23 June 2016

DS SMITH PLC – 2015/16 FULL YEAR RESULTS
ANOTHER YEAR OF GROWTH, RETURNS AND MOMENTUM

12 months to 30 April 2016		Change (reported)	Change (constant currency)
Revenue	£4,066m	6%	9%
Adjusted operating profit([1])	£379m	13%	16%
Adjusted profit before tax([1])	£332m	12%	15%
Profit before tax	£201m	1%	3%
Adjusted EPS([1])	27.4p	12%	16%
Dividend per share	12.8p	12%	12%
Return on sales([4])	9.3%	+50bps	+50bps
ROACE([5])	15.4%	+80bps	+70bps

Highlights

- Continued outperformance of the market
  - Strong organic corrugated box volume growth of +3.1%
  - Growth in all regions
  - Excellent growth from pan-European customers and e-commerce
- Substantial investment to further strengthen the business
  - Five acquisitions completed in the year, performing ahead of expectations
  - Capital invested in-line with strategic priorities
- Continued delivery against our medium-term targets
  - Sustainable financial returns
  - Significant margin progression and record ROACE
- Further geographic expansion
  - New or expanded presence in 13 countries
  - Proposed acquisition of Gopaca in Portugal
  - Acquisition of Creo - specialist Point of Sale / display

Miles Roberts, Group Chief Executive, commented:
"We are delighted to report another year of strong growth underpinned by ten per cent organic growth in our adjusted operating profit supplemented by six per cent from acquisitions. Strong financial discipline allows us again to deliver on all our priorities. The year has seen the Group further strengthen our offering to pan-European customers, who increasingly require an international partner who not only designs and produces high quality packaging, but also works collaboratively with them to manage their supply chains and drive sales in a multi-channel retail environment. The excellent growth that we have delivered over the last six years demonstrates the success of this strategic focus.

Looking ahead, while economic conditions remain uncertain, our innovation-led offering and the scale of our business means that we are confident about further growth and sustainable returns in the years ahead."

Sustainable delivery in line with medium term targets

Medium-term targets	Delivery in 2015/16
Organic volume growth(2) at least GDP(3)+1%	3.1%
Return on sales(4) 8% – 10%	9.3%, +50 bps
ROACE(5) 12% - 15%	15.4%, +70 bps
Net Debt / EBITDA(6) ≤2.0x	2.0x
Operating cash flow/operating profit(7) ≥ 100%	112%

See notes to the financial tables, below

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Presentation and dial-in details

A presentation to investors and analysts will be held at 09:30 today at Allen & Overy, One Bishops Square, London E1 6AD. Dial-in access for the presentation is available per the details below. The slides accompanying the presentation will be available on our website shortly before 09:30.

+44 (0)20 3003 2666 (standard access) or 0808 109 0700 (UK toll free) Password: DS Smith.

A replay of the event is available for seven days, on +44 (0) 20 8196 1998, PIN 6078394#. An audio file and transcript will also be available on www.dssmith.com/investors/results-and-presentations.

Notes to the financial tables

(1) Before exceptional items, amortisation, and associates
(2) Corrugated box volumes, adjusted for the number of working days
(3) GDP growth (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country, for the period April 2015 – March 2016= 1.8%. Source: Eurostat (16/6/2016)
(4) Earnings from continuing operations before interest, tax, amortisation and exceptional items as percentage of revenue. Comparative on a constant currency basis
(5) Earnings from continuing operations before interest, tax, amortisation and exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors and assets/liabilities held for sale. Comparative on a constant currency basis
(6) EBITDA being earnings from continuing operations before interest, tax, exceptional items, depreciation and amortisation. Ratio calculated in accordance with bank covenants.
(7) Free cash flow before tax, net interest, growth capital expenditure, pension payments and exceptional cash flows as a percentage of earnings before interest, tax, amortisation and exceptional items

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.

Overview

In the financial year 2015/16, DS Smith has once again delivered on all our financial metrics, with strong organic volume growth, and improvement in margin, returns and dividends. In addition, the business has taken another significant step forward in the expansion of our European footprint with five acquisitions completed in the year for a total of £433 million, expanding our presence in 13 countries. Integration of each acquisition began immediately upon ownership and we have been delighted by the customer and employee reaction. In addition to delivering against our financial KPIs, we have also made further improvements to our non-financial metrics, in particular a 24 per cent reduction in our accident frequency rate, and a further reduction in our emissions of greenhouse gases per tonne of production.

Corrugated box volumes have grown by 3.1 per cent, on a like-for-like basis, with consistent growth throughout the year. All regions have shown growth, with particularly good growth from our acquired businesses in our Western Europe and in Central Europe and Italy regions. This rate of growth is ahead of both our target of volume growth of GDP +1 per cent and the overall corrugated market in Europe. In particular, our rate of growth from our pan-European customers has been excellent, which continues to demonstrate the appetite among large customers for high-quality providers of packaging, with the ability to serve them across Europe. This customer demand is driven, in turn, by the changes in the retail environment, away from traditional large stores, and towards convenience stores, discounters and on-line retailers. This fragmentation of the retail channel results in greater complexity in the supply chain. The increase in convenience and discount stores also drives the use of display packaging and retail ready packaging. At DS Smith we are investing in these growth areas. Our offer to customers of innovative solutions, designed to be flexible to the customers' requirements, with the capability to serve across Europe, underpins our confidence in continuing to drive growth.

For the full-year, revenues were principally driven by the contribution from acquired businesses (net of disposals), which contributed 8 per cent growth on a constant currency basis. Organic growth contributed a further 1 per cent. The impact of FX translation reduced reported revenue by £101 million or 3 per cent over the year as a whole, with this figure representing a significant headwind in the first half-year (period on period) and a partial reduced impact in the second half of the year, as the GBP to euro exchange rate changed significantly in January 2016.

Adjusted operating profit increased by 16 per cent on a constant currency basis to £379 million (13 per cent on a reported basis), driven by the contribution from the volume growth, contributing 10 per cent growth (£33 million), and from businesses acquired, contributing 6 per cent growth (£20 million). Input cost reductions were reflected in changes in sales prices during the year. The change in foreign exchange rate for the year versus the prior year, applied to non-sterling profits, resulted in a reduction of £9 million on translation.

Adjusted earnings per share increased by 16 per cent on a constant currency basis to 27.4 pence (12 per cent on a reported basis) (2014/15: 24.5 pence). This result follows five prior years of consistent growth, with the six year compound annual growth rate for reported adjusted EPS being 30 per cent.

The Board considers the dividend to be an important component of shareholder returns and, as such, has a policy to deliver a progressive dividend, where dividend cover is between 2.0 and 2.5 times, through the cycle. For the year 2015/16, the Board recommends a final dividend of 8.8 pence, which together with the interim dividend of 4.0 pence gives a total dividend for the year of 12.8 pence per share (2014/15: 11.4 pence per share). This represents an increase of 12 per cent on the prior year and cover of 2.1 times in relation to earnings per share (before amortisation and exceptional items).

Investment in the business

We remain ambitious to grow the DS Smith business through both continued organic investment and through acquisition. All investment in the business must fulfil our strategic and financial criteria. Our strategic aim is to become the leader in sustainable packaging. In order to fulfil this we are seeking to extend our reach, as required by our customers, and further improve the quality of our service and products. Scale is important as it allows us to invest in innovation and design, with the benefit shared throughout the business and across our customers. It has allowed us to serve customers on a pan-European basis, which has been a core growth area. In order to fulfil the Group's financial criteria, the most important metric is return on average capital employed. Acquisitions, on a post synergy basis, are required to come in line with the Group's ROACE target of 12–15 per cent in the medium term.

We have made significant further steps this year to expand our scale and improve the quality of the business through organic investment, acquisitions, and disposals.

On 31 May 2015 we completed our acquisition of Duropack, a corrugated packaging business with a market leading position in south eastern Europe. The business comprised 14 corrugated packaging sites, two paper mills and 18 recycling sites across nine countries. The business was highly complementary to DS Smith's existing operations in Austria, Hungary and Slovakia and has resulted in DS Smith now having leading positions in the region.

On 31 July 2015 we acquired Lantero, a corrugated packaging business comprising seven sites across the Iberian peninsula. This fitted well with the smaller business in Spain, Andopack, which had been bought in 2014. Spain is the fourth largest market for corrugated packaging in Europe and this acquisition has enabled DS Smith to strengthen its ability to serve customers on a pan-European basis.

In October 2015 we acquired Cartonpack, a corrugated packaging business in Greece with three sites, and in January 2016 we acquired Milas Ambalaj, a specialist corrugated display packaging business in Turkey, based near Istanbul. These acquisitions extended our reach across Europe and gives us a small position in the fast-growing Turkish market.

In March 2016, we acquired a business in the north west of England, TRM Packaging, a specialist in retail-ready packaging, to enhance our capabilities in the region.

During the period, the Wansbrough paper mill in the UK has been closed, as planned, and we disposed of StePac, a specialist plastic packaging business. The exit of these businesses has increased our overall focus on corrugated packaging.

On 22 June 2016 we announced the proposed acquisition of Gopaca, a well invested corrugated packaging business in Portugal, with c. 135 employees. This acquisition expands our position in the Iberian peninsula and complements the operations we have in this important region. The transaction is subject to competition clearance, which we expect during Q3 of this calendar year with completion shortly thereafter.

On 22 June 2016 we acquired Creo, a specialist in Point of Sale and display products and services for in-store marketing, in the south east of the UK with c. 285 employees. The business is focused on FMCG, retail and media markets and significantly builds on our capability within the UK market.

Embedding corporate values and developing a positive corporate culture is paramount to delivering sustainable value. As we have grown by investment and by acquisition, and new employees have joined, we have worked hard to ensure that they have felt part of DS Smith from day one. Immediately upon completion of an acquisition, we hold an integration event for the senior management of the acquired business along with key individuals from DS Smith, in order to set out our plan for the business and to provide them with the toolkit they need to deliver. Building on the due diligence undertaken prior to ownership, we then spend the initial three month period refining the business plan, taking into account the ideas of the local management team. The local management team will at that time implement "OWN IT!", our employee engagement programme which helps colleagues around the organisation understand their part in delivering the corporate strategy.

We have continued to invest in our assets ahead of depreciation, with net capex of £201 million (2014/15: £149 million). We are investing to support our strategic priorities, with around one third of capex going to growth projects, for example, the development of a new plant for display packaging in Germany, digital printing in the UK, and additional box capability in regions experiencing high growth.

Operating review

Unless otherwise stated, any commentary and comparable analysis in the operating review is based on constant currency performance.

UK

	Year ended 30 April 2016	Year ended 30 April 2015	Change
Revenue	£864m	£905m	(5%)
Operating profit*	£85m	£81m	5%
Return on sales*	9.8%	9.0%	+80bps

*Adjusted, before amortisation and exceptional items

The UK has seen good volume growth in a competitive market environment. The disposal of the Wansbrough mill part way through the year has contributed to the fall in revenue while not impacting profit due to the mill operating at or around break-even prior to closure.

The increase in profitability in the region has come from both underlying trading and the flow through of benefits from restructuring initiatives and asset disposals. The UK continues to be at the forefront of the changing retail landscape and as such our business is a market leader in innovation particularly in the fast growing e-commerce channel.

Western Europe

	Year ended 30 April 2016	Year ended 30 April 2015	Change-reported	Change-constant currency
Revenue	£1,044m	£941m	11%	15%
Operating profit*	£77m	£65m	18%	24%
Return on sales*	7.4%	6.9%	+50bps	+60 bps

*Adjusted, before amortisation and exceptional items

Like-for-like volumes in the region have been above the Group average, with both France and, particularly, the recently acquired business in Iberia performing well, partially offset by continued flat market conditions in Benelux. Revenues have grown by 15 per cent, principally from the acquisitions in Iberia, supplemented by the positive contribution from organic growth.

Adjusted operating profit on a constant currency basis increased by 24 per cent, reflecting a substantial contribution from the acquired businesses in Iberia, and growth from the DS Smith business in other parts of the region, principally France. Return on sales has improved by 60 basis points.

DCH and Northern Europe

	Year ended 30 April 2016	Year ended 30 April 2015	Change- reported	Change – constant currency
Revenue	£853m	£922m	(7%)	(4)%
Operating profit*	£93m	£96m	(3%)	1%
Return on sales*	10.9%	10.4%	+50bps	+60bps

*Adjusted, before amortisation and exceptional items

Volumes in this region have been positive, with good growth in Germany and Switzerland (DCH) offset by extremely tough trading conditions in Northern Europe as a consequence of sanctions on Russia.

Constant currency revenues declined by 4 per cent, in part as a result of the disposal in the prior year of the Scandinavian Foams business. The underlying business saw modest reductions in revenue principally due to the difficult trading conditions in Northern Europe, explained above.

Constant currency adjusted operating profit increased by 1 per cent, despite a modest reduction from the disposed business, reflecting an improvement in business mix and previous efficiency initiatives implemented at the time of trade sanctions. Return on sales improved 60 basis points to 10.9 per cent, reflecting the quality of our business.

Central Europe and Italy

	Year ended 30 April 2016	Year ended 30 April 2015	Change – reported	Change – constant currency
Revenue	£1,022m	£750m	36%	43%
Operating profit*	£92m	£65m	42%	48%
Return on sales*	9.0%	8.7%	+30bps	+40bps

* Adjusted, before amortisation and exceptional items

Volumes in this region have been good, particularly from the newly acquired Duropack business in south eastern Europe. Constant currency revenue growth of 43 per cent reflects the substantial contribution from the Duropack business, plus the benefit of good organic growth.

Adjusted operating profit grew by 48 per cent, with the majority due to the acquisition of Duropack, and its subsequent growth. We have been delighted with the customer and stakeholder reaction to the expansion of our business in this area.

Plastics

	Year ended 30 April 2016	Year ended 30 April 2015	Change – reported	Change – constant currency
Revenue	£283m	£302m	(6%)	(6%)
Operating profit*	£32m	£28m	14%	10%
Return on sales*	11.3%	9.3%	+200bps	+160bps

* Adjusted, before amortisation and exceptional items

Constant currency revenue declined 6 per cent, reflecting the disposal of StePac in May 2015. Adjusted operating profit grew by 10 per cent on a constant currency basis with a 160 basis point increase in margin, reflecting strong organic profit development following the restructuring of the business in 2013/14.

Delivering on our medium-term targets and key performance indicators

We have again made progress against our key performance indicators over the full-year with another year of improvements in all of our financial metrics. As set out above, corrugated box volumes grew by 3.1 per cent. This exceeded our target of GDP+1 per cent, with year-on-year GDP growth, weighted by our sales in the markets in which we operate, estimated at 1.8 per cent (Source: Eurostat) resulting in a 30 basis point outperformance against the target of 2.8 per cent. All regions have again recorded volume growth in the period, with a particularly strong contribution from newly acquired businesses in Iberia and south eastern Europe. This positive reaction from our customers to our new businesses demonstrates the demand for a high quality pan-European supplier of corrugated packaging. As a consequence of our volume growth, DS Smith has gained market share across Europe, where the overall corrugated packaging market has shown weighted volume growth of 2.3 per cent (Source: FEFCO, May 2015 – March 2016).

Adjusted return on sales has increased by 50 basis points on a constant currency basis to 9.3 per cent, in the upper half of our target range of 8 to 10 per cent, reflecting an improved mix of business as we add value to our customers, operational gearing and benefits of investment. This target was updated from 7-9 per cent in June 2015.

Adjusted return on average capital employed on a constant currency basis has improved by 70 basis points to 15.4 per cent, above our medium-term target range of 12 to 15 per cent and significantly above our cost of capital. The improvement is principally driven by our improved profitability, which has increased ahead of capital and benefited from the disposal of some less profitable businesses in the period. We have maintained our continual focus on tight capital allocation and management within the business, including working capital, which has shown further improvement this year. Return on average capital employed is our primary financial measure of success, and is measured and calculated on a monthly basis. All senior management have part of their remuneration package linked to this measure.

Net debt has increased due to the acquisition of new businesses, to £1,099 million (2014/15: £651 million) while net debt/EBITDA (calculated in accordance with our banking covenant requirements) was 2.0 times (2014/15: 1.5 times). This is in line with our medium-term financial KPI of a ratio of 2.0 times or below and reflects the acquisitions made as well as ongoing tight cash management and control throughout the business.

During the year, the Group generated free cash flow of £238 million (2014/15: £307 million). Cash conversion was 112 per cent, in line with our target of being at or above 100 per cent.

DS Smith is committed to providing all employees with a safe and productive working environment. We are pleased to report a further substantial improvement 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 24 per cent from 4.2 to 3.2, reflecting our ongoing commitment to best practice in health and safety. Our target is for zero accidents, which we are pleased to report that 211 sites achieved this year. We continue to strive to achieve zero accidents for the Group as a whole.

The Group has a target for customer service of 97 per cent on-time, in-full deliveries. In the year we achieved 92 per cent, similar to the level achieved in the prior year, but below our target. Over the year we have focused on raising service levels in both the existing business and those acquired over the year, and are pleased to see an improving trend. We remain committed to delivering high standards of service, quality and innovation to all our customers.

One part of the DS Smith strategy is to lead the way in sustainability. We play our part in the sustainable economy, with our principal product of corrugated packaging being fully recyclable, and substantially constructed from recycled material, as are many of our plastic packaging products. Our Recycling business works with customers across Europe to improve their recycling operations and overall environmental performance. In 2015, compared to 2014, our $CO2$ equivalent emissions, relative to production, have reduced by 8.1 per cent and we remain on target to achieve our 2010 commitment to a 20 per cent reduction by 2020.

Outlook

The current year has started positively, building on the momentum of last year. The integration of the five businesses acquired in the past year is going well and we are excited by opportunities to grow with our customers. Looking ahead, while economic conditions remain uncertain, our innovation-led offering and the scale of our business means that we are confident about further growth and sustainable returns in the years ahead.

Financial review

All numbers within this review are based on continuing operations before amortisation and exceptional items.

Group revenue increased to £4,066 million (2014/15: £3,820 million), a growth of 6 per cent on a reported basis, before considering the adverse currency effects. The euro accounted for 61 per cent of Group revenue and its weakness during the year accounted for the majority of the £101 million of currency impact. On a constant currency basis revenue increased by 9 per cent and included £300 million from businesses acquired during the year (net of disposals).

Whilst revenue growth is clearly important, it is inevitably correlated to the price of paper, and with lower year on year average paper prices, was limited to constant currency organic growth in value terms of £47 million. The more relevant measure to describe business performance is corrugated box volume growth which once again was ahead of target at 3.1 per cent, delivering meaningful growth ahead of the market. Revenue in the Plastics division declined by 6 per cent as a result of the disposal at the start of the year of StePac, a modified atmosphere packaging business.

Adjusted operating profit rose by 13 per cent on a reported basis to £379 million (2014/15: £335 million), with currency having a negative impact of £9 million. Growth on a constant currency basis was, therefore, higher at 16 per cent. The acquisitions of Duropack, Lantero and Cartonpack earlier in the financial year have already begun to generate synergies in the short time that they have been part of the Group and are well on track to deliver their acquisition business case. This good result is testament to the Group’s expertise in the effective integration of, and support for, acquired businesses. The growth in operating profit has been achieved despite a higher level of price deflation in Europe at the start of the year and increased fibre costs. The Group systematically mitigates against these headwinds through year on year benefits (on a reported basis) from energy prices (c. £9 million); efficiency programmes (c. £7 million); procurement savings (c. £28 million); and property, plant and equipment (PP&E) disposals (£4 million).

Amortisation for the year was £51 million (2014/15: £46 million), the increase primarily resulting from the amortisation of intangible assets acquired in the year. Depreciation increased by £10 million in the year as a result of previous capital investments.

Group margins continue to benefit from both operational leverage and continuous focus on cost and efficiency, resulting in another improvement in return on sales to 9.3 per cent compared to 8.8 per cent in the prior year. At the start of the year the return on sales target range was increased to 8–10 per cent and performance has been fully in line with this upgraded target. The return on average capital employed for the year was 15.4 per cent, which is beyond the target set by the Board of 12–15 per cent and an improvement of 70 basis points on the prior year on a constant currency basis. The return on average capital employed remains significantly above the Group cost of capital. Given the measure of capital employed is the average balance and not a single point in time, this ratio is only affected partially by new acquisitions, with a full effect in 2016/17 results.

Exceptional items

Exceptional items before tax and share of results of associates were £79 million (2014/15: £44 million).

Restructuring costs of £50 million are the largest element of exceptional items. This substantially relates to the closures of the Wansbrough paper mill and the Bristol packaging site in the UK, and the Pulheim packaging site in Germany. Other restructuring and reorganisation costs were incurred in the UK, DCH and Northern Europe, and Western Europe. Approximately a fifth of the charges relate to restructuring initiatives that commenced in the prior year in the UK and DCH, with the remainder attributable to new initiatives launched.

The closure of the Wansbrough paper mill accounts for the majority of the £21 million of asset impairments.

Acquisition costs of £9 million were incurred in respect of professional advisory, legal fees and directly attributable salary costs related to acquisitions and disposals completed during the year as well as to the review of potential deals.

Integration costs of £12 million relate to the integration of new acquisitions made in the year.

Gains on acquisitions and divestments of £23 million comprise the profit on sale of StePac of £9 million, with the majority of the balance relating to a gain on the step acquisition of the Lantero business, in which the Group previously held an associate interest.

Other exceptional items include £5 million for European centralisation and optimisation projects and site remediation costs of £2 million.

In 2016/17, exceptional costs of around £50 million are expected to be incurred.

Interest, tax and earnings per share

Net interest expense before exceptional items was £41 million, up £9 million from the prior year. The increase from the prior year was primarily due to the acquisitions completed during the year, which were funded by increased borrowings. In addition, the Group increased the duration of Group debt and thus improved overall liquidity in September 2015 with the issuance of a debut investment grade €500 million 7 year Euro Medium Term Note (EMTN) with a coupon of 2.25 per cent. This EMTN was partly used to refinance shorter term bank debt which had a lower interest rate.

The employment benefit related net finance expense was £6 million (2014/15: £6 million).

Profit before tax (excluding amortisation, exceptional items and share of loss of associates) was £332 million (2014/15: £297 million), an increase of 12 per cent on a reported basis.

The share of the loss of equity accounted investments of £1 million (2014/15: £7 million loss) includes exchange losses incurred by the Ukrainian associate. Unlike in the prior year, the loss did not meet the Group accounting policy criteria for treatment as an exceptional item.

The Group's effective tax rate, excluding amortisation, exceptional items and associates was 22 per cent (2014/15: 23 per cent). The exceptional items tax credit was £27 million comprising tax on exceptional items and exceptional tax credits.

Profit after tax, amortisation and exceptional items was £167 million (2014/15: £156 million).

Adjusted earnings per share were 27.4 pence (2014/15: 24.5 pence), an increase of 12 per cent on a reported basis and 16 per cent on a constant currency basis. Total earnings per share were 17.7 pence (2014/15: 16.6 pence).

Dividend

The proposed final dividend is 8.8 pence (2014/15: 7.7 pence), giving a total dividend for the year of 12.8 pence (2014/15: 11.4 pence). Dividend cover before amortisation and exceptional items was 2.1 times in 2015/16 (2014/15: 2.1 times) and dividend growth is consistent with earnings growth at actual exchange rates.

The final dividend of 8.8 pence per share will be paid on 1 November 2016 to ordinary shareholders on the register at close of business on 30 September 2016.

Acquisitions and disposals

In line with its strategic aims, the Group has continued to grow the business in order to meet the requirements of its major customers. Acquisitions play an important part in achieving business growth and this year the Group made considerable progress with five acquisitions for a combined consideration of £433 million.

On 31 May 2015, the Group acquired the Duropack business for €305 million, subject to post-completion adjustments. Duropack is a recycled corrugated board packaging business in south eastern Europe, holding the number one or two positions in most of the geographical regions in which it operates. It is well invested with high quality assets and operates a "short paper, long fibre" model similar to that of the rest of the Group.

On 31 July 2015, the Group acquired the corrugated activities of Lantero for €190 million, including several operations in which the Group previously held an equity accounted minority. Lantero operates seven sites in the Iberian Peninsula and has a strong focus on the FMCG sector. This acquisition strengthens the Group's operations in Spain considerably, adding to last year's acquisition of Andopack.

On 13 October 2015 the Group completed the purchase of the Greek corrugated packaging business of Cartonpack, with a simultaneous sale of the Group's minority shareholding in Cukurova Group's Turkish corrugated paper and packaging entities to the Cukurova Group.

On 21 January 2016 the Group acquired the packaging business of DasaMilas Ambalaj. Milas Ambalaj operates a display and offset packaging business in Istanbul, Turkey.

On 24 March 2016 the Group acquired TRM Packaging, a leading designer and manufacturer of retail ready packaging to FMCG customers, with a single site in the north west of England.

On 18 May 2015, the Group completed the sale of StePac, a specialist modified atmosphere packaging business based in Israel, for US$31 million.

Cash flow

Closing net debt of £1,099 million (30 April 2015: £651 million) has increased year on year primarily due to the acquisition prices paid and net debt assumed for new businesses (£433m). Working capital inflows of £56 million reflect further improvements in the management of receivables and payables, which remains an area of opportunity in acquired businesses.

Capital expenditure net of asset disposals increased to £201 million in the year (2014/15: £149 million). The Group capital expenditure strategy of balancing asset renewal/replacement and investment in growth and efficiency has been maintained. Growth and efficiency together account for 62 per cent of expenditure. Proceeds from the disposal of PP&E were up £10 million year on year at £28 million, resulting in additional profits of £4 million.

Net interest payments of £32 million were £2 million lower than the prior year. Interest on the new EMTN issued in September 2015 is payable annually, which accounts for the majority of the difference between cash interest paid and finance costs in the income statement.

Cash costs of exceptional items amounted to £77 million representing the cash investment in restructuring and infrastructure. Investment in subsidiary businesses, net of cash and cash equivalents (but before acquired debt), totalled £313 million in the year. Disposal of the StePac business realised £21 million.

During the year dividends of £108 million, representing the 2014/15 interim dividend and final dividend, were paid.

The acquisitions made in the year have resulted in a total Group cash outflow for the year of £239 million, compared to an inflow of £154 million in the prior year. Loans and borrowings from acquired businesses was £120 million. Foreign exchange, fair value and other movements increased net debt by £89 million; notwithstanding the weaker average euro rate during the year; the closing rate showed a strengthening over the prior year.

Statement of financial position

Shareholders' funds have increased to £1,140 million at 30 April 2016, an increase of £122 million over the reported position of the prior year. The improvement in shareholders' funds is principally due to profit attributable to shareholders of £167 million (2014/15: £156 million), actuarial gains of £11 million arising from the Group's employee benefit schemes and currency translation gains of £49 million. The gains were offset by the dividend payments of £108 million (2014/15: £94 million).

At 30 April 2016, the Group's net debt was £1,099 million (30 April 2015: £651 million). The net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio was 2.0 times at 30 April 2016, up from 1.5 times at the previous year end as a consequence of the increased borrowings to fund acquisitions. The Group is in compliance with all financial covenants which specify an EBITDA to net interest payable ratio of not less than 4.50 times and a maximum ratio of net debt to EBITDA of 3.25 times.

The covenant calculations exclude from the income statement exceptional items and any interest arising from the defined benefit pension schemes. At 30 April 2016, the Group had substantial headroom under its covenants.

Energy costs

This was the third year in a row of lower year-on-year energy costs. Energy is a significant cost for the Group and gas, electricity and diesel costs totalled £178 million in the year (2014/15: £187 million). Capital invested in CHP facilities, currency translation, lower prices and energy efficiency initiatives have all contributed to the lower costs. The Group continues to manage the risks associated with its purchases of energy through its Energy Procurement Group. By hedging energy costs with suppliers and financial institutions the Group aims to reduce the volatility of energy costs and provide a degree of certainty over future energy costs.

Capital structure and treasury management

The Group funds its operations from the following sources of capital: operating cash flow, borrowings, finance and operating leases, shareholders' equity and, where appropriate, disposals of non-core businesses. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in short and medium-term funding so as to accommodate material investments or acquisitions.

The Group regularly reviews the level of cash and debt facilities required to fund its activities. At 30 April 2016, the Group's committed borrowing facilities totalled c. £1.6 billion of which c. £500 million were undrawn. The Group's committed borrowing facilities at 30 April 2016 had a weighted-average maturity of 4.7 years (30 April 2015: 4.6 years). The Group's total gross borrowings at 30 April 2016 were £1,258 million.

During the year the Group issued its debut Eurobond. The €500 million 7 year fixed rate Eurobond was well received, with a significant over-subscription. The proceeds were used to repay the Group's syndicated bank term loan facility of €300 million and to prepay drawings under the Group's syndicated bank revolving credit facility. In addition, the Group's investment grade credit rating from Standard and Poor's (BBB-, Stable) was reaffirmed, which reflects the Groups commitment to strong credit metrics and the on-going financial discipline of management. This credit rating allows the Group to issue investment grade bonds in the public debt markets under its €2.5 billion EMTN programme.

Impairment

In April 2016, tests were undertaken to determine whether there had been any impairment to the balance sheet carrying values of goodwill and other intangible assets. No impairments were identified as a result of the testing.

The net book value of goodwill and other intangibles at 30 April 2016 was £1,089 million (30 April 2015: £855 million).

Pensions

The Group's principal funded defined benefit pension scheme is in the UK and is closed to future accrual. The Group also operates various local post-retirement and other employee benefit arrangements for overseas operations, as well as a small UK unfunded scheme.

The aggregate gross assets of the schemes at 30 April 2016 were £957 million and the gross liabilities at 30 April 2016 were £1,145 million, resulting in the recognition of a gross balance sheet deficit of £188 million (30 April 2015: £200 million). The net deficit was £145 million (30 April 2015: £152 million) taking into account deferred tax assets of £43 million (30 April 2015: £48 million).

A triennial valuation of the main UK scheme was carried out at 30 April 2013 at which point the Group agreed to maintain cash contributions at £16 million per annum. Cash contributions into the Group pension schemes were £17 million in 2015/16 (2014/15: £17 million), principally comprising £16 million in respect of the agreed contributions to the pension scheme deficit (for the future financing of the pension scheme) and are included in cash generated from operations.

A reduction in the gross balance sheet deficit of £12 million is principally attributable to a decrease in the inflation rate, reducing pension liabilities.

The next funding calculation is being carried out as at 30 April 2016 and is expected to complete in early 2017.

Consolidated Income Statement

Year ended 30 April 2016

Continuing operations	Note	**Before exceptional items 2016 £m**	**Exceptional items (note 3) 2016 £m**	**After exceptional items 2016 £m**	Before exceptional items 2015 £m	Exceptional items (note 3) 2015 £m	After exceptional items 2015 £m
Revenue	2	**4,066**	**-**	**4,066**	3,820	–	3,820
Operating costs		**(3,687)**	**(92)**	**(3,779)**	(3,485)	(31)	(3,516)
Operating profit before amortisation, acquisitions and disposals		**379**	**(92)**	**287**	335	(31)	304
Amortisation of intangible assets, acquisitions and disposals	3	**(51)**	**14**	**(37)**	(46)	(9)	(55)
Operating profit		**328**	**(78)**	**250**	289	(40)	249
Finance income	5	**1**	**-**	**1**	3	–	3
Finance costs	5	**(42)**	**(1)**	**(43)**	(35)	(4)	(39)
Employment benefit net finance expense		**(6)**	**-**	**(6)**	(6)	–	(6)
Net financing costs		**(47)**	**(1)**	**(48)**	(38)	(4)	(42)
Profit after financing costs		**281**	**(79)**	**202**	251	(44)	207
Share of loss of equity accounted investments, net of tax		**(1)**	**-**	**(1)**	–	(7)	(7)
Profit before income tax		**280**	**(79)**	**201**	251	(51)	200
Income tax (expense)/credit	6	**(61)**	**27**	**(34)**	(54)	10	(44)
Profit for the year from continuing operations		**219**	**(52)**	**167**	197	(41)	156
Profit for the year attributable to:							
Owners of the parent		**219**	**(52)**	**167**	197	(41)	156
Non-controlling interests		**-**	**-**	**-**	–	–	–
Earnings per share							
Adjusted from continuing and total operations[1]							
Basic	7	**27.4p**			24.5p		
Diluted	7	**27.0p**			24.3p		
From continuing and total operations							
Basic	7			**17.7p**			16.6p
Diluted	7			**17.5p**			16.4p

1 Adjusted for amortisation and exceptional items.

Notes

(a) Subject to approval of shareholders at the Annual General Meeting to be held on 6 September 2016, the final dividend of 8.8p will be paid on 1 November 2016 to ordinary shareholders on the register on 30 September 2016.

(b) The financial information presented in this preliminary announcement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 30 April 2016. The financial information set out above does not constitute the Company's statutory financial statements for the years ended 30 April 2016 or 30 April 2015 but is derived from those financial statements. Statutory accounts for the year ended 30 April 2015 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 30 April 2016 will be delivered following the Company's Annual General Meeting. The auditor's report on these accounts was not qualified or modified and did not contain any statement under Sections 498(2) or (3) of the Companies Act 2006.

(c) The Group's audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The preliminary announcement has been agreed with the Company's Auditor for release.

(d) Items are presented as exceptional in the accounts 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 achieved by the Group (note 3).

Consolidated Statement of Comprehensive Income

Year ended 30 April 2016

	Note	**2016 £m**	2015 £m
Profit for the year		**167**	156
Items which will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on employee benefits	4	**11**	(65)
Income tax on items which will not be reclassified subsequently to profit or loss		**(5)**	10
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**49**	(105)
Movements in cash flow hedges		**(2)**	5
Income tax on items which may be reclassified subsequently to profit or loss		**4**	(22)
Other comprehensive income/(expense) for the year, net of tax		**57**	(177)
Total comprehensive income/(expense) for the year		**224**	(21)
Total comprehensive income/(expense) attributable to:			
Owners of the parent		**224**	(21)
Non-controlling interests		**-**	-

Consolidated Statement of Financial Position

At 30 April 2016

	Note	**2016 £m**	2015 £m
Assets			
Non-current assets			
Intangible assets		**1,089**	855
Property, plant and equipment		**1,678**	1,342
Equity accounted investments		**4**	17
Other investments		**3**	3
Deferred tax assets		**58**	58
Other receivables		**3**	5
Derivative financial instruments		**17**	24
Total non-current assets		**2,852**	2,304
Current assets			
Inventories		**338**	256
Other investments		**-**	1
Income tax receivable		**11**	38
Trade and other receivables		**696**	548
Cash and cash equivalents		**134**	95
Derivative financial instruments		**40**	13
Assets held for sale		**7**	46
Total current assets		**1,226**	997
Total assets		**4,078**	3,301
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings		**(1,073)**	(781)
Employee benefits	4	**(188)**	(200)
Other payables		**(8)**	(5)
Provisions		**(5)**	(7)
Deferred tax liabilities		**(141)**	(121)
Derivative financial instruments		**(9)**	(13)
Total non-current liabilities		**(1,424)**	(1,127)
Current liabilities			
Bank overdrafts		**(19)**	(13)
Interest-bearing loans and borrowings		**(185)**	(2)
Trade and other payables		**(1,118)**	(927)
Income tax liabilities		**(109)**	(147)
Provisions		**(36)**	(34)
Derivative financial instruments		**(47)**	(18)
Liabilities held for sale		**-**	(15)
Total current liabilities		**(1,514)**	(1,156)
Total liabilities		**(2,938)**	(2,283)
Net assets		**1,140**	1,018
Equity			
Issued capital		**94**	94
Share premium		**716**	715
Reserves		**327**	210
Total equity attributable to owners of the parent		**1,137**	1,019
Non-controlling interests		**3**	(1)
Total equity		**1,140**	1,018

Consolidated Statement of Changes in Equity

Year ended 30 April 2016

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total reserves attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2014		**94**	**715**	**(31)**	**4**	**-**	**350**	**1,132**	**(1)**	**1,131**
Profit for the year		–	–	–	–	–	156	156	–	156
Actuarial loss on employee benefits		–	–	–	–	–	(65)	(65)	–	(65)
Foreign currency translation differences		–	–	–	(105)	–	–	(105)	–	(105)
Cash flow hedges fair value changes		–	–	(18)	–	–	–	(18)	–	(18)
Movement from cash flow hedge reserve to income statement		–	–	23	–	–	–	23	–	23
Income tax on other comprehensive income		–	–	(1)	(21)	–	10	(12)	–	(12)
Total comprehensive income/(expense)		**-**	**-**	**4**	**(126)**	**-**	**101**	**(21)**	**-**	**(21)**
Share-based payment expense (net of tax)		–	–	–	–	–	2	2	–	2
Dividends paid	8	–	–	–	–	–	(94)	(94)	–	(94)
Other changes in equity in the year		**-**	**-**	**-**	**-**	**-**	**(92)**	**(92)**	**-**	**(92)**
At 30 April 2015		**94**	**715**	**(27)**	**(122)**	**-**	**359**	**1,019**	**(1)**	**1,018**
Profit for the year		–	–	–	–	–	167	167	–	167
Actuarial gain on employee benefits		–	–	–	–	–	11	11	–	11
Foreign currency translation differences		–	–	–	49	–	–	49	–	49
Cash flow hedges fair value changes		–	–	(20)	–	–	–	(20)	–	(20)
Movement from cash flow hedge reserve to income statement		–	–	18	–	–	–	18	–	18
Income tax on other comprehensive income		–	–	–	4	–	(5)	(1)	–	(1)
Total comprehensive (expense)/income		**-**	**-**	**(2)**	**53**	**-**	**173**	**224**	**-**	**224**
Issue of share capital		–	1	–	–	–	–	1	–	1
Employee share trust		–	–	–	–	(3)	(4)	(7)	–	(7)
Acquisition of subsidiary with non-controlling interests		–	–	–	–	–	–	–	4	4
Share-based payment expense (net of tax)		–	–	–	–	–	8	8	–	8
Dividends paid	8	–	–	–	–	–	(108)	(108)	–	(108)
Other changes in equity in the year		**-**	**1**	**-**	**-**	**(3)**	**(104)**	**(106)**	**4**	**(102)**
At 30 April 2016		**94**	**716**	**(29)**	**(69)**	**(3)**	**428**	**1,137**	**3**	**1,140**

Consolidated Statement of Cash Flows

Year ended 30 April 2016

Continuing operations	Note	**2016 £m**	2015 £m
Operating activities			
Cash generated from operations	9	**444**	463
Interest received		**1**	3
Interest paid		**(33)**	(37)
Tax paid		**(49)**	(28)
Cash flows from operating activities		**363**	401
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	12	**(313)**	(28)
Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents	12	**21**	18
Capital expenditure		**(229)**	(167)
Proceeds from sale of property, plant and equipment and intangible assets		**28**	18
Decrease in restricted cash		**-**	3
Loan to associate		**-**	(2)
Cash flows used in investing activities		**(493)**	(158)
Financing activities			
Proceeds from issue of share capital		**1**	-
Decrease in borrowings		**(337)**	(352)
Increase in borrowings		**605**	233
Repayment of finance lease obligations		**(5)**	-
Dividends paid to Group shareholders	8	**(108)**	(94)
Cash flows from/(used in) financing activities		**156**	(213)
Increase in cash and cash equivalents		**26**	30
Net cash and cash equivalents at 1 May		**82**	64
Reclassification to held for sale		**-**	(6)
Exchange gains/(losses) on cash and cash equivalents		**7**	(6)
Net cash and cash equivalents at 30 April		**115**	82

Notes to the financial statements

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs'), and have also applied IFRSs as issued by the International Accounting Standards Board (IASB).

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

No changes have been made to the Group's accounting policies in the year ended 30 April 2016 other than the following:

- IFRIC 21 Levies
- Annual Improvements to IFRSs 2011 – 2013 cycle
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010 – 2012 cycle

The adoption of these standards, amendments and interpretations has not had a material effect on the results for the year.

The accounting policies, presentation methods and methods of computation followed are the same as those detailed in the 2015 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.

2. SEGMENT REPORTING

There has been a minor change in operating segments, with Austria moving from the 'DACH and Northern Europe' segment into the 'Central Europe and Italy' segment. 'DACH and Northern Europe' has been renamed 'DCH and Northern Europe' to accommodate this change. No restatement has been deemed necessary on the grounds of materiality.

Year ended 30 April 2016	Note	UK £m	Western Europe £m	DCH and Northern Europe £m	Central Europe and Italy £m	Plastics £m	Total Continuing Operations £m
External revenue		**864**	**1,044**	**853**	**1,022**	**283**	**4,066**
EBITDA		**112**	**113**	**118**	**122**	**41**	**506**
Depreciation		**(27)**	**(36)**	**(25)**	**(30)**	**(9)**	**(127)**
Operating profit[1]		**85**	**77**	**93**	**92**	**32**	**379**
Unallocated items:							
Amortisation							**(51)**
Exceptional items	3						**(78)**
Total operating profit (continuing operations)							**250**
Analysis of total assets and total liabilities							
Segment assets		**747**	**959**	**899**	**1,031**	**175**	**3,811**
Unallocated items:							
Equity accounted investments and other investments							**7**
Derivative financial instruments							**57**
Cash and cash equivalents							**134**
Tax							**69**
Total assets							**4,078**
Segment liabilities		**(227)**	**(438)**	**(170)**	**(256)**	**(58)**	**(1,149)**
Unallocated items:							
Borrowings and accrued interest							**(1,295)**
Derivative financial instruments							**(56)**
Tax							**(250)**
Employee benefits							**(188)**
Total liabilities							**(2,938)**
Capital expenditure		**53**	**51**	**42**	**72**	**11**	**229**

1 Adjusted for amortisation and exceptional items.

2. SEGMENT REPORTING CONTINUED

Year ended 30 April 2015	Note	UK £m	Western Europe £m	DCH and Northern Europe £m	Central Europe and Italy £m	Plastics £m	Total Continuing Operations £m
External revenue		905	941	922	750	302	3,820
EBITDA		107	99	119	89	38	452
Depreciation		(26)	(34)	(23)	(24)	(10)	(117)
Operating profit[1]		81	65	96	65	28	335
Unallocated items:							
Amortisation							(46)
Exceptional items	3						(40)
Total operating profit (continuing operations)							249
Analysis of total assets and total liabilities							
Segment assets		709	728	829	612	174	3,052
Unallocated items:							
Equity accounted investments and other investments							21
Derivative financial instruments							37
Cash and cash equivalents							95
Tax							96
Total assets							3,301
Segment liabilities		(250)	(314)	(166)	(188)	(61)	(979)
Unallocated items:							
Borrowings and accrued interest							(805)
Derivative financial instruments							(31)
Tax							(268)
Employee benefits							(200)
Total liabilities							(2,283)
Capital expenditure		42	35	39	41	10	167

1 Adjusted for amortisation and exceptional items

GEOGRAPHICAL AREAS

In presenting information by geographical area, external revenue is based on the geographical location of customers.

	External revenue	
Continuing operations	**2016 £m**	2015 £m
UK	**813**	879
France	**629**	620
Germany	**533**	579
Italy	**444**	429
Rest of the World	**1,647**	1,313
	4,066	3,820

3. EXCEPTIONAL ITEMS

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

Continuing operations	**2016 £m**	2015 £m
Acquisition related costs	**(9)**	(4)
Gains/(losses) on acquisitions and divestments	**23**	(5)
Acquisitions and disposals	**14**	(9)
Integration costs	**(12)**	-
Other restructuring costs	**(50)**	(31)
Impairment of assets	**(21)**	(4)
Other	**(9)**	4
Total pre-tax exceptional items (recognised in operating profit)	**(78)**	(40)
Income tax credit on exceptional items	**27**	10
Share of exceptional loss of associate, net of tax	**-**	(7)
Exceptional finance cost	**(1)**	(4)
Total post-tax exceptional items	**(52)**	(41)

2015/16

Acquisition costs of £9m consist of professional advisory, legal and consultancy fees and attributable internal salary costs relating to the review of potential deals, and deals completed during the year including the acquisition of Duropack and Lantero. Other acquisitions completed in the year are detailed in note 12.

Gains on acquisitions and divestments of £23m comprise the profit on sale of StePac of £9m, with the majority of the remainder relating to a £10m gain on the step acquisition of the Lantero business (where previously the Group held an associate interest).

Integration costs relate to integration projects underway to achieve cost synergies from the acquisitions made in the year, including Duropack and Lantero.

Of the £50m other restructuring costs, £10m relates to the closure of the Wansbrough paper mill in the UK, announced in October 2015 after the completion of a consultation process. The majority of the remainder relates to further reorganisation and restructuring in the UK (£10m), DCH and Northern Europe (£17m) and Western Europe (£7m).

Impairment of assets of £21m is primarily associated with the announced closure of the Wansbrough paper mill in the UK.

Other exceptional items of £9m mainly relate to European centralisation and optimisation projects of £5m, site remediation costs of £2m, and the continuing costs of UK centralisation projects of £1m.

The income tax credit on exceptional items includes an amount received from the previous owners of an acquired business under the tax indemnity (£3m), the reversal of provisions made on acquisition of a business for tax (£2m), and the tax effect at the local applicable tax rate of exceptional items that are subject to tax. The above exceptional items give rise to a net income tax effect, with the exception of gains and losses on certain divestments which are not subject to tax under local rules, and non-tax deductible deal related advisory fees in relation to acquisitions and disposals.

2014/15

The loss on acquisitions and divestments of £5m comprises a £3m gain on the disposal of the Foam business in Denmark and Sweden in September 2014, a gain of £2m on the step acquisition of the Italian Recycling business from 50% to 100% in July 2014, offset by a loss of £9m on the divestment of the Nantes paper mill in France in January 2015 and other losses on divestment of £1m.

Of the £31m other restructuring costs, £10m relates to UK site closures and reorganisations, £11m relates to restructuring of businesses in the DCH and Northern Europe region and £3m relates to restructuring of businesses in UK Recycling.

Other exceptional items of £4m principally relate to the release of acquisition related provisions of £16m, partially offset by the costs of continuing UK centralisation projects of £9m.

The share of exceptional loss of associate relates to the Group's share of post-tax foreign exchange losses recognised in the Group's Ukrainian associate Rubezhansk as a result of the significant decline in the value of the Ukrainian currency, Hryvnia, during the local geopolitical crisis.

Exceptional finance cost of £4m relates to the write-off of unamortised finance costs relating to the SCA acquisition following the refinancing of borrowings in May 2014.

4. EMPLOYEE BENEFITS

	2016 £m	2015 £m
Employee benefit deficit at 1 May	**(200)**	(151)
Acquisitions	**(9)**	-
Curtailments	**2**	-
Expense recognised in operating profit	**(6)**	(4)
Employment benefit net finance expense (excluding Pension Protection Fund levy)	**(5)**	(4)
Employer contributions	**17**	17
Other payments and contributions	**7**	6
Actuarial gains/(losses)	**11**	(65)
Currency translation	**(5)**	10
Reclassification	**-**	(9)
Employee benefit deficit at 30 April	**(188)**	(200)
Deferred tax asset	**43**	48
Net employee benefit deficit at 30 April	**(145)**	(152)

The table above is the aggregate 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.

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.

5. FINANCE INCOME AND COSTS

Continuing operations	2016 £m	2015 £m
Interest income from financial assets	**(1)**	(1)
Other	**-**	(2)
Finance income	**(1)**	(3)
Interest on loans and overdrafts	**38**	37
Other	**5**	2
Finance costs	**43**	39

6. INCOME TAX EXPENSE

Continuing operations	2016 £m	2015 £m
Current tax expense		
Current year	**(84)**	(73)
Adjustment in respect of prior years	**6**	1
	(78)	(72)
Deferred tax credit		
Origination and reversal of temporary differences	**23**	10
Reduction in tax rates	**(4)**	-
Adjustment in respect of prior years	**(2)**	8
	17	18
Total income tax expense before exceptional items	**(61)**	(54)
Tax relating to exceptional items (note 3)	**27**	10
Total income tax expense in the income statement from continuing operations	**(34)**	(44)

The tax credit on amortisation was £12m (2014/15: £12m).

6. INCOME TAX EXPENSE CONTINUED

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

	2016 £m	2015 £m
Profit before income tax	**201**	200
Share of loss of equity accounted investments, net of tax	**1**	7
Profit before tax and share of loss of equity accounted investments, net of tax	**202**	207
Income tax at the domestic corporation tax rate of 20.00% (2014/15: 20.92%)	**(40)**	(43)
Effect of additional taxes and tax rates in overseas jurisdictions	**(15)**	(19)
Additional items deductible for tax purposes	**16**	18
Non-deductible expenses	**(12)**	(17)
Non-taxable gains	**3**	3
Release of prior year provisions in relation to acquired businesses	**11**	2
Change in unrecognised deferred tax assets in relation to acquired businesses	**-**	6
Reimbursement under tax indemnity in relation to acquired businesses	**3**	-
Adjustment in respect of prior years	**4**	9
Effect of change in corporation tax rates	**(4)**	(3)
Income tax expense - total Group	**(34)**	(44)

7. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	2016	2015
Profit from continuing operations attributable to ordinary shareholders	**£167m**	£156m
Weighted average number of ordinary shares	**943m**	941m
Basic earnings per share	**17.7p**	16.6p

DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

	2016	2015
Profit from continuing operations attributable to ordinary shareholders	**£167m**	£156m
Weighted average number of ordinary shares	**943m**	941m
Potentially dilutive shares issuable under share-based payment arrangements	**11m**	9m
Weighted average number of ordinary shares (diluted)	**954m**	950m
Diluted earnings per share	**17.5p**	16.4p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 1m (2014/15: nil).

ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS

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

	2016			2015		
	£m	Basic - pence per share	Diluted - pence per share	£m	Basic - pence per share	Diluted - pence per share
Basic earnings	**167**	**17.7p**	**17.5p**	156	16.6p	16.4p
Add back amortisation, after tax	**39**	**4.2p**	**4.1p**	34	3.6p	3.6p
Add back exceptional items, after tax	**52**	**5.5p**	**5.4p**	41	4.3p	4.3p
Adjusted earnings	**258**	**27.4p**	**27.0p**	231	24.5p	24.3p

8. DIVIDENDS PROPOSED AND PAID

	2016		2015	
	Pence per share	£m	Pence per share	£m
2014/15 interim dividend - paid	**-**	**-**	3.7p	35
2014/15 final dividend - paid	**-**	**-**	7.7p	73
2015/16 interim dividend - paid	**4.0p**	**38**	-	-
2015/16 final dividend - proposed	**8.8p**	**83**	-	-

	2016 £m	2015 £m
Paid during the year	**108**	94

The interim dividend in respect of 2015/16 of 4.0 pence per share (£38m) was paid after the year end on 3 May 2016. The 2014/15 interim and final dividends were paid during the 2015/16 financial year. A final dividend in respect of 2015/16 of 8.8 pence per share (£83m) has been proposed by the Directors after the reporting date.

9. CASH GENERATED FROM OPERATIONS

Continuing operations	2016 £m	2015 £m
Profit for the year	**167**	156
Adjustments for:		
Pre-tax integration costs and other exceptional items	**92**	31
Amortisation of intangible assets and acquisitions and disposals	**37**	55
Cash outflow for exceptional items	**(77)**	(49)
Depreciation	**127**	117
Profit on sale of non-current assets*	**(12)**	(8)
Share of loss of equity accounted investments, net of tax	**1**	7
Employment benefit net finance expense	**6**	6
Share-based payment expense	**6**	5
Finance income	**(1)**	(3)
Finance costs	**43**	39
Other non-cash items (including other deposits)	**2**	(7)
Income tax expense	**34**	44
Change in provisions	**(18)**	(15)
Change in employee benefits	**(19)**	(16)
Cash generation before working capital movements	**388**	362
Changes in:		
Inventories	**(25)**	(13)
Trade and other receivables	**33**	65
Trade and other payables	**48**	49
Working capital movement	**56**	101
Cash generated from continuing operations	**444**	463

* Includes gains on the sale of surplus property assets of £10m (2014/15: £6m).

10. NET DEBT

	2016 £m	2015 £m
Cash and cash equivalents	**134**	95
Overdrafts	**(19)**	(13)
Net cash and cash equivalents	**115**	82
Other deposits	**25**	33
Interest-bearing loans and borrowings due – after one year	**(1,058)**	(776)
Interest-bearing loans and borrowings due – within one year	**(180)**	(1)
Finance leases	**(20)**	(6)
Derivative financial instruments		
– assets	**25**	21
– liabilities	**(6)**	(4)
	(1,214)	(733)
Net debt	**(1,099)**	(651)

Derivative financial instruments above relate to interest rate and cross-currency swaps used to hedge the Group's borrowings and the ratio of net debt to EBITDA. 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.

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

11. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2016 £m	2015 £m
Continuing operations		
Operating profit before amortisation and exceptional items	**379**	335
Depreciation	**127**	117
Adjusted EBITDA	**506**	452
Working capital movement	**56**	101
Change in provisions	**(18)**	(15)
Change in employee benefits	**(19)**	(16)
Other	**(5)**	(4)
Cash generated from operations before exceptional cash items	**520**	518
Capital expenditure	**(229)**	(167)
Proceeds from sale of property, plant and equipment and other investments	**28**	18
Tax paid	**(49)**	(28)
Net interest paid	**(32)**	(34)
Free cash flow	**238**	307
Cash outflow for exceptional items	**(77)**	(49)
Dividends paid	**(108)**	(94)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(313)**	(28)
Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents	**21**	18
Net cash flow	**(239)**	154
Proceeds from issue of share capital	**1**	–
Loans and borrowings acquired	**(120)**	(30)
Reclassification	**-**	(9)
Net movement on debt	**(358)**	115
Foreign exchange, fair value and other non-cash movements	**(90)**	61
Net debt movement – continuing operations	**(448)**	176
Opening net debt	**(651)**	(827)
Closing net debt	**(1,099)**	(651)

12. ACQUISITIONS AND DIVESTMENTS

(A) ACQUISITION OF DUROPACK

On 31 May 2015, the Group acquired the Duropack business. The acquisition was effected by the purchase of equity of the Duropack business for €305m on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. The transaction was subject to customary post-completion adjustments.

Duropack, a recycled corrugated board packaging business, has market-leading positions across south eastern Europe, holding the number one or two position in many of the geographies in which it operates. It is well invested with high quality assets and operates a "short paper, long fibre" model similar to that of the Group.

The Group expects that this acquisition will improve its position in higher growth south eastern European geographies, further strengthening pan-European capabilities to our existing customer base in addition to providing access to new customers.

The following table summarises the consideration paid for the Duropack business and provisional fair value of assets acquired and liabilities assumed.

	Carrying values before acquisition £m	Provisional fair values £m
Intangible assets	2	44
Property, plant and equipment	95	97
Other non-current assets	3	1
Assets held for sale	-	1
Net deferred tax assets/(liabilities)	5	(5)
Inventories	22	20
Trade and other receivables	53	49
Interest-bearing loans and borrowings	(70)	(73)
Employee benefits	(6)	(6)
Cash and cash equivalents	15	15
Trade and other payables	(29)	(33)
Other non-current liabilities	(2)	(1)
Provisions	(1)	(3)
Total identifiable net assets acquired	**87**	**106**
Non-controlling interest acquired		(4)
Goodwill		51
Total consideration		**153**
Satisfied by:		
Cash consideration		153

Net cash flow arising on acquisition	
Cash consideration	153
Bank break fees paid	3
Cash and cash equivalents acquired	(15)
Total cash outflow	**141**

A detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, with the use of third party experts where appropriate. The fair value of intangible assets and property, plant and equipment has been assessed by reference to work performed by an independent valuation specialist. The intangible assets acquired as part of the acquisition relate to customer relationships.

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

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

The trade and other receivables comprise gross contractual amounts due of £52m. At the acquisition date, it is estimated that contractual cash flows of £3m will not be collected.

Goodwill of £51m arising on the acquisition of Duropack (which is not expected to be tax deductible) includes anticipated synergies from integrating Duropack into the Group, and the skills and technical talent of the Duropack workforce.

12. ACQUISITIONS AND DIVESTMENTS CONTINUED

(B) ACQUISITION OF LANTERO

On 31 July 2015, the Group acquired the corrugated activities of Grupo Lantero, including several operations in which DS Smith previously held an equity accounted minority.

The business is a well-invested Iberian corrugated producer with a strong focus in the FMCG sector, operating seven sites across Spain. This acquisition significantly strengthens the Group's operations in Spain, an important and growing market for corrugated packaging. This acquisition increases the Group's offering to pan-European customers in this large and growing market. The acquisition was effected by the purchase of equity, and the total consideration, including the assumption of debt, was €190m.

The following table summarises the consideration paid for the Lantero business and provisional fair value of assets acquired and liabilities assumed.

	Carrying values before acquisition £m	Provisional fair values £m
Intangible assets	**1**	**41**
Property, plant and equipment	**69**	**79**
Net deferred tax assets/(liabilities)	**1**	**(5)**
Inventories	**10**	**10**
Trade and other receivables	**65**	**65**
Interest-bearing loans and borrowings	**(34)**	**(34)**
Cash and cash equivalents	**4**	**4**
Trade and other payables	**(49)**	**(50)**
Provisions	**–**	**(2)**
Total identifiable net assets acquired	**67**	**108**
Less fair value of pre-existing interest in Lantero		**(10)**
Goodwill		**4**
Total consideration		**102**
Satisfied by:		
Cash consideration		**102**

Net cash flow arising on acquisition	
Cash consideration	**102**
Cash and cash equivalents acquired	**(4)**
Total cash outflow	**98**

A detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, with the use of third party experts where appropriate. The fair value of intangible assets and property, plant and equipment has been assessed by reference to work performed by an independent valuation specialist. The intangible assets acquired as part of the acquisition relate to customer relationships.

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

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

The trade and other receivables comprise gross contractual amounts due of £67m. At the acquisition date, it is estimated that contractual cash flows of £2m will not be collected.

The remeasurement to fair value of the Group's existing 25% interests in certain Lantero Group entities resulted in a gain of £10m. This gain has been included in exceptional items (note 3).

Goodwill of £4m arising on the acquisition of Lantero (which is not expected to be tax deductible) includes anticipated synergies from integrating Lantero into the Group, and the skills and technical talent of the Lantero workforce.

12. ACQUISITIONS AND DIVESTMENTS CONTINUED

(C) 2015/16 ACQUISITIONS AND DISPOSALS

During the year ended 30 April 2016, the Group acquired Duropack (see (a) above) and Lantero (see (b) above).

In addition to the acquisitions detailed above, the Group also made various other business acquisitions and disposals, which are not considered material to the Group individually or in aggregate. These include the disposal of StePac for US$31m, the acquisition of the Greek corrugated packaging business of Cukurova Group with a simultaneous sale of the Group's minority shareholding in Cukurova Group's Turkish corrugated paper and packaging entities to the Cukurova Group, the acquisition of the Milas packaging business of DasaMilas Ambalaj, and the acquisition of a specialist high-quality packaging producer, TRM Packaging, in the UK.

(D) 2014/15 ACQUISITIONS AND DISPOSALS

For various business combinations completed in the year ended 30 April 2015, certain fair values assigned to the net assets at the dates of acquisition were provisional and, in accordance with IFRS 3 *Business Combinations*, the Group has adjusted the fair values attributable to these acquisitions during the year ended 30 April 2016, resulting in a net increase in goodwill of £3m. Neither the acquisitions nor disposals during the year ended 30 April 2015 were considered material to the Group individually or in aggregate.

(E) ACQUISITION RELATED COSTS

The Group incurred acquisition related costs of £9m (2014/15: £4m). In 2015/16 these primarily related to the acquisition of the Duropack and Lantero Groups, the Greek corrugated packaging business of Cukurova Group and Milas Packaging, as well as other deal costs relating to reviewing potential acquisitions. These costs have been included in administrative expenses in the Consolidated Income Statement within exceptional items.

13. SUBSEQUENT EVENTS

On 21 June 2016, the Group reached agreement to purchase Gopaca, a corrugated producer in Portugal, subject to competition clearance, expected in calendar Q3 2016. On 22 June 2016, the Group purchased Creo, a UK display, packaging and design business.

The two acquisitions are not material to the Group individually or in aggregate.

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