



## DS Smith Plc - 2004/05 Interim Results

DS Smith Plc (LSE:SMDS), the international packaging manufacturer and office products wholesaler, announces its results for the six months to 31 October 2004.

### HIGHLIGHTS

- Operating profit<sup>(1)</sup>: £40.2m (H1 2003/04: £43.5m)
- Profit before tax<sup>(1)</sup>: £34.9m (H1 2003/04: £39.3m)
- Earnings per share<sup>(2)</sup>: 6.8p (H1 2003/04: 8.2p)
- Further progress in Corrugated Packaging partly offset a weaker Paper result
- Linpac Containers acquisition contributed operating profit of £6.8m<sup>(1)</sup> (H1 2003/04: £ nil)
- Pension charge reduced operating profit by £8.0m (H1 2003/04: £ nil)
- Cash inflow before dividends and acquisitions: £26.0m (H1 2003/04: inflow of £18.0m)
- Gearing: 50.2 % (end of 2003/04: 49.1%)
- Interim dividend unchanged at 2.6p<sup>(3)</sup>
- Results after amortisation of intangibles: profit before tax £30.2m (H1 2003/04: £38.0m); earnings per share 5.6p (H1 2003/04: 7.8p<sup>(3)</sup>)

(1) before amortisation of intangibles but including the pension charge of £8.0m in H1 2004/05

(2) before amortisation of intangibles and restated for the bonus element of the rights issue

(3) restated for the bonus element of the rights issue

Commenting on the half year results, Chairman, Antony Hichens said:

“We have made good progress in our existing Corrugated Packaging businesses and benefited from the contribution from Linpac Containers, the acquisition of which was cleared by the Competition Commission in October. This partly offset weaker results in Paper, which were due to highly competitive trading conditions and increased input costs, together with a significant charge in respect of the UK pension scheme pending the completion of the triennial valuation. A strong cash performance maintained our healthy balance sheet.

“Trading conditions remain challenging. There is a strong focus, particularly in our UK operations, on raising returns through driving profitable sales and continuing to reduce costs. Our Paper and Plastic Packaging operations are taking steps to mitigate the effects of higher energy and polymer costs respectively. We are proceeding rapidly to generate the expected substantial synergies from the integration of the Linpac Containers business. The Board is confident of delivering solid results for the full year and is recommending an unchanged interim dividend.”

### Enquiries

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## OVERVIEW

Group turnover for the half year to 31 October 2004 increased to £800.1 million (H1 2003/04: £744.7 million) and operating profit before amortisation of intangibles was £40.2 million (H1 2003/04: £43.5million). The Linpac Containers business, acquired in March 2004, contributed £78.4 million (H1 2003/04: £nil) of sales and £6.8 million (H1 2003/04: £nil) of operating profit. Group operating margin before amortisation of intangibles was 5.0% (H1 2003/04: 5.8%) while return on average capital employed for the six months was 8.6% (H1 2003/04: 11.0%).

As previously indicated, there is, for the first time for many years, a charge to the Group's profit and loss account in respect of the Group's UK defined benefit pension scheme. The triennial valuation of the scheme as at 5 April 2004 is due to be concluded shortly and the charge of £8.0 million made under SSAP 24 for the first half of 2004/05 reflects the Board's current expectation of an annual charge of approximately £16 million.

Profit before tax and amortisation of intangibles was £34.9 million (H1 2003/04: £39.3 million) and earnings per share before amortisation of intangibles were 6.8 pence (H1 2003/04: 8.2 pence restated for the rights issue).

The tax charge is 24.6% of profit before tax and amortisation of intangibles, and benefited from a prior year adjustment of £4.3 million following the agreement of certain matters with overseas tax authorities. This is a one-off benefit for 2004/05 and, as previously stated, we anticipate that our tax rate will be approximately 31% of profit before tax and amortisation of intangibles from 2005/06.

A strong cash inflow before dividends and acquisitions of £26.0 million (H1 2003/04: £18.0 million) enabled the Group to maintain a healthy balance sheet. Net borrowings were £287.4 million at the end of first half 2004/05 (end of 2003/04: £274.7 million) resulting in gearing of 50.2% (end of 2003/04: 49.1%). Interest cover before amortisation of intangibles remained strong at 6.1 times.

## INTERIM DIVIDEND

The Board announces an interim dividend of 2.6 pence per share, which is unchanged from the previous year's interim dividend, as restated for the rights issue. It will be paid on 8 March 2005 to ordinary shareholders on the register at the close of business on 4 February 2005.

## OPERATING REVIEW

### Paper and Corrugated Packaging

	Half year ended 31 October 2004	Half year ended 31 October 2003
Turnover	£444.2m	£376.4m
Operating profit*	£27.9m	£27.7m
Operating margin*	6.3%	7.4%
Return on average capital employed*	8.3%	10.7%

\* before amortisation of intangibles; including a pension charge in 2004

A strong performance from the Group's existing Corrugated Packaging operations and a £6.8 million (H1 2003/04: £nil) contribution from the Linpac Containers business, broadly offset a significant reduction in profits from Paper and a pension charge for the segment of £5.2 million (H1 2003/04: £nil).

### ***Paper***

Our French paper business, which principally manufactures solid board, performed satisfactorily. However, our UK paper business, St Regis, experienced extremely difficult trading conditions in its main product, corrugated case material (CCM), with prices continuing to be depressed by sluggish total market demand, compounded by excess capacity in Europe.

St Regis' margins were further squeezed by substantial increases in gas costs, the relatively high cost of our raw material, recovered paper, as a result of strong global demand, and the continuing weak prices of Packaging Recovery Notes.

St Regis continues to take action to mitigate the effects of the trading conditions: productivity has been improved and the sales mix strengthened by increasing the proportion of domestic sales and of higher added-value products. Severnside Recycling continued to develop its infrastructure with the acquisition and integration of the five recovered paper collection depots of BPB Recycling.

There have recently been CCM price increases in continental Europe; the outlook for UK prices will depend upon the strength of market demand as we enter the new calendar year.

### ***Corrugated Packaging***

The total market for corrugated board in Europe strengthened slightly in the first nine months of calendar year 2004, with demand increasing by 0.1% in the UK and 2.4% in Europe as a whole, although the French market was down 0.4%\*. Demand growth continued to be strong in Poland and Turkey.

Our UK Corrugated Packaging operations continued to advance due to some increase in prices, raised efficiency, and their focus on higher added value or growing market segments.

The French and Italian corrugated operations were affected by weaker demand in their local markets, particularly in the second quarter of the financial year. The Polish business continued to grow its sales and profits strongly and work is progressing on its new factory, scheduled to open in late 2005. In Turkey, we made considerable further progress and recorded a profit for the half year.

The Linpac Containers business performed in line with our expectations. The referral of the acquisition to the Competition Commission meant that we could not begin the process of generating the expected synergies. On 21 October 2004, the Competition Commission cleared the acquisition, having concluded that it would not lead to a substantial lessening of competition in the market.

We are now able to derive the full benefits of having Linpac Containers within the Group. The acquisition has improved our market position in Corrugated Packaging by broadening our customer base. It has also strengthened the Group's position as a major buyer and seller of CCM, enabling our paper business to achieve a better market mix. The process of

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\* Source: European Federation of Corrugated Board Manufacturers

integrating the business and generating the substantial synergies is now progressing rapidly; the merger of headquarters is advanced and the facilities rationalisation programme is well underway. Despite the delay in beginning integration of the businesses, we are confident of generating the expected pre-tax synergies of £14.5 million, identified at the time of the acquisition. We anticipate achieving around 20% of the total synergies in 2004/05, at least 75% in 2005/06, with the balance being generated in the following year. Restructuring charges of approximately £6 million are expected in the second half of 2004/05 with a further approximately £2 million in 2005/06.

### **Plastic Packaging**

	<b>Half year ended 31 October 2004</b>	<b>Half year ended 31 October 2003</b>
Turnover	£99.9m	£107.6m
Operating profit*	£6.1m	£7.5m
Operating margin*	6.1%	7.0%
Return on average capital employed*	8.7%	10.5%

\* before amortisation of intangibles; including a pension charge in 2004

While underlying profits in our two main sectors of liquid packaging and dispensing, and returnable transit packaging were broadly flat, the overall result was negatively affected by a pension charge of £1.0 million (H1 2003/04: £nil), movements in the values of the US dollar and the euro against sterling, and poorer results in our smaller businesses. The rapid rise of approximately 25% in polymer costs has increasingly eroded margins and caused some customers to reduce offtake. We are addressing this by seeking price increases and reducing costs.

In liquid packaging and dispensing, bag-in-box sales were affected by increased competitor activity in the European wine market and by slower summer demand from beverage customers in both Europe and the US. The tap business performed well following last year's action to strengthen sales and reduce costs.

Sales of industrial returnable transit packaging were particularly affected towards the end of the half year by some customers deferring replenishment of products such as crates and layer pads, in the expectation that polymer prices would not remain at their recent high levels.

The three small speciality businesses that operate in coating and laminating, modified atmosphere packaging and packaging logistics continued to hold back the division's overall performance. Actions are being taken to improve the contribution of these businesses to the Group.

### **Office Products Wholesaling**

	<b>Half year ended 31 October 2004</b>	<b>Half year ended 31 October 2003</b>
Turnover	£240.0m	£244.4m
Operating profit*	£6.7m	£7.2m
Operating margin*	2.8%	2.9%
Return on average capital employed*	11.6%	12.2%

\* before amortisation of intangibles; including a pension charge in 2004

Spicers' profit was ahead of last year, before a pension charge of £1.1 million (H1 2003/04: £nil). Consumption of office products across Europe has been slightly firmer in recent months although prices continue to be under pressure. Spicers continued to benefit from the programme of operational improvements started in 2002, while maintaining progress in growing its business in continental Europe.

In the UK, where the focus has been on developing sales while maintaining high service levels, turnover grew slightly in the second quarter of the financial year, being the first quarter in which growth had been recorded for over three years. The French business performed solidly despite continuing tough market conditions. Spicers Germany continued to make good progress through increased focus on improving the quality of the sales mix while further building its sales. The Spanish business maintained its strong sales growth and Spicers Italy was launched to plan in November 2004, with encouraging initial sales following a strong uptake of its catalogue.

### **Office Products Manufacturing**

	<b>Half year ended 31 October 2004</b>	<b>Half year ended 31 October 2003</b>
Turnover	£23.2m	£24.4m
Operating (loss)/profit*	£(0.5)m	£1.1m
Operating margin*	(2.2)%	4.5%
Return on average capital employed*	(6.9)%	15.1%

\* before amortisation of intangibles; including a pension charge in 2004

John Dickinson reported a small underlying profit before a pension charge of £0.7 million (H1 2003/04: £nil). Trading conditions remained difficult in both branded products and envelopes although there was a small upturn in demand during the second quarter of the financial year. Costs have been reduced further. New product and merchandising initiatives are generating some new business, which is encouraging in a tough market.

### **OUTLOOK**

Trading conditions remain challenging. There is a strong focus, particularly in our UK operations, on raising returns through driving profitable sales and continuing to reduce costs. Our Paper and Plastic Packaging operations are taking steps to mitigate the effects of higher energy and polymer costs respectively. We are proceeding rapidly to generate the expected substantial synergies from the integration of the Linpac Containers business. The Board is confident of delivering solid results for the full year and is recommending an unchanged interim dividend.

## Group Profit and Loss Account

	Note	Half year to 31 October 2004 (unaudited) £m	Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
<b>Turnover</b>	3	<b>800.1</b>	744.7	1,488.5
<b>Operating profit</b>				
Before amortisation of intangibles	3	<b>40.2</b>	43.5	88.8
Amortisation of intangibles		<b>(4.9)</b>	(1.5)	(4.0)
<b>Group operating profit</b>		<b>35.3</b>	42.0	84.8
<b>Share of profits of associated undertakings</b>				
Before amortisation of intangibles		<b>1.5</b>	1.3	3.0
Amortisation of intangibles		<b>0.2</b>	0.2	0.4
		<b>1.7</b>	1.5	3.4
<b>Total operating profit</b>		<b>37.0</b>	43.5	88.2
Net interest payable and other similar items		<b>(6.8)</b>	(5.5)	(10.4)
<b>Profit on ordinary activities before taxation</b>				
Before amortisation of intangibles		<b>34.9</b>	39.3	81.4
Amortisation of intangibles		<b>(4.7)</b>	(1.3)	(3.6)
		<b>30.2</b>	38.0	77.8
<b>Tax on profit on ordinary activities</b>	5	<b>(8.6)</b>	(10.6)	(22.0)
<b>Profit on ordinary activities after taxation</b>		<b>21.6</b>	27.4	55.8
Minority interests - equity		<b>(0.2)</b>	(0.4)	(0.6)
<b>Profit for the financial period</b>		<b>21.4</b>	27.0	55.2
Dividends		<b>(9.9)</b>	(9.0)	(30.6)
<b>Retained profit for the financial period</b>		<b>11.5</b>	18.0	24.6
<b>Earnings per share*:</b>				
Basic	6	<b>5.6p</b>	7.8p	15.9p
Diluted	6	<b>5.5p</b>	7.8p	15.8p
Adjusted	6	<b>6.8p</b>	8.2p	16.9p
<b>Dividends per share*</b>		<b>2.6p</b>	2.6p	8.2p

The Group's results shown above are derived from continuing operations and there were no material acquisitions or discontinued operations in the previous year or current half year. The acquisition of LINPAC Containers on the 22 March 2004 did not have a material effect on the results for the year ended 30 April 2004.

\*Earnings per share and dividends per share for the half year to 31 October 2003 have been restated for the bonus element of the rights share issue on 26 March 2004.

## Group Statement of Total Recognised Gains and Losses

		<b>Half year to 31 October 2004 (unaudited) £m</b>	Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
	Note			
Profit for the financial period		21.4	27.0	55.2
Exchange differences on foreign currency net investments		3.5	(4.9)	(7.7)
<b>Total recognised gains and losses relating to the financial period</b>		<b>24.9</b>	<b>22.1</b>	<b>47.5</b>
Prior year adjustment – adoption of UITF 38	1	0.4		
<b>Total gains and losses since previous annual report</b>		<b>25.3</b>		

## Group Reconciliation of Movements in Shareholders' Funds

		<b>Half year to 31 October 2004 (unaudited) £m</b>	As restated – see note 1 Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
	Note			
<b>Opening shareholders' funds:</b>				
As previously stated		562.0	472.9	472.9
Prior year adjustment – adoption of UITF 38	1	(2.4)	(1.7)	(1.7)
<b>As restated</b>		<b>559.6</b>	<b>471.2</b>	<b>471.2</b>
Profit for the financial period		21.4	27.0	55.2
Dividends		(9.9)	(9.0)	(30.6)
<b>Retained profit for the financial period</b>		<b>11.5</b>	<b>18.0</b>	<b>24.6</b>
Exchange differences on foreign currency net investments		3.5	(4.9)	(7.7)
New share capital issued		0.1	1.7	1.8
Proceeds from rights issue		-	-	70.4
Share trust arrangements		(2.1)	(0.7)	(0.7)
<b>Increase in shareholders' funds</b>		<b>13.0</b>	<b>14.1</b>	<b>88.4</b>
<b>Closing shareholders' funds</b>		<b>572.6</b>	<b>485.3</b>	<b>559.6</b>

The difference between reported and historical cost profits for the periods reported above is not material.

## Group Balance Sheet

	As at 31 October 2004 (unaudited) £m	As restated – see note 1	
		As at 31 October 2003 (unaudited) £m	As at 30 April 2004 (audited) £m
<b>Fixed assets</b>			
Intangible assets	183.5	51.7	185.6
Tangible assets	566.7	541.9	568.5
Investments	28.8	27.1	28.6
	<b>779.0</b>	<b>620.7</b>	<b>782.7</b>
<b>Current assets</b>			
Stocks	156.0	145.2	154.9
Debtors	376.0	346.3	361.5
Short term investments	21.3	25.2	20.8
Cash at bank and in hand	42.3	52.2	40.8
	<b>595.6</b>	<b>568.9</b>	<b>578.0</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	(357.3)	(313.9)	(361.5)
Borrowings	(30.8)	(24.3)	(39.7)
<b>Net current assets</b>	<b>207.5</b>	<b>230.7</b>	<b>176.8</b>
<b>Total assets less current liabilities</b>	<b>986.5</b>	<b>851.4</b>	<b>959.5</b>
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings	(320.2)	(268.9)	(296.6)
Other	(1.9)	(4.4)	(2.4)
<b>Provisions for liabilities and charges</b>	<b>(85.4)</b>	<b>(87.0)</b>	<b>(95.1)</b>
	<b>579.0</b>	<b>491.1</b>	<b>565.4</b>
Minority interests – equity	(6.4)	(5.8)	(5.8)
<b>Net assets</b>	<b>572.6</b>	<b>485.3</b>	<b>559.6</b>
<b>Capital and reserves</b>			
Called up share capital	38.7	32.3	38.7
Share premium account	254.7	190.5	254.6
Revaluation reserve	8.5	8.8	8.5
Own shares	(4.9)	(2.8)	(2.8)
Profit and loss account	275.6	256.5	260.6
<b>Shareholders' funds - equity</b>	<b>572.6</b>	<b>485.3</b>	<b>559.6</b>
<b>Gearing:</b>			
Net debt expressed as a percentage of shareholders' funds	<b>50.2%</b>	44.5%	49.1%

## Group Cash Flow Statement

	Note	Half year to 31 October 2004 (unaudited) £m	As restated – see note 1	
			Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
<b>Net cash inflow from operating activities</b>	7	<b>69.7</b>	59.7	131.8
Returns on investments and servicing of finance		(6.5)	(5.6)	(10.0)
Taxation		(13.0)	(11.5)	(17.9)
<b>Capital expenditure and investments</b>				
Purchase of tangible fixed assets		(25.1)	(27.5)	(51.7)
Sale of tangible fixed assets		0.6	1.5	9.1
Sale of fixed asset investments		0.3	1.4	1.7
Net cash outflow from capital expenditure and investments		(24.2)	(24.6)	(40.9)
<b>Cash inflow before dividends and acquisitions</b>		<b>26.0</b>	18.0	63.0
Acquisitions and disposals		(10.5)	(14.8)	(181.6)
Equity dividends paid		(21.6)	(19.2)	(28.2)
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(6.1)</b>	(16.0)	(146.8)
Management of liquid resources		0.7	0.2	4.3
Issue of ordinary shares		0.1	1.7	74.1
Rights issues costs		-	-	(1.9)
Net purchase of own shares		(2.3)	(1.0)	(1.0)
Financing - net increase in debt		18.7	74.6	96.3
<b>Increase in cash in the period</b>		<b>11.1</b>	59.5	25.0

## Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	Half year to 31 October 2004 (unaudited) £m	Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
Increase in cash in the period		11.1	59.5	25.0
Increase in debt financing		(18.7)	(74.6)	(96.3)
Decrease in liquid resources		(0.7)	(0.2)	(4.3)
<b>Increase in net debt resulting from cash flows</b>		<b>(8.3)</b>	(15.3)	(75.6)
Net debt acquired with subsidiary undertakings		-	-	(0.5)
Exchange differences		(4.4)	1.8	3.7
<b>Increase in net debt in the period</b>		<b>(12.7)</b>	(13.5)	(72.4)
Opening net debt		(274.7)	(202.3)	(202.3)
<b>Closing net debt</b>	8	<b>(287.4)</b>	(215.8)	(274.7)

## Notes to the Accounts

### 1 Prior year adjustment

The Company has made a prior period adjustment during the period ended 31 October 2004 following the release of Urgent Issues Task Force (UITF) Abstract 38 "Accounting for ESOP Trusts". This Abstract superseded UITF Abstract 13, which required that own shares in the Company held through its Employee Share Ownership Plan (ESOP) be disclosed as a fixed asset investment on the face of the Company's balance sheet. Due consideration needed to be made in each reporting period to the existence of impairment in the carrying value of the investment. UITF Abstract 38 now requires that such shares be held as a deduction from equity, at the gross cost paid by the Company for the shares.

The adoption of UITF Abstract 38 has given rise to a prior year adjustment to the opening retained earnings of £0.4m credit for the period. This represents the reversal of a provision charged through the profit and loss account in 1999 to recognise the impairment in the carrying value of the ESOP shares. The gross cost of the ESOP shares at 31 October 2004 was £4.9m (half year to 31 October 2003: £2.8m; year to 30 April 2004: £2.8m). Under UITF Abstract 38 this is now deducted from equity, resulting in a net reduction in shareholders' funds of £4.9m (half year to 31 October 2003: £2.4m; year to 30 April 2004: £2.4m), being the carrying value of the ESOP shares.

### 2 Basis of preparation

The interim financial information, which is unaudited, has been prepared using the same policies as those adopted in the accounts for the financial year ended 30 April 2004, except for UITF Abstract 38 (see note 1 above). Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain an adverse statement under section 237(2) or (3) of the Companies Act 1985.

### 3 Analysis of Group turnover, profit and capital employed

		Half year to 31 October 2004 (unaudited) £m	Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
<b>Turnover</b>				
<b>Packaging:</b>	Paper & Corrugated Packaging	444.2	376.4	748.9
	Plastic Packaging	99.9	107.6	208.7
		<b>544.1</b>	484.0	957.6
<b>Office Products:</b>	Wholesaling	240.0	244.4	498.8
	Manufacturing	23.2	24.4	48.0
	Intra-segment sales	(7.2)	(8.1)	(15.9)
		<b>256.0</b>	260.7	530.9
		<b>800.1</b>	744.7	1,488.5
<b>By origin:</b>				
	United Kingdom	482.5	415.6	829.4
	Rest of World	317.6	329.1	659.1
		<b>800.1</b>	744.7	1,488.5
<b>Operating profit (see a) below)</b>				
<b>Packaging:</b>	Paper & Corrugated Packaging	27.9	27.7	50.5
	Plastic Packaging	6.1	7.5	15.2
		<b>34.0</b>	35.2	65.7
<b>Office Products:</b>	Wholesaling	6.7	7.2	21.7
	Manufacturing	(0.5)	1.1	1.4
		<b>6.2</b>	8.3	23.1
		<b>40.2</b>	43.5	88.8
<b>By origin:</b>				
	United Kingdom	24.8	27.6	47.3
	Rest of World	15.4	15.9	41.5
		<b>40.2</b>	43.5	88.8

### 3 Analysis of Group turnover, profit and capital employed (continued)

		Half year to 31 October 2004 (unaudited) £m	Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
<b>Capital employed</b> (see b) below)				
<b>Packaging:</b>	Paper & Corrugated Packaging	663.2	507.5	657.4
	Plastic Packaging	141.9	139.3	136.5
		<b>805.1</b>	646.8	793.9
<b>Office Products:</b>	Wholesaling	121.1	118.3	123.7
	Manufacturing	13.5	14.1	13.7
		<b>134.6</b>	132.4	137.4
		<b>939.7</b>	779.2	931.3
<hr/>				
<b>By origin:</b>	United Kingdom	647.0	485.3	639.3
	Rest of World	292.7	293.9	292.0
		<b>939.7</b>	779.2	931.3
<hr/>				
<b>Return on Sales</b>				
<b>Packaging:</b>	Paper & Corrugated Packaging	6.3%	7.4%	6.7%
	Plastic Packaging	6.1%	7.0%	7.3%
		<b>6.2%</b>	7.3%	6.9%
<b>Office Products:</b>	Wholesaling	2.8%	2.9%	4.4%
	Manufacturing	(2.2%)	4.5%	2.9%
		<b>2.4%</b>	3.2%	4.4%
		<b>5.0%</b>	5.8%	6.0%
<hr/>				
<b>By origin:</b>	United Kingdom	5.1%	6.6%	5.7%
	Rest of World	4.8%	4.8%	6.3%
		<b>5.0%</b>	5.8%	6.0%
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<b>Return on average capital employed</b> (see c) below)				
<b>Packaging:</b>	Paper & Corrugated Packaging	8.3%	10.7%	9.6%
	Plastic Packaging	8.7%	10.5%	10.7%
		<b>8.4%</b>	10.7%	9.9%
<b>Office Products:</b>	Wholesaling	11.6%	12.2%	18.2%
	Manufacturing	(6.9%)	15.1%	9.8%
		<b>9.6%</b>	12.6%	17.3%
		<b>8.6%</b>	11.0%	11.1%
<hr/>				
<b>By origin:</b>	United Kingdom	7.7%	11.4%	9.4%
	Rest of World	10.4%	10.3%	14.0%
		<b>8.6%</b>	11.0%	11.1%

a) Operating profit is stated before amortisation of intangibles.

b) Capital employed excludes fixed asset investments, net borrowings, deferred consideration due in respect of acquisitions, corporation tax, dividends payable and minority interests.

c) Return on average capital employed for the half year is calculated as twice the operating profit divided by the average capital employed, including the intangible assets on the balance sheet.

### 4 Pension Costs

The Group operates a funded defined benefit scheme in the UK. The triennial valuation of the scheme as at 5 April 2004 is due to be concluded shortly. Included within the results for the half year to 31 October 2004 is an estimated pension charge of £8.0m (half year to 31 October 2003: £nil; year ended 30 April 2004: £nil), being based on the Group's current expectation of the outcome of the valuation.

## 5 Taxation

Tax on profits before amortisation of intangibles has been charged at an effective rate of 24.6% (half year to 31 October 2003: 27.0%; year to 30 April 2004: 27.0%), being the expected full year effective rate.

The tax charge for the period consists of UK taxation of £3.3m (half year to 31 October 2003: £4.2m; year to 30 April 2004: £7.1m) and overseas taxation of £5.3m (half year to 31 October 2003: £6.4m; year to 30 April 2004: £14.9m).

## 6 Earnings per share

The basic earnings per share have been calculated on the profit for the period of £21.4m (half year to 31 October 2003: £27.0m; year to 30 April 2004: £55.2m) and on 385.2m (half year to 31 October 2003: 344.2m; year to 30 April 2004: 348.2m) ordinary shares, being the weighted average in issue and fully paid during the period.

The adjusted earnings per share excludes the effect of amortisation of intangibles and has been calculated on the adjusted profit for the period of £26.1m (half year to 31 October 2003: £28.3m; year to 30 April 2004: £58.8m).

## 7 Reconciliation of operating profit to net cash inflow from operating activities

	<b>Half year to 31 October 2004 (unaudited) £m</b>	Half year to 31 October 2003 (unaudited) £m	Year to 30 April 2004 (audited) £m
Operating profit before amortisation of intangibles	40.2	43.5	88.8
Depreciation	34.0	31.7	64.5
Profit on sale of tangible fixed assets	(0.2)	(0.3)	(4.0)
Working capital	(3.3)	(14.8)	(17.0)
Decrease in provisions	(1.0)	(0.3)	(0.9)
Other non cash operating items	-	(0.1)	0.4
<b>Net cash inflow from operating activities</b>	<b>69.7</b>	59.7	131.8

## 8 Analysis of net debt

	At 30 April 2004 (audited) £m	Cash flow (unaudited) £m	Exchange differences (unaudited) £m	At 31 October 2004 (unaudited) £m
Cash at bank and in hand	40.8	(0.2)	1.7	42.3
Overdrafts	(29.8)	11.3	(0.6)	(19.1)
	11.0	11.1	1.1	23.2
Debt due after one year	(293.8)	(17.3)	(6.7)	(317.8)
Debt due within one year	(8.9)	(1.9)	0.1	(10.7)
Finance leases	(3.8)	0.5	(0.1)	(3.4)
	(306.5)	(18.7)	(6.7)	(331.9)
Short term investments	20.8	(0.7)	1.2	21.3
<b>Total net debt</b>	<b>(274.7)</b>	<b>(8.3)</b>	<b>(4.4)</b>	<b>(287.4)</b>