20 June 2024

DS SMITH PLC – 2023/24 FULL-YEAR RESULTS
ROBUST PERFORMANCE IN A CHALLENGING ENVIRONMENT

12 months to 30 April 2024 Continuing operations		Change (reported)	Change (constant currency)
Revenue	£6,822m	(17%)	(16%)
Adjusted operating profit(1)	£701m	(19%)	(18%)
Profit before tax	£503m	(24%)	(23%)
Adjusted basic EPS(1)	33.1p	(23%)	(22%)
Statutory basic EPS	28.0p	(22%)	(20%)
Dividend per share	18.0p	-	-
Return on sales (RoS)(2)	10.3%	(20bps)	(10bps)
ROACE(3)	10.7%	(360bps)	(370bps)

See notes to financial table below

- Robust adjusted operating profit of £701m (FY2022/23: £861m), in line with management expectations, against a weak consumer demand environment and high inflation
- Decline in like for like box volumes of 2%; improving momentum across the year with like for like growth of 2% in Q4 FY2023/24 vs Q4 FY2022/23
- Strong customer relationships, innovation and high service levels, together with strong cost management, have partially offset downward pricing pressure
- Lower free cashflow, reflecting our current capital expenditure programme and a working capital outflow, predominantly driven by commodity prices, has resulted in 2.1x net debt/EBITDA (FY2022/23: 1.3x). Underlying working capital metrics remain consistent with prior years
- Ongoing capital and operational expenditure programmes to support our customers and improve productivity and environmental efficiency remain on track
- Further progress towards our 2030 Now and Next goals;
    - Replaced over 1 billion units of plastic since May 2020, ahead of schedule
    - Further greenhouse gas (GHG) reduction - 5 per cent in the year (19 per cent compared to 2019)
- Recommended all-share offer from International Paper to combine the businesses and create a truly international sustainable packaging solutions leader

Miles Roberts, Group Chief Executive, commented:
"We are pleased to have delivered a robust performance, despite the challenging environment, driven by our focus on customers, quality, service and innovation together with the benefit from our self-help productivity initiatives. I am also very proud of the continued excellent progress in helping our customers' sustainability challenges and to have achieved our target of 1 billion units of plastic replaced with fibre-based alternatives 16 months ahead of schedule.

The positive trends in packaging volumes from the second half of last year have continued into the current financial year and we remain focused on pricing, operational efficiency and tight cost control. The increasing demand is resulting in higher paper and other input costs, including OCC. We anticipate this will be reflected in packaging price rises, with the benefits expected to be weighted to the second half of our current financial year and provide further momentum into FY26.

In April, we announced a combination with International Paper through an all-share transaction. The combination with International Paper is an attractive opportunity to create a truly international sustainable packaging solutions leader that is well positioned in attractive and growing markets across Europe and North America. We are working collaboratively with International Paper to satisfy the offer conditions and bring about the successful completion of the transaction."

Enquiries
DS Smith Plc +44 (0)20 7756 1800

Investors
Hugo Fisher, Group Investor Relations Director
Anjali Kotak, Investor Relations Director

Media
Greg Dawson, Corporate Affairs Director

Brunswick +44 (0)20 7404 5959
Simon Sporborg
Dan Roberts

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, and Richard Pike, Group Finance Director.

To access the webcast, please register here. A copy of the slides presented will also be available on the Group's website, https://www.dssmith.com/investors/results-and-presentations.

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 £98 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-month 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 = 0.8%. Source: Eurostat (15 May 2024) 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

Resilient performance

The macro-economic environment has remained challenging with overall market demand continuing to be weak, leading to a decline in like for like box volumes of 2 per cent[4] compared to FY2022/23. Customers are starting to increase promotional activity and stock levels, with like for like volumes in the second half of the year showing positive growth. The medium-term target for box volume growth of 1.8% (GDP+1%) was significantly impacted by inflation, in addition to lower production volumes.

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

For the 12-month period, revenue was £6,822 million (FY2022/23: £8,221 million), down 16 per cent on a constant currency basis and 17 per cent on a reported basis with the decline in box volumes (£129 million) and lower selling prices (£1,173 million). Packaging prices were down £647 million, approximately 10 per cent, with the balance reflecting lower external paper, recyclate and energy sales. Packaging prices have been relatively resilient, reflecting our strong customer relationships, ongoing innovation and continued focus on high service levels.

Adjusted operating profit declined 18 per cent on a constant currency basis and 19 per cent on a reported basis to £701 million (FY2022/23: £861 million). The impact of box and other volume declines led to a £35 million reduction in adjusted operating profit. The decline in sales price was mostly offset by a reduction in raw material costs and cost mitigation actions, which led to an overall decrease in costs, excluding the impact of volume declines, of £1,059 million versus the comparable period with a reduction in raw materials costs of £661 million and cost mitigation initiatives and reduced other costs totalling £398 million.

Group return on sales was 10.3 per cent (FY2022/23: 10.5 per cent), and within our medium-term target range of 10–12 per cent reflecting the robust operating profit.

Basic earnings per share from continuing operations declined 20 per cent on a constant currency basis to 28.0 pence. Adjusted basic earnings declined by 22 per cent on a constant currency basis to 33.1 pence per share, reflecting the decline in profitability.

Return on average capital employed decreased by 360 bps to 10.7 per cent reflecting the lower profitability and below our medium-term target range of 12 to 15 per cent.

Cash flow and net debt

As previously announced, free cash flow[8] was impacted in the period by a number of one-off items and led to an outflow of £175 million versus a cash inflow of £354 million in FY 2022/23. The cash outflow included a working capital outflow of £417 million including a net outflow of £137 million (FY2022/23: net benefit of £69 million) in respect of the reversal of prior period cash collateralisation of energy hedges which we undertook to limit our counterparty exposure. The underlying working capital outflow was principally driven by lower paper and energy prices reducing trade payables. In September 2023 we paid the final amount of £103 million for the remaining outstanding shareholding in Interstate Resources, the majority of which we acquired in August 2017.

Cash generated from operations before adjusting cash items of £566 million (FY2022/23: £1,092 million) was used to invest in net capex of £506 million (FY2022/23: £526 million).

Cash conversion(7,8), as defined in our financial KPIs (note 14), was 39 per cent (FY2022/23: 101 per cent), below our target of being at or above 100 per cent.

Net debt as at 30 April 2024 was £2,230 million (30 April 2023: £1,636 million), principally due to the increased working capital outflow and capital expenditure described above. Our net debt/EBITDA(6) ratio (calculated in accordance with our banking covenant requirements) is 2.1 times (2022/23: 1.3 times), substantially below our banking covenant of 3.75 times and just above our medium-term target of at or below 2.0 times. The Group remains fully committed to maintaining its investment grade credit rating.

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 and have built our Now & Next sustainability Strategy around ambitious near and long-term targets that confirm our commitment to the Circular Economy and our Purpose of Redefining Packaging for a Changing World.

Replacing one billion units of plastic by 2025 was one of these targets and we are proud to have achieved this target 16 months ahead of schedule. We have replaced over 1.2 billion units of plastic with a range of new and innovative fibre-based solutions. Everyday plastic items that have been replaced on supermarket shelves include ready-meal trays, fruit and vegetable punnets, plastic carriers and shrink-wrap that is commonly found on soft drink bottles.

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 total greenhouse gas (GHG) emissions by 5 per cent in the year (19 per cent compared to 2019), strengthened our human rights due diligence having achieved our target to roll out Sedex SAQs (Supplier Ethical Data Exchange Self-Assessment Questionnaire) to all sites and maintained 100 per cent of our sites engaging in community activities.

We are delighted that our progress on climate change was recently recognised with our CDP A List position (achieving A grade for Climate Change, alongside A- for Forests and Water Security) with continuing high ratings from EcoVadis, MSCI, S&P Global and Sustainalytics.

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, in line with FY 2022/23. Subject to approval of shareholders at the AGM to be held on 3 September 2024, the final dividend will be paid on 4 October 2024 to shareholders on the register at the close of business on 6 September 2024.

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. Performance against our financial key performance indicators and medium-term targets has been described 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 9 per cent to 1.65, reflecting our ongoing commitment to best practice in health and safety. We are proud that 262 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, maintaining the same level as the prior year (96 per cent). Management remains fully committed to our target of 97 per cent 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.

Combination with International Paper
DS Smith is a high-quality business with an excellent customer focus and exceptional people and this has been recognised by the strong interest we have seen in the Company.

In April the boards of International Paper Company and DS Smith recommended an all-share combination of International Paper with DS Smith. The combination will bring together complementary businesses to create a truly global sustainable packaging solutions leader, with industry leading positions in two of the most attractive geographies of Europe and North America. The combined business will enhance our global proposition to customers, create opportunities for colleagues and drive value for shareholders who can remain fully invested in such an exciting business. Both parties are working together to satisfy the offer conditions as described in the rule 2.7 announcement on 16 April 2024 and bring about the successful completion of the recommended all-share combination.

Further details on the proposed transaction can be found at:

https://www.dssmith.com/investors/possible-offer-for-ds-smith-by-international-paper

Outlook

The positive trends in packaging volumes from the second half of last year have continued into the current financial year and we remain focused on pricing, operational efficiency and tight cost control. The increasing demand is resulting in higher paper and other input costs, including OCC. We anticipate this will be reflected in packaging price rises, with the benefits expected to be weighted to the second half of our current financial year and provide further momentum into FY26.

Operating Review

Northern Europe

	Year ended 30 April 2024	Year ended 30 April 2023	Change – reported	Change – constant currency
Revenue	£2,598m	£3,132m	(17%)	(16%)
Adjusted operating profit*	£199m	£212m	(6%)	(5%)
Return on sales(2)	7.7%	6.8%	90bps	90bps

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

In Northern Europe, like for like corrugated box volumes across the region declined more than the Group average due to a greater weighting of industrial and e-commerce customers which have seen the biggest sectoral declines over the year.

Revenues decreased by 16 per cent in the region due to a combination of the decrease in box volumes, reductions in sales prices for packaging and externally sold paper as well as volumes of recycled fibre. Adjusted operating profit decreased less than revenue, with return on sales increasing to 7.7 per cent, reflecting resilient pricing in packaging, due to a higher proportion of indexed pricing and benefits from restructuring announced in FY2022/23.

Southern Europe

	Year ended 30 April 2024	Year ended 30 April 2023	Change – reported	Change – constant currency
Revenue	£2,532m	£3,150m	(20%)	(19%)
Adjusted operating profit*	£373m	£501m	(26%)	(25%)
Return on sales(2)	14.7%	15.9%	(120bps)	(120bps)

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

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

Revenue declined 19 per cent, due to the impact of decreases in both packaging and external paper pricing. Adjusted operating profit declined by 25 per cent compared to the prior period, due largely to the decrease in the volume and price of paper sold externally, although margins continued to remain significantly above the Group's target range.

Eastern Europe

	Year ended 30 April 2024	Year ended 30 April 2023	Change – reported	Change – constant currency
Revenue	£1,106m	£1,275m	(13%)	(13%)
Adjusted operating profit*	£72m	£76m	(5%)	(4%)
Return on sales(2)	6.5%	6.0%	50bps	60bps

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

Like for like corrugated box volumes in Eastern Europe grew over the period, with revenues declining 13 per cent, principally reflecting reduced paper and packaging prices. Return on sales improved during the period, as adjusted operating profit was down only slightly as the lower pricing was partially offset by lower raw material costs and efficiency improvements, together with costs of £19 million relating to the decision to close our Trakia paper mill in Bulgaria in the prior year comparative.

North America

	Year ended 30 April 2024	Year ended 30 April 2023	Change – reported	Change – constant currency
Revenue	£586m	£664m	(12%)	(8%)
Adjusted operating profit*	£57m	£72m	(21%)	(16%)
Return on sales(2)	9.7%	10.8%	(110bps)	(100bps)

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

Like for like packaging volumes grew strongly during the period, reflecting excellent customer traction and our recent investments in additional capacity. However, revenue in the region declined, reflecting pricing reductions in paper and packaging.

Adjusted operating profit declined by 16 per cent, principally reflecting the decline in paper profitability as the region produces more paper than it currently utilises for our own packaging production and hence retains some exposure to the paper export market. Despite this, return on sales margins remain attractive and the expected continued volume growth will reduce this exposure going forward.

Financial Review

Overview

2023/24 has seen the Group deliver robust adjusted operating profit in the context of a challenging macroeconomic environment, characterised by soft demand, low paper prices and higher inflation impacting input costs. We continued to be responsive to our customers' needs and invested in our strong relationships, while delivering innovative packaging solutions.

The business saw revenue decline by 17 per cent (constant currency 16 per cent) as the market price of paper and packaging reduced, coupled with a marginal decline in packaging volumes of (2 per cent). Adjusted operating profit reduced by 19 per cent (constant currency 18 per cent) from the record level recorded in the previous year, reflecting the enormous effort by our colleagues across the business to offset the external headwinds.

Whilst the above-mentioned efforts ensured that the return on sales of the business remained relatively flat at 10.3 per cent (2022/23: 10.5 per cent) and within our target range, return on average capital employed (ROACE) for the year was 10.7 per cent (2022/23: 14.3 per cent), which was below the target range of 12 to 15 per cent. The headline results can be summarised as:

- Organic corrugated box volume reduced by 2 per cent (2022/23: a decrease of 5.8 per cent)
- Revenue decreased 16 per cent on a constant currency and 17 per cent on a reported basis to £6,822 million (2022/23: £8,221 million)
- Adjusted operating profit of £701 million, a decline of 18 per cent on a constant currency basis and 19 per cent on a reported basis (2022/23: £861 million)
- 18 per cent reduction in operating profit to £604 million on a reported basis; 16 per cent decrease on a constant currency basis (2022/23: £733 million)
- Statutory profit before tax of £503 million, a 23 per cent reduction on a constant currency basis and 24 per cent decrease on a reported basis (2022/23: £661 million)
- Adjusted return on sales at 10.3 per cent (2022/23: 10.5 per cent)
- Adjusted return on average capital employed of 10.7 per cent (2022/23: 14.3 per cent)
- Net debt to EBITDA ratio of 2.1 times (2022/23: 1.3 times)
- Cash conversion 39 per cent (2022/23: 101 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 decreased by 17 per cent on a reported basis to £6,822 million (2022/23: £8,221 million). Packaging prices continued to fall across the year, reflecting ongoing soft demand and paper selling prices remained weak through the year before starting to recover as we approached year end. Lower selling prices reduced revenue by £1,173 million, with packaging and other volume reductions reducing revenue by a further £142 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 £84 million of adverse foreign exchange translation impact. On a constant currency basis, revenues decreased by 16 per cent.

Corrugated box volumes reduced by 2 per cent (2022/23: 5.8 per cent reduction) as a result of softness in demand in our end markets. However, there was improvement in the demand environment across the year and in the second half we saw a marginal improvement over the prior year comparative period as sentiment began to improve.

Adjusted operating profit of £701 million on a reported basis is a decrease of 19 per cent (2022/23: £861 million). This is largely attributable to reducing prices (£1,173 million) and volume reduction of £35 million, offset by input cost reductions of £1,059 million. Constant currency decline was 18 per cent with adverse foreign exchange translation impact to adjusted operating profit of £11 million. As the Group exited the year, market prices began to rise following the price reductions experienced over the past year.

Operating profit at £604 million, is a decline of 16 per cent on a constant currency basis and 18 per cent on a reported basis (2022/23: £733 million), as lower amortisation and adjusting items offset the decline in adjusted operating profit.

On a reported basis, depreciation increased to £323 million (2022/23: £312 million), reflective of the continued investments in the Group's operating assets.

Amortisation decreased to £98 million (2022/23: £113 million) due to the full year effect of intangibles arising on earlier acquisitions completing their amortisation term.

The key measure of return on average capital employed reduced by 360 basis points to 10.7 per cent (2022/23: 14.3 per cent), due to the reduction in adjusted operating profit and higher capital employed. This performance is below the Group's medium-term target of 12 to 15 per cent.

The Group's adjusted return on sales was broadly comparable to the prior year with a 20 basis points reduction to 10.3 per cent (2022/23: 10.5 per cent), reflecting the robustness of our business model and continued focus on costs. It remains within the medium-term target of 10 to 12 per cent.

Income statement – from continuing operations (unless otherwise stated)	2023/24 £m	2022/23 £m
Revenue	6,822	8,221
Adjusted operating profit[1]	701	861
Operating profit	604	733
Adjusted return on sales[1]	10.3%	10.5%
Adjusted net financing costs[1]	(103)	(74)
Share of profit of equity-accounted investments, net of tax	2	2
Profit before income tax	**503**	**661**
Adjusted profit before income tax[1]	**600**	**789**
Adjusted income tax expense[1]	(145)	(197)
Adjusted earnings[1]	**455**	**592**
Profit from discontinued operations, net of tax	–	11
Adjusted basic earnings per share[1]	33.1p	43.0p
Profit for the year attributable to owners of the parent (including discontinued operations)	**385**	**502**
Basic earnings per share from continuing and discontinued operations	28.0p	36.6p
Basic earnings per share from continuing operations	28.0p	35.8p

[1] Adjusted to exclude amortisation and adjusting items (see note 3).

Adjusting items

Adjusting items before tax and financing costs were £1 million (2022/23: £15 million loss) which relates to a gain from the disposal of the Group's associate in Ukraine of £10 million offset by acquisition and other adjusting costs of £9 million.

Interest, tax and earnings per share

Net finance costs were £103 million (2022/23: £74 million). The increase of £29 million over the prior year is a function of the higher interest rate environment coupled with the refinancing of prior year bonds. The employment benefit net finance expense of £1 million is in line with the prior year.

The share of profits of equity-accounted investments remained at £2 million (2022/23: £2 million).

Profit before tax decreased by 24 per cent on a reported basis to £503 million (2022/23: £661 million), driven by the decrease in operating profit and increased financing costs offset by a reduction in amortisation. Adjusted profit before tax of £600 million (2022/23: £789 million) decreased by 24 per cent on a reported basis, again due to the decrease in the underlying adjusted operating profit.

The tax charge of £118 million (2022/23: £169 million) reflects the lower profits versus the prior year. The Group's effective tax rate on adjusted profit, excluding amortisation, adjusting items and associates, was 24.2 per cent (2022/23: 25.0 per cent).

Reported profit after tax, amortisation and adjusting items for continuing and discontinued operations was £385 million (2022/23: £503 million). The decrease in operating profit led to a reduction of 22 per cent in basic earnings per share from continuing operations on a reported basis to 28.0 pence (2022/23: 35.8 pence), with adjusted earnings per share from continuing operations 23 per cent lower at 33.1 pence (2022/23: 43.0 pence) on a reported basis, 22 per cent lower 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 the year the Group acquired Bosis d.o.o, a high-quality packaging company in Serbia, for €20 million (net of cash and cash equivalents), complementing the Group's existing regional packaging activity in Eastern Europe.

The acquisition of the final 10 per cent holding in Interstate Resources was completed in the year with a final payment of $129 million.

Cash flow

Reported net debt of £2,230 million (30 April 2023: £1,636 million) has increased from the prior year, with a reduction in EBITDA from the record performance in the previous year and a net working capital outflow of £417 million, due largely to the decline in energy prices and paper raw material purchase prices during the financial year, net capital expenditure of £506 million and higher tax payments. The working capital outflows were mitigated by maintaining focus on cash management, in particular cash collection and inventory management, but these were insufficient to offset the commodity price moves. In order to manage counterparty credit risk of the Group's energy derivatives the Group agreed resets of certain derivatives with the counterparties to reduce the risk. The unwind in the current year of prior year resets contributed to a net working capital outflow of £137 million, compared to an inflow of £69 million in the prior year.

Trade receivables factoring is £9 million higher than April 2023 at £369 million. This remains a reduction of some 34 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 decreased by £20 million to £506 million in the year. The Group continued to focus on growth and efficiency capital projects, the most significant elements of which related to the replacement paper making line in Italy, the replacement recovery boiler in Portugal and the new biomass boiler in France. Proceeds from the disposal of property, plant and equipment were £41 million (2022/23: £19 million), which included assets becoming surplus as a result of the prior year restructuring, including UK recycling sites, the Berlin packaging site and other non-core assets.

In the year, the remaining cash payment of $129 million occurred relating to the acquisition cost of the Interstate Resources acquisition following the settlement of the put option, and the acquisition of Bosis d.o.o. in Serbia was completed for €20 million.
Tax paid of £169 million is £33 million higher than the prior year, driven by increasing levels of profit in the prior year.

Net interest payments of £66 million decreased by £10 million with higher interest costs being offset by the timing of payments on the Eurobond that was issued during the year. Cash outflows associated with adjusting items decreased by £3 million to £11 million as programmes which commenced in previous years concluded.

Disposal proceeds of £5 million related to the first tranche of the cash flow from the sale of the Group's associate in Ukraine.

Cash generated from operations before adjusting cash items was an inflow of £566 million, (2022/23: £1,092 million inflow). Net cash flow was an outflow of £543 million, a £592 million decrease on the prior year. This reflects the effect of working capital outflows in the current year, increased tax payments and the outflow relating to the payment of the put option for the final consideration of Interstate Resources. Cash conversion at 39 per cent was lower than the previous year (2022/23: 101 per cent) due to the lower adjusted operating profit and cash outflow relating to working capital.

Cash flow - from continuing operations	2023/24 £m	2022/23 £m
Cash generated from operations before adjusting cash items	566	1,092
Capital expenditure (net of disposal of fixed assets)	(506)	(526)
Tax paid	(169)	(136)
Net interest paid	(66)	(76)
Free cash flow	**(175)**	**354**
Cash outflow for adjusting items	(11)	(14)
Dividends	(247)	(289)
Acquisitions and disposals of businesses, net of cash and cash equivalents	(108)	–
Other	(2)	(2)
Net cash flow	**(543)**	**49**
Issue of share capital	7	4
Foreign exchange, fair value and other movements	(58)	(205)
Net debt movement	**(594)**	**(152)**
Opening net debt	(1,636)	(1,484)
Closing net debt	**(2,230)**	**(1,636)**

Statement of financial position

At 30 April 2024, shareholder funds were £3,949 million, a decrease from £4,084 million in the prior year. The key movements are profit attributable to shareholders of £385 million (2022/23: £502 million), together with an actuarial loss on employee benefits of £2 million (2022/23: £11 million gain) and foreign currency translation loss of £147 million (2022/23: gain of £194 million), with a net reduction in the cash flow hedge reserve of £211 million (2022/23: £645 million reduction) driven by the significant reduction in the underlying value of our commodity hedge positions as energy prices fell. Dividends paid in the year were £247 million (2022/23: £289 million). Equity attributable to non-controlling interests was £nil (2022/23: £3 million positive).

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 increased to 2.1 times, with a reduction in adjusted EBITDA and an increase in adjusted net debt. This represents an increase from the previous year-end position of 1.3 times. The ratio remains well inside the covenant requirements, which across all banking debt is 3.75 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 2024, 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 2024 £m	30 April 2023 £m
Intangible assets	2,811	2,927
Property, plant and equipment	3,743	3,529
Right-of-use assets	237	224
Inventories	591	619
Trade and other receivables	1,134	1,257
Cash and cash equivalents	499	472
Derivative financial instruments	79	319
Employee benefits	50	24
Other	110	86
Total assets	**9,254**	**9,457**
Bank overdrafts	(89)	(104)
Borrowings	(2,437)	(1,816)
Trade and other payables	(1,850)	(2,287)
Provisions	(68)	(65)
Employee benefits	(82)	(79)
Lease liabilities	(239)	(224)
Derivative financial instruments	(193)	(368)
Other	(347)	(427)
Total liabilities	**(5,305)**	**(5,370)**
Net assets	**3,949**	**4,087**
Net debt	**2,230**	**1,636**
Net debt to EBITDA ratio	**2.1x**	**1.3x**

Energy costs

Production facilities, in particular paper mills, are energy intensive resulting in significant costs for the Group. In 2023/24, costs for gas, electricity and other fuels, net of periodic local incentives, were £601 million (2022/23: £669 million). The year saw significant reductions in prices in the first half year, which eased into the second half, with energy costs for the first half year of £309 million decreasing to £292 million in the second half year (2022/23: H1 £400 million, H2 £269 million). The Group's energy sales reduced compared with the prior year. 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 positive 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. A further extension was agreed in June 2024, such that the new facility of £1.25 billion matures in May 2027.

In July 2023 the Group issued two inaugural Green Bonds, to a value of €1.5 billion (€850 million due 2027 and €650 million due 27 July 2030), significantly lengthening our maturity profile and securing long-term committed financing for the business. The net proceeds of the issuance will be used to finance or refinance eligible activities in accordance with DS Smith's Green Finance Framework. The undrawn £500 million term loan facility signed in April 2023 was cancelled upon issuance of the green bonds.

Available cash and debt facilities are reviewed regularly to ensure sufficient funds are available to support the Group's activities. At 30 April 2024, the Group's committed facilities totalled £3.9 billion, of which £1.5 billion remained undrawn and £3.5 billion matures beyond one year or more. Undrawn committed borrowing facilities are maintained to provide protection against refinancing risk.

At 30 April 2024, the committed borrowing facilities had a weighted average maturity of 2.7 years (30 April 2023: 2.4 years). Additional detail on these facilities is provided below. Total gross borrowings at 30 April 2024 were £2,437 million (30 April 2023: £1,816 million). The committed borrowing facilities described do not include the £427 million of committed factoring facilities, which allow the sale of receivables without recourse. Given the 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. There was no issued commercial paper at 30 April 2024.

Facilities	Currency	Maturity date	£m equivalent
Syndicated RCF 2018	Various	2024-25	1,400
Euro medium-term notes	EUR	2024-30	2,182
Euro RCF 2020	EUR	2025	51
Sterling bond medium-term note	GBP	2029	250
Euro term loan	EUR	2025	9
Committed facilities at 30 April 2024			**3,892**

Impairment

The net book value of goodwill and other intangibles at 30 April 2024 was £2,811 million (30 April 2023: £2,927 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 (2022/23: 9.5 per cent), plus a blended country risk premium for each group of assets. Asset values were tested at 30 April 2024, 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 at 30 April is as follows:

	30 April 2024 £m	30 April 2023 £m
Aggregate gross assets of schemes	820	848
Aggregate gross liabilities of schemes	(852)	(903)
Balance sheet deficit	(32)	(55)
Deferred tax assets	7	14
Net balance sheet deficit	**(25)**	**(41)**

The net deficit has decreased versus prior year mainly due to an increase in discount rate assumptions at 30 April 2024 partially offset by a fall in the asset valuations.

The 2022 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 decrease of circa 9 per cent in the valuation of the scheme liabilities. No changes were made to the previously approved funding plan following the triennial valuation.

Total cash contributions paid into the Group pension schemes, reported within cash generated from operations in the cash flow, were £24 million in 2023/24 (2022/23: £25 million), which primarily constitute the agreed contributions under the UK defined benefit scheme deficit recovery plan.

CONSOLIDATED INCOME STATEMENT

Year ended 30 April 2024

Continuing operations	Note	**Before adjusting items 2024 £m**	**Adjusting items 2024 (note 3) £m**	**After adjusting items 2024 £m**	Before adjusting items 2023 £m	Adjusting items 2023 (note 3) £m	After adjusting items 2023 £m
Revenue	2	**6,822**	**-**	**6,822**	8,221	–	8,221
Operating costs		**(6,121)**	**-**	**(6,121)**	(7,360)	–	(7,360)
Operating profit before amortisation, acquisitions and divestments	2	**701**	**-**	**701**	861	–	861
Amortisation of intangible assets; acquisitions and divestments	3	**(98)**	**1**	**(97)**	(113)	(15)	(128)
Operating profit		**603**	**1**	**604**	748	(15)	733
Finance income	5	**14**	**-**	**14**	2	–	2
Finance costs	5	**(116)**	**-**	**(116)**	(75)	–	(75)
Employment benefit net finance expense	4	**(1)**	**-**	**(1)**	(1)	–	(1)
Net financing costs		**(103)**	**-**	**(103)**	(74)	–	(74)
Profit after financing costs		**500**	**1**	**501**	674	(15)	659
Share of profit of equity accounted investments, net of tax		**2**	**-**	**2**	2	–	2
Profit before income tax		**502**	**1**	**503**	676	(15)	661
Income tax (expense)/credit	6, 3	**(119)**	**1**	**(118)**	(172)	3	(169)
Profit for the year from continuing operations		**383**	**2**	**385**	504	(12)	492
Discontinued operations							
Profit for the year from discontinued operations, net of tax		**-**	**-**	**-**	–	11	11
Profit for the year		**383**	**2**	**385**	504	(1)	503

Profit for the year attributable to:							
Owners of the parent		**383**	**2**	**385**	503	(1)	502
Non-controlling interests		**-**	**-**	**-**	1	–	1

Earnings per share	Note						
Earnings per share from continuing and discontinued operations							
Basic	7			**28.0p**			36.6p
Diluted	7			**27.9p**			36.3p
Earnings per share from continuing operations							
Basic	7			**28.0p**			35.8p
Diluted	7			**27.9p**			35.5p
Adjusted earnings per share from continuing operations							
Basic	7		**33.1p**			43.0p	
Diluted	7		**32.9p**			42.7p	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 April 2024

	Note	**2024 £m**	2023 £m
Profit for the year		**385**	503
Items which will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on employee benefits	4	**(2)**	11
Income tax on items which will not be reclassified subsequently to profit or loss		**1**	(2)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(147)**	194
Reclassification to income statement on asset write-down		**-**	(3)
Cash flow hedges fair value changes		**(236)**	(72)
Reclassification from cash flow hedge reserve to income statement		**25**	(573)
Movement in net investment hedge		**41**	(74)
Income tax on items which may be reclassified subsequently to profit or loss		**43**	149
Other comprehensive (expense)/income for the year, net of tax		**(275)**	(370)
Total comprehensive income for the year		**110**	133
Total comprehensive income attributable to:			
Owners of the parent		**110**	132
Non-controlling interests		**-**	1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2024

	Note	2024 £m	2023 £m
Assets			
Non-current assets			
Intangible assets		**2,811**	2,927
Biological assets		**11**	11
Property, plant and equipment		**3,743**	3,529
Right-of-use assets		**237**	224
Equity accounted investments		**17**	17
Other investments		**17**	17
Employee benefits	4	**50**	24
Deferred tax assets		**23**	11
Other receivables		**4**	1
Derivative financial instruments		**15**	165
Total non-current assets		**6,928**	6,926
Current assets			
Inventories		**591**	619
Biological assets		**5**	6
Income tax receivable		**37**	24
Trade and other receivables		**1,130**	1,256
Cash and cash equivalents		**499**	472
Derivative financial instruments		**64**	154
Total current assets		**2,326**	2,531
Total assets		**9,254**	9,457
Liabilities			
Non-current liabilities			
Borrowings		**(2,040)**	(1,742)
Employee benefits	4	**(82)**	(79)
Other payables		**(31)**	(34)
Provisions		**(8)**	(11)
Lease liabilities		**(164)**	(154)
Deferred tax liabilities		**(213)**	(262)
Derivative financial instruments		**(71)**	(49)
Total non-current liabilities		**(2,609)**	(2,331)
Current liabilities			
Bank overdrafts		**(89)**	(104)
Borrowings		**(397)**	(74)
Trade and other payables		**(1,819)**	(2,253)
Income tax liabilities		**(134)**	(165)
Provisions		**(60)**	(54)
Lease liabilities		**(75)**	(70)
Derivative financial instruments		**(122)**	(319)
Total current liabilities		**(2,696)**	(3,039)
Total liabilities		**(5,305)**	(5,370)
Net assets		**3,949**	4,087
Equity			
Issued capital		**138**	138
Share premium		**2,258**	2,251
Reserves		**1,553**	1,695
Total equity attributable to owners of the parent		**3,949**	4,084
Non-controlling interests		**-**	3
Total equity		**3,949**	4,087

Approved by the Board of Directors of DS Smith Plc on 20 June 2024 and signed on its behalf by:

M W Roberts
Director

R Pike
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2024

	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 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 (expense)/income		**-**	**-**	**(496)**	**120**	**-**	**508**	**132**	**1**	**133**
Issue of share capital		1	3	–	–	–	–	4	–	4
Employee share trust		–	–	–	–	(5)	(3)	(8)	–	(8)
Share-based payments (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**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**385**	**385**	**-**	**385**
Actuarial loss on employee benefits		**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Foreign currency translation differences		**-**	**-**	**-**	**(147)**	**-**	**-**	**(147)**	**-**	**(147)**
Cash flow hedges fair value changes		**-**	**-**	**(236)**	**-**	**-**	**-**	**(236)**	**-**	**(236)**
Reclassification from cash flow hedge reserve to income statement		**-**	**-**	**25**	**-**	**-**	**-**	**25**	**-**	**25**
Movement in net investment hedge		**-**	**-**	**-**	**41**	**-**	**-**	**41**	**-**	**41**
Income tax on other comprehensive income		**-**	**-**	**41**	**2**	**-**	**1**	**44**	**-**	**44**
Total comprehensive (expense)/income		**-**	**-**	**(170)**	**(104)**	**-**	**384**	**110**	**-**	**110**
Issue of share capital		**-**	**7**	**-**	**-**	**-**	**-**	**7**	**-**	**7**
Employee share trust		**-**	**-**	**-**	**-**	**5**	**(9)**	**(4)**	**-**	**(4)**
Share-based payments (net of tax)		**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**	**-**	**(4)**
Dividends paid	8	**-**	**-**	**-**	**-**	**-**	**(247)**	**(247)**	**-**	**(247)**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**3**	**3**	**(3)**	**-**
Other changes in equity in the year		**-**	**7**	**-**	**-**	**5**	**(257)**	**(245)**	**(3)**	**(248)**
At 30 April 2024		**138**	**2,258**	**(57)**	**(89)**	**(9)**	**1,708**	**3,949**	**-**	**3,949**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 April 2024

Continuing operations	Note	**2024 £m**	2023 £m
Operating activities			
Cash generated from operations	10	**555**	1,078
Interest received		**14**	2
Interest paid		**(80)**	(78)
Tax paid		**(169)**	(136)
Cash flows from operating activities		**320**	866
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	13(a)	**(113)**	–
Divestment of equity accounted investment	13(a)	**5**	–
Capital expenditure		**(547)**	(545)
Proceeds from sale of property, plant and equipment and intangible assets		**41**	19
Cash outflows from restricted cash and other deposits		**-**	(2)
Other investing activities		**-**	2
Cash flows used in investing activities		**(614)**	(526)
Financing activities			
Proceeds from issue of share capital		**7**	4
Repayment of borrowings		**(616)**	(679)
Proceeds from borrowings		**1,284**	332
(Payments)/proceeds from derivative financial instruments		**(2)**	14
Repayment of principal on lease liabilities		**(72)**	(106)
Dividends paid to Group shareholders	8	**(247)**	(289)
Other financing activities		**(2)**	(4)
Cash flows from/(used in) financing activities		**352**	(728)
Increase/(decrease) in cash and cash equivalents		**58**	(388)
Net cash and cash equivalents at beginning of the year		**368**	746
Exchange (losses)/gains on cash and cash equivalents		**(16)**	10
Net cash and cash equivalents at end of the year		**410**	368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

(a) Basis of preparation

(i) Consolidated financial statements

These financial statements are the consolidated financial statements for the Group consisting of DS Smith Plc, a company registered in England and Wales, and all its subsidiaries. The consolidated financial statements have been prepared and approved by the Directors in accordance with the recognition, measurement and presentation requirements of UK-adopted International Accounting Standards (IFRS)) as issued by the International Accounting Standards Board (IASB), and the requirements of the Companies Act 2006. UK adopted IFRS are equivalent to those issued by the IASB for the purposes of the consolidated financial statements.

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 Directors consider that adequate resources exist for the Group to continue in operational existence for the period to 31 October 2025.

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.

(ii) 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 on 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 and going concern;
- The assessment of residual values and estimated useful economic lives of property, plant and equipment; and
- The adequacy of provisions for liabilities.

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

(iii) Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or disposal group, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Cash flows generated from discontinued operations are presented as a single item in the statement of cash flows.

All other notes to the financial statements include amounts for continuing operations.

(iv) New accounting standards adopted

The following amended standards and interpretations were adopted by the Group during the year ending 30 April 2024. These amended standards and interpretations have not had a significant impact on the consolidated financial statements.

- IFRS 17 Insurance Contracts;
- IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules;
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies; and
- Amendments to IAS 8 Accounting Policy Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.

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.

(v) Changes to accounting standards not yet adopted

The standards not yet adopted are currently not expected to have a material impact on the consolidated financial statements of the Group.

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 2024	Note	**Northern Europe £m**	**Southern Europe £m**	**Eastern Europe £m**	**North America £m**	**Total continuing operations £m**
External revenue		**2,598**	**2,532**	**1,106**	**586**	**6,822**
Adjusted EBITDA[1]		**310**	**497**	**127**	**90**	**1,024**
Depreciation		**(111)**	**(124)**	**(55)**	**(33)**	**(323)**
Adjusted operating profit[1]		**199**	**373**	**72**	**57**	**701**
Unallocated items:						
Amortisation						**(98)**
Adjusting items in operating profit	3					**1**
Total operating profit (continuing operations)						**604**
Unallocated items:						
Net financing costs						**(103)**
Share of profit of equity accounted investments, net of tax						**2**
Profit before income tax						**503**
Income tax expense						**(118)**
Profit for the year (continuing operations)						**385**
Analysis of total assets and total liabilities						
Segment assets		**2,512**	**3,197**	**1,469**	**1,354**	**8,532**
Unallocated items:						
Equity accounted investments and other investments						**34**
Derivative financial instruments						**79**
Cash and cash equivalents						**499**
Tax						**60**
Employee benefits						**50**
Total assets						**9,254**
Segment liabilities		**(990)**	**(762)**	**(238)**	**(110)**	**(2,100)**
Unallocated items:						
Borrowings, overdrafts and interest payable						**(2,583)**
Derivative financial instruments						**(193)**
Tax						**(347)**
Employee benefits						**(82)**
Total liabilities						**(5,305)**
Capital expenditure		**153**	**242**	**105**	**47**	**547**

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

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.

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).

	External revenue		**Non-current assets**		**Capital expenditure**	
Continuing operations	**2024 £m**	2023 £m	**2024 £m**	2023 £m	**2024 £m**	2023 £m
UK	**1,071**	1,300	**525**	508	**70**	67
France	**1,009**	1,203	**518**	491	**76**	79
Iberia	**798**	970	**702**	673	**94**	81
Germany	**631**	763	**429**	420	**52**	38
Italy	**720**	972	**473**	426	**72**	106
USA	**591**	671	**410**	390	**47**	36
Rest of the World	**2,002**	2,342	**938**	857	**136**	138
	6,822	8,221	**3,995**	3,765	**547**	545

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	**2024 £m**	2023 £m
Acquisition related costs	**(9)**	(15)
Gain on acquisitions and divestments	**10**	–
Net gain/(loss) on acquisitions and divestments	**1**	(15)
Total pre-tax adjusting items (recognised in operating profit)	**1**	(15)
Current tax credit on adjusting items	**1**	3
Total post-tax adjusting items	**2**	(12)

2023/24

In April 2024, the Group sold its previously fully written-down Ukrainian associate, RKTK, for £10m. £5m was received by 30 April 2024 and a further £5m will be received in the next financial year. This resulted in a £10m gain on divestment in the year ended 30 April 2024.

The Group incurred £3m of acquisition costs in the year-end 30 April 2024 relating to the recommended all-share offer from International Paper and a further £6m of other related costs.

2022/23

On 1 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.

4. Employee benefits

	2024 £m	2023 £m
Employee benefit deficit at beginning of the year	**(55)**	(86)
Divestments	**-**	-
Expense recognised in operating profit	**(5)**	(6)
Employment benefit net finance expense	**(1)**	(1)
Employer contributions	**21**	23
Other payments and contributions	**8**	9
Actuarial loss	**(2)**	11
Currency translation	**2**	(5)
Employee benefit deficit at 30 April	**(32)**	(55)
Deferred tax asset	**7**	14
Net employee benefit deficit at end of the year	**(25)**	(41)

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 scheme, the DS Smith Group Pension scheme, is in the UK and is now closed to future accrual.

This scheme has a surplus of £49m 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	2024 £m	2023 £m
Interest income from financial assets	**(14)**	(2)
Finance income	**(14)**	(2)
Interest on borrowings and overdrafts	**103**	49
Interest on lease liabilities	**12**	11
Other	**1**	15
Finance costs	**116**	75

Borrowing costs capitalised on qualifying assets in the year ended 30 April 2024 was £1m (2022/23: £nil). Borrowing costs were capitalised at a weighted average rate of 4.7%.

6. Income tax expense

	2024 £m	2023 £m
Current tax expense		
Current year	**(158)**	(206)
Adjustment in respect of prior years	**25**	32
	(133)	(174)
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	**29**	14
Change in tax rates	**(3)**	(4)
Recognition of previously unrecognised deferred tax assets	**4**	1
Adjustment in respect of prior years	**(16)**	(9)
	14	2
Total income tax expense before adjusting items	**(119)**	(172)
Current tax credit on adjusting items (note 3)	**1**	3
Total income tax expense in the income statement from continuing operations	**(118)**	(169)
Total income tax expense in the income statement from discontinued operations	**-**	-
Total income tax expense in the income statement – total Group	**(118)**	(169)

The tax credit on amortisation was £26m (2022/23: £25m).

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

	2024 £m	2023 £m
Profit before income tax on continuing operations	**503**	661
Profit before income tax on discontinued operations	**-**	11
Share of profit of equity accounted investments, net of tax	**(2)**	(2)
Profit before tax and share of profit of equity accounted investments, net of tax	**501**	670
Income tax at the UK corporation tax rate of 25.0% (2022/23: 19.5%)	**(125)**	(131)
Effect of additional taxes and tax rates in overseas jurisdictions	**(1)**	(47)
Impact of tax credits	**9**	23
Non-deductible expenses	**(13)**	(34)
Non-taxable income	**6**	2
Recognition of previously unrecognised deferred tax assets	**4**	1
Deferred tax not recognised	**(4)**	(2)
Adjustment in respect of prior years	**9**	23
Effect of change in corporation tax rates	**(3)**	(4)
Income tax expense – total Group	**(118)**	(169)

The Group's effective tax rate, excluding amortisation, adjusting items and share of result from equity accounted investments, was 24.2% (2022/23: 25.0%).

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. The tax reconciliation for the year ended 30 April 2024 is therefore presented at the 25% rate and the effects of additional taxes and tax rates in overseas jurisdictions is lower than for 2022/23.

Tax on other comprehensive income and equity

	Gross 2024 £m	**Tax credit/ (charge) 2024 £m**	**Net 2024 £m**	Gross 2023 £m	Tax credit/ (charge) 2023 £m	Net 2023 £m
Actuarial (loss)/gain on employee benefits	**(2)**	**1**	**(1)**	11	(2)	9
Foreign currency translation differences	**(147)**	**-**	**(147)**	194	-	194
Reclassification to income statement on asset write down	**-**	**-**	**-**	(3)	-	(3)
Movements in cash flow hedges	**(211)**	**41**	**(170)**	(645)	149	(496)
Movement in net investment hedge	**41**	**2**	**43**	(74)	-	(74)
Other comprehensive (expense)/ income for the year	**(319)**	**44**	**(275)**	(517)	147	(370)
Issue of share capital	**7**	**-**	**7**	4	-	4
Employee share trust	**(4)**	**-**	**(4)**	(8)	-	(8)
Share-based payments	**(2)**	**(2)**	**(4)**	15	(2)	13
Dividends paid to Group shareholders	**(247)**	**-**	**(247)**	(289)	-	(289)
Other comprehensive (expense)/income and changes in equity	**(565)**	**42**	**(523)**	(795)	145	(650)

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

	2024	2023
Profit from continuing operations attributable to ordinary shareholders	**£385m**	£492m
Weighted average number of ordinary shares	**1,374m**	1,376m
Basic earnings per share	**28.0p**	35.8p

Diluted earnings per share from continuing operations

	2024	2023
Profit from continuing operations attributable to ordinary shareholders	**£385m**	£492m
Weighted average number of ordinary shares	**1,374m**	1,376m
Potentially dilutive shares issuable under share-based payment arrangements	**7m**	10m
Weighted average number of ordinary shares (diluted)	**1,381m**	1,386m
Diluted earnings per share	**27.9p**	35.5p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 3m (2022/23: 2m).

	2024		2023	
	Basic pence per share	**Diluted pence per share**	Basic pence per share	Diluted pence per share
Earnings per share from continuing operations	**28.0p**	**27.9p**	35.8p	35.5p
Earnings per share from discontinued operations	**-**	**-**	0.8p	0.8p
Earnings per share from continuing and discontinued operations	**28.0p**	**27.9p**	36.6p	36.3p

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:

	2024			2023		
	£m	**Basic pence per share**	**Diluted pence per share**	£m	Basic pence per share	Diluted pence per share
Basic earnings	**385**	**28.0p**	**27.9p**	492	35.8p	35.5p
Add back:						
Amortisation of intangible assets	**98**	**7.1p**	**7.0p**	113	8.1p	8.1p
Tax credit on amortisation	**(26)**	**(1.9p)**	**(1.9p)**	(25)	(1.8p)	(1.8p)
Adjusting items, before tax	**(1)**	**(0.1p)**	**(0.1p)**	15	1.1p	1.1p
Tax on adjusting items and adjusting tax items	**(1)**	**-**	**-**	(3)	(0.2p)	(0.2p)
Adjusted earnings	**455**	**33.1p**	**32.9p**	592	43.0p	42.7p

8. Dividends proposed and paid

	2024		2023	
	Pence per share	**£m**	Pence per share	£m
2022/23 interim dividend – paid	**-**	**-**	6.0p	83
2022/23 final dividend – paid	**-**	**-**	12.0p	165
2023/24 interim dividend – declared and paid	**6.0p**	**82**	–	–
2023/24 final dividend – proposed	**12.0p**	**166**	–	–

	2024 £m	2023 £m
Paid during the year	**247**	289

The final 2022/23 dividend of 12p per share and the 2023/24 interim dividend of 6.0p per share were paid during the year.

9. Net debt

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

	At 30 April 2023 £m	Continuing operations cash flow £m	Foreign exchange, fair value and non-cash movements £m	**At 30 April 2024 £m**
Cash and cash equivalents	472	44	(17)	**499**
Overdrafts	(104)	14	1	**(89)**
Net cash and cash equivalents	368	58	(16)	**410**
Other investments – restricted cash	6	1	–	**7**
Other deposits	30	(1)	–	**29**
Borrowings – after one year	(1,742)	(738)	440	**(2,040)**
Borrowings – within one year	(74)	70	(393)	**(397)**
Lease liabilities	(224)	72	(87)	**(239)**
Derivative financial instruments				
Assets	–	2	(2)	**-**
Liabilities	–	–	–	**-**
	(2,004)	(594)	(42)	**(2,640)**
Net debt – reported basis	(1,636)	(536)	(58)	**(2,230)**
IFRS 16 lease liabilities	220			**236**
Net debt excluding IFRS 16 liabilities	(1,416)			**(1,994)**

Net debt is a non-GAAP measure not defined by IFRS. While the Group has included lease liabilities after transition to IFRS 16 *Leases* within total lease liabilities (in addition to arrangements previously classified as finance leases under IAS 17), IFRS 16 liabilities are currently excluded from the definition of net debt as set out in the Group's banking covenant requirements.

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	2024 £m	2023 £m
Profit for the year	**385**	492
Adjustments for:		
Amortisation of intangible assets; acquisitions and divestments	**97**	128
Cash outflow for adjusting items	**(11)**	(14)
Depreciation	**323**	312
(Profit)/loss on sale of non-current assets	**(9)**	7
Share of profit of equity accounted investments, net of tax	**(2)**	(2)
Employment benefit net finance expense	**1**	1
Share-based payments	**(2)**	15
Finance income	**(14)**	(2)
Finance costs	**116**	75
Other non-cash items	**(13)**	24
Income tax expense	**118**	169
Change in provisions	**7**	19
Change in employee benefits	**(24)**	(25)
Cash generation before working capital movement	**972**	1,199
Changes in:		
Inventories	**6**	99
Trade and other receivables	**88**	15
Trade and other payables	**(511)**	(235)
Working capital movement	**(417)**	(121)
Cash generated from continuing operations	**555**	1,078

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

	2024 £m	2023 £m
Profit for the year	**385**	492
Income tax expense	**118**	169
Share of profit of equity accounted investments, net of tax	**(2)**	(2)
Net financing costs	**103**	74
Amortisation of intangible assets; acquisitions and divestments	**97**	128
Adjusted operating profit	**701**	861
Depreciation	**323**	312
Adjusted EBITDA	**1,024**	1,173
Working capital movement	**(417)**	(121)
Change in provisions	**7**	19
Change in employee benefits	**(24)**	(25)
Other	**(24)**	46
Cash generated from operations before adjusting cash items	**566**	1,092
Capital expenditure	**(547)**	(545)
Proceeds from sale of property, plant and equipment and other investments	**41**	19
Tax paid	**(169)**	(136)
Net interest paid	**(66)**	(76)
Free cash flow	**(175)**	354
Cash outflow for adjusting items	**(11)**	(14)
Dividends paid	**(247)**	(289)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(113)**	-
Divestment of equity accounted investments	**5**	-
Other	**(2)**	(2)
Net cash flow	**(543)**	49
Proceeds from issue of share capital	**7**	4
Net movement on debt	**(536)**	53
Foreign exchange, fair value and other non-cash movements (note 10)	**(58)**	(205)
Net debt movement - continuing operations	**(594)**	(152)
Opening net debt	**(1,636)**	(1,484)
Closing net debt - reported basis	**(2,230)**	(1,636)

Adjusted operating profit, adjusted EBITDA, free cash flow, and net debt are non-GAAP measures not defined by IFRS. Further detail on the use of non-GAAP measures is included in note 14.

12. Financial instruments

The Group's activities expose the Group to a number of key risks which have the potential to affect its ability to achieve its business objectives. A summary of the Group's key financial risks and the policies and objectives in place to manage these risks is set out in the Financial review and Principal risk sections of the Strategic Report.

The derivative financial instruments set out in this note have been entered into in line with the Group's risk management objectives. The Group's treasury policy prohibits entering into speculative transactions.

(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:

		2024		2023	
	Category	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**499**	**499**	472	472
Restricted cash	Amortised cost	**6**	**6**	7	7
Other investments	Fair value through other comprehensive income	**11**	**11**	10	10
Trade and other receivables	Amortised cost	**1,134**	**1,134**	1,257	1,257
Derivative financial instruments	Fair value – hedging instruments	**79**	**79**	319	319
Total financial assets		**1,729**	**1,729**	2,065	2,065
Financial liabilities					
Trade and other payables	Amortised cost, except as detailed below	**(1,850)**	**(1,850)**	(2,287)	(2,287)
Bank and other loans	Amortised cost	**(9)**	**(9)**	(341)	(341)
Commercial paper	Amortised cost	**-**	**-**	(24)	(24)
Medium-term notes and other fixed-term debt	Amortised cost	**(2,428)**	**(2,382)**	(1,451)	(1,384)
Lease liabilities	Amortised cost	**(239)**	**(239)**	(224)	(224)
Bank overdrafts	Amortised cost	**(89)**	**(89)**	(104)	(104)
Derivative financial instruments	Fair value – hedging instruments	**(193)**	**(193)**	(368)	(368)
Total financial liabilities		**(4,808)**	**(4,762)**	(4,799)	(4,732)

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. 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. 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) 2023/24

On 29 March 2024, the Group completed the acquisition of Bosis doo, a Serbia-based packaging company, for £17m, net of cash and cash equivalents..

In April 2024, the Group sold its previously fully written-down Ukrainian associate, RKTK, for £10m. £5m was received by 30 April 2024 and a further £5m will be received in the next financial year. This resulted in a £10m gain on divestment in the year ended 30 April 2024.

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 obligations were recognised 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 3 for further details.

(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. 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 2024 £m	Year ended 30 April 2023 £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 in the year ended 30 April 2023 resulted in a gain in adjusting items in profit from discontinued operations of £11m.

Basic earnings per share from discontinued operations

	2024	2023
Profit from discontinued operations attributable to ordinary shareholders	**–**	£11m
Weighted average number of ordinary shares	**1,374m**	1,376m
Basic earnings per share	**–**	0.8p

Diluted earnings per share from discontinued operations

	2024	2023
Profit from discontinued operations attributable to ordinary shareholders	**–**	£11m
Weighted average number of ordinary shares	**1,374m**	1,376m
Potentially dilutive shares issuable under share-based payment arrangement	**7m**	10m
Weighted average number of ordinary shares (diluted)	**1,381m**	1,386m
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 3m (2022/23: 2m).

Adjusted earnings per share from discontinued operations

Further detail about the use of non-GAAP performance measures is given in note 14.

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

	2024			2023		
	£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	**–**	**–**	**–**	–	–	–

Other 2023/24 acquisitions and divestments

The Group incurred £3m (2022/23: £nil) of acquisition costs in the year ended 30 April 2024 relating to the recommended all-share offer from International Paper and a further £6m (2022/23: £nil) of other related costs.

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 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 delivered to customers and the Group's ability to charge for that value.

	2024 £m	2023 £m
Adjusted operating profit	**701**	861
Revenue	**6,822**	8,221
Return on sales	**10.3%**	10.5%

Adjusted return on average capital employed (ROACE)

ROACE is the last 12 months' adjusted operating profit as a percentage of the average monthly capital employed over the previous 12-month period. Capital employed is the sum of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale.

	2024 £m	2023 £m
Capital employed at 30 April	**6,636**	6,203
Currency inter-month and acquisition/divestment movements	**(79)**	(194)
Last 12 months' average capital employed	**6,557**	6,009
Last 12 months' adjusted operating profit	**701**	861
Adjusted return on average capital employed	**10.7%**	14.3%

Net debt and net debt/EBITDA

Net debt is the measure by which the Group assesses its level of overall indebtedness within its financial position. The components of net debt as they reconcile to the primary financial statements and notes to the accounts are disclosed in note 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.

	2024 £m	2023 £m
Net debt – reported basis (see note 9)	**2,230**	1,636
IFRS 16 lease liabilities (see note 9)	**(236)**	(220)
Adjustment to average rate	**7**	(17)
Net debt – adjusted basis	**2,001**	1,399
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**1,024**	1,173
Adjust to IAS 17 basis	**(85)**	(85)
Acquisition and divestment effects	**3**	–
Adjusted EBITDA – banking covenant basis	**942**	1,088
Net debt/EBITDA	**2.1x**	1.3x

Free cash flow

Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisition and divestment of subsidiary businesses (including borrowings acquired), and proceeds from issue of share capital.

A reconciliation from Adjusted EBITDA to free cash flow is set out in note 11.

Cash conversion

Cash conversion is free cash flow, as defined above, adjusted to exclude tax, net interest, growth capital expenditure and pension payments as a percentage of adjusted operating profit and can be derived directly from note 14, other than growth capital expenditure, which is capital expenditure necessary for the development or expansion of the business as follows:

	2024 £m	2023 £m
Growth capital expenditure	**186**	275
Non-growth capital expenditure	**361**	270
Total capital expenditure (note 11)	**547**	545
Free cash flow (note 11)	**(175)**	354
Tax paid (note 11)	**169**	136
Net interest paid (note 11)	**66**	76
Growth capital expenditure	**186**	275
Change in employee benefits (note 11)	**24**	25
Adjusted free cash flow	**270**	866
Adjusted operating profit	**701**	861
Cash conversion	**39%**	101%

Average working capital to sales

Average working capital to sales measures the level of investment the Group makes in working capital to conduct its operations. It is measured by comparing the 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.

	2024 £m	2023 £m
Inventories	**591**	619
Trade and other receivables	**1,099**	1,211
Trade and other payables	**(1,696)**	(2,105)
Inter-month movements and exclusion of capital and acquisition and divestment-related items	**80**	36
Last 12 months' average working capital	**74**	(239)
Last 12 months' revenue	**6,822**	8,221
Average working capital to sales	**1.1%**	(2.9%)

Constant currency and organic growth

The Group presents commentary on both reported and constant currency revenue and adjusted operating profit comparatives in order to explain the impact of exchange rates on the Group's key income statement items. Constant currency comparatives recalculate the prior year revenue and adjusted operating profit as if they had been generated using the current year exchange rates. In addition, the Group then separates the incremental effects of acquisitions 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 2023	**8,221**	**861**
Currency effects	**(84)**	**(11)**
Constant currency basis – comparative year ended 30 April 2023	**8,137**	**850**
Organic growth	**(1,315)**	**(149)**
Reported basis – year ended 30 April 2024	**6,822**	**701**

Return on sales – comparative year ended April 2023 – constant currency basis	**10.4%**

	£m
Reported profit before tax comparative year ended 30 April 2023	661
Currency effects	(10)
Constant currency profit before tax comparative year ended 30 April 2023	**651**

Basic earnings per share from continuing operations for the comparative year ended 30 April 2023 – constant currency basis	£m
Profit from continuing operations	492
Currency effects	(9)
	483
Weighted average number of ordinary shares	1,376m
Basic earnings per share – constant currency basis	**35.1p**

Constant currency and organic growth continued

Adjusted earnings per share for the comparative year ended 30 April 2023 – constant currency basis	£m
Adjusted earnings	592
Currency effects	(10)
	582
Weighted average number of ordinary shares	1,376m
Adjusted earnings per share – constant currency basis	**42.3p**

Dividend cover

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

	2024	2023
Adjusted earnings per share	**33.1p**	43.0p
Total dividend	**18.0p**	18.0p
Dividend cover	**1.8x**	2.4x

15. Subsequent events

On November 2018 the Group signed a £1.4 billion five-year committed syndicated revolving credit facility with its core banks. The second extension option was exercised in November 2020. A further extension was agreed in June 2024, such that the new facility of £1.25 billion matures in May 2027.

On 19 June 2024 the Group signed a 5 year €200m loan facility with Bayerische LB, Commerzbank, IKB Deutsche Industriebank Ag and Unicredit Bank.