April 2013.

***** Interim dividend in the prior year restated to adjust for rights issue.

Risks and uncertainties

The Board has considered the principal risks and uncertainties affecting the Group in the second half of the year. The principal risks and uncertainties discussed in the Business Review on pages 29 to 33 of the 2012 Annual Report, available on the Group's website at www.dssmith.uk.com, remain relevant.

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

- Dependence on UK, Continental European and other global economic conditions;
- Volatility of pricing and availability of globally traded raw materials, including the pricing and availability of paper;
- Strategy implementation, failure to identify suitable acquisition targets and failure to integrate the acquired businesses effectively to deliver the targeted savings;
- The continuing availability of borrowing facilities, including compliance with borrowing covenants;
- The funding position of the Group's UK defined benefit pension scheme; and
- The risk of a material environmental incident.

Going concern

The Group's recent trading and forecasts, after taking account of reasonably foreseeable changes in trading performance, show that the Group is able to operate within its current debt facilities. In August 2012 the Group issued $400 million of private placement debt to US institutions with an average maturity of 9 years, with the proceeds of the new private placement used to repay in full the €300 million bank term loan which was due to mature in 2015. At 31 October 2012 there was significant headroom on the Group's committed debt facilities of £575 million with the next significant maturity not due until 2016. As a consequence, the Directors believe that the Group is well placed to manage its business risks (as summarised above) successfully despite the uncertainties inherent in the current economic outlook. After making enquiries, the Directors have formed a judgment 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 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
(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	Steve Dryden
Group Chief Executive	Group Finance Director

5 December 2012

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 2012 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 15. 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.

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 Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them 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.

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 and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

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 Auditing Practices Board 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 Ireland) 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 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

5 December 2012

Condensed Consolidated Income Statement

Continuing operations	Note	**Half year ended 31 October 2012** Before exceptional items £m	**Exceptional items (note 3)** SCA Packaging £m	Other £m	After exceptional items £m	Half year ended 31 October 2011 Before exceptional items £m	Exceptional items (note 3) £m	After exceptional items £m	Year ended 30 April 2012 Before exceptional items £m	Exceptional items (note 3) SCA Packaging £m	Other £m	After exceptional items £m
Revenue	2	**1,671.8**	**–**	**–**	**1,671.8**	1,034.5	–	1,034.5	1,969.4	–	–	1,969.4
Cost of sales		**(1,280.0)**	**–**	**–**	**(1,280.0)**	(794.5)	–	(794.5)	(1,505.4)	–	–	(1,505.4)
Gross profit		**391.8**	**–**	**–**	**391.8**	240.0	–	240.0	464.0	–	–	464.0
Operating expenses		**(268.6)**	**–**	**(2.2)**	**(270.8)**	(161.7)	(18.0)	(179.7)	(322.0)	–	(70.1)	(392.1)
Operating profit before amortisation and acquisition related costs	2	**123.2**	**–**	**(2.2)**	**121.0**	78.3	(18.0)	60.3	142.0	–	(70.1)	71.9
Amortisation of intangible assets and acquisition related costs	3	**(18.2)**	**(8.2)**	**–**	**(26.4)**	(4.5)	–	(4.5)	(8.1)	(18.4)	–	(26.5)
SCA Packaging integration costs	3	**–**	**(20.5)**	**–**	**(20.5)**	–	–	–	–	–	–	–
Operating profit	2	**105.0**	**(28.7)**	**(2.2)**	**74.1**	73.8	(18.0)	55.8	133.9	(18.4)	(70.1)	45.4
Finance income	4	**2.5**	**–**	**–**	**2.5**	0.5	–	0.5	2.1	–	–	2.1
Finance costs	4	**(17.3)**	**–**	**–**	**(17.3)**	(11.0)	–	(11.0)	(20.5)	–	–	(20.5)
Employment benefit net finance expense	5	**(2.3)**	**–**	**–**	**(2.3)**	(2.5)	–	(2.5)	(4.8)	–	–	(4.8)
Net financing costs		**(17.1)**	**–**	**–**	**(17.1)**	(13.0)	–	(13.0)	(23.2)	–	–	(23.2)
Profit after financing costs		**87.9**	**(28.7)**	**(2.2)**	**57.0**	60.8	(18.0)	42.8	110.7	(18.4)	(70.1)	22.2
Share of profit/(loss) of associate		**1.0**	**–**	**–**	**1.0**	–	–	–	(0.5)	–	–	(0.5)
Profit before income tax, amortisation and acquisition related costs		**107.1**	**–**	**(2.2)**	**104.9**	65.3	(18.0)	47.3	118.3	–	(70.1)	48.2
Amortisation of intangible assets and acquisition related costs	3	**(18.2)**	**(8.2)**	**–**	**(26.4)**	(4.5)	–	(4.5)	(8.1)	(18.4)	–	(26.5)
SCA Packaging integration costs	3	**–**	**(20.5)**	**–**	**(20.5)**	–	–	–	–	–	–	–
Profit before income tax		**88.9**	**(28.7)**	**(2.2)**	**58.0**	60.8	(18.0)	42.8	110.2	(18.4)	(70.1)	21.7
Income tax (expense)/credit	6	**(21.1)**	**6.8**	**0.5**	**(13.8)**	(17.2)	3.3	(13.9)	(30.6)	1.9	15.4	(13.3)
Profit for the period from continuing operations		**67.8**	**(21.9)**	**(1.7)**	**44.2**	43.6	(14.7)	28.9	79.6	(16.5)	(54.7)	8.4
Discontinued operations												
Profit for the period from discontinued operations	7	**–**	**–**	**–**	**–**	5.9	–	5.9	9.3	–	58.0	67.3
Profit for the period		**67.8**	**(21.9)**	**(1.7)**	**44.2**	49.5	(14.7)	34.8	88.9	(16.5)	3.3	75.7
Profit for the period attributable to:												
Owners of the parent		**67.5**	**(21.9)**	**(1.7)**	**43.9**	49.3	(14.7)	34.6	88.5	(16.5)	3.3	75.3
Non-controlling interests		**0.3**	**–**	**–**	**0.3**	0.2	–	0.2	0.4	–	–	0.4

Earnings per share		**Half year ended 31 October 2012**	Half year ended 31 October 2011 *	Year ended 31 April 2012
Adjusted from continuing operations **				
Basic	9	**8.8p**	7.6p	12.8p
Diluted	9	**8.7p**	7.5p	12.6p
From continuing operations				
Basic	9	**4.8p**	4.6p	1.2p
Diluted	9	**4.7p**	4.5p	1.2p
From continuing and discontinued operations				
Basic	9	**4.8p**	5.5p	11.1p
Diluted	9	**4.7p**	5.4p	10.9p

* Restated for rights issue (note 10)

** Adjusted for amortisation and exceptional items

Condensed Consolidated Statement of Comprehensive Income

	Half year ended 31 October 2012 £m	Half year ended 31 October 2011 £m	Year ended 30 April 2012 £m
Actuarial gains/(losses) on defined benefit pension schemes	**0.2**	(11.6)	16.1
Foreign currency translation differences	**(1.1)**	(12.2)	(14.2)
Reclassification from translation reserve to income statement arising on divestment	**–**	–	(9.8)
Movements in cash flow hedges	**(4.2)**	(4.9)	(6.6)
Income tax on other comprehensive income	**(3.4)**	(0.6)	(14.3)
Other comprehensive expense for the period, net of tax	**(8.5)**	(29.3)	(28.8)
Profit for the period	**44.2**	34.8	75.7
Total comprehensive income for the period	**35.7**	5.5	46.9
Total comprehensive income attributable to:			
Owners of the parent	**35.5**	5.4	47.0
Non-controlling interests	**0.2**	0.1	(0.1)

Condensed Consolidated Statement of Financial Position

	Note	At 31 October 2012 £m	At 31 October 2011 £m	At 30 April 2012 £m
Assets				
Non-current assets				
Intangible assets		**1,017.7**	321.5	309.7
Property, plant and equipment		**1,368.6**	612.3	598.3
Investment in associate		**49.4**	–	9.5
Other investments		**7.3**	–	–
Deferred tax assets		**49.3**	57.0	46.1
Other receivables		**3.4**	2.7	2.4
Derivative financial instruments		**9.7**	10.0	7.6
Total non-current assets		**2,505.4**	1,003.5	973.6
Current assets				
Inventories		**283.6**	158.1	146.8
Other investments		**15.5**	0.2	0.1
Income tax receivable		**14.0**	0.4	0.7
Trade and other receivables		**693.0**	334.8	291.7
Cash and cash equivalents	12	**84.4**	58.7	664.5
Derivative financial instruments		**0.9**	2.5	3.1
Assets held for sale	8	**49.8**	268.9	–
Total current assets		**1,141.2**	823.6	1,106.9
Total assets		**3,646.6**	1,827.1	2,080.5
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	12	**(827.2)**	(355.0)	(227.6)
Post-retirement benefits	5	**(134.6)**	(152.0)	(104.2)
Other payables		**(9.9)**	(10.0)	(9.9)
Provisions		**(102.9)**	(17.6)	(7.4)
Deferred tax liabilities		**(183.2)**	(56.6)	(51.9)
Derivative financial instruments		**(18.7)**	(27.0)	(3.4)
Total non-current liabilities		**(1,276.5)**	(618.2)	(404.4)
Current liabilities				
Bank overdrafts	12	**(13.8)**	(11.0)	(11.3)
Interest-bearing loans and borrowings	12	**(95.9)**	(3.2)	(93.4)
Trade and other payables		**(905.9)**	(443.5)	(431.6)
Income tax liabilities		**(87.9)**	(23.6)	(25.4)
Provisions		**(139.2)**	(5.0)	(36.7)
Derivative financial instruments		**(17.6)**	(3.6)	(20.2)
Liabilities held for sale	8	**(15.4)**	(145.8)	–
Total current liabilities		**(1,275.7)**	(635.7)	(618.6)
Total liabilities		**(2,552.2)**	(1,253.9)	(1,023.0)
Net assets		**1,094.4**	573.2	1,057.5
Equity				
Issued capital		**92.7**	43.7	92.7
Share premium		**710.2**	310.0	710.2
Reserves		**293.3**	221.2	256.6
Total equity attributable to equity shareholders of the Company		**1,096.2**	574.9	1,059.5
Non-controlling interests		**(1.8)**	(1.7)	(2.0)
Total equity		**1,094.4**	573.2	1,057.5

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total reserves attributable to equity shareholders £m	Non-controlling interests £m	Total equity £m
At 1 May 2012	**92.7**	**710.2**	**(1.9)**	**6.4**	**(7.9)**	**260.0**	**1,059.5**	**(2.0)**	**1,057.5**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**43.9**	**43.9**	**0.3**	**44.2**
Actuarial gains on defined benefit pension schemes	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Foreign currency translation differences	**–**	**–**	**–**	**(1.0)**	**–**	**–**	**(1.0)**	**(0.1)**	**(1.1)**
Cash flow hedges fair value changes	**–**	**–**	**(3.5)**	**–**	**–**	**–**	**(3.5)**	**–**	**(3.5)**
Movement from cash flow hedge reserve to income statement	**–**	**–**	**(0.7)**	**–**	**–**	**–**	**(0.7)**	**–**	**(0.7)**
Income tax on other comprehensive income	**–**	**–**	**1.0**	**(2.1)**	**–**	**(2.3)**	**(3.4)**	**–**	**(3.4)**
Total comprehensive income	**–**	**–**	**(3.2)**	**(3.1)**	**–**	**41.8**	**35.5**	**0.2**	**35.7**
Ordinary shares purchased	**–**	**–**	**–**	**–**	**(1.2)**	**–**	**(1.2)**	**–**	**(1.2)**
Employee share trust	**–**	**–**	**–**	**–**	**5.2**	**(5.2)**	**–**	**–**	**–**
Share-based payment expense	**–**	**–**	**–**	**–**	**–**	**2.4**	**2.4**	**–**	**2.4**
Other changes in equity in the period	**–**	**–**	**–**	**–**	**4.0**	**(2.8)**	**1.2**	**–**	**1.2**
At 31 October 2012	**92.7**	**710.2**	**(5.1)**	**3.3**	**(3.9)**	**299.0**	**1,096.2**	**(1.8)**	**1,094.4**
At 1 May 2011	43.6	309.1	3.0	37.8	(9.4)	202.2	586.3	(2.1)	584.2
Profit for the period	–	–	–	–	–	34.6	34.6	0.2	34.8
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	(11.6)	(11.6)	–	(11.6)
Foreign currency translation differences	–	–	–	(12.1)	–	–	(12.1)	(0.1)	(12.2)
Cash flow hedges fair value changes	–	–	(6.8)	–	–	–	(6.8)	–	(6.8)
Movement from cash flow hedge reserve to income statement	–	–	1.9	–	–	–	1.9	–	1.9
Income tax on other comprehensive income	–	–	1.2	(2.5)	–	0.7	(0.6)	–	(0.6)
Total comprehensive income	–	–	(3.7)	(14.6)	–	23.7	5.4	0.1	5.5
Issue of share capital	0.1	0.9	–	–	–	–	1.0	–	1.0
Ordinary shares purchased	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Employee share trust	–	–	–	–	1.3	(1.3)	–	–	–
Share-based payment expense	–	–	–	–	–	1.5	1.5	–	1.5
Tax on items taken directly to equity	–	–	–	–	–	0.7	0.7	–	0.7
Dividends paid	–	–	–	–	–	(19.4)	(19.4)	–	(19.4)
Transactions with non-controlling interests	–	–	–	–	–	(0.3)	(0.3)	0.3	–
Other changes in equity in the period	0.1	0.9	–	–	1.0	(18.8)	(16.8)	0.3	(16.5)
At 31 October 2011	43.7	310.0	(0.7)	23.2	(8.4)	207.1	574.9	(1.7)	573.2

Condensed Consolidated Statement of Cash Flows

Continuing operations	Note	**Half year ended 31 October 2012 £m**	Half year ended 31 October 2011 £m	Year ended 30 April 2012 £m
Operating activities				
Cash generated from operations	11	**205.3**	110.4	199.0
Interest received		**0.1**	0.2	0.4
Interest paid		**(12.0)**	(11.0)	(20.2)
Tax paid		**(23.2)**	(11.4)	(25.3)
Cash flows from operating activities		**170.2**	88.2	153.9
Investing activities				
Acquisition of subsidiary businesses, net of cash and cash equivalents	14	**(1,281.0)**	–	(2.3)
Acquisition of assets held exclusively with a view to resale		**-**	(4.4)	–
Divestment of subsidiary business, net of cash and cash equivalents	15	**-**	–	184.5
Capital expenditure		**(65.5)**	(42.4)	(94.2)
Proceeds from sale of property, plant and equipment and intangible assets		**0.1**	4.8	8.0
Proceeds from sale of investments in associate and other investments		**-**	0.3	0.3
Increase in restricted cash		**(20.0)**	–	–
Cash flows (used in)/from investing activities		**(1,366.4)**	(41.7)	96.3
Financing activities				
Proceeds from issue of share capital		**-**	1.0	450.2
Purchase of own shares		**(1.2)**	(0.3)	(0.3)
Increase in/(repayment of) borrowings		**610.4**	(49.7)	(72.0)
Increase in/(repayment) of finance lease obligations		**1.2**	(1.5)	(2.7)
Dividends paid to Group shareholders	10	**-**	(19.4)	(31.5)
Cash flows from/(used in) financing activities		**610.4**	(69.9)	343.7
(Decrease)/increase in cash and cash equivalents from continuing operations		**(585.8)**	(23.4)	593.9
Discontinued operations				
Cash generated from/(used in) discontinued operations	7	**-**	3.3	(29.0)
(Decrease)/increase in cash and cash equivalents		**(585.8)**	(20.1)	564.9
Net cash and cash equivalents at 1 May		**653.2**	88.2	88.2
Classified as held for sale	8	**-**	(18.1)	–
Exchange gains/(losses) on cash and cash equivalents		**3.2**	(2.3)	0.1
Net cash and cash equivalents	12	**70.6**	47.7	653.2

Notes to the Consolidated Interim Financial Statements

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the half year ended 31 October 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs'), the disclosure requirements of the Listing Rules and in accordance with IAS 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2012. Those accounts were reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, 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 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 2012, which are prepared in accordance with adopted IFRSs.

There were no new accounting standards, amendments and standards or interpretations adopted by the Group as of 1 May 2012.

The information presented for the year ended 30 April 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The financial information for the half year ended 31 October 2012 is unaudited but has been reviewed by Deloitte LLP, the Group's auditor, and a copy of their review report forms part of this half year report.

Foreign exchange rates

The principal foreign exchange rates used were as follows:

	Half year ended 31 October 2012		Half year ended 31 October 2011		Year ended 30 April 2012	
	Average	**Closing**	Average	Closing	Average	Closing
Euro	**1.25**	**1.24**	1.14	1.16	1.17	1.23
US Dollar	**1.58**	**1.61**	1.61	1.61	1.59	1.62

Going concern

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

Estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at each period end. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 30 April 2012, being impairments, pensions and accounting for CO2 emissions. In addition provisional fair value adjustments for the SCA Packaging acquisition are also considered an area of significant judgement for the half year ended 31 October 2012.

Notes to the Consolidated Interim Financial Statements

2. Segment reporting

Operating segments – continuing operations

Following the acquisition of SCA Packaging during the half year ended 31 October 2012, the Group changed its internal structure and consequently the composition of its reportable segments to a geographical basis. Therefore, as required by IFRS 8 'Operating Segments' the operating segment analysis for the comparative half year ended 31 October 2011 has been restated.

Half year ended 31 October 2012	**UK £m**	**Western Europe £m**	**DACH and Northern Europe £m**	**Central Europe and Italy £m**	**Plastic Packaging £m**	**Total Continuing Operations £m**
External revenue	**490.3**	**444.6**	**327.7**	**257.1**	**152.1**	**1,671.8**
Operating profit *	**26.0**	**37.6**	**26.1**	**19.9**	**13.6**	**123.2**
Unallocated items:						
Amortisation						**(18.2)**
Exceptional items - SCA Packaging acquisition costs						**(8.2)**
- SCA Packaging integration						**(20.5)**
- other						**(2.2)**
Total operating profit (continuing operations)						**74.1**

Half year ended 31 October 2011	UK £m	Western Europe £m	DACH and Northern Europe £m	Central Europe and Italy £m	Plastic Packaging £m	Total Continuing Operations £m
External revenue	514.4	296.3	3.4	86.5	133.9	1,034.5
Operating profit *	39.9	19.2	0.2	8.6	10.4	78.3
Unallocated items:						
Amortisation						(4.5)
Exceptional items - other						(18.0)
Total operating profit (continuing operations)						55.8

* Adjusted for amortisation and exceptional items

3. Exceptional items - continuing operations

Items are presented as 'exceptional' 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.

	Half year ended 31 October 2012				Half year ended 31 October 2011	Year ended 30 April 2012		
	SCA Packaging acquisition costs	**SCA Packaging integration costs**	**Other**	**Total exceptional items**	Total exceptional items	SCA Packaging acquisition costs	Other	Total exceptional items
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Restructuring costs	**–**	**(20.5)**	**(2.2)**	**(22.7)**	(11.9)	–	(42.3)	(42.3)
Acquisition related costs	**(8.2)**	**–**	**–**	**(8.2)**	–	(18.4)	–	(18.4)
Impairment of assets	**–**	**–**	**–**	**–**	(4.8)	–	(36.5)	(36.5)
Investment in associate	**–**	**–**	**–**	**–**	–	–	10.0	10.0
Other	**–**	**–**	**–**	**–**	(1.3)	–	(1.3)	(1.3)
Total pre-tax exceptional items (recognised in operating profit)	**(8.2)**	**(20.5)**	**(2.2)**	**(30.9)**	(18.0)	(18.4)	(70.1)	(88.5)
Income tax credit on exceptional items	**1.5**	**5.3**	**0.5**	**7.3**	3.3	1.9	15.4	17.3
Total post-tax exceptional items	**(6.7)**	**(15.2)**	**(1.7)**	**(23.6)**	(14.7)	(16.5)	(54.7)	(71.2)

Half year ended 31 October 2012

SCA Packaging acquisition costs of £8.2m relate to professional advisory fees, due diligence costs and other acquisition costs relating to the acquisition of the packaging division of Svenska Cellulosa Aktiebolaget SCA.

SCA Packaging integration costs represent one off restructuring costs associated with the SCA Packaging acquisition.

Other exceptional items principally relate to the costs associated with the UK shared service centre and IT centralisation projects.

Half year ended 31 October 2011

In the half year ended 31 October 2011 exceptional items principally relate to the exit costs and impairment charges resulting from the closure and sale of two paper mills in the UK.

Year ended 30 April 2012

SCA Packaging acquisition costs of £18.4m relate to the planned acquisition of the packaging division of Svenska Cellulosa Aktiebolaget SCA and consist of professional advisory fees, due diligence costs and other acquisition related costs.

Of the £42.3m restructuring costs, £30.6m primarily relate to the restructuring of the UK packaging business and the exit costs from the closure and sale of two paper mills. Costs of £6.3m relate to restructuring in France and costs of £5.4m primarily relate to restructuring in Plastic Packaging in the UK and Germany.

Total intangible asset, tangible fixed asset and inventory impairment charges are £36.5m and primarily relate to property, plant and equipment within the UK, principally relating to paper assets.

The exceptional gain of £10.0m relates to the Group's associate investment in OJSC Rubezhansk Paper and Packaging Mill (Rubezhansk). In 2008/09 an exceptional loss of £18.1m was incurred when the carrying value of the Group's investment was written down to £nil due to the uncertainty in the financial position of the business, following a breach of its banking covenants caused by exchange rate movements. In November 2011, revised facilities were agreed with the banks and hence it was considered appropriate to re-instate the investment in associate at fair value.

4. Finance income and costs – continuing operations

	Half year ended 31 October 2012 £m	Half year ended 31 October 2011 £m	Year ended 30 April 2012 £m
Interest on loans and overdrafts	**(16.9)**	(9.8)	(19.6)
Finance lease interest	**(0.1)**	(0.2)	(0.3)
Other	**(0.3)**	(1.0)	(0.6)
Finance costs	**(17.3)**	(11.0)	(20.5)
Interest income from financial assets	**1.0**	0.2	1.6
Other	**1.5**	0.3	0.5
Finance income	**2.5**	0.5	2.1

Included within other finance income is a £1.5m gain (half year ended 31 October 2011: £0.9m loss included in other finance costs; year ended 30 April 2012: £nil) relating to hedge ineffectiveness on net investment hedges and fair value hedges.

5. Post-retirement benefits

	Half year ended 31 October 2012 £m	Half year ended 31 October 2011 £m	Year ended 30 April 2012 £m
Opening deficit	**(104.2)**	(147.5)	(147.5)
Employment benefit net finance expense	**(2.3)**	(2.5)	(4.8)
Service cost	**(1.5)**	(0.4)	(0.9)
Contributions	**9.6**	8.3	30.4
Curtailment gains	**–**	–	0.7
Actuarial gain/(loss)	**0.2**	(11.6)	16.1
Currency translation	**0.6**	0.4	3.1
Acquisition	**(37.4)**	–	–
Divestment	**–**	–	1.2
Reclassified	**0.4**	–	(2.5)
Reclassification to held for sale	**–**	1.3	–
Closing deficit	**(134.6)**	(152.0)	(104.2)
Deferred tax asset	**36.0**	39.2	27.1
Net pension liability	**(98.6)**	(112.8)	(77.1)

Acquisition movement of £37.4m relates to schemes acquired as part of SCA Packaging, principally located in France and Italy.

6. Income tax expense – continuing operations

Tax on profit for continuing operations has been charged at an underlying rate before exceptional items of 24.0% (half year ended 31 October 2011: 28.3%; year ended 30 April 2012: 27.6%) being the expected full year rate less certain adjustments in relation to the first six months, including an adjustment of £1.4m in respect of restatements to deferred tax balances to reflect the reduction in the UK tax rate from 24% to 23%.

7. Discontinued operations

On 30 December 2011 the Office Products Wholesaling division was sold to Unipapel SA. Office Products Wholesaling principally comprised Spicers Limited, Spicers (Ireland) Limited, Spicers France SAS, Spicers Belgium NV and Spicers Nederland BV.

8. Assets and liabilities held for sale

At 31 October 2012, assets and liabilities held for sale principally relate to sites required to be divested as a condition of the European Commission competition authority approval of the acquisition of SCA Packaging.

At 31 October 2011, assets and liabilities held for sale relate to the Office Products Wholesaling division.

9. Earnings per share

Basic earnings per share from continuing operations	**Half year ended 31 October 2012**	Half year ended 31 October 2011 *	Year ended 30 April 2012
Profit from continuing operations attributable to ordinary shareholders	**£43.9m**	£28.7m	£8.0m
Weighted average number of ordinary shares at period end	**922.3m**	625.4m	680.6m
Basic earnings per share	**4.8p**	4.6p	1.2p

Diluted earnings per share from continuing operations	**Half year ended 31 October 2012**	Half year ended 31 October 2011 *	Year ended 30 April 2012
Profit from continuing operations attributable to ordinary shareholders	**£43.9m**	£28.7m	£8.0m
Weighted average number of ordinary shares at period end	**922.3m**	625.4m	680.6m
Potentially dilutive shares issuable under share-based payment arrangements	**12.1m**	8.7m	13.5m
Weighted average number of ordinary shares (diluted) at period end	**934.4m**	634.1m	694.1m
Diluted earnings per share	**4.7p**	4.5p	1.2p

Basic earnings per share from discontinued operations	Half year ended 31 October 2011 *	Year ended 30 April 2012
Profit attributable to ordinary shareholders	£5.9m	£67.3m
Weighted average number of ordinary shares at period end	625.4m	680.6m
Basic earnings per share	0.9p	9.9p

Diluted earnings per share from discontinued operations	Half year ended 31 October 2011 *	Year ended 30 April 2012
Profit attributable to ordinary shareholders	£5.9m	£67.3m
Weighted average number of ordinary shares at period end	625.4m	680.6m
Potentially dilutive shares issuable under share-based payment arrangements	8.7m	13.5m
Weighted average number of ordinary shares (diluted) at period end	634.1m	694.1m
Diluted earnings per share	0.9p	9.7p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the period of 4.7m (half year ended 31 October 2011: 5.1m, year ended 30 April 2012: 7.0m).

Adjusted earnings per share from continuing operations

The Directors believe that the presentation of an adjusted earnings per share amount, being the basic earnings per share adjusted for exceptional items and amortisation of intangible assets, helps to explain the underlying performance of the Group. A reconciliation of basic to adjusted earnings per share is as follows:

	Half year ended 31 October 2012			Half year ended 31 October 2011 *			Year ended 30 April 2012		
	£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	**43.9**	**4.8p**	**4.7p**	28.7	4.6p	4.5p	8.0	1.2p	1.2p
Add back amortisation, after tax	**13.9**	**1.5p**	**1.5p**	4.5	0.7p	0.7p	8.1	1.2p	1.2p
Add back exceptional items, after tax	**23.6**	**2.5p**	**2.5p**	14.7	2.3p	2.3p	71.2	10.4p	10.2p
Adjusted earnings	**81.4**	**8.8p**	**8.7p**	47.9	7.6p	7.5p	87.3	12.8p	12.6p

* Restated for rights issue (note 10)

10. Dividends

		Pence per share	**£m**
September 2011	Final dividend for 2010/11	* 3.1p	19.4
January 2012	Interim dividend for 2011/12	* 1.9p	12.1
November 2012	Final dividend for 2011/12	4.0p	36.8

* On 22 February 2012 the Company issued 490,751,669 new ordinary shares in respect of a 9 for 8 rights issue at a price of 95 pence per share. The September 2011 and January 2012 dividend per share and half year ended 31 October 2011 earnings per share have been restated for the bonus effect of the rights issue.

11. Cash generated from operations

Continuing operations	**Half year ended 31 October 2012 £m**	Half year ended 31 October 2011 £m	Year ended 30 April 2012 £m
Profit for the period	**44.2**	28.9	8.4
Adjustments for:			
Pre-tax exceptional items	**2.2**	18.0	70.1
Amortisation and acquisition related costs	**26.4**	4.5	26.5
SCA Packaging integration costs	**20.5**	–	–
Cash outflow for SCA Packaging acquisition costs	**(24.7)**	–	(7.0)
Cash outflow for SCA Packaging integration costs	**(13.0)**	–	–
Cash outflow for other exceptional items	**(9.3)**	(4.2)	(19.5)
Depreciation	**53.3**	33.5	63.9
Loss on sale of non-current assets	**0.3**	1.5	0.8
Share of (profit)/loss of associate	**(1.0)**	–	0.5
Employment benefit net finance expense	**2.3**	2.5	4.8
Share-based payment expense	**2.0**	1.5	4.0
Finance income	**(2.5)**	(0.5)	(2.1)
Finance costs	**17.3**	11.0	20.5
Other non-cash items	**(0.1)**	(0.1)	(0.1)
Income tax expense	**13.8**	13.9	13.3
Provisions and employee benefits	**(6.1)**	(8.6)	(28.8)
Cash generation before working capital movements	**125.6**	101.9	155.3
Changes in:			
Inventories	**14.0**	(4.2)	2.1
Trade and other receivables	**37.7**	(17.7)	2.9
Trade and other payables	**28.0**	30.4	38.7
Working capital movement	**79.7**	8.5	43.7
Cash generated from continuing operations	**205.3**	110.4	199.0

12. Analysis of net debt

	Half year ended 31 October 2012 £m	Half year ended 31 October 2011 £m	Year ended 30 April 2012 £m
Cash and cash equivalents	**84.4**	58.7	664.5
Overdrafts	**(13.8)**	(11.0)	(11.3)
Net cash and cash equivalents	**70.6**	47.7	653.2
Restricted cash – receivable after one year	**5.0**	–	–
Restricted cash – receivable within one year	**15.0**	–	–
Interest-bearing loans and borrowings due – after one year	**(824.4)**	(355.0)	(225.2)
Interest-bearing loans and borrowings due – within one year	**(93.4)**	(3.2)	(91.7)
Finance leases	**(5.3)**	–	(4.1)
Derivative financial instruments			
– assets	**9.4**	8.5	7.9
– liabilities	**(34.1)**	(26.4)	(18.4)
Net cash included within assets and liabilities held for sale	**–**	15.5	–
	(927.8)	(360.6)	(331.5)
Net (debt)/cash	**(857.2)**	(312.9)	321.7

On 29 June 2012, €700m of loan facilities were utilised to part finance the acquisition of SCA Packaging. On 6 August 2012, €300m of these loans were refinanced with US Private Placement notes having maturities of between 5 and 10 years.

Derivative financial instruments above relate to interest rate and cross-currency swaps used to hedge the Group's borrowings. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the Group's balance sheet relates to derivative financial instruments that hedge forecast foreign currency transactions and the Group's purchases of energy.

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

	Half year ended 31 October 2012 £m	Half year ended 31 October 2011 £m	Year ended 30 April 2012 £m
Continuing operations			
Operating profit before amortisation and exceptional items	**123.2**	78.3	142.0
Depreciation	**53.3**	33.5	63.9
Adjusted EBITDA	**176.5**	111.8	205.9
Working capital movement	**79.7**	8.5	43.7
Provisions and employee benefits	**(6.1)**	(8.6)	(28.8)
Other	**2.2**	2.9	4.7
Cash generated from operations before exceptional cash items	**252.3**	114.6	225.5
Capital expenditure	**(65.5)**	(42.4)	(94.2)
Proceeds from sales of assets and investments	**0.1**	5.1	8.3
Tax paid	**(23.2)**	(11.4)	(25.3)
Net interest paid	**(11.9)**	(10.8)	(19.8)
Free cash flow	**151.8**	55.1	94.5
SCA Packaging acquisition costs	**(24.7)**	–	(7.0)
SCA Packaging integration costs	**(13.0)**	–	–
Other exceptional items	**(9.3)**	(4.2)	(19.5)
Dividends paid to Group shareholders	**–**	(19.4)	(31.5)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(1,281.0)**	(4.4)	(2.3)
Divestment of subsidiary business, net of cash and cash equivalents	**–**	–	184.5
Net cash flow	**(1,176.2)**	27.1	218.7
Proceeds from issue of share capital	**–**	1.0	450.2
Purchase of own shares	**(1.2)**	(0.3)	(0.3)
Loans and borrowings (acquired)/disposed	**(7.5)**	1.9	(14.2)
Net movement on (debt)/cash	**(1,184.9)**	29.7	654.4
Foreign exchange and fair value movements	**6.0**	5.5	24.7
Net debt movement – continuing operations	**(1,178.9)**	35.2	679.1
Net debt movement – discontinued operations	**–**	2.9	(6.4)
Opening net cash/(debt)	**321.7**	(351.0)	(351.0)
Closing net (debt)/cash	**(857.2)**	(312.9)	321.7

14. Acquisitions

Half year ended 31 October 2012

SCA Packaging
On 30 June 2012, the Group acquired the packaging division of Svenska Cellulosa Aktiebolaget SCA (publ) excluding its kraftliner assets ('SCA Packaging'). The acquisition was effected by the purchase of equity of 100% of SCA Packaging Holding BV and SCA Packaging Nicollet SAS for €1.6 billion on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. This is subject to customary post-completion adjustments.

SCA Packaging was the second largest packaging business in Europe and the acquisition represents a significant opportunity for the Group to achieve its stated strategic aim of becoming the leading supplier of recycled packaging for consumer goods in Europe.

The Group expects that the acquisition will drive growth in the business and add shareholder value by providing access to new geographical markets across continental Europe that better matches the location and scale of key pan-European FMCG customers, given the complementary geographic business and customer fit between the two businesses. The Group expects development of broader relationships with existing customers as well as the potential to win new customers through increased ability to supply and innovate new products and improve service levels, and driving of further benefits from the enlarged Group's operational structure, utilising the strengthened resource in key commercial and operational functions and delivering synergies.

In the half year ended 31 October 2012, SCA Packaging contributed revenue of £762m and operating profit before amortisation and acquisition related costs of £56m to the Group's results. If the acquisition had occurred on 1 May 2012, estimated revenue and operating profit before amortisation and acquisition related costs for the half year ended 31 October 2012 would have been £1,164m and £77m respectively.

The following table summarises the consideration paid for SCA Packaging, and the fair value of assets acquired and liabilities assumed.

	Carrying values before acquisition £m	Provisional fair values £m
Intangible assets	**12.9**	**370.6**
Property, plant and equipment	**956.3**	**785.6**
Investment in associates	**55.8**	**38.9**
Net deferred tax liabilities	**(63.9)**	**(126.2)**
Other non-current receivables	**9.7**	**–**
Inventories	**183.7**	**152.9**
Trade and other receivables	**365.7**	**347.9**
Net income tax liabilities	**(24.3)**	**(58.3)**
Interest-bearing loans and borrowings – non-current	**(1.4)**	**(1.4)**
Post-retirement benefits	**(42.9)**	**(37.4)**
Net assets classified as held for sale	**7.3**	**26.7**
Cash / bank overdrafts	**18.8**	**18.8**
Interest-bearing loans and borrowings – current	**(5.7)**	**(5.7)**
Trade and other payables	**(237.1)**	**(371.2)**
Provisions	**(120.1)**	**(199.8)**
Total identifiable net assets acquired	**1,114.8**	**941.4**
Goodwill		**358.4**
Total consideration		**1,299.8**
Satisfied by:		
Cash consideration		**1,299.8**

Net cash flow arising on acquisition	
Cash consideration (at acquisition date)	**1,299.8**
Cash and cash equivalents acquired	**(18.8)**
Total cash outflow	**1,281.0**

Given that the SCA Packaging acquisition was completed on 30 June, all balance sheet and certain income statement items have been determined on a provisional basis. The fair value of property, plant and equipment and intangible assets have been determined provisionally pending completion of an independent valuation. The intangible assets acquired as part of the acquisition relate primarily to customer relationships.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Deferred tax is recognised on the temporary timing differences created by the fair value adjustments.

The trade and other receivables comprise gross contractual amounts due of £357m. At the acquisition date, it is estimated that contractual cash flows of £9m will not be collected.

Goodwill of £358.4m arising on the acquisition of SCA Packaging (which is not expected to be tax deductible) includes anticipated synergies from integrating SCA Packaging into the Group, and the skills and technical talent of the SCA Packaging workforce.

15. Divestments

Year ended 30 April 2012

(a) Office Products Wholesaling
On 30 December 2011 the Office Products Wholesaling division was sold to Unipapel SA. Office Products Wholesaling principally comprising Spicers Limited, Spicers (Ireland) limited, Spicers France SAS, Spicers Belgium NV and Spicers Nederland BV.

(b) SCA Packaging Kuban
The Group acquired 100% of the equity of SCA Packaging Kuban in July 2011 for €5.0m cash consideration and €1.5m deferred consideration payable in December 2011, exclusively with a view to resale. The business was subsequently sold in December 2011 to the Group's associate, OJSC Rubezhansk Paper and Packaging Mill for €6.5m with nil profit or loss on disposal.