22 June 2023

DS SMITH PLC – 2022/23 FULL-YEAR RESULTS
EXCELLENT PERFORMANCE IN CHALLENGING MARKETS

12 months to 30 April 2023 Continuing operations		Change (reported)	Change (constant currency)
Revenue	£8,221m	+14%	+11%
Adjusted operating profit(1)	£861m	+40%	+35%
Profit before tax	£661m	+75%	+71%
Adjusted basic EPS(1)	43.0p	+40%	+34%
Statutory basic EPS	35.8p	+75%	+71%
Dividend per share	18.0p	+20%	NA
Return on sales (RoS)(2)	10.5%	+200bps	+190bps
ROACE(3)	14.3%	+350bps	+350bps

See notes to financial table below

- Excellent adjusted operating profit growth of 35% driven by improved product "added value" and effective cost mitigation more than offsetting volume declines and a more challenging inflationary environment
- Strengthening customer relationships driving record customer ratings and contract wins
- Good free cash flow of £354m(8) reducing leverage to 1.3x net debt/EBITDA (2021/22: 1.6x)
- Continued momentum in plastic replacement with 762 million units of plastic replaced since 2020 and 297 million in 2022/23
- Further improvements in sustainability metrics and ESG ratings
- Continued investment in innovation, capacity, efficiency and environmental projects
- Current trading in line with our expectations

Miles Roberts, Group Chief Executive, commented:
"The performance of the business during the year has been excellent, despite the challenging economic environment and I am extremely proud of all our colleagues for their dedication and support. We have had an unremitting focus on meeting our customers' rapidly changing needs with new innovation. This, together with high levels of service and our sustainability performance, has been rewarded through market share gains during the period.

Our operational, environmental and financial performances have all been strong through the year. Our service levels have remained very high, supporting our customers through our robust and flexible supply chain. We have made excellent progress in reducing the environmental impact of our business, and also helped customers replace c.300 million pieces of plastic with fibre-based alternatives during the year. Our cost and risk management, together with price increases to reflect multi-year cost inflation, have more than offset reduced volumes during the year and delivered the excellent growth in profit and returns.

While economic conditions have continued to be volatile and box volumes have remained lower than normal, trading for the year to date is in line with our expectations. Our strong customer relationships in the resilient FMCG sector, together with the investments we are making to drive cost efficiencies and growth, give us confidence for the future."

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

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.

Dial-in number (UK): +44 (0) 33 0551 0200
Dial-in number (UK Toll Free): 0808 109 0700
Password: DS Smith

An audio file will also be available on 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) Adjusted operating profit (adjusted EBITA) is before adjusting items (as set out in note 3) and amortisation of £113 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 12 months basis (based on area (m^2) of corrugated box sold), adjusted for working days, on an organic basis.
(5) GDP growth for rolling 12 months (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country = 3%. Source: Eurostat (16 May 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

Deep customer relationships and cost mitigation driving profit growth

The macro-economic backdrop has remained challenging, with overall market demand worse than we originally expected, particularly in the second half of the year when we saw an impact from de-stocking by our customers and weak end consumer demand, leading to a full-year decline in our like for like box volumes of 5.8 per cent[(4)]. The medium-term target for box volume growth of GDP+1% was 3% and has been heavily distorted by inflation. Despite this, our strong customer relationships and focus on quality and service enabled us to gain market share with the more resilient fast moving consumer goods (FMCG) and other consumer related sectors, now representing 84 per cent of our volumes.

For the twelve month period, revenue grew to £8,221 million (2021/22: £7,241 million), up 11 per cent on a constant currency basis and 14 per cent on a reported basis with the decline in box volumes (£295 million) more than offset by higher selling prices (£1,196 million) across the Group which reflect the lag in recovery of the increases in input costs during the period 2021 to 2023. £1,026 million of this increase was due to higher packaging prices with the remainder of £170 million due to increases in the price of external sales of paper and energy, offset by a decline in the price of recycling materials.

The impact of box and other volume decline led to a (£99 million) reduction in adjusted operating profit. Despite our continued cost and risk mitigation programmes, input costs were significantly impacted by inflationary price rises which led to an increase in costs, excluding the impact of volume declines, of £872 million versus the comparable period with rises in raw materials costs of £426 million, energy costs of £73 million and other costs, including labour and distribution, of £373 million. The impact of higher energy costs have been mitigated by our 3 year rolling energy hedging programme and reduced consumption as we managed paper production particularly in the second half of the year.

Group return on sales grew during the year to 10.5 per cent (2021/22: 8.5 per cent), and within our medium-term target range of 10% - 12% reflecting the increase in profitability despite the dilutive impact of inflation on both revenues and costs.

Basic earnings per share from continuing operations grew 71 per cent on a constant currency basis to 35.8 pence. Adjusted basic earnings grew by 34 per cent on a constant currency basis to 43.0 pence per share, reflecting the growth in profitability.

Return on average capital employed increased significantly by 350 bps to 14.3 per cent. The improving trend in profitability through the year combined with the improving returns from acquisitions and investments means ROACE was at the upper end our medium-term target range of 12 to 15 percent.

Cashflow and net debt

During the year, the Group generated free cash flow[(8)] of £354 million (2021/22: £519 million), reflecting strong profits partly offset by a working capital outflow and increased capital expenditure spend. Cash conversion[(7,8)], as defined in our financial KPIs (note 14), was 101 per cent, in line with our target of being at or above 100 per cent.

The working capital outflow of £121 million included a net benefit in the year of £69 million in respect of margin calls to manage our energy hedging position. The remaining balance of £181 million as at 30 April 2023 is expected to reverse in our financial year to 30 April 2024. The underlying working capital outflow reflects a decline in energy and raw material prices, principally paper, at the end of the financial year, partly mitigated by good cash collection and inventory management.

Cash generated from operations before adjusting cash items of £1,092 million (2021/22: £1,092 million) was used to invest in net capex of £526 million, which increased by 27 per cent on the prior year. We have continued to invest in a number of ongoing customer-led projects together with our de-carbonisation and energy efficiency programmes.

Net debt as at 30 April 2023 was £1,636 million (30 April 2022: £1,484 million), principally due to the increased capital expenditure and working capital outflow described above, together with an additional interim dividend cash payment due to a change in the timing of payments, as well as adverse movement in foreign exchange. Our net debt/EBITDA[(6)] ratio (calculated in accordance with our banking covenant requirements) improved to 1.3 times (2021/22: 1.6 times), substantially below our banking covenant of 3.75 times and within our medium-term target of at or below 2.0 times. The final payment of the Interstate put option was delayed by the beneficiary and had it been paid our leverage would have been 1.4 times. Standard & Poor's have reconfirmed our investment grade credit rating with a stable outlook. The Group remains fully committed to maintaining its investment grade credit rating.

Investing for growth

Over the last decade the Group has grown strongly through organic and inorganic growth as we have built a comprehensive platform of geographic coverage and capability to support our customers in our chosen markets. The structural drivers for growth in corrugated packaging remain more relevant than ever and support our long-term strategy of fully fibre-based solutions for a predominantly FMCG customer base. The consistent progress with our customers, as evidenced by record customer rating metrics and continued market share gains, gives us the confidence to invest further to support customers, drive growth and deliver attractive returns.

Our capital expenditure for 2023/24 is expected to be around £500 million. In addition to maintenance and health and safety focussed expenditure, this will be allocated across three main areas: investing in new product and service innovation including helping our customers drive their sustainability agendas; investing in our capacity and capability in both our packaging operations and aligning our paper capability to our customer needs; and investing to drive environmental and operational efficiency. We continue to invest to achieve our Science Based Targets initiative approved CO_2 reduction target of 46 per cent from 2019 to 2030 and our commitment to achieving net zero carbon emissions by 2050.

Leading the way in sustainability

Sustainability has been at the heart of our business for many years as we have developed and grown into a solely fibre-based corrugated packaging business. Our customers value the investment we make in sustainable solutions and our approach to design using our leading circular design metrics. We work diligently with them to address their sustainability challenges and have replaced 762 million of their units of plastic since 2020 and 297 million in 2022/23.

As well as supporting our customers' sustainability challenges we also continue to make good progress in delivering against our own sustainability targets. We have reduced our CO_2 emissions by 10 per cent in the year (15 per cent compared to 2019), achieved a 4 per cent reduction in water abstraction within paper mills in areas at risk of water stress, achieved our target of 100 per cent reusable or recyclable packaging and launched biodiversity programmes at each of our mills.

We are delighted our progress has been recognised with further improvements in our rating by a number of external indices including S&P Global and Sustainalytics and through our continuing high ratings at CDP, MSCI and EcoVadis.

Dividend

The Board considers the dividend to be an extremely important component of shareholder returns. Today, we are announcing a final dividend of 12.0p per share, taking the total dividend for this year to 18.0 pence per share, an increase of 20 per cent and consistent with our policy of 2.0-2.5 times dividend cover over the medium-term.

Subject to approval of shareholders at the AGM to be held on 5 September 2023, the final dividend will be paid on 3 October 2023 to shareholders on the register at the close of business on 8 September 2023.

Progress against medium-term targets

Medium-term targets *Continuing operations*	Delivery in 2022/23
Organic volume growth[4] ≥GDP[5]+1%, being 3%	(5.8%)
Return on sales[2] 10% – 12%	10.5%
ROACE[3] 12% - 15%	14.3%
Net debt / EBITDA[6] ≤2.0x	1.3x
Cash conversion[7,8] ≥100%	101%

See notes to the financial tables above

Our medium-term targets and key performance indicators

We measure our performance according to both our financial and non-financial medium-term targets and key performance indicators. Our financial key performance indicators and medium-term targets have been discussed above.

Non-financial key performance indicators

DS Smith is committed to providing all employees with a safe and productive working environment. We are pleased, once again, to report improvements in our safety record, with our accident frequency rate (defined as the number of lost time accidents per million hours worked) reducing by a further 6 per cent to 1.8, reflecting our ongoing commitment to best practice in health and safety. We are proud that 265 out of a total of

325 reporting sites achieved our target of zero accidents this year and we continue to strive for zero accidents for the Group as a whole.

In the year we achieved a good performance in our customer service measure of OTIF (on time, in full deliveries) at 96 per cent, a significant improvement on the prior year (94%). Management remains fully committed to our target of 97% on-time, in-full deliveries and the highest standards of service, quality and innovation to all our customers and we will continue to strive to meet the demanding standards our customers expect.

Outlook

While economic conditions have continued to be volatile and box volumes have remained lower than normal, trading for the year to date is in line with our expectations. Our strong customer relationships in the resilient FMCG sector, together with the investments we are making to drive cost efficiencies and growth, give us confidence for the future.

Operating Review

Northern Europe

	Year ended 30 April 2023	Year ended 30 April 2022	Change – reported	Change – constant currency
Revenue	£3,132m	£2,790m	12%	11%
Adjusted operating profit*	£212m	£139m	53%	51%
Return on sales(2)	6.8%	5.0%	180bps	180bps

*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 due to weaker overall economic conditions and very strong growth in the comparative period. Germany experienced higher levels of decline due to a larger market exposure to the industrial sector with the UK market impacted by a decline in the e-commerce sector following particularly strong growth over a number of years. Revenues increased by 11 per cent in the region due to a combination of the increases in box prices in packaging and an increase in sales prices for externally sold paper and volumes of recycled fibre.

Adjusted operating profit grew substantially due to the increase in both paper and packaging price drop-through as well as strong cost management, partly offset by inflation and costs of £17 million related to the strategic review of our UK recycling depot network.

Southern Europe

	Year ended 30 April 2023	Year ended 30 April 2022	Change – reported	Change – constant currency
Revenue	£3,150m	£2,736m	15%	12%
Adjusted operating profit*	£501m	£324m	55%	51%
Return on sales(2)	15.9%	11.8%	410bps	400bps

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

Southern Europe saw a lower decline in box volumes than the Group average, reflecting a positive market share performance partially mitigating the overall economic conditions, with France weaker than Iberia and Italy reflecting weakness in overall household consumption.

Revenues grew by 12 per cent, due to the impact of increases in both packaging and paper pricing. Adjusted operating profit grew by over 50 per cent compared to the prior period, due to a very positive performance from the former Europac business acquired in 2019 as well as the drop-through of price increases in packaging. Accordingly, return on sales for the region grew to the highest within the Group.

Eastern Europe

	Year ended 30 April 2023	Year ended 30 April 2022	Change – reported	Change – constant currency
Revenue	£1,275m	£1,118m	14%	14%
Adjusted operating profit*	£76m	£73m	4%	4%
Return on sales(2)	6.0%	6.5%	(50bps)	(50bps)

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

Organic corrugated box volumes in Eastern Europe declined less than the Group average, reflecting the relatively consistent performance of the region over the last few years. Turkey saw the largest decline due to the impact of the recent earthquake.

Revenues grew 14 per cent, principally reflecting increases in packaging and paper pricing and adjusted operating profit grew 4 per cent, reflecting the recovery of higher paper prices offset by cost inflation and costs of £19 million related to the decision to close our Trakia paper mill in Bulgaria.

North America

	Year ended 30 April 2023	Year ended 30 April 2022	Change – reported	Change – constant currency
Revenue	£664m	£597m	11%	(2%)
Adjusted operating profit*	£72m	£80m	(10%)	(21%)
Return on sales(2)	10.8%	13.4%	(260bps)	(270bps)

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

Packaging volumes in the region declined more than the Group average, reflecting the overall economic environment and labour shortages particularly in the first half, which temporarily restricted our production capacity at certain sites.

Revenues decreased 2 per cent with increased packaging prices offset by the decline in volumes and reduced pricing from external paper volumes sold in the export market. Adjusted operating profit reduced due to export paper price declines in the second half and inflationary increases in costs.

Financial Review

Overview

2022/23 has seen the Group respond with strength to significant market and macro-economic uncertainty, delivering profit growth with its highest recorded adjusted operating profit and achieving its medium-term targets for return on average capital employed, return on sales and leverage.

The business saw revenue growth of 14 per cent (constant currency 11 per cent) as a short-term decline in packaging volumes were more than offset by sales mix and average selling prices. Adjusted operating profit grew by 40 per cent (constant currency 35 per cent) reflecting the recovery of increased costs in the current and previous years.

During these significant periods of macroeconomic uncertainty, the Group remains committed to achieving its medium-term financial measures and key performance indicators, as established by the Board, together with maintaining its investment grade credit rating. The principal measure of return on average capital employed (ROACE) for the year was 14.3 per cent (2021/22: 10.8 per cent), which was towards the top of the target range of 12 to 15 per cent - and a 350 basis point improvement from the previous year. The results are described below:

- Organic corrugated box volume reduced by 5.8 per cent (2021/22: an increase of 5.4 per cent)
- Revenue increased 11 per cent on a constant currency and 14 per cent on a reported basis to £8,221 million (2021/22: £7,241 million)
- Adjusted operating profit of £861 million, an increase of 35 per cent on a constant currency basis and 40 per cent on a reported basis (2021/22: £616 million)
- 65 per cent increase in operating profit to £733 million on a reported basis; 61 per cent increase on a constant currency basis (2021/22: £443 million)
- 71 per cent increase in statutory profit before tax to £661 million on a constant currency basis and 75 per cent increase on a reported basis (2021/22: £378 million)
- Adjusted return on sales at 10.5 per cent (2021/22: 8.5 per cent)
- Adjusted return on average capital employed of 14.3 per cent (2021/22: 10.8 per cent)
- Net debt to EBITDA ratio of 1.3 times (2021/22: 1.6 times)
- Cash conversion 101 per cent (2021/22: 142 per cent).

Unless otherwise stated, the commentary below references the continuing operations of the Group.

Non-GAAP performance measures

The Group presents non-GAAP measures alongside reported measures, in order to provide a balanced and comparable view of the Group’s overall performance and position. Non-GAAP performance measures eliminate amortisation and unusual or non-operational items that may obscure understanding of the key trends and performance. 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 comprising targets against which compensation is determined. Amortisation relates primarily to customer contracts and relationships arising from business combinations. Unusual or non-operational items include business disposals, restructuring, acquisition related and integration costs and impairments, and are referred to as adjusting items.

Reporting of non-GAAP measures alongside statutory measures is considered useful by investors to understand how management evaluates performance and value creation, enabling them to track the Group's performance and the key business drivers which underpin it and the basis on which to anticipate future prospects.

Note 14 explains further the use of non-GAAP performance measures and provides reconciliations as appropriate to information derived directly from the financial statements. Where a non-GAAP measure is referred to in the review, the equivalent measure stemming directly from the financial statements (if available and appropriate) is also referred to.

Trading results

Revenue increased by 14 per cent on a reported basis to £8,221 million (2021/22: £7,241 million). Packaging price rises across the year, reflecting cost inflation, coupled with higher selling prices of paper and recyclate in the first half of the year increased revenue by £1,196 million, offsetting volume reduction effects of £398 million.

Reported revenues are subject to foreign currency translation effects. In the year, the euro accounted for 60 per cent of Group revenue. As such, the movements of the euro against sterling during the year constituted the majority of the £182 million of positive foreign exchange translation impact. On a constant currency basis, revenues increased by 11 per cent.

Corrugated box volumes reduced by 5.8 per cent (2021/22: 5.4 per cent growth) driven by a significant destocking in the supply chain reflecting the economic uncertainty and sentiment in the Group's core markets and segments. The prior year volumes were particularly high (8.4 billion m^2 of box sales) reflecting significant supply chain filling across all European markets as countries moved out of Covid restrictions. The average of the previous 2 years' volumes of (8.2 billion m^2 of box sales) represents a more normalised single year.

Adjusted operating profit of £861 million on a reported basis is an increase of 40 per cent (2021/22: £616 million). This is largely attributable to price rises (£1,196 million) exceeding the impact of volume reduction of £99 million and input cost increases of £872 million. Constant currency growth was 35 per cent as foreign exchange translation benefited adjusted operating profit by £20 million. The price rises in the year also reflect the full-year effect of price rises put into effect in 2021/22 to recover the significant cost increases experienced in the second half of that year.

Operating profit at £733 million, is an increase of 61 per cent on a constant currency basis and 65 per cent on a reported basis (2021/22: £443 million), as lower amortisation and adjusting items added to the adjusted operating profit improvement.

On a reported basis, depreciation increased to £312 million (2021/22: £290 million) reflective of investment in new packaging production capacity in Italy and Poland. Amortisation decreased to £113 million (2021/22: £138 million) as intangibles arising on earlier acquisitions completed their amortisation term.

The key measure of return on average capital employed improved by 350 basis points to 14.3 per cent (2021/22: 10.8 per cent). This performance is at the upper end of the Group's medium-term target of 12 to 15 per cent and builds on the momentum seen in the second half of the prior year.

The Group has continued to focus on margin recovery through commercial excellence, ongoing cost management and efficiency programmes. Adjusted return on sales increased by 200 basis points to 10.5 per cent (2021/22: 8.5 per cent), within the medium-term target of 10 to 12 per cent.

Income statement – from continuing operations (unless otherwise stated)	2022/23 £m	2021/22 £m
Revenue	8,221	7,241
Adjusted operating profit[1]	861	616
Operating profit	733	443
Adjusted return on sales[1]	10.5%	8.5%
Adjusted net financing costs[1]	(74)	(70)
Share of profit of equity-accounted investments, net of tax	2	7
Profit before income tax	661	378
Adjusted profit before income tax[1]	789	553
Adjusted income tax expense[1]	(197)	(131)
Adjusted earnings[1]	592	422
Profit from discontinued operations, net of tax	11	-
Adjusted basic earnings per share[1]	43.0p	30.7p
Profit for the year attributable to owners of the parent (including discontinued operations)	502	280
Basic earnings per share from continuing and discontinued operations	36.6p	20.4p
Basic earnings per share from continuing operations	35.8p	20.4p

1. Adjusted to exclude amortisation and adjusting items (see note 7).

Adjusting items

Adjusting items before tax and financing costs were £15 million (2021/22: £35 million) which relates to the pending acquisition of the final 10 per cent of the shares in Interstate Resources LLC. This is due to the crystallisation of the put option for the final 10 per cent stake during the financial year. In relation to this, costs of hedging the dollar payment of the liability have been incurred which will continue until the payment is made.

There have been no new adjusting items from continuing operations in the financial year, in line with guidance.

Settlement of certain costs and obligations arising from the disposal of the Plastics division in 2021 resulted in a gain in adjusting items in profit from discontinued operations of £11 million.

Adjusting items in 2023/24 are expected to be £nil.

Interest, tax and earnings per share
Net finance costs were £74 million (2021/22: £70 million). The increase of £4 million on last year is primarily due to rises in interest rates more than offsetting the effects of lower levels of debt. The employment benefit net finance expense of £1 million is £2 million lower than prior year.

Adjusting financing costs in the prior year related to the final unwind of the Interstate Resources put option.

The share of profits of equity-accounted investments was lower than the prior year at £2 million (2021/22: £7 million) as the conflict in Ukraine continues to impact our associate there.

Profit before tax increased by 75 per cent on a reported basis to £661 million (2021/22: £378 million), driven by the increase in operating profit and a reduction in amortisation offset by increased financing costs. Adjusted profit before tax of £789 million (2021/22: £553 million) increased by 43 per cent on a reported basis, again due to the increase in the underlying adjusted operating profit.

The tax charge of £169 million (2021/22: £98 million) reflects the impact of higher profits. The Group's effective tax rate on adjusted profit, excluding amortisation, adjusting items and associates, was 25.0 per cent (2021/22: 24.0 per cent).

Reported profit after tax, amortisation and adjusting items for continuing and discontinued operations was £503 million (2021/22: £280 million). The increase in operating profit led to an increase of 75 per cent in basic earnings per share from continuing operations on a reported basis to 35.8 pence (2021/22: 20.4 pence), with adjusted earnings per share from continuing operations 40 per cent higher at 43.0 pence (2021/22: 30.7 pence) on a reported basis, 34 per cent higher on a constant currency basis.

Acquisitions and disposals
In recent years, the Group's strategy has focused on organic growth in order to support growth with our major customers.

During 2019/20, the Group agreed to the purchase of a further 10 per cent holding in Interstate Resources for £106 million, following the exercise of part of the pre-existing put option by the former owners of that business. A cash settlement of £82 million was made in June 2020 with the balance paid in October 2021. The final 10 per cent stake remains subject to the put option conditions, which have now been met in the 2022/23 financial year with a final expected payment of $129 million which will be paid in 2023/24.

In the first half of 2021/22, the Group disposed of its non-core Dutch paper mill operations for a consideration net of transaction costs of £35 million.

Cash flow
Reported net debt of £1,636 million (30 April 2022: £1,484 million) has increased from the prior year, as the rise in EBITDA from the strong business performance was offset by a net working capital outflow of £121 million, due largely to the decline in energy prices and paper raw material purchase prices at the end of the financial year, net capital

expenditure of £526 million, £111 million higher than the previous year, and higher tax payments. The working capital outflows were mitigated by maintaining focus on cash management, in particular cash collection and inventory management. The Group's energy and carbon hedges remained at a high value during the year and in order to manage our counterparty risk, margin calls of £267 million were made, of which £181 million relates to positions maturing after the year end. After the effect of benefits from prior year margin calls reversing, the net benefit to working capital of this credit risk management was £69 million. There was no impact on income from these actions. The debt was also impacted by both the absolute amount of dividends paid and also, following shareholder feedback, the acceleration of the 2022/23 interim dividend payment date to January 2023 which resulted in an additional payment of £83 million in the year compared to the previous year.

Trade receivables factoring is £21 million lower than April 2022 at £360 million. This is a reduction of some 35 per cent from the peak balance of £559 million in 2018. Going forward the Group expects to continue to sell high credit quality receivables under this programme within the range £350-400 million outstanding at any one time. Such arrangements enable the Group to optimise its working capital position and reduces the quantum of early payment discounts given.

Net capital expenditure increased by £111 million to £526 million in the year. The Group continued to focus on growth and efficiency capital projects, which represented 59 per cent of the reported spend in the year, with energy efficiency and carbon reduction projects representing 12 per cent of spend. Major investments in greenfield packaging plants in Italy and Poland were a significant portion of this, with the sites fully operational in 2022/23. Proceeds from the disposal of property, plant and equipment were £19 million (2021/22: £16 million).

Tax paid of £136 million is £40 million higher than the prior year driven by increasing levels of profit in 2021/22.

Net interest payments of £76 million increased by £14 million over the prior year driven by higher interest rates. Timing of payments on maturing US private placements and Euro medium-term notes accounts for the majority of the difference between cash interest paid and finance costs reported in the income statement, partly offset by amortisation of debt issuance fees.

Cash outflows associated with adjusting items increased by £1 million to £14 million as programmes which commenced in previous years concluded and minimal cash outflows are anticipated in 2023/24.

Prior year disposal proceeds of £35 million related to the sale of the de Hoop mill.

Cash generated from operations before adjusting cash items was flat at £1,092 million. Net cash inflow was £49 million, a £284 million decrease on the prior year. This reflects the effect of working capital outflows in the current year, increased net capital expenditure and tax payments and includes the impact of bringing forward of the date of settlement of the interim dividend.

Cash flow	2022/23 £m	2021/22 £m
Cash generated from operations before adjusting cash items	1,092	1,092
Capital expenditure (net of disposal of fixed assets)	(526)	(415)
Tax paid	(136)	(96)
Net interest paid	(76)	(62)
Free cash flow	354	519
Cash outflow for adjusting items	(14)	(13)
Dividends	(289)	(166)
Acquisitions and disposals of businesses, net of cash and cash equivalents	(-)	12
Other	(2)	(19)
Net cash flow	49	333
Issue of share capital	4	7
Loans, borrowings and finance leases divested	-	1
Foreign exchange, fair value and other movements	(205)	(30)
Net debt movement – continuing operations	(152)	311
Net debt movement – discontinued operations	-	–
Opening net debt	(1,484)	(1,795)
Closing net debt	(1,636)	(1,484)

Statement of financial position
At 30 April 2023, shareholder funds decreased to £4,084 million, from £4,232 million in the prior year. Profit attributable to shareholders of £502 million (2021/22: £280 million), together with an actuarial gain on employee benefits of £11 million (2021/22: £68 million gain) and foreign currency translation gain of £194 million (2021/22: loss of £40 million), was offset by a net reduction in the cash flow hedge reserve of £645 million (2021/22: £712 million gain) driven by the significant reduction in the underlying value of our commodity hedge positions as energy prices fell. Dividends paid in the year were £289 million (2021/22: £166 million).

Equity attributable to non-controlling interests was £3 million (2021/22: £2 million).
The Group's banking covenants stipulate the methodology upon which the net debt to adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio is to be calculated. The effects of IFRS 16 Leases, adopted since 1 May 2019, are excluded by the banks from the ratio's determination. The ratio has reduced to 1.3 times, with an increase in adjusted EBITDA and a reduction in adjusted net debt. This represents an improvement from the previous year-end position of 1.6 times. The ratio remains

compliant with the covenant requirements, which across all banking debt is 3.75 times. As the payment associated with the exercise of the second tranche of the Interstate Resources put option is still outstanding at 30 April 2023, this has not been factored in to the calculated ratio. If the payment was included, the ratio would increase to circa 1.4 times. The Group's publicly traded euro and sterling bonds are not subject to any financial covenants. The bonds are, however, subject to a coupon step up of 125 basis points for any period the Group falls below an investment grade credit rating.

The covenant calculations also exclude income statement items identified as adjusting by the Group and any interest arising from the defined benefit pension schemes. At 30 April 2023, the Group has substantial headroom under its covenants, with the future outlook assessed as part of the annual going concern review. The Group's investment grade credit rating from Standard & Poor's remains stable at investment grade, which takes into account all the items excluded from covenant calculations and working capital.

Statement of financial position	30 April 2023 £m	30 April 2022 £m
Intangible assets	2,927	2,906
Property, plant and equipment	3,529	3,128
Right-of-use assets	224	199
Inventories	619	703
Trade and other receivables	1,257	1,229
Cash and cash equivalents	472	819
Derivative financial instruments	319	811
Employee benefits	24	-
Other	86	91
Total assets	9,457	9,886
Bank overdrafts	(104)	(73)
Borrowings	(1,816)	(2,072)
Trade and other payables	(2,287)	(2,540)
Provisions	(65)	(55)
Employee benefits	(79)	(86)
Lease liabilities	(224)	(203)
Derivative financial instruments	(368)	(84)
Other	(427)	(539)
Total liabilities	(5,370)	(5,652)
Net assets	4,087	4,234
Net debt	1,636	1,484
Net debt to EBITDA ratio	1.3x	1.6x

Energy costs
Production facilities, in particular paper mills, are energy intensive which results in energy being a significant cost for the Group. In 2022/23, costs for gas, electricity and other fuels, net of periodic local incentives, were £669 million (2021/22: £609 million). The year saw significant increases in the first half year, which eased into the second half, with energy costs for the first half year of £400 million decreasing to £269 million in the second half year (2021/22: H1 £240 million, H2 £369 million). The net impact on the Group was mitigated by an increase in energy sales, significantly less paper production in the second half of the year, the Group's three-year rolling hedging programme and the benefits of free allowances following the introduction of phase 4 of the EU Emissions Trading Scheme. The Group continues to invest in energy efficiency projects and limits the exposure to volatile energy pricing by hedging energy costs with suppliers and financial institutions, managed by the Group's Energy Procurement team.

Capital structure and treasury management
In addition to its trading cash flow, the Group finances its operations using a combination of borrowings, property and equipment leases, shareholders' equity and, where appropriate, disposals of non-core businesses. The Group's funding strategy is to achieve a capital structure that provides an appropriate cost of capital whilst providing the desired flexibility in short and medium-term funding to enable the execution of material investments or acquisitions, as required.

The Group aims to maintain a strong balance sheet enabling significant headroom within the financial covenants and to ensure continuity of funding by having a range of maturities from a variety of sources. The Group has an investment grade rating from Standard & Poor's of BBB–, with a stable outlook.

The Group's overarching treasury objective is to ensure sufficient funds are available for the Group to execute its strategy and to manage the financial risks to which the Group is exposed.

In November 2018, the Group signed a £1.4 billion five-year committed syndicated revolving credit facility (RCF) with its core banks. The second extension option was exercised in November 2020. £1.1 billion of the facility now matures in 2025 with the remaining £0.3 billion maturing in 2024.

In April 2023, the Group signed a £500 million term loan facility with initial maturity of April 2024 extendable at the Group's discretion to April 2025. The facility remained undrawn at the year end.

Available cash and debt facilities are reviewed regularly to ensure sufficient funds are available to support the Group's activities. At 30 April 2023, the Group's committed facilities totalled £3.4 billion, of which £1.6 billion remained undrawn and £2.9 billion matures beyond one year or more. Undrawn committed borrowing facilities are maintained to provide protection against refinancing risk.

At 30 April 2023, the committed borrowing facilities had a weighted average maturity of 2.4 years (30 April 2022: 3.0 years). Additional detail on these facilities is provided below. Total gross borrowings at 30 April 2023 were £1,816 million (30 April 2022: £2,072 million). The committed borrowing facilities described do not include the £440 million of three-year committed factoring facilities, which allow the sale of receivables without recourse. Given the three-year committed nature of these facilities, they fully protect the Group from any short-term liquidity risks which may arise from volatility in financial markets.

As described above, the Group continues to sell trade receivables without recourse, a process by which the trade receivables balance sold is de-recognised, with proceeds then presented within operating cash flows.

The Group maintains a €1 billion Euro Commercial Paper Programme, which remained undrawn at 30 April 2023.

Facilities	Currency	Maturity date	£m equivalent
Syndicated RCF 2018	Various	2024-25	1,400
Euro medium-term notes	EUR	2024-26	1,189
Euro RCF 2020	EUR	2025	53
Sterling bond medium-term note	GBP	2029	250
Euro term loan	EUR	2025	17
GBP term loan	GBP	2024	500
Committed facilities at 30 April 2023			3,409

Impairment
The net book value of goodwill and other intangibles at 30 April 2023 was £2,927 million (30 April 2022: £2,906 million).

IAS 36 Impairment of Assets requires annual testing of goodwill and other intangible assets, as well as an assessment of any other assets for which there may be indicators of impairment. As part of this testing, the Group compares the carrying amount of the assets subject to testing with the higher of their net realisable value and value-in-use to identify whether any impairment exists. The asset or group of assets, value-in-use is determined by discounting the future cash flows they expect to generate from the basis of the Group's weighted average cost of capital (WACC) of 9.5 per cent (2021/22: 9.5 per cent), plus a blended country risk premium for each group of assets. Asset values were tested as at 30 April 2023, with no impairment identified as a result of the testing performed.

Pensions
The Group's primary funded defined benefit pension scheme, based in the UK, is closed to future accrual. There are a variety of other post-retirement and employee benefit schemes operated locally for overseas operations, and an additional unfunded scheme in the UK relating to three former directors which is secured against assets of the UK business. In accordance with IAS 19 *Employee Benefits (Revised 2011)*, the Group is required to make assumptions surrounding rates of inflation, discount rates and current and future life expectancies, amongst others, which could materially impact the value of any scheme surplus or liability. A material revaluation of the relevant assets and liabilities could result in a change to the cost to fund the scheme liabilities.

The assumptions applied are subject to periodic review. A summary of the balance sheet position as at 30 April is as follows:

	30 April 2023 £m	30 April 2022 £m
Aggregate gross assets of schemes	848	1,113
Aggregate gross liabilities of schemes	(903)	(1,199)
Balance sheet deficit	(55)	(86)
Deferred tax assets	14	21
Net balance sheet deficit	(41)	(65)

The net deficit has decreased versus prior year driven by significant increase in discount rate assumptions at 30 April 2023 and a less than corresponding fall in the asset valuations.
The 2019 triennial valuation of the main UK scheme incorporated updates to underlying scheme assumptions, including demographic and life expectancy rates, which, along with updates surrounding mortality and proportion married assumptions and future improvements, resulted in a net circa 3 per cent decrease in the valuation of the scheme liabilities. No changes were made to the previously approved funding plan following the triennial valuation. The main UK pension scheme has been undertaking its 2022 triennial valuation, with the valuation mutually agreed between the Company and the Scheme Trustees with anticipation of formal agreement being achieved by the statutory deadline of 31 July 2023.

Total cash contributions paid into the Group pension schemes, reported within cash generated from operations in the cash flow, were £25 million in 2022/23 (2021/22: £21 million), which primarily constitute the agreed contributions under the UK defined benefit scheme deficit recovery plan. In response to the market turmoil following the UK "mini-budget" in September 2022, the Group made funding support of up to £100 million to the main UK defined benefit pension scheme. This took the form initially of a cash advance in anticipation of potential margin calls and latterly a liquidity facility. The cash advance was fully repaid within days of being made and as at 30 April 2023 the liquidity facility remained in place but was undrawn.

CONSOLIDATED INCOME STATEMENT

Year ended 30 April 2023

Continuing operations	Note	**Before adjusting items 2023 £m**	**Adjusting items 2023 (note 3) £m**	**After adjusting items 2023 £m**	Before adjusting items 2022 £m	Adjusting items 2022 (note 3) £m	After adjusting items 2022 £m
Revenue	2	**8,221**	**-**	**8,221**	7,241	–	7,241
Operating costs	3	**(7,360)**	**-**	**(7,360)**	(6,625)	(37)	(6,662)
Operating profit before amortisation, acquisitions and divestments		**861**	**-**	**861**	616	(37)	579
Amortisation of intangible assets; acquisitions and divestments	3	**(113)**	**(15)**	**(128)**	(138)	2	(136)
Operating profit		**748**	**(15)**	**733**	478	(35)	443
Finance income	5	**2**	**-**	**2**	1	–	1
Finance costs	3, 4	**(75)**	**-**	**(75)**	(68)	(2)	(70)
Employment benefit net finance expense	4	**(1)**	**-**	**(1)**	(3)	–	(3)
Net financing costs		**(74)**	**-**	**(74)**	(70)	(2)	(72)
Profit after financing costs		**674**	**(15)**	**659**	408	(37)	371
Share of profit of equity accounted investments, net of tax	13	**2**	**-**	**2**	7	–	7
Profit before income tax		**676**	**(15)**	**661**	415	(37)	378
Income tax (expense)/credit	6, 3	**(172)**	**3**	**(169)**	(100)	2	(98)
Profit for the year from continuing operations		**504**	**(12)**	**492**	315	(35)	280
Discontinued operations							
Profit for the year from discontinued operations, net of tax		**-**	**11**	**11**	–	–	–
Profit for the year		**504**	**(1)**	**503**	315	(35)	280

Profit for the year attributable to:							
Owners of the parent		**503**	**(1)**	**502**	315	(35)	280
Non-controlling interests		**1**	**-**	**1**	–	–	–

Earnings per share							
Earnings per share from continuing and discontinued operations							
Basic	7			**36.6p**			20.4p
Diluted	7			**36.3p**			20.3p
Earnings per share from continuing operations							
Basic	7			**35.8p**			20.4p
Diluted	7			**35.5p**			20.3p
Adjusted earnings per share from continuing operations							
Basic	7		**43.0p**			30.7p	
Diluted	7		**42.7p**			30.5p	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 April 2023

	Note	**2023 £m**	2022 £m
Profit for the year		**503**	280
Items which will not be reclassified subsequently to profit or loss			
Actuarial gain on employee benefits	4	**11**	68
Income tax on items which will not be reclassified subsequently to profit or loss		**(2)**	(14)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**194**	(40)
Reclassification to income statement on asset write-down		**(3)**	-
Reclassification from translation reserve to income statement arising on divestment		**-**	(3)
Cash flow hedges fair value changes		**(72)**	1,069
Reclassification from cash flow hedge reserve to income statement		**(573)**	(357)
Movement in net investment hedge		**(74)**	28
Income tax on items which may be reclassified subsequently to profit or loss		**149**	(162)
Other comprehensive (expense)/income for the year, net of tax		**(370)**	589
Total comprehensive income for the year		**133**	869
Total comprehensive income attributable to:			
Owners of the parent		**132**	869
Non-controlling interests		**1**	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets		**2,927**	2,906
Biological assets		**11**	10
Property, plant and equipment		**3,529**	3,128
Right-of-use assets		**224**	199
Equity accounted investments		**17**	17
Other investments		**17**	16
Employee benefits	4	**24**	–
Deferred tax assets		**11**	7
Other receivables		**1**	–
Derivative financial instruments		**165**	495
Total non-current assets		**6,926**	6,778
Current assets			
Inventories		**619**	703
Biological assets		**6**	7
Income tax receivable		**24**	34
Trade and other receivables		**1,256**	1,229
Cash and cash equivalents		**472**	819
Derivative financial instruments		**154**	316
Total current assets		**2,531**	3,108
Total assets		**9,457**	9,886
Liabilities			
Non-current liabilities			
Borrowings		**(1,742)**	(1,391)
Employee benefits	4	**(79)**	(86)
Other payables		**(34)**	(37)
Provisions		**(11)**	(7)
Lease liabilities		**(154)**	(140)
Deferred tax liabilities		**(262)**	(396)
Derivative financial instruments		**(49)**	(28)
Total non-current liabilities		**(2,331)**	(2,085)
Current liabilities			
Bank overdrafts		**(104)**	(73)
Borrowings		**(74)**	(681)
Trade and other payables		**(2,253)**	(2,503)
Income tax liabilities		**(165)**	(143)
Provisions		**(54)**	(48)
Lease liabilities		**(70)**	(63)
Derivative financial instruments		**(319)**	(56)
Total current liabilities		**(3,039)**	(3,567)
Total liabilities		**(5,370)**	(5,652)
Net assets		**4,087**	4,234
Equity			
Issued capital		**138**	137
Share premium		**2,251**	2,248
Reserves		**1,695**	1,847
Total equity attributable to owners of the parent		**4,084**	4,232
Non-controlling interests		**3**	2
Total equity		**4,087**	4,234

Approved by the Board of Directors of DS Smith Plc on 21 June 2023 and signed on its behalf by:

M W Roberts
Director

A R T Marsh
Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2023

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings[1] £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2021		**137**	**2,241**	**53**	**(84)**	**(3)**	**1,189**	**3,533**	**2**	**3,535**
Profit for the year		–	–	–	–	–	280	280	–	280
Actuarial gain on employee benefits		–	–	–	–	–	68	68	–	68
Foreign currency translation differences		–	–	–	(40)	–	–	(40)	–	(40)
Reclassification from translation reserve to income statement arising on divestment		–	–	–	(3)	–	–	(3)	–	(3)
Cash flow hedges fair value changes		–	–	1,069	–	–	–	1,069	–	1,069
Reclassification from cash flow hedge reserve to income statement		–	–	(357)	–	–	–	(357)	–	(357)
Movement in net investment hedge		–	–	–	28	–	–	28	–	28
Income tax on other comprehensive income		–	–	(163)	1	–	(14)	(176)	–	(176)
Total comprehensive income/(expense)		**-**	**-**	**549**	**(14)**	**-**	**334**	**869**	**-**	**869**
Issue of share capital		–	7	–	–	–	–	7	–	7
Employee share trust		–	–	–	–	(6)	(15)	(21)	–	(21)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Dividends paid	8	–	–	–	–	–	(166)	(166)	–	(166)
Reclassification		–	–	7	(7)	–	–	–	–	–
Other changes in equity in the year		**-**	**7**	**7**	**(7)**	**(6)**	**(171)**	**(170)**	**-**	**(170)**
At 30 April 2022		**137**	**2,248**	**609**	**(105)**	**(9)**	**1,352**	**4,232**	**2**	**4,234**
Profit for the year		–	–	–	–	–	502	502	1	503
Actuarial gain on employee benefits		–	–	–	–	–	11	11	–	11
Reclassification to income statement on asset write-down		–	–	–	–	–	(3)	(3)	–	(3)
Foreign currency translation differences		–	–	–	194	–	–	194	–	194
Cash flow hedges fair value changes		–	–	(72)	–	–	–	(72)	–	(72)
Reclassification from cash flow hedge reserve to income statement		–	–	(573)	–	–	–	(573)	–	(573)
Movement in net investment hedge		–	–	–	(74)	–	–	(74)	–	(74)
Income tax on other comprehensive income		–	–	149	–	–	(2)	147	–	147
Total comprehensive income/(expense)		**-**	**-**	**(496)**	**120**	**-**	**508**	**132**	**1**	**133**
Issue of share capital		1	3	–	–	–	–	4	–	4
Employee share trust		–	–	–	–	(5)	(3)	(8)	–	(8)
Share-based payment expense (net of tax)		–	–	–	–	–	13	13	–	13
Dividends paid	8	–	–	–	–	–	(289)	(289)	–	(289)
Other changes in equity in the year		**1**	**3**	**-**	**-**	**(5)**	**(279)**	**(280)**	**-**	**(280)**
At 30 April 2023		**138**	**2,251**	**113**	**15**	**(14)**	**1,581**	**4,084**	**3**	**4,087**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 April 2023

Continuing operations	Note	**2023 £m**	2022 £m
Operating activities			
Cash generated from operations	10	**1,078**	1,079
Interest received		**2**	1
Interest paid		**(78)**	(63)
Tax paid		**(136)**	(96)
Cash flows from operating activities		**866**	921
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	13(a)	**-**	(23)
Divestment of subsidiary businesses, net of cash and cash equivalents	13(b)	**-**	35
Capital expenditure		**(545)**	(431)
Proceeds from sale of property, plant and equipment and intangible assets		**19**	16
Cash outflows from restricted cash and other deposits		**(2)**	(2)
Other investing activities		**2**	2
Cash flows used in investing activities		**(526)**	(403)
Financing activities			
Proceeds from issue of share capital		**4**	7
Repayment of borrowings		**(679)**	(529)
Proceeds from borrowings		**332**	334
Proceeds from/(payments) in respect of derivative financial instruments		**14**	(35)
Repayment of principal on lease liabilities		**(106)**	(73)
Dividends paid to Group shareholders	8	**(289)**	(166)
Other financing activites		**(4)**	(21)
Cash flows used in financing activities		**(728)**	(483)
(Decrease)/increase in cash and cash equivalents from continuing operations		**(388)**	35
Dscontinued operation			
Cash flows used in discontinued operation	13(b)	**-**	-
(Decrease)/increase in cash and cash equivalents		**(388)**	35
Net cash and cash equivalents at beginning of the year		**746**	719
Exchange losses on cash and cash equivalents		**10**	(8)
Net cash and cash equivalents at end of the year		**368**	746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

(a) Basis of preparation

The financial information in this statement does not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006. The statutory accounts for the year ended 30 April 2023, on which the auditors have given an unqualified audit report, will be delivered to the Registrar of Companies for England and Wales in due course.

The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared on the historical cost basis with the exception of biological assets, other investments, assets and liabilities of certain financial instruments and employee benefit plans that are stated at their fair value and share-based payments that are stated at their grant date fair value.

The consolidated financial statements have been prepared on a going concern basis.

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.

(i) Climate change

The Group has considered the impact of climate change in preparing these consolidated financial statements, including the effect upon the application of its accounting policies, judgements, estimates and assumptions. In making its assessments of the impact the Group considered the risks identified through its Risk Management processes , the Task Force for Climate-related Financial Disclosures ('TCFD') and its defined sustainability targets.

These considerations, which are core to the Group's strategy, did not have a material impact on any accounting estimates and judgements including the following areas:

- The estimates of future cash flows used in the impairment assessment of goodwill) ;
- The assessment of residual values and estimated useful economic lives of property, plant and equipment;
- The adequacy of provisions for liabilities

The impact of climate change will evolve in future periods and the Group will continue to assess this.

(ii) New accounting standards adopted

The following amended standards and interpretations were adopted by the Group during the year ending 30 April 2023. These amended standards and interpretations have not had a significant impact on the consolidated Financial Statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) ; and
- Annual Improvements to IFRS Standards 2018-2020

The adoption of new accounting standards, amendments and interpretations have not had a material effect on the results for the year or the financial position at the year end.

The accounting policies set out above have been applied consistently in all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group entities.

Except for the new accounting standards adopted during the year, the accounting policies, presentation methods and methods of computation followed are the same as those detailed in the 2022 Annual Report and Accounts, which is available on the Group's website (www.dssmith.com/investors/results-and-presentations). Whilst the financial information included in the preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

Foreign exchange rates

	Year ended 30 April 2023		Half year ended 31 October 2022		Year ended 30 April 2022	
	Average	**Closing**	Average	Closing	Average	Closing
Euro	**1.152**	**1.136**	1.166	1.161	1.179	1.192
US dollar	**1.201**	**1.247**	1.189	1.151	1.359	1.256

2. Segment reporting

Operating segments

IFRS 8 *Operating Segments* requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive (who is the Chief Operating Decision Maker as defined by IFRS 8).

The Group's continuing operations are organised into segments which cover geographical regions with integrated packaging and paper businesses. These comprise the Group's reportable segments and their results are regularly reviewed by the Group Chief Executive. The measure of profitability reported to the Group Chief Executive for the purposes of resource allocation and assessment of performance is adjusted operating profit, which is a non-GAAP performance measure, about which further information is provided in note 14.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central administration costs are allocated to the individual segments on a consistent basis year on year. All assets and liabilities have been analysed by segment, except for items of a financing nature, taxation balances, employee benefit liabilities and current and non-current asset investments. Debt and associated interest are managed at a Group level and therefore have not been allocated across the segments.

Year ended 30 April 2023	Note	**Northern Europe £m**	**Southern Europe £m**	**Eastern Europe £m**	**North America £m**	**Total continuing operations £m**
External revenue		**3,132**	**3,150**	**1,275**	**664**	**8,221**
Adjusted EBITDA[1]		**324**	**621**	**125**	**103**	**1,173**
Depreciation		**(112)**	**(120)**	**(49)**	**(31)**	**(312)**
Adjusted operating profit[1]		**212**	**501**	**76**	**72**	**861**
Unallocated items:						
Amortisation						**(113)**
Adjusting items in operating profit	3					**(15)**
Total operating profit (continuing operations)						**733**
Unallocated items:						
Net financing costs						**(74)**
Share of profit of equity accounted investments, net of tax						**2**
Profit before income tax						**661**
Income tax expense						**(169)**
Profit for the year (continuing operations)						**492**
Analysis of total assets and total liabilities						
Segment assets		**2,246**	**3,762**	**1,247**	**1,318**	**8,573**
Unallocated items:						
Equity accounted investments and other investments						**34**
Derivative financial instruments						**319**
Cash and cash equivalents						**472**
Tax						**35**
Employee benefits						**24**
Total assets						**9,457**
Segment liabilities		**(1,249)**	**(910)**	**(282)**	**(119)**	**(2,560)**
Unallocated items:						
Borrowings, overdrafts and interest payable						**(1,936)**
Derivative financial instruments						**(368)**
Tax						**(427)**
Employee benefits						**(79)**
Total liabilities						**(5,370)**
Capital expenditure		**134**	**266**	**109**	**36**	**545**

1. Adjusted to exclude amortisation and adjusting items as presented in the income statement.

Year ended 30 April 2022	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		2,790	2,736	1,118	597	7,241
Adjusted EBITDA[1]		250	432	116	108	906
Depreciation		(111)	(108)	(43)	(28)	(290)
Adjusted operating profit[1]		139	324	73	80	616
Unallocated items:						
Amortisation						(138)
Adjusting items in operating profit	3					(35)
Total operating profit (continuing operations)						443
Unallocated items:						
Net financing costs						(72)
Share of profit of equity accounted investments, net of tax						7
Profit before income tax						378
Income tax expense						(98)
Profit for the year (continuing operations)						280

Analysis of total assets and total liabilities						
Segment assets		2,127	3,597	1,128	1,330	8,182
Unallocated items:						
Equity accounted investments and other investments						33
Derivative financial instruments						811
Cash and cash equivalents						819
Tax						41
Total assets						9,886
Segment liabilities		(1,330)	(1,044)	(272)	(129)	(2,775)
Unallocated items:						
Borrowings, overdrafts and interest payable						(2,168)
Derivative financial instruments						(84)
Tax						(539)
Employee benefits						(86)
Total liabilities						(5,652)
Capital expenditure		102	200	101	28	431

1. Adjusted to exclude amortisation and adjusting items as presented in the income statement.

Geographical areas

In presenting information by geographical area, external revenue is based on the geographical location of customers. Non-current assets are based on the geographical location of assets and exclude investments, deferred tax assets, derivative financial instruments and intangible assets (which are monitored at the operating segment level, not at a country level).

Continuing operations	External revenue 2023 £m	External revenue 2022 £m	Non-current assets 2023 £m	Non-current assets 2022 £m	Capital expenditure 2023 £m	Capital expenditure 2022 £m
UK	**1,300**	1,113	**508**	460	**67**	42
France	**1,203**	1,067	**491**	430	**79**	52
Iberia	**970**	841	**673**	613	**81**	73
Germany	**763**	708	**420**	390	**38**	36
Italy	**972**	822	**426**	333	**106**	75
USA	**671**	606	**390**	379	**36**	28
Rest of the World	**2,342**	2,084	**857**	732	**138**	125
	8,221	7,241	**3,765**	3,337	**545**	431

3. Adjusting items

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

Continuing operations	**2023 £m**	2022 £m
Acquisition related costs	**(15)**	(1)
Gain on acquisitions and divestments	**-**	3
Net (loss)/gain on acquisitions and divestments	**(15)**	2
Other restructuring costs	**-**	(8)
Impairment of associate	**-**	(29)
Total pre-tax adjusting items (recognised in operating profit)	**(15)**	(35)
Finance costs adjusting items	**-**	(2)
Current tax credit on adjusting items	**3**	2
Total post-tax adjusting items	**(12)**	(35)

2022/23

On 01 September 2022 the put option for the final 10% stake in Interstate Resources crystallised. This has resulted in additional costs 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 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax -deductible deal related advisory fees in relation to acquisitions and divestments.

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

2021/22

On 12 October 2021 the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £35m and the net assets divested were £28m, resulting in a net gain of £7m. In addition, there were £4m of other site disposal costs.

Other restructuring costs of £8m primarily comprise a reorganisation and restructuring project across the Packaging business (£8m), focusing predominantly on reduction of indirect costs.

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

The impairment of associate of £29m relates to the Group's investment in an associate RKTK in Ukraine. The invasion of Ukraine by Russia has resulted in significant damage to the assets of the Group's associate and has fundamentally compromised the ability to realise the interest held. Accordingly, an impairment of the entire interest has been recognised, together with amounts in connection with the trading activities conducted with the associate.

The current tax credit on adjusting items of £2m for the year ended 30 April 2022 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax -deductible deal related advisory fees in relation to acquisitions and divestments. It also excludes the non-tax -deductible impairment of associates and the non- taxable gain from the sale of the paper mill in the Netherlands.

4. Employee benefits

	2023 £m	2022 £m
Employee benefit deficit at beginning of the year	**(86)**	(175)
Divestments	**-**	1
Expense recognised in operating profit	**(6)**	(5)
Employment benefit net finance expense	**(1)**	(3)
Employer contributions	**23**	21
Other payments and contributions	**9**	6
Actuarial gains	**11**	67
Currency translation	**(5)**	2
Employee benefit deficit at 30 April	**(55)**	(86)
Deferred tax asset	**14**	21
Net employee benefit deficit at end of the year	**(41)**	(65)

The table above is the aggregate net value of all Group employee benefit schemes including both overseas and UK schemes. The Group's principal funded, defined benefit pension scheme, the DS Smith Group Pension scheme, is in the UK and is now closed to future accrual.This scheme is in a surplus of £24m and an asset has been recognised on the Group's balance sheet in respect of this.

The Group also operates various local post-retirement arrangements for overseas operations, pre-retirement benefits and long-service awards and a small UK unfunded scheme. The net position of all schemes is shown above.

5. Finance income and costs

Continuing operations	2023 £m	2022 £m
Interest income from financial assets	**(2)**	(1)
Finance income	**(2)**	(1)
Interest on borrowings and overdrafts	**49**	47
Interest on lease liabilities	**11**	11
Other	**15**	10
Finance costs before adjusting items	**75**	68
Finance costs adjusting items (note 3)	**-**	2
Finance costs	**75**	70

6. Income tax expense

	2023 £m	2022 £m
Current tax expense		
Current year	**(206)**	(128)
Adjustment in respect of prior years	**32**	4
	(174)	(124)
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	**14**	(2)
Change in tax rates	**(4)**	12
Recognition of previously unrecognised deferred tax assets	**1**	5
Adjustment in respect of prior years	**(9)**	9
	2	24
Total income tax expense before adjusting items	**(172)**	(100)
Current tax credit on adjusting items (note 3)	**3**	2
Total income tax expense in the income statement from continuing operations	**(169)**	(98)
Total income tax expense in the income statement from discontinued operations (note 13(b))	**-**	–
Total income tax expense in the income statement – total Group	**(169)**	(98)

The tax credit on amortisation was £25m (2021/22: £31m).

The reconciliation of the actual tax charge to the domestic corporation tax rate is as follows:

	2023 £m	2022 £m
Profit before income tax on continuing operations	**661**	378
Profit before income tax on discontinued operations (note 13(b))	**11**	–
Share of profit of equity accounted investments, net of tax	**(2)**	(7)
Profit before tax and share of profit of equity accounted investments, net of tax	**670**	371
Income tax at the UK corporation tax rate of 19.5% (2021/22: 19%)	**(131)**	(71)
Effect of additional taxes and tax rates in overseas jurisdictions	**(47)**	(40)
Impact of tax credits	**23**	5
Non-deductible expenses	**(34)**	(20)
Non-taxable income	**2**	2
Recognition of previously unrecognised deferred tax assets	**1**	5
Deferred tax not recognised	**(2)**	(4)
Adjustment in respect of prior years[1]	**23**	13
Effect of change in corporation tax rates	**(4)**	12
Income tax expense – total Group	**(169)**	(98)

1.Included within the adjustment in respect of prior years in 2021/22 is £5m which relates to adjusting items in the prior year.

The Group's effective tax rate, excluding amortisation, adjusting items and share of result from equity accounted investments, was 25% (2021/22: 24%).

The Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021.

Tax on other comprehensive income and equity

	Gross 2023 £m	Tax credit/ (charge) 2023 £m	Net 2023 £m	Gross 2022 £m	Tax credit/ (charge) 2022 £m	Net 2022 £m
Actuarial gain on employee benefits	**11**	**(2)**	**9**	68	(14)	54
Foreign currency translation differences	**194**	**-**	**194**	(40)	–	(40)
Reclassification to income statement on asset write down	**(3)**	**-**	**(3)**	-	-	-
Reclassification from translation reserve to income statement arising on divestment	**-**	**-**	**-**	(3)	–	(3)
Movements in cash flow hedges	**(645)**	**149**	**(496)**	712	(163)	549
Movement in net investment hedge	**(74)**	**-**	**(74)**	28	1	29
Other comprehensive (expense)/ income for the year	**(517)**	**147**	**(370)**	765	(176)	589
Issue of share capital	**4**	**-**	**4**	7	–	7
Employee share trust	**(8)**	**-**	**(8)**	(21)	–	(21)
Share-based payment expense	**15**	**(2)**	**13**	10	–	10
Dividends paid to Group shareholders	**(289)**	**-**	**(289)**	(166)	–	(166)
Other comprehensive (expense)/income and changes in equity	**(795)**	**145**	**(650)**	595	(176)	419

The realisation of underlying reserves is conducted in such a way to ensure there is no material tax consequence.

7. Earnings per share

Basic earnings per share from continuing operations

	2023	2022
Profit from continuing operations attributable to ordinary shareholders	**£492m**	£280m
Weighted average number of ordinary shares	**1,376m**	1,374m
Basic earnings per share	**35.8p**	20.4p

Diluted earnings per share from continuing operations

	2023	2022
Profit from continuing operations attributable to ordinary shareholders	**£492m**	£280m
Weighted average number of ordinary shares	**1,376m**	1,374m
Potentially dilutive shares issuable under share-based payment arrangements	**10m**	8m
Weighted average number of ordinary shares (diluted)	**1,386m**	1,382m
Diluted earnings per share	**35.5p**	20.3p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2021/22: 1m).

	2023		2022	
	Basic pence per share	Diluted pence per share	Basic pence per share	Diluted pence per share
Earnings per share from continuing operations	**35.8p**	**35.5p**	20.4p	20.3p
Earnings per share from discontinued operations (note 12(b))	**0.8p**	**0.8p**	–	–
Earnings per share from continuing and discontinued operations	**36.6p**	**36.3p**	20.4p	20.3p

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:

	2023			2022		
	£m	**Basic pence per share**	**Diluted pence per share**	£m	Basic pence per share	Diluted pence per share
Basic earnings	**492**	**35.8p**	**35.5p**	280	20.4p	20.3p
Add back:						
Amortisation of intangible assets	**113**	**8.1p**	**8.1p**	138	10.0p	9.9p
Tax credit on amortisation	**(25)**	**(1.8p)**	**(1.8p)**	(31)	(2.3p)	(2.3p)
Adjusting items, before tax	**15**	**1.1p**	**1.1p**	37	2.7p	2.7p
Tax on adjusting items and adjusting tax items	**(3)**	**(0.2p)**	**(0.2p)**	(2)	(0.1p)	(0.1p)
Adjusted earnings	**592**	**43.0p**	**42.7p**	422	30.7p	30.5p

8. Dividends proposed and paid

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

	2023 £m	2022 £m
Paid during the year	**289**	166

The 2021/22 interim dividend of 4.8p per share, the final 2021/22 dividend of 10.2p per share and the 2022/23 interim dividend of 6.0p were paid during the year.

9. Net debt

The components of net debt and movement during the year is as follows:

	Note	At 30 April 2022 £m	Continuing operations cash flow £m	Foreign exchange, fair value and non-cash movements £m	**At 30 April 2023 £m**
Cash and cash equivalents		819	(358)	11	**472**
Overdrafts		(73)	(30)	(1)	**(104)**
Net cash and cash equivalents		746	(388)	10	**368**
Other investments – restricted cash		3	3	–	**6**
Other deposits		30	(1)	1	**30**
Borrowings – after one year		(1,391)	(297)	(54)	**(1,742)**
Borrowings – within one year		(681)	644	(37)	**(74)**
Lease liabilities		(203)	106	(127)	**(224)**
Derivative financial instruments					
Assets		12	(14)	2	**-**
Liabilities		–	–	–	**-**
		(2,230)	441	(215)	**(2,004)**
Net debt – reported basis		(1,484)	53	(205)	**(1,636)**
IFRS 16 lease liabilities		201			**220**
Net debt excluding IFRS 16 liabilities		(1,283)			**(1,416)**

Net debt is a non-GAAP measure not defined by IFRS. Whilst 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.

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 and cross-currency swaps used to hedge the Group's borrowings and the 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 the Group's purchases of energy.

Non-cash movements relate to amortisation of fees incurred on debt issuance and new leases.

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

10. Cash generated from operations

Continuing operations	**2023 £m**	2022 £m
Profit for the year	**492**	280
Adjustments for:		
Pre-tax integration costs and other adjusting items	**-**	37
Amortisation of intangible assets; acquisitions and divestments	**128**	136
Cash outflow for adjusting items	**(14)**	(13)
Depreciation	**312**	290
Loss/(profit) on sale of non-current assets	**7**	(1)
Share of profit of equity accounted investments, net of tax	**(2)**	(7)
Employment benefit net finance expense	**1**	3
Share-based payment expense	**15**	10
Finance income	**(2)**	(1)
Finance costs	**75**	70
Other non-cash items	**24**	(17)
Income tax expense	**169**	98
Change in provisions	**19**	–
Change in employee benefits	**(25)**	(21)
Cash generation before working capital movement	**1,199**	864
Changes in:		
Inventories	**99**	(200)
Trade and other receivables	**15**	(449)
Trade and other payables	**(235)**	864
Working capital movement	**(121)**	215
Cash generated from continuing operations	**1,078**	1,079

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

	2023 £m	2022 £m
Profit for the year	**492**	280
Income tax expense	**169**	98
Share of profit of equity accounted investments, net of tax	**(2)**	(7)
Net financing costs	**74**	72
Amortisation of intangible assets; acquisitions and divestments	**128**	136
Pre-tax integration costs and other adjusting items	**-**	37
Adjusted operating profit	**861**	616
Depreciation	**312**	290
Adjusted EBITDA	**1,173**	906
Working capital movement	**(121)**	215
Change in provisions	**19**	-
Change in employee benefits	**(25)**	(21)
Other	**46**	(8)
Cash generated from operations before adjusting cash items	**1,092**	1,092
Capital expenditure	**(545)**	(431)
Proceeds from sale of property, plant and equipment and other investments	**19**	16
Tax paid	**(136)**	(96)
Net interest paid	**(76)**	(62)
Free cash flow	**354**	519
Cash outflow for adjusting items	**(14)**	(13)
Dividends paid	**(289)**	(166)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**-**	(23)
Divestment of subsidiary businesses, net of cash and cash equivalents	**-**	35
Other	**(2)**	(19)
Net cash flow	**49**	333
Proceeds from issue of share capital	**4**	7
Borrowings and lease liabilities divested	**-**	1
Net movement on debt	**53**	341
Foreign exchange, fair value and other non-cash movements	**(205)**	(30)
Net debt movement - continuing operations	**(152)**	311
Opening net debt	**(1,484)**	(1,795)
Closing net debt - reported basis	**(1,636)**	(1,484)

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

(a) 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	**2023** Carrying amount £m	**2023** Fair value £m	2022 Carrying amount £m	2022 Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**472**	**472**	819	819
Restricted cash	Amortised cost	**7**	**7**	3	3
Other investments	Fair value through other comprehensive income	**10**	**10**	13	13
Trade and other receivables	Amortised cost	**1,257**	**1,257**	1,229	1,229
Derivative financial instruments	Fair value – hedging instruments	**319**	**319**	811	811
Total financial assets		**2,065**	**2,065**	2,875	2,875
Financial liabilities					
Trade and other payables	Amortised cost, except as detailed below	**(2,287)**	**(2,287)**	(2,540)	(2,540)
Bank and other loans	Amortised cost	**(341)**	**(341)**	(6)	(6)
Commercial paper	Amortised cost	**(24)**	**(24)**	(37)	(37)
Medium-term notes and other fixed-term debt	Amortised cost	**(1,451)**	**(1,384)**	(2,029)	(2,015)
Lease liabilities	Amortised cost	**(224)**	**(224)**	(203)	(203)
Bank overdrafts	Amortised cost	**(104)**	**(104)**	(73)	(73)
Derivative financial instruments	Fair value – hedging instruments	**(368)**	**(368)**	(84)	(84)
Total financial liabilities		**(4,799)**	**(4,732)**	(4,972)	(4,958)

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

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 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. The redemption liability arising on the acquisition of Interstate Resources (within trade and other payables) has transferred from Level 3 to Level 2 due to the crystallisation of the put option and the final payment being agreed. Other investments are Level 3 financial instruments. The fair value of other investments is derived from fair value calculations based on their cash flows.

13. Acquisitions and divestments

(a) 2022/23

The crystallisation of the put option for the final 10% stake in Interstate Resources occurred during the financial year. Additional costs as a result of the business meeting performance conditions were recogniserd together with the costs of hedging the dollar payment of the liability the latter of which will continue until the payment is made. These costs of £15m have been taken to adjusting items, refer to note 4 for further details. Refer to note 12 for further details for the valuation of this final payment.

2021/22

In total, during the year ended 30 April 2022, cash consideration for acquisition of subsidiary businesses, net of cash and cash equivalents, was £23m. This included £19m for the remainder of the consideration for the purchase of the first additional 10% stake in Interstate Resources on 26 June 2020 after the exercise of a portion of the put option held by the sellers. Remaining acquisitions are not material to the Group individually or in aggregate.

On 12 October 2021 the Group sold the De Hoop paper mill in the Netherlands. Cash consideration, net of cash and cash equivalents and transaction costs, was £35m and net assets divested were £28m, resulting in a net gain of £7m.

(b) Plastics division

On 27 February 2020, the sale of the Group's Plastics division to Olympus Partners and its affiliate Liqui-Box Holdings was completed.

Plastics principally comprised flexible packaging and dispensing solutions, extruded and injection moulded products and foam products.

The Plastics segment has been classified as a discontinued operation as disclosed in note 1(a)(iii). The consolidated income statement presents the Plastics segment as a discontinued operation with a single line amount of profit from discontinued operation, net of tax. The consolidated statement of cash flows presents a single amount of net cash flow from discontinued operations.

Consolidated income statement – discontinued operations

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Revenue	**-**	–
Operating costs	**-**	–
Operating profit before amortisation and adjusting items	**-**	–
Amortisation of intangible assets	**-**	–
Profit on disposal before tax	**-**	–
Other pre-tax adjusting items	**11**	–
Net finance cost	**-**	–
Profit before income tax	**11**	–
Income tax credit/(expense)	**-**	–
Profit for the year from discontinued operations	**11**	–

Settlement of certain costs and obligations arising from the disposal of the Plastics division resulted in a gain in adjusting items in profit from discontinued operations of £11 million.

Basic earnings per share from discontinued operations

	2023	2022
Profit from discontinued operations attributable to ordinary shareholders	**£11m**	–
Weighted average number of ordinary shares	**1,376m**	1,374m
Basic earnings per share	**0.8p**	–

Diluted earnings per share from discontinued operations

	2023	2022
Profit from discontinued operations attributable to ordinary shareholders	**£11m**	–
Weighted average number of ordinary shares	**1,376m**	1,374m
Potentially dilutive shares issuable under share-based payment arrangement	**10m**	8m
Weighted average number of ordinary shares (diluted)	**1,386m**	1,382m
Diluted earnings per share	**0.8p**	–

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2021/22: 1m).

Adjusted earnings per share from discontinued operations

Further detail about the use of non-GAAP performance measures is given in note 13.

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

	2023			2022		
	£m	**Basic - pence per share**	**Diluted - pence per share**	£m	Basic – pence per share	Diluted – pence per share
Basic earnings from discontinued operations	**11**	**0.8p**	**0.8p**	–	–	–
Add back:						
Adjusting items, before tax	**(11)**	**(0.8p)**	**(0.8p)**	–	–	–
Adjusted earnings from discontinued operations	**-**	**-**	**-**	–	–	–

Cash flows used in discontinued operations

	Year ended 30 April 2023 £m	Year ended 30 April 2022 £m
Net cash used in investing activities	**-**	–
Net cash flows for the year	**-**	–

(c) Other 2022/23 acquisitions and divestments

The Group incurred other acquisition related costs of £nil (2021/22: £1m), primarily related to professional advisory, legal and consultancy fees and contractual deferred consideration payments on prior year acquisitions.

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 project costs, acquisition-related and integration costs, and impairments. Restructuring 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 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.

Unlike other of the Group's non-GAAP performance measures, net debt and net debt/EBITDA remain calculated under the previous standard, IAS 17 *Leases*, because they are calculated in accordance with the Group's banking covenant requirements which remain on the previous GAAP basis. As such, for net debt and net debt/EBITDA, the reconciliation for the non-GAAP performance measure below has been expanded to show the calculation to return the non-GAAP performance measure to the IAS 17 basis.

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 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.

	2023 £m	2022 £m
Adjusted operating profit	**861**	616
Revenue	**8,221**	7,241
Return on sales	**10.5%**	8.5%

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.

	2023 £m	2022 £m
Capital employed at 30 April	**6,203**	5,578
Currency inter-month and acquisition/divestment movements	**(194)**	113
Last 12 months' average capital employed	**6,009**	5,691
Last 12 months' adjusted operating profit	**861**	616
Adjusted return on average capital employed	**14.3%**	10.8%

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 9.

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 to adjust to an IAS 17 basis.

	2023 £m	2022 £m
Net debt – reported basis	**1,636**	1,484
IFRS 16 lease liabilities	**(220)**	(201)
Adjustment to average rate	**(17)**	13
Net debt - adjusted basis	**1,399**	1,296
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**1,173**	906
Adjust to IAS 17 basis	**(85)**	(78)
Acquisition and divestment effects	**-**	(7)
Adjusted EBITDA - banking covenant basis	**1,088**	821
Net debt/EBITDA	**1.3x**	1.6x

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 and 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 as follows:

	2023 £m	2022 £m
Growth capital expenditure	**275**	176
Non-growth capital expenditure	**270**	255
Total capital expenditure	**545**	431
Free cash flow	**354**	519
Tax paid	**136**	96
Net interest paid	**76**	62
Growth capital expenditure	**275**	176
Change in employee benefits	**25**	21
Adjusted free cash flow	**866**	874
Adjusted operating profit	**861**	616
Cash conversion	**101%**	142%

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 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.

	2023 £m	2022 £m
Inventories	**619**	703
Trade and other receivables	**1,211**	1,189
Trade and other payables	**(2,105)**	(2,372)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**36**	241
Last 12 months' average working capital	**(239)**	(239)
Last 12 months' revenue	**8,221**	7,241
Average working capital to sales	**(2.9%)**	(3.3%)

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 and disposals made in the current year, and the incremental effects of acquisitions and disposals 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 year ended 30 April 2022	**7,241**	**616**
Currency effects	**182**	**20**
Constant currency basis – comparative year ended 30 April 2022	**7,423**	**636**
Organic growth	**798**	**225**
Reported basis – year ended 30 April 2023	**8,221**	**861**
Return on sales – comparative year ended April 2022 constant currency basis		**8.6%**

	£m
Reported profit before tax comparative year ended 30 April 2022	378
Currency effects	9
Constant currency profit before tax comparative year ended 30 April 2022	**387**

Basic earnings per share from continuing operations for the comparative year ended 30 April 2022 – constant currency basis	£m
Profit from continuing operations	280
Currency effects	7
	287
Weighted average number of ordinary shares	1,374m
Basic earnings per share – constant currency basis	**20.9p**

Adjusted earnings per share for the comparative year ended 30 April 2022- constant currency basis	£m
Adjusted earnings	422
Currency effects	18
	440
Weighted average number of ordinary shares	1,374m
Adjusted earnings per share – constant currency basis	**32.0p**

Dividend cover

Dividend cover is adjusted earnings per share divided by the total dividend for the year.

	2023	2022
Adjusted earnings per share	**43.0p**	30.7p
Total dividend	**18.0p**	15.0p
Dividend cover	**2.4x**	2.0x

15. Subsequent events

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