

## DS Smith Plc – 2012/13 Full-Year Results

“This has been a transformational year for DS Smith during which we have made substantial operating, financial and strategic progress, following the acquisition and successful integration of SCA Packaging.”

### Financial Highlights

- Revenue +86% to £3,669.3m (2011/12: £1,969.4m)
- Adjusted operating profit<sup>(1)</sup> +77% to £250.9m (2011/12: £142.0m)
- Profit before tax<sup>(2)</sup> +51% to £166.2m (2011/12: £110.2m)
- Profit after tax from continuing operations £70.3m (2011/12: £8.4m)
- EPS<sup>(1)</sup> +36% to 17.4p (2011/12: 12.8p)
- Dividend +36% to 8.0p (2011/12: 5.9p)
- Free cash flow +186% to £270.4m (2011/12: £94.5m)
- ROACE<sup>(1)</sup> 12.3% – in line with medium-term target

note 1: continuing operations, before exceptional items and amortisation

note 2: continuing operations, before exceptional items, after amortisation and share of profit/(loss) of associate

Please refer to glossary of terms for definitions.

These results include 10 months' contribution from the acquisition of SCA Packaging completed on 30 June 2012.

### Delivering on our strategy

DS Smith has made substantial progress over the past year towards its strategic aim to become the leader in recycled packaging for consumer goods.

### Operational and strategic highlights

- Successful integration of SCA Packaging
  - Cost and cash synergy targets upgraded to €120 million and €150 million respectively
  - Achieved a return above the cost of capital in first 10 months, one year earlier than anticipated
- Strong performance in packaging despite challenging economic environment with volume in line with medium term financial target of GDP +1 per cent
- Enhanced customer offering driving market share gains
- Successful international licensing of technology
- Building a strong platform for future growth

Miles Roberts, Group Chief Executive, said:

“We are delighted with the results announced today. This has been a transformational year for DS Smith during which we have made substantial operating, financial and strategic progress, following the acquisition and successful integration of SCA Packaging, providing a strong platform for further growth. The on-going commitment and focus from our employees has enabled

us not only to deliver the initial synergies we targeted earlier than expected, but also to identify further synergies across the enlarged business.

We continue to deliver on our medium-term financial targets and strong and consistent cash flows have enabled us to significantly reduce our net debt to EBITDA position to below 2.0x, one year earlier than expected. This further demonstrates the resilience and sustainability of our business model. Following another year of substantial earnings growth and underpinning our confidence in the medium-term prospects for the business, we have increased the full-year dividend by 36%.

The current year has started well and in line with our expectations. Continued market share gains, together with the delivery of further synergies underpin our confidence for the future, despite the market backdrop remaining challenging and the expected impact of input cost pressures. Our strengthened customer proposition will be further enhanced by increased investment in capital expenditure, R&D and new business development. Looking ahead we remain excited about the further growth opportunities for the Group.”

## **Enquiries**

### **DS Smith Plc**

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## **Analyst Meeting and Dial-in Details**

A presentation to investors and analysts will be held at 9.30a.m. today at Holborn Bars 138 – 142 Holborn, London EC1N 2NQ. The slides accompanying the presentation will be available on our website shortly before the start. Dial-in access for the presentation is available, with details as follows:

UK / International	+44 (0)20 3003 2666
UK Toll Free	0808 109 0700
Password	DS Smith

A play-back facility of this call will be available until 4 July 2013. The dial-in number is: +44 (0)20 8196 1998 access pin 363 9887. A recording and transcript of the call will also be available through the Investor Relations section of our website: [www.dssmith.uk.com](http://www.dssmith.uk.com)

## **Forthcoming Dates**

AGM and Q1 IMS	3 September 2013
Capital Markets Day	5-6 September 2013
Q2 IMS	30 October 2013
Half-year Results	5 December 2013

## **Glossary of terms**

- *Return on sales*: earnings before interest, tax, amortisation and exceptional items as a percentage of revenue.
- *Return on average capital employed*: earnings before interest, tax, amortisation and exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors and assets/liabilities held for sale.
- *Free cash flow*: cash generated from operations, after capital expenditure, tax and interest (please refer to note 10 of the financial statements attached).
- *Cash conversion*: free cash flow before tax, net interest, growth capital expenditure and pension deficit reduction payments, as a percentage of earnings before interest, tax, amortisation and exceptional items.
- *See note 9 for the definition of net debt.*

## **Group Chief Executive's Review**

### **Overview**

2012/13 has been a hugely transformational period, as we continue on the journey to achieve our strategic goal: to become the leading supplier of recycled packaging for consumer goods. We are doing this, together with a continued focus on medium-term financial performance, by growing our packaging and recycling businesses, reducing our exposure to paper manufacturing and disposing of non-core businesses and assets.

On 30 June 2012, we completed the acquisition of SCA Packaging for €1.6 billion, which has doubled the size of our business, making us a leading provider of corrugated packaging across Europe. In September 2012, we announced a licensing agreement with RockTenn (one of North America's leading integrated manufacturers of corrugated packaging) giving them exclusive rights to manufacture and distribute our patented mechanisation technology and associated pack designs in the US. This has enabled DS Smith to gain wider access to a very large and well developed market, whilst at the same time establishing another route for offering our largest customers global support to their brands. We have also signed further licensing agreements in other geographical markets and are excited about the opportunities in these new areas. Notwithstanding this period of considerable change, I am delighted to report that overall our operations have performed well against a challenging macro-economic and market environment.

In 2012/13, the Group's revenues grew by 86 per cent to £3.7 billion predominantly due to the acquisition of SCA Packaging, accompanied by underlying volume growth in corrugated box sales. Operating profit increased 77 per cent to £250.9 million (2011/12: £142.0 million) and includes €40 million of cost synergies. EPS increased 36 per cent and follows a strong result in the prior year where EPS increased 28 per cent. We are very encouraged with the progress made in our core packaging businesses to improve service, quality and innovation to our customers.

### **Integration of SCA Packaging**

We have made considerable progress with the integration of the two businesses, with a clear integration plan and management team in place on the first day of ownership of SCA Packaging. That detailed level of focus and planning has enabled us to deliver synergies much earlier than originally anticipated, with €40 million of cost synergies and €120 million of cash synergies delivered in the first year. In addition, with the strong commitment and engagement of our people across the Group, we have identified further synergy targets and increased our overall target for cost synergies to €120 million, with the target for cash synergies increasing to €150 million.

The level of working capital within the former SCA Packaging business has more than halved under our ownership. We have also driven operating efficiencies by strengthening our processes around procurement and creating a management structure to improve our sourcing, supply and management of paper within the business to serve our packaging business in the most efficient way. Our customer proposition is substantially enhanced through the enlarged geographic footprint across Europe, therefore better able to serve our pan-European customers, where we are seeing stronger volume growth in our legacy DS Smith business and an improving trend in the former SCA Packaging business. As we have previously said, culture is a key element to achieving our strategic aims. In the prior year, we introduced our corporate values which we

communicated via the OWN IT! programme to all colleagues, and this programme is now being rolled out to our former SCA Packaging colleagues, helping all our people to understand what it means to work for DS Smith.

### **Delivering against our synergies targets**

When we originally announced the acquisition of SCA Packaging in January 2012, we identified a number of synergies in terms of both cost and cash savings which we believed were achievable through improved efficiencies and scale benefits throughout the combined Group. Over the course of the past 12 months, we have made substantial progress towards achieving those targets which we upgraded from €75 million to €100 million for cost synergies and from €40 million to €130 million for cash synergies in October 2012. In addition, we have also identified €100 million of surplus assets for disposal over the course of three years to 2015. In 2012/13 we have delivered €40 million of cost savings and €120 million of cash savings, together with net proceeds of €60 million from the disposal of surplus assets. These savings have been achieved well ahead of the original timetable.

In addition to this, and as a result of the strong commitment and engagement of our people across the Group, we have now identified further synergy targets and have again increased our overall target for cost synergies to €120 million and for cash synergies to €150 million.

### **Delivering against our Key Performance Indicators**

Notwithstanding the considerable changes over the past year, we have delivered results substantially within our previously stated target range for our Key Performance Indicators in relation to our financial metrics, customer service, employees and environmental performance.

Volume in our corrugated box business grew at 0.6 per cent, in line with our target GDP +1 per cent for the markets in which we operate. Return on sales declined by 40 basis points to 6.8 per cent (2011/12: 7.2 per cent) (up 20 basis points on a pro forma basis, with pro forma defined as like-for-like including SCA Packaging results from July 2011 to April 2012), just below our target range of 7-9 per cent and reflects the anticipated impact of the acquisition of SCA Packaging together with the poor performance in paper. However we would expect the level of return to improve over time as we continue to drive efficiencies and synergy savings through the business.

Return on average capital employed declined by 230 basis points to 12.3 per cent (2011/12: 14.6 per cent) (up 30 basis points on a pro forma basis) but is within the target range of 12-15 per cent and well above our estimated cost of capital of c. 9.5 per cent. The decline reflects both the lower margin and the lower level of asset utilisation historically achieved within SCA Packaging. We have made great progress over the past year in reducing the level of working capital within the former SCA Packaging business and we expect to see an increase in asset utilisation together with greater operating efficiencies over the coming years. Return on average capital employed is our primary financial measure of success, as it underpins the sustainability of both our investment strategy and our dividend policy and we are delighted to have achieved a return above our cost of capital for SCA Packaging in the first year, a full year earlier than originally anticipated. All senior management have a return on capital target included within their incentivisation arrangements. The majority of capital expenditure during the year has been on packaging or recycling, our strategic priority areas.

Average monthly working capital, as a proportion of revenue, fell to 4.5 per cent (2011/12: 4.9 per cent). Historically, levels in the former SCA Packaging business were closer to 10 per cent. This overall improvement has been driven by focused attention on all three areas of inventory, debtors and creditors.

The Group was highly cash generative in the year with free cash flow of £270.4 million (2011/12: £94.5 million). Cash conversion was 171 per cent, substantially exceeding our target of maintaining this ratio above 120 per cent, with the outperformance primarily driven by the working capital in-flow over the year.

At 30 April 2013, the Group had a net debt position of £817.0 million (2011/12: net cash £321.7 million) reflecting the gross consideration of £1.3 billion for the acquisition of SCA Packaging which was funded through a combination of equity and debt. Cash flow in the year has also benefitted from the remedy disposals required by the European competition authorities relating to the acquisition of SCA Packaging, together with some minor asset disposals with net proceeds amounting to £50.8 million. Despite increasing our investment in the business, our net debt/EBITDA ratio was below our target of 2.0x or below, and has been achieved a full year earlier than expected.

Since we acquired SCA Packaging, we have improved the levels of customer service within that business. For the Group as a whole our key measure of on-time, in-full delivery remains strong at 94 per cent, although this is below our target of 97 per cent and reflects a lower level of service delivery in some of the former SCA Packaging businesses; we are working hard to improve these delivery standards as we recognise the importance of this metric in underpinning our aim to become a trusted strategic business partner. We continue to develop innovative products and services, providing customers with packaging that uses less fibre, with less carbon and less cost, through technology. Examples are the continued roll-out of R-Flute® which is gaining traction with our customers across our enlarged geographic footprint, the use of our "PackRight" supply-chain tools and software, and the ongoing development of unique mechanisation solutions, all of which improve the value that we are able to deliver to our customers via bespoke packaging solutions.

DS Smith has a commitment to provide every employee with a safe and productive working environment. I am delighted to report that our accident frequency rate for the Group has improved by 13 per cent year-on-year. This rate of improvement is particularly pleasing given the substantial changes in the business over the past year and reflects the leadership shown by the Group's managers across the enlarged business together with the ongoing commitment of our colleagues to working safely. Our target is a zero accident rate and we continue to strive to achieve this.

### **Summary and outlook**

We are delighted with the progress made over the year where we have seen good performances across our core packaging businesses, and we are particularly pleased with the integration of the two businesses.

The current year has started well and in line with our expectations. Continued market share gains, together with the delivery of further synergies underpin our confidence for the future, despite the

market backdrop remaining challenging and the expected impact of input cost pressures. Our strengthened customer proposition will be further enhanced by increased investment in capital expenditure, R&D and new business development. Looking ahead we remain excited about the further growth opportunities for the Group.

## Operating Review

### UK

	Year ended 30 April 2013	Year ended 30 April 2012
Revenue	£961.2m	£960.2m
Operating profit *	£47.6m	£64.4m
Return on sales *	5.0%	6.7%

\* Before amortisation and exceptional items

The UK division comprises our UK corrugated packaging business together with our recycling operations and UK paper manufacturing facilities. Total revenues in the UK are up 0.1 per cent at £961.2 million (2011/12: £960.2 million), with operating profit down 26 per cent to £47.6 million (2011/12: £64.4 million). Return on sales has fallen 170 basis points to 5.0 per cent.

Whilst our core UK corrugated packaging business has delivered a robust performance, revenues for the overall UK division have been impacted by continuing weakness in the paper market, as a result of which prices and demand have remained subdued.

We have seen good volume growth in our UK corrugated packaging business, with the legacy DS Smith business outperforming the former SCA Packaging business. This growth has been delivered despite a relatively flat market and with an on-going focus on driving higher margin, value added business. We have been working closely with customers to optimise their sales through more effective Retail Ready Packaging and also looking at new uses for corrugated packaging, in particular, the replacement of various plastic based materials with more customised and sustainable fibre-based products. In addition, our continuing focus and discipline on costs and working capital has helped to drive a strong underlying performance, driving higher returns in our packaging business.

Our recycling business now includes recycling operations outside the UK and has increased its overall volumes from 1.8 million tonnes to 5.5 million tonnes per annum. Customer retention remains high, helping us to both grow market share and develop new geographical markets organically. For example, as a result of Tesco's proactive approach to environmental best practice and our ability to deliver market leading services, we have extended our Integrated Recycling and Waste Management model outside the UK. After initially entering the Polish market with Tesco, we subsequently rolled out our services into the Republic of Ireland in July 2012 and are currently in the process of deploying our services in additional locations in Europe. Looking ahead, we are also committed to further growing our business in Central Europe. In addition in Germany, we are operating for two major retailers, whilst also developing direct services for

retailers in France and Italy, building on a solid base established by the former SCA Packaging recycling business.

In the paper business, as expected, prices and demand have remained subdued over the past year, whilst energy costs have increased, with the result that the operating performance has been significantly impacted and has driven a lower return on sales for the UK as a whole.

## Western Europe

	Year ended 30 April 2013	Year ended 30 April 2012
Revenue	£966.3m	£569.4m
Operating profit *	£73.4m	£38.9m
Return on sales *	7.6%	6.8%

\* Before amortisation and exceptional items

Western Europe consists of our corrugated packaging businesses in France, Belgium, the Netherlands and Spain, together with our paper manufacturing operations in France and the Netherlands. The region has delivered a strong performance with revenue up 70 per cent to £966.3 million (2011/12: £569.4 million). Operating profit has increased 89 per cent to £73.4 million (2011/12: £38.9 million) and return on sales has improved 80 basis points to 7.6 per cent.

This strong performance has been driven by a first time contribution from SCA Packaging, and a solid performance from our French packaging business despite a difficult market environment. In France we have seen continued volume growth with our FMCG customers and an increasing penetration of R-Flute® and performance packaging within the sales mix. Over the past year we have grown our network of licensees with corrugated packaging companies, most notably with RockTenn in the US, and have further licensing agreements with companies in the Far East, Australia and South Africa. Our packaging businesses in the Benelux regions have also shown strong growth with our top FMCG customers despite a flat market, and are working closely with our business in France to offer our innovative machine systems to our customers in the Benelux regions.

As in the UK, the performance of our paper manufacturing facilities in France and the Netherlands has been impacted by the poor demand environment and lower paper prices together with higher energy prices.



## **DACH (Germany, Austria, Switzerland) and Northern Europe**

	Year ended 30 April 2013	Year ended 30 April 2012
Revenue	£835.7m	£7.3m
Operating profit *	£62.4m	£0.3m
Return on sales *	7.5%	3.8%

\* Before amortisation and exceptional items

The DACH and Northern Europe region is newly formed with nearly all of the revenues and operating profit being delivered through the acquisition of SCA Packaging. This division comprises our corrugated packaging business across the region (Germany, Austria, Switzerland, Denmark, Sweden and Finland) together with our German paper manufacturing operation.

Overall, the region has delivered a good result, with a decline in the German paper business being offset by a more resilient performance in our packaging businesses. The increase in return on sales of 370 basis points reflects the benefit of scale, where previously we had a very small business in this region. This has been accompanied by an improving sales mix, where we have seen continued business wins in the Display sector with our FMCG customers, together with synergies arising from the integration. We are growing our business with our larger customers and are also entering new market areas, such as the market for pet food packaging in Germany. In Northern Europe our packaging businesses have maintained their strong market positions, increasing the proportion of performance packaging within the sales mix and have improved operational efficiencies and productivity.

## **Central Europe and Italy**

	Year ended 30 April 2013	Year ended 30 April 2012
Revenue	£601.1m	£167.2m
Operating profit *	£41.3m	£16.4m
Return on sales *	6.9%	9.8%

\* Before amortisation and exceptional items

Central Europe and Italy is a newly formed region which comprises our packaging businesses in Poland, Czech Republic, Romania, Hungary, Slovakia, Italy and the Baltics together with our paper manufacturing operation in Italy. As a new region, the revenue and operating growth has been driven predominantly by the inclusion of SCA Packaging together with strong performances in our packaging businesses in Central Europe. As in the UK, financial returns in paper have been disappointing, affecting the overall Central Europe and Italy operating result, with return on sales declining by 290 basis points.

We have seen strong growth in our packaging businesses in Poland, Hungary and the Baltics, where the underlying markets are growing much faster than in the rest of Europe, and we are growing our business with our largest pan-European customers. We will be adding further

capacity in Poland over the next 12 months where we continue to see attractive returns. In Italy, we are repositioning our offer with a greater focus on innovation, and will be opening an Impact and Innovation centre in the next 12 months.

The strong growth in our packaging businesses has been partially offset by weakness in the Italian paper and sheet businesses where, in line with other markets, demand for paper has been weak and where in Sheet we have made the strategic decision to exit low margin business.

## Plastics

	Year ended 30 April 2013	Year ended 30 April 2012
Revenue	£305.0m	£265.3m
Operating profit *	£26.2m	£22.0m
Return on sales *	8.6%	8.3%

\* Before amortisation and exceptional items

The Plastics business has delivered strong growth with revenue up 15 per cent to £305.0 million (2011/12: £265.3 million). Operating profit increased 19 per cent to £26.2 million, while return on sales increased 30 basis points.

In the liquid packaging and dispensing (LP&D) business, we have seen another strong year of growth in the US, driven by our bag-in-box business (BIB), where there is continuing success in products for tea urns serving the quick serve restaurant market and taps to the liquid laundry detergent dispensing market. We continue to grow market share and introduce new products such as our new wine tap products which have been highly successful, winning business with the largest BIB wine producer in the US.

We continue to invest in capacity and our new plant in Thailand is now fully operational, enabling further growth in the region as well as improving the efficiency and service offering to our customers. We see further opportunities to grow our market share in LP&D in Europe and have invested in further capacity in our facilities in Bulgaria, where we are looking to enter a number of new market segments.

We are also seeing growth in our returnable transit packaging business where we see applications for our products in new markets such as the pharmaceuticals and cosmetics sectors.

Operating performance, with return on sales up by 30 basis points, has benefited from improvements in business mix and lower operating costs as a result of the restructuring and rationalisation of the operational structure in Europe.

## **FINANCIAL REVIEW**

### **Overview**

The Group achieved another strong financial performance in 2012/13, despite an economic environment which continues to be challenging. This year has been a transformational one for the business, with the acquisition of SCA Packaging enabling us to serve customers on a pan-European basis. However, we have continued to maintain a rigorous focus on our core business and are delivering on the strategic, medium-term financial targets we have set ourselves.

Our success this year has been driven by the following:

- Volume growth in line with the GDP +1 per cent target we set ourselves, supported by the resilience of our FMCG customer base and our focus on quality and customer service.
- Our pricing strategy which enables us to pass on changes in input costs on a timely basis.
- Strong cash conversion, driven by our efforts to reduce working capital, particularly in the acquired SCA Packaging business. This has enabled us to reduce our net debt levels to below 2 times EBITDA, a year ahead of the target set before acquisition, whilst still incurring capital expenditure well ahead of depreciation.
- The realisation of a greater level of synergies than was initially determined, following the successful integration of the SCA Packaging business.
- An ongoing focus on controlling costs.

As a result of the above, for continuing operations, revenue for the year increased by 86 per cent, operating profit rose by 77 per cent, free cash flow was up 186 per cent and adjusted earnings per share increased 36 per cent.

### **Trading results**

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

Revenue for 2012/13 of £3,669.3 million represents an increase of 86 per cent, while operating profit rose by 77 per cent to £250.9 million. Included within operating profit are £33 million (€40 million) of cost synergies arising from the integration of the SCA Packaging business which have been delivered earlier than originally anticipated. We have also increased our overall target for cost synergies to £98 million (€120 million).

Return on sales of 6.8 per cent was just below our medium-term target of 7-9 per cent and reflects the anticipated impact of the acquisition of SCA Packaging together with the poor performance in paper. However, on a pro forma basis (like-for-like, including SCA Packaging results for July 2011–April 2012), return on sales rose 20 basis points.

The Group's return on average capital employed of 12.3 per cent in 2012/13 remained within our medium-term target range of 12-15 per cent and was significantly above the Group's cost of capital of 9.5 per cent. The decrease in the Group's return on average capital employed compared to 2011/12 (14.6 per cent) reflects the comparatively high level of capital employed in the acquired SCA Packaging business, although significant work has been done to reduce the level of capital employed since acquisition. On a pro forma basis (like-for-like, including SCA Packaging results for July 2011–April 2012), return on average capital employed was up 30 basis points.

### **Exceptional items**

Acquisition costs in respect of SCA Packaging of £11.8 million were recognised as an exceptional cost, principally relating to professional fees. SCA Packaging integration costs during the year were £57.8 million (€70 million) and primarily relate to the implementation of synergy programmes. The post-tax cost, net of a £16.7 million tax credit, was £52.9 million (2011/12: £16.5 million).

Other pre-tax exceptional items (including discontinued operations) comprise a £15.3 million (2011/12: £58.0 million) exceptional gain on disposals, offset by other exceptional costs of £18.1 million (2011/12: £70.1 million), primarily relating to the ongoing implementation of the UK shared service centre and other restructuring projects. Other post-tax exceptional items (including discontinued operations), incorporating the benefit of a £3.3 million tax credit, result in a £0.5 million profit (2011/12: £3.3 million profit).

### **Interest, tax and earnings per share**

Net interest expense increased from £18.4 million in 2011/12 to £36.4 million in 2012/13, principally due to the interest payable on the financing of the SCA Packaging acquisition. The employment benefit net finance expense was £4.6 million (2011/12: £4.8 million).

Profit before tax (excluding amortisation, exceptional items and share of profit of associates) was £209.9 million (2011/12: £118.8 million), an increase of 77 per cent.

The Group's effective tax rate from continuing operations, excluding amortisation, exceptional items and associates was 23.6 per cent, significantly lower than the previous year's rate of 27.6 per cent. The reduction in the effective tax rate reflects a change in the mix of taxable profits and tax rates across the regions in which the enlarged Group holds its subsidiaries and operates its businesses, following the SCA Packaging acquisition in June 2012. The reduction in the effective tax rate is also partially due to a further reduction in the UK rate of corporate income tax (2012/13: 23.9 per cent; 2011/12: 25.8 per cent). The tax credit on exceptional items (including discontinued operations) of £20.0 million resulted from the tax allowances for SCA Packaging acquisition costs of £0.9 million, SCA Packaging integration costs of £15.8 million and a tax credit of £3.3 million on other exceptional items.

Reported profit after tax from continuing operations after amortisation and exceptional items was £70.3 million (2011/12: £8.4 million).

Adjusted earnings per share were 17.4 pence (2011/12: 12.8 pence), an increase of 36 per cent, despite the dilutive effect arising from the rights issue proceeds (£466.2 million) being raised ahead of the completion of the SCA Packaging acquisition in June 2012.

### **Dividend**

The proposed final dividend is 5.5 pence (2011/12: 4.0 pence), giving a total dividend for the year of 8.0 pence (2011/12: 5.9 pence). Dividend cover before amortisation and exceptional items was 2.2 times in 2012/13 (2011/12: 2.2 times).

### **Cash flow**

The Group generated free cash flow of £270.4 million (2011/12: £94.5 million), a 186 per cent improvement, reflecting an increase in operating profit and strong working capital management.

Despite increased volumes and higher input costs, strong control of working capital resulted in an inflow of £157.9 million (2011/12: £43.7 million). Our original target was to reduce average working capital to revenue to 5 per cent by 30 April 2014; we achieved this in the 2011/12 financial year by delivering 4.9 per cent (two years ahead of schedule), and we have showed further improvement in 2012/13 by delivering 4.5 per cent.

Cash contributions into the Group pension schemes were £23.2 million in 2012/13 (2011/12: £31.2 million), principally comprising £15.1 million in respect of the agreed contributions to the pension scheme deficit.

Cash generated from operations was £503.3 million (2011/12: £225.5 million), a 123 per cent improvement.

Capital expenditure of £161.0 million (2011/12: £94.2 million) reflects our commitment to invest in processes and technologies to deliver future growth. Growth capital expenditure was £66.3 million (2011/12: £33.0 million) and capital expenditure was 143 per cent of depreciation.

Tax payments were £41.7 million (2011/12: £25.3 million), the increased payments resulting from the enlarged Group. Net interest paid of £34.6 million was £14.8 million higher than 2011/12, due to the financing of the SCA Packaging acquisition.

Cash dividend cover, defined as free cash flow divided by dividends declared for the year, was 3.7 times (2011/12: 1.9 times).

SCA Packaging acquisition costs of £31.6 million and integration costs of £52.9 million were paid during the year. The cash outflow in respect of other exceptional costs was £27.8 million (2011/12: £19.5 million).

The SCA Packaging acquisition in 2012/13 resulted in an outflow of £1,281.0 million. A cash inflow of £50.8 million was generated from the remedy and other site disposals during the year (2011/12: £184.5 million principally relating to the Office Products Wholesaling division disposal).

Group net debt increased by £1,138.7 million, principally due to the SCA Packaging acquisition.

### **Financial position**

Shareholders' funds of £1,084.9 million at 30 April 2013 have increased from £1,057.5 million at 30 April 2012, principally due to retained profit for the year. Profit attributable to shareholders (including discontinued operations) was £77.1 million (2011/12: £75.3 million) and dividends of £36.8 million (2011/12: £31.5 million) were paid during the year. In addition, actuarial losses of £72.8 million from the Group's employee benefit schemes were charged to reserves. Other items recognised directly in reserves include currency translation gains of £54.0 million, adverse movements on cash flow hedges of £20.1 million and a related tax charge of £25.6 million.

At 30 April 2013, the Group's net debt was £817.0 million (2011/12: net cash of £321.7 million) principally due to the acquisition of SCA Packaging during the year. We expected to achieve a net debt to EBITDA ratio of less than 2 times by April 2014 and by delivering 1.97 times at 30 April 2013, we met our target a year early whilst still incurring capital expenditure well ahead of depreciation.

The Group complied with the covenants in its banking agreements. The Group's financial covenants for the syndicated committed bank facilities specify an EBITDA to net interest payable ratio of not less than 4.5 times, a maximum ratio of net debt to EBITDA of 3.25 times and net assets to exceed £360 million. The covenant calculations exclude from the income statement exceptional items and any interest arising from the defined benefit pension schemes. The calculation of net assets excludes the net asset or liability arising from the defined benefit pension schemes. At 30 April 2013, the Group had substantial headroom under its covenants; the most sensitive covenant is net debt to EBITDA and this had an EBITDA headroom of £158.2 million at 30 April 2013.

### **Energy costs**

Energy continued to be a significant cost for the Group in 2012/13. The Group's expenditure on gas, electricity and diesel increased from c. £126 million in 2011/12 to c. £248 million in 2012/13. This 97 per cent increase is principally the result of the SCA Packaging acquisition. The Group manages the risks associated with its purchases of energy through its Energy Procurement Group, which operates under the oversight of the Treasury Committee. The purpose of hedging energy costs with suppliers and financial institutions is to reduce the volatility of energy costs and to provide the Group with a degree of certainty over future energy costs.

### **Capital structure and treasury management**

The Group funds its operations from the following sources of capital: operating cash flow, borrowing, shareholders' equity and, where appropriate, disposals of non-core assets and businesses. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in short and medium-term funding so as to accommodate material investments or acquisitions. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having a range of maturities and borrowing from a variety of sources.

The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed. The Group's treasury strategy is controlled through the Treasury Committee, which meets regularly and includes the Group Chief Executive, the Group Finance Director, the Group Financial Controller, the Group Treasurer and the Group Tax Manager. The Group Treasury function operates in accordance with policies and procedures approved by the Board and controlled by the Group Treasurer. The function arranges funding for the Group, provides a service to operations and implements strategies for financial risk management.

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a business plan, determining the level of debt facilities required to fund the business, planning for repayments of debt at maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected funding requirements. At 30 April 2013, the Group's committed borrowing facilities totalled c. £1.4 billion of which £517 million were undrawn. Total gross borrowings at 30 April 2013 were £924.1 million. At 30 April 2013, the Group's committed borrowing facilities had a weighted-average maturity of 4.4 years (30 April 2012: 4.6 years).

In August 2012, the Group refinanced a €300 million bank term loan (due to mature in 2015) with the proceeds from a \$400 million private placement of debt to US institutions with an average maturity of nine years. In addition, in November 2012, the Group repaid \$105 million and £25 million of the private placement debt issued in 2002 at its maturity.

Following the acquisition of SCA Packaging, the Group has substantial investments in foreign currency assets of its subsidiary companies based overseas, in particular those whose functional currency is the euro. In addition, the Group's financial covenant ratios are exposed to the extent that earnings in foreign currency contribute to the Group's total EBITDA. In order to hedge these exposures, the Group's policy is to hedge EBITDA with a proportionate amount of net debt held in foreign currencies.

The Group's foreign currency debt may be held either in the currency itself or through the use of cross-currency swaps. The Group applies hedge accounting under IAS 39, 'Financial Instruments: Recognition and Measurement', to hedges of net investments in foreign currency subsidiaries and records exchange differences arising on net investments and the related foreign currency borrowing directly in equity.

## **Impairment**

When applying IAS 36, 'Impairment of Assets', the Group compares the carrying amounts of goodwill and intangible assets with the higher of their net realisable value and their value in use to determine whether an impairment exists. The value in use is calculated by discounting the future cash flows expected to be generated by the assets or group of assets being tested for impairment. During April 2013 tests were undertaken to determine whether there had been any impairment to the balance sheet carrying values of goodwill and other intangible assets. The key assumptions behind the calculations are based on the regional long-term growth rates and a pre-tax discount rate of 9.5 per cent combined with the appropriate country risk premiums. No impairments were identified as a result of the testing.

The net book value of goodwill and other intangibles at 30 April 2013 was £1,044.3 million (30 April 2012: £309.7 million).

## **Pensions**

IAS 19, 'Employee Benefits', requires the Group to make assumptions including, but not limited to, future asset returns, rates of inflation, discount rates and current and future life expectancies. The use of different assumptions could have a material effect on the accounting values of the relevant assets and liabilities, which in turn could result in a change to the cost of such liabilities as recognised in the income statement over time. The assumptions involved are subject to periodic review.

The Group's principal funded, defined benefit pension scheme is in the UK and is now closed to future accrual. The Group also operates various local post-retirement and other employee benefit arrangements for overseas operations, as well as a small UK unfunded scheme. The aggregate gross assets of the schemes at 30 April 2013 were £931.5 million and the gross liabilities at 30 April 2013 were £1,145.5 million, resulting in the recognition of a gross balance sheet deficit of £214.0 million (30 April 2012: £104.2 million), a net deficit of £157.9 million (30 April 2012: £77.1 million) after a deferred tax asset of £56.1 million (30 April 2012: £27.1 million).

A triennial valuation of the main UK scheme was carried out at 30 April 2010 at which point the Group agreed that cash contributions would be £14.8 million per annum, rising by 2 per cent per annum for the remaining 10 years, with a view to closing the deficit within a 10 year recovery period. Cash contributions into the Group pension schemes were £23.2 million in 2012/13 (2011/12: £31.2 million), principally comprising £15.1 million in respect of the agreed contributions to the pension scheme deficit (for the future financing of the pension scheme).

The increase in the gross balance sheet deficit of £109.8 million is principally attributable to a decrease in the discount rate. The main factor behind this reduction is the decline in corporate bond yields over the period, with investors seeking higher yields than those available on lower risk assets such as government bonds (which have been at all-time historic lows). This increase in demand has led to a narrowing of credit spreads which has reduced the overall yield available from corporate bonds, hence increased deficits have been a common theme for all companies over the last twelve months.



# CONSOLIDATED INCOME STATEMENT

Year ended 30 April 2013

	Note	Exceptional items (note 2)			After exceptional items 2013 £m	Exceptional items (note 2)			After exceptional items 2012 £m	
		Before exceptional items 2013 £m	SCA Packaging 2013 £m	Other 2013 £m		Before exceptional items 2012 £m	SCA Packaging 2012 £m	Other 2012 £m		
<b>Continuing operations</b>										
Revenue	1	3,669.3	-	-	3,669.3	1,969.4	-	-	1,969.4	
Cost of sales		(1,945.6)	-	-	(1,945.6)	(1,505.4)	-	-	(1,505.4)	
<b>Gross profit</b>		<b>1,723.7</b>	-	-	<b>1,723.7</b>	464.0	-	-	464.0	
Operating expenses	2	(1,472.8)	-	(10.0)	(1,482.8)	(322.0)	-	(70.1)	(392.1)	
<b>Operating profit before amortisation and acquisition and integration related costs</b>		<b>250.9</b>	-	(10.0)	<b>240.9</b>	142.0	-	(70.1)	71.9	
Amortisation of intangible assets and acquisition related costs	2	(44.9)	(11.8)	-	(56.7)	(8.1)	(18.4)	-	(26.5)	
SCA Packaging integration costs	2	-	(57.8)	-	(57.8)	-	-	-	-	
<b>Operating profit</b>		<b>206.0</b>	<b>(69.6)</b>	<b>(10.0)</b>	<b>126.4</b>	133.9	(18.4)	(70.1)	45.4	
Finance income	4	3.1	-	-	3.1	2.1	-	-	2.1	
Finance costs	4	(39.5)	-	-	(39.5)	(20.5)	-	-	(20.5)	
Employment benefit net finance expense	3	(4.6)	-	-	(4.6)	(4.8)	-	-	(4.8)	
<b>Net financing costs</b>		<b>(41.0)</b>	-	-	<b>(41.0)</b>	(23.2)	-	-	(23.2)	
<b>Profit after financing costs</b>		<b>165.0</b>	<b>(69.6)</b>	<b>(10.0)</b>	<b>85.4</b>	110.7	(18.4)	(70.1)	22.2	
Share of profit/(loss) of associates		1.2	-	-	1.2	(0.5)	-	-	(0.5)	
<b>Profit before income tax, amortisation and acquisition and integration related costs</b>		<b>211.1</b>	-	(10.0)	<b>201.1</b>	118.3	-	(70.1)	48.2	
Amortisation of intangible assets and acquisition related costs	2	(44.9)	(11.8)	-	(56.7)	(8.1)	(18.4)	-	(26.5)	
SCA Packaging integration costs	2	-	(57.8)	-	(57.8)	-	-	-	-	
<b>Profit before income tax</b>		<b>166.2</b>	<b>(69.6)</b>	<b>(10.0)</b>	<b>86.6</b>	110.2	(18.4)	(70.1)	21.7	
Income tax (expense)/credit	5	(36.3)	16.7	3.3	(16.3)	(30.6)	1.9	15.4	(13.3)	
<b>Profit for the year from continuing operations</b>		<b>129.9</b>	<b>(52.9)</b>	<b>(6.7)</b>	<b>70.3</b>	79.6	(16.5)	(54.7)	8.4	
<b>Discontinued operations</b>										
Profit for the year from discontinued operations	11	-	-	7.2	7.2	9.3	-	58.0	67.3	
<b>Profit for the year</b>		<b>129.9</b>	<b>(52.9)</b>	<b>0.5</b>	<b>77.5</b>	88.9	(16.5)	3.3	75.7	
<b>Profit for the year attributable to:</b>										
Owners of the parent		129.5	(52.9)	0.5	77.1	88.5	(16.5)	3.3	75.3	
Non-controlling interests		0.4	-	-	0.4	0.4	-	-	0.4	
<b>Earnings per share</b>										
					<b>2013</b>					<b>2012</b>
<b>Adjusted from continuing operations *</b>										
Basic	6				<b>17.4p</b>				12.8p	
Diluted	6				<b>17.3p</b>				12.7p	
<b>From continuing operations</b>										
Basic	6				<b>7.6p</b>				1.2p	
Diluted	6				<b>7.5p</b>				1.2p	
<b>From continuing and discontinued operations</b>										
Basic					<b>8.4p</b>				11.1p	
Diluted					<b>8.3p</b>				10.9p	

\* Adjusted for amortisation and exceptional items

Notes:

- (a) The Annual Report and statement for the year ended 30 April 2013 will be posted to shareholders on 22 July 2013. Statutory accounts for the year ended 30 April 2012 have been delivered to the Registrar of Companies.
- (b) Subject to approval of shareholders at the Annual General Meeting to be held on 3 September 2013, the final dividend of 5.5p will be paid on 1 November 2013 to ordinary shareholders on the register on 4 October 2013.
- (c) The 2012/13 and 2011/12 results in this preliminary statement do not constitute the statutory accounts of DS Smith Plc within the meaning of section 435 of the Companies Act 2006. The 2012/13 and 2011/12 comparatives have been extracted from the 2012/13 statutory accounts, which have been prepared under International Financial Reporting Standards as adopted by the EU (IFRS) and which contained an unqualified audit report with no adverse statement under Section 498 (2) or (3) of the Companies Act 2006 or equivalent preceding legislation.
- (d) Whilst the financial information included in the preliminary announcement has been prepared in accordance with IFRS, this announcement does not in itself contain sufficient information to comply with all the disclosure requirements of IFRS.
- (e) Items are presented as exceptional in the accounts where they are significant items of financial performance that the Directors consider should be separately disclosed, to assist in the understanding of the trading and financial results achieved by the Group (note 2).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 April 2013

	2013 £m	2012 £m
Actuarial (losses)/gains on employee benefits	(72.8)	16.1
Foreign currency translation differences	54.0	(14.2)
Reclassification from translation reserve to income statement arising on divestment	-	(9.8)
Movements in cash flow hedges	(20.1)	(6.6)
Income tax on other comprehensive income	25.6	(14.3)
<b>Other comprehensive expense for the year, net of tax</b>	<b>(13.3)</b>	<b>(28.8)</b>
<b>Profit for the year</b>	<b>77.5</b>	<b>75.7</b>
<b>Total comprehensive income for the year</b>	<b>64.2</b>	<b>46.9</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	63.7	47.0
Non-controlling interests	0.5	(0.1)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 April 2013

	Note	2013 £m	2012 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		1,044.3	309.7
Property, plant and equipment		1,371.2	598.3
Investment in associates		24.3	9.5
Other investments		5.6	–
Deferred tax assets		78.6	46.1
Other receivables		2.8	2.4
Derivative financial instruments		9.4	7.6
<b>Total non-current assets</b>		<b>2,536.2</b>	<b>973.6</b>
<b>Current assets</b>			
Inventories		284.8	146.8
Other investments		16.8	0.1
Income tax receivable		5.5	0.7
Trade and other receivables		643.7	291.7
Cash and cash equivalents		116.4	664.5
Derivative financial instruments		1.4	3.1
Assets classified as held for sale		1.5	–
<b>Total current assets</b>		<b>1,070.1</b>	<b>1,106.9</b>
<b>Total assets</b>		<b>3,606.3</b>	<b>2,080.5</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings		(903.9)	(227.6)
Employee benefits	3	(214.0)	(104.2)
Other payables		(9.7)	(9.9)
Provisions		(39.2)	(7.4)
Deferred tax liabilities		(155.7)	(51.9)
Derivative financial instruments		(20.8)	(3.4)
<b>Total non-current liabilities</b>		<b>(1,343.3)</b>	<b>(404.4)</b>
<b>Current liabilities</b>			
Bank overdrafts		(37.9)	(11.3)
Interest-bearing loans and borrowings		(20.2)	(93.4)
Trade and other payables		(955.8)	(431.6)
Income tax liabilities		(107.8)	(25.4)
Provisions		(54.5)	(36.7)
Derivative financial instruments		(1.9)	(20.2)
<b>Total current liabilities</b>		<b>(1,178.1)</b>	<b>(618.6)</b>
<b>Total liabilities</b>		<b>(2,521.4)</b>	<b>(1,023.0)</b>
<b>Net assets</b>		<b>1,084.9</b>	<b>1,057.5</b>
<b>Equity</b>			
Issued capital		92.9	92.7
Share premium		710.0	710.2
Reserves		283.9	256.6
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,086.8</b>	<b>1,059.5</b>
<b>Non-controlling interests</b>		<b>(1.9)</b>	<b>(2.0)</b>
<b>Total equity</b>		<b>1,084.9</b>	<b>1,057.5</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2013

Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total reserves attributable to equity shareholders £m	Non-controlling interests £m	Total equity £m
<b>At 1 May 2011</b>	<b>43.6</b>	<b>309.1</b>	<b>3.0</b>	<b>37.8</b>	<b>(9.4)</b>	<b>202.2</b>	<b>586.3</b>	<b>(2.1)</b>	<b>584.2</b>
Profit for the year	-	-	-	-	-	75.3	75.3	0.4	75.7
Actuarial gains on employee benefits	-	-	-	-	-	16.1	16.1	-	16.1
Foreign currency translation differences	-	-	-	(13.7)	-	-	(13.7)	(0.5)	(14.2)
Reclassification from translation reserve to income statement arising on divestment	-	-	-	(9.8)	-	-	(9.8)	-	(9.8)
Cash flow hedges fair value changes	-	-	(10.0)	-	-	-	(10.0)	-	(10.0)
Movement from cash flow hedge reserve to income statement	-	-	3.4	-	-	-	3.4	-	3.4
Income tax on other comprehensive income	-	-	1.7	(7.9)	-	(8.1)	(14.3)	-	(14.3)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(4.9)</b>	<b>(31.4)</b>	<b>-</b>	<b>83.3</b>	<b>47.0</b>	<b>(0.1)</b>	<b>46.9</b>
Issue of share capital	49.1	401.1	-	-	-	-	450.2	-	450.2
Ordinary shares purchased	-	-	-	-	(0.3)	-	(0.3)	-	(0.3)
Employee share trust	-	-	-	-	1.8	-	1.8	-	1.8
Share-based payment expense (net of tax)	-	-	-	-	-	6.2	6.2	-	6.2
Dividends paid	7	-	-	-	-	(31.5)	(31.5)	-	(31.5)
Transactions with non-controlling interests	-	-	-	-	-	(0.2)	(0.2)	0.2	-
<b>Other changes in equity in the year</b>	<b>49.1</b>	<b>401.1</b>	<b>-</b>	<b>-</b>	<b>1.5</b>	<b>(25.5)</b>	<b>426.2</b>	<b>0.2</b>	<b>426.4</b>
<b>At 30 April 2012</b>	<b>92.7</b>	<b>710.2</b>	<b>(1.9)</b>	<b>6.4</b>	<b>(7.9)</b>	<b>260.0</b>	<b>1,059.5</b>	<b>(2.0)</b>	<b>1,057.5</b>
Profit for the year	-	-	-	-	-	77.1	77.1	0.4	77.5
Actuarial losses on employee benefits	-	-	-	-	-	(72.8)	(72.8)	-	(72.8)
Foreign currency translation differences	-	-	-	53.9	-	-	53.9	0.1	54.0
Cash flow hedges fair value changes	-	-	(18.9)	-	-	-	(18.9)	-	(18.9)
Movement from cash flow hedge reserve to income statement	-	-	(1.2)	-	-	-	(1.2)	-	(1.2)
Income tax on other comprehensive income	-	-	4.6	5.0	-	16.0	25.6	-	25.6
<b>Total comprehensive (expense)/income</b>	<b>-</b>	<b>-</b>	<b>(15.5)</b>	<b>58.9</b>	<b>-</b>	<b>20.3</b>	<b>63.7</b>	<b>0.5</b>	<b>64.2</b>
Issue of share capital	0.2	(0.2)	-	-	-	-	-	-	-
Ordinary shares purchased	-	-	-	-	(1.2)	-	(1.2)	-	(1.2)
Employee share trust	-	-	-	-	7.4	(7.4)	-	-	-
Share-based payment expense (net of tax)	-	-	-	-	-	1.2	1.2	-	1.2
Dividends paid	7	-	-	-	-	(36.8)	(36.8)	-	(36.8)
Transactions with non-controlling interests	-	-	-	-	-	0.4	0.4	(0.4)	-
<b>Other changes in equity in the year</b>	<b>0.2</b>	<b>(0.2)</b>	<b>-</b>	<b>-</b>	<b>6.2</b>	<b>(42.6)</b>	<b>(36.4)</b>	<b>(0.4)</b>	<b>(36.8)</b>
<b>At 30 April 2013</b>	<b>92.9</b>	<b>710.0</b>	<b>(17.4)</b>	<b>65.3</b>	<b>(1.7)</b>	<b>237.7</b>	<b>1,086.8</b>	<b>(1.9)</b>	<b>1,084.9</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 April 2013

<b>Continuing operations</b>	Note	<b>2013 £m</b>	2012 £m
<b>Operating activities</b>			
Cash generated from operations	8	<b>373.6</b>	199.0
Interest received		<b>0.2</b>	0.4
Interest paid		<b>(34.8)</b>	(20.2)
Tax paid		<b>(41.7)</b>	(25.3)
<b>Cash flows from operating activities</b>		<b>297.3</b>	153.9
<b>Investing activities</b>			
Acquisition of subsidiary businesses, net of cash and cash equivalents	11	<b>(1,281.0)</b>	(2.3)
Divestment of subsidiary and associate businesses, net of cash and cash equivalents	11	<b>50.8</b>	184.5
Capital expenditure		<b>(161.0)</b>	(94.2)
Proceeds from sale of property, plant and equipment and intangible assets		<b>4.3</b>	8.0
Proceeds from sale of other investments		<b>0.1</b>	0.3
Increase in restricted cash		<b>(21.7)</b>	–
<b>Cash flows (used in)/from investing activities</b>		<b>(1,408.5)</b>	96.3
<b>Financing activities</b>			
(Transaction costs)/proceeds from issue of share capital		<b>(0.4)</b>	450.2
Purchase of own shares		<b>(1.2)</b>	(0.3)
Increase in/(repayment of) borrowings		<b>552.4</b>	(72.0)
Increase in/(repayment of) finance lease obligations		<b>0.4</b>	(2.7)
Dividends paid to Group shareholders	7	<b>(36.8)</b>	(31.5)
<b>Cash flows from financing activities</b>		<b>514.4</b>	343.7
<b>(Decrease)/increase in cash and cash equivalents from continuing operations</b>		<b>(596.8)</b>	593.9
<b>Discontinued operations</b>			
Cash from/(used in) discontinued operations		<b>7.2</b>	(29.0)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(589.6)</b>	564.9
Net cash and cash equivalents at 1 May		<b>653.2</b>	88.2
Exchange gains on cash and cash equivalents		<b>14.9</b>	0.1
<b>Net cash and cash equivalents at 30 April</b>		<b>78.5</b>	653.2

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Segment reporting

### Operating segments

Following the acquisition of SCA Packaging during the year ended 30 April 2013, the Group changed its internal reporting structure and consequently the composition of its operating segments.

Year ended 30 April 2013	Note	UK £m	Western Europe £m	DACH and Northern Europe £m	Central Europe and Italy £m	Plastics £m	Total Continuing Operations £m
<b>External revenue</b>		<b>961.2</b>	<b>966.3</b>	<b>835.7</b>	<b>601.1</b>	<b>305.0</b>	<b>3,669.3</b>
EBITDA		<b>75.2</b>	<b>104.2</b>	<b>89.7</b>	<b>58.1</b>	<b>36.1</b>	<b>363.3</b>
Depreciation		<b>(27.6)</b>	<b>(30.8)</b>	<b>(27.3)</b>	<b>(16.8)</b>	<b>(9.9)</b>	<b>(112.4)</b>
<b>Operating profit *</b>		<b>47.6</b>	<b>73.4</b>	<b>62.4</b>	<b>41.3</b>	<b>26.2</b>	<b>250.9</b>
Other exceptional items		<b>(4.6)</b>	<b>2.2</b>	<b>(5.4)</b>	<b>(2.0)</b>	<b>(0.2)</b>	<b>(10.0)</b>
<b>Segment result</b>		<b>43.0</b>	<b>75.6</b>	<b>57.0</b>	<b>39.3</b>	<b>26.0</b>	<b>240.9</b>
Unallocated items:							
Amortisation							<b>(44.9)</b>
Exceptional items – SCA Packaging acquisition costs	2						<b>(11.8)</b>
– SCA Packaging integration costs	2						<b>(57.8)</b>
<b>Total operating profit (continuing operations)</b>							<b>126.4</b>

### Analysis of total assets and total liabilities

Segment assets	<b>691.8</b>	<b>855.9</b>	<b>1,034.2</b>	<b>590.0</b>	<b>176.4</b>	<b>3,348.3</b>
Unallocated items:						
Investment in associates and other assets						<b>46.7</b>
Derivative financial instruments						<b>10.8</b>
Cash and cash equivalents						<b>116.4</b>
Tax						<b>84.1</b>
<b>Total assets</b>						<b>3,606.3</b>
Segment liabilities	<b>(283.6)</b>	<b>(354.7)</b>	<b>(191.1)</b>	<b>(206.5)</b>	<b>(23.3)</b>	<b>(1,059.2)</b>
Unallocated items:						
Borrowings and accrued interest						<b>(962.0)</b>
Derivative financial instruments						<b>(22.7)</b>
Tax						<b>(263.5)</b>
Employee benefits						<b>(214.0)</b>
<b>Total liabilities</b>						<b>(2,521.4)</b>

\* Adjusted for amortisation and exceptional items

### Geographical areas

	External revenue	
	2013 £m	2012 £m
<b>Continuing operations</b>		
UK	<b>1,027.0</b>	988.4
France	<b>742.9</b>	606.6
Germany	<b>524.9</b>	27.9
Italy	<b>369.7</b>	69.1
Rest of the World	<b>1,004.8</b>	277.4
	<b>3,669.3</b>	1,969.4

## NOTES TO THE FINANCIAL STATEMENTS continued

### 2. Exceptional items

Items are presented as 'exceptional' in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the trading and financial results of the Group.

	SCA Packaging acquisition costs 2013 £m	SCA Packaging integration costs 2013 £m	Other exceptional items 2013 £m	Total exceptional items 2013 £m	SCA Packaging acquisition costs 2012 £m	Other exceptional items 2012 £m	Total exceptional items 2012 £m
<b>Continuing operations</b>							
Restructuring costs	-	-	(14.3)	(14.3)	-	(42.3)	(42.3)
Acquisition related costs	(11.8)	(57.8)	-	(69.6)	(18.4)	-	(18.4)
Pension settlement	-	-	(2.2)	(2.2)	-	-	-
Impairment of assets	-	-	(1.6)	(1.6)	-	(36.5)	(36.5)
Investment in associate	-	-	-	-	-	10.0	10.0
Gain on divestment	-	-	8.1	8.1	-	-	-
Other	-	-	-	-	-	(1.3)	(1.3)
<b>Total pre-tax exceptional items (recognised in operating profit)</b>	<b>(11.8)</b>	<b>(57.8)</b>	<b>(10.0)</b>	<b>(79.6)</b>	<b>(18.4)</b>	<b>(70.1)</b>	<b>(88.5)</b>
Income tax credit on exceptional items	0.9	15.8	3.3	20.0	1.9	15.4	17.3
<b>Total post-tax exceptional items</b>	<b>(10.9)</b>	<b>(42.0)</b>	<b>(6.7)</b>	<b>(59.6)</b>	<b>(16.5)</b>	<b>(54.7)</b>	<b>(71.2)</b>

### 2012/13

SCA Packaging acquisition costs of £11.8m relate to professional advisory fees, due diligence costs and other acquisition costs relating to the acquisition of the packaging division of Svenska Cellulosa Aktiebolaget SCA (publ), ('SCA Packaging').

SCA Packaging integration costs primarily relate to costs associated with achieving cost synergies.

Of the £14.3m restructuring costs, £7.7m relates to restructuring in the UK paper business and central services, £2.8m relates to reorganisations in Sweden, and the remainder is primarily attributable to restructuring in Germany and Poland.

The gain on divestment primarily relates to the sale of the Group's investment in the associate GAE Smith, the sale of European Commission remedy disposal sites (see note 11), and disposal of the Group's Norwegian operations.

### 2011/12

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS continued

### 3. Employee benefits

	2013 £m	2012 £m
<b>Post-retirement plan deficit 1 May</b>	<b>(104.2)</b>	(147.5)
Expense recognised in operating profit	<b>(2.9)</b>	(0.9)
Employment benefit net finance expense	<b>(4.6)</b>	(4.8)
(Acquisition)/divestment	<b>(41.4)</b>	1.2
Employer contributions	<b>23.2</b>	30.4
Other payments and contributions	<b>0.3</b>	1.0
Settlement/curtailment	<b>2.0</b>	0.7
Reclassification	<b>-</b>	(2.5)
Actuarial (losses)/gains	<b>(71.8)</b>	16.1
Currency translation	<b>(3.0)</b>	2.1
<b>Post-retirement plan deficit at 30 April</b>	<b>(202.4)</b>	(104.2)
Other employee benefit assets and liabilities	<b>(11.6)</b>	-
<b>Total employee benefit deficit at 30 April</b>	<b>(214.0)</b>	(104.2)
Deferred tax asset	<b>56.1</b>	27.1
<b>Net employee benefit deficit at 30 April</b>	<b>(157.9)</b>	(77.1)

The table above is the aggregate value of all Group employee benefit schemes including both overseas and UK schemes. The Group's principal funded, defined benefit pension scheme, the DS Smith Group Pension scheme ('the Group scheme'), is in the UK and is now closed to future accrual. The Group also operates various local postretirement arrangements for overseas operations and a small UK unfunded scheme. Other employee benefits include pre-retirement benefits and long-service awards.

### 4. Finance income and costs

	2013 £m	2012 £m
<b>Continuing operations</b>		
Interest on loans and overdrafts	<b>37.9</b>	19.6
Finance lease interest	<b>0.2</b>	0.3
Other	<b>1.4</b>	0.6
<b>Finance costs</b>	<b>39.5</b>	20.5
Interest income from financial assets	<b>(1.1)</b>	(1.6)
Other	<b>(2.0)</b>	(0.5)
<b>Finance income</b>	<b>(3.1)</b>	(2.1)

Included within other finance income is £1.8m (2011/12: £nil) of hedge ineffectiveness on net investment hedges and fair value hedges.



# NOTES TO THE FINANCIAL STATEMENTS continued

## 5. Income tax expense

	2013 £m	2012 £m
<b>Continuing operations</b>		
<b>Current tax expense</b>		
Current year	(74.0)	(36.6)
Adjustment in respect of prior years	10.8	5.4
	<b>(63.2)</b>	<b>(31.2)</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	25.4	(1.8)
Reduction in UK tax rate	1.8	3.0
Adjustment in respect of prior years	(0.3)	(0.6)
<b>Total income tax expense before exceptional items</b>	<b>(36.3)</b>	<b>(30.6)</b>
Tax relating to SCA Packaging acquisition costs (note 2)	0.9	1.9
Tax relating to SCA Packaging integration costs (note 2)	15.8	–
Tax relating to other exceptional items (note 2)	3.3	15.4
<b>Total income tax expense in the income statement from continuing operations</b>	<b>(16.3)</b>	<b>(13.3)</b>
<b>Discontinued operations</b>		
Total income tax expense before exceptional items	–	(4.8)
Tax relating to other exceptional items	–	(9.1)
<b>Total income tax expense in the income statement from discontinued operations</b>	<b>–</b>	<b>(13.9)</b>
The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:		
	2013 £m	2012 £m
Profit before income tax –		
Continuing operations	86.6	21.7
Discontinued operations	7.2	81.2
Share of (profit)/loss of associates	(1.2)	0.5
Profit before tax and share of (profit)/loss of associates	92.6	103.4
Income tax at the domestic corporation tax rate of 23.92% (2011/12: 25.83%)	(22.1)	(26.7)
Effect of tax rates in overseas jurisdictions	(14.9)	(7.0)
Additional items deductible for tax purposes	13.7	–
Non-deductible expenses	(7.2)	(9.1)
Gain on disposal of Office Products Wholesaling division	1.7	8.2
Utilisation of tax losses not recognised	0.2	0.1
Adjustment in respect of prior years	10.5	3.2
Effect of change in UK corporation tax rate	1.8	3.1
Other	–	1.0
<b>Income tax expense – total Group</b>	<b>(16.3)</b>	<b>(27.2)</b>
Income tax expense from continuing operations	(16.3)	(13.3)
Income tax expense from discontinued operations	–	(13.9)

# NOTES TO THE FINANCIAL STATEMENTS continued

## 6. Earnings per share

### Basic earnings per share from continuing operations

	2013	2012
Profit from continuing operations attributable to ordinary shareholders	<b>£69.9m</b>	£8.0m
Weighted average number of ordinary shares	<b>923.5m</b>	680.6m
Basic earnings per share	<b>7.6p</b>	1.2p

### Diluted earnings per share from continuing operations

	2013	2012
Profit from continuing operations attributable to ordinary shareholders	<b>£69.9m</b>	£8.0m
Weighted average number of ordinary shares	<b>923.5m</b>	680.6m
Potentially dilutive shares issuable under share-based payment arrangements	<b>7.9m</b>	13.5m
Weighted average number of ordinary shares (diluted)	<b>931.4m</b>	694.1m
Diluted earnings per share	<b>7.5p</b>	1.2p

### Basic earnings per share from discontinued operations

	2013	2012
Profit attributable to ordinary shareholders	<b>£7.2m</b>	£67.3m
Weighted average number of ordinary shares	<b>923.5m</b>	680.6m
Basic earnings per share	<b>0.8p</b>	9.9p

### Diluted earnings per share from discontinued operations

	2013	2012
Profit attributable to ordinary shareholders	<b>£7.2m</b>	£67.3m
Weighted average number of ordinary shares	<b>923.5m</b>	680.6m
Potentially dilutive shares issuable under share-based payment arrangements	<b>7.9m</b>	13.5m
Weighted average number of ordinary shares (diluted)	<b>931.4m</b>	694.1m
Diluted earnings per share	<b>0.8p</b>	9.7p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 3.7m (2011/12: 7.0m).

### Adjusted earnings per share from continuing operations

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

	2013			2012		
	£m	Basic – pence per share	Diluted – pence per share	£m	Basic – pence per share	Diluted – pence per share
Basic earnings	<b>69.9</b>	<b>7.6p</b>	<b>7.5p</b>	8.0	1.2p	1.2p
Add back amortisation, after tax	<b>31.6</b>	<b>3.4p</b>	<b>3.4p</b>	8.1	1.2p	1.2p
Add back exceptional items, after tax	<b>59.6</b>	<b>6.4p</b>	<b>6.4p</b>	71.2	10.4p	10.3p
<b>Adjusted earnings</b>	<b>161.1</b>	<b>17.4p</b>	<b>17.3p</b>	87.3	12.8p	12.7p

# NOTES TO THE FINANCIAL STATEMENTS continued

## 7. Dividends proposed and paid

	2013		2012	
	Pence per share	£m	Pence per share	£m
2011/12 final dividend – paid	<b>4.0p</b>	<b>36.8</b>	–	–
2012/13 interim dividend	<b>2.5p</b>	<b>23.1</b>	1.9p	12.1
2012/13 final dividend – proposed	<b>5.5p</b>	<b>50.9</b>	4.0p	36.8
	<b>12.0p</b>	<b>110.8</b>	5.9p	48.9

	2013 £m	2012 £m
Paid during the year	<b>36.8</b>	31.5

The interim dividend in respect of 2012/13 of 2.5 pence per share (£23.1m) was paid after the year end on 1 May 2013. The 2011/12 interim dividend was paid during the 2011/12 financial year. A final dividend in respect of 2012/13 of 5.5 pence per share (£50.9m) has been proposed by the Directors after the balance sheet date.

## 8. Cash generated from operations

	2013 £m	2012 £m
<b>Continuing operations</b>		
Profit for the year	<b>70.3</b>	8.4
Adjustments for:		
Pre-tax SCA Packaging integration costs and other exceptional items	<b>67.8</b>	70.1
Amortisation of intangible assets and acquisition related costs	<b>56.7</b>	26.5
Cash outflow for SCA Packaging acquisition costs	<b>(31.6)</b>	(7.0)
Cash outflow for SCA Packaging integration costs	<b>(52.9)</b>	–
Cash outflow for other exceptional items	<b>(27.8)</b>	(19.5)
Depreciation	<b>112.4</b>	63.9
(Profit)/loss on sale of non-current assets	<b>(0.7)</b>	0.8
Share of (profit)/loss of associate	<b>(1.2)</b>	0.5
Employment benefit net finance expense	<b>4.6</b>	4.8
Share-based payment expense	<b>3.8</b>	4.0
Finance income	<b>(3.1)</b>	(2.1)
Finance costs	<b>39.5</b>	20.5
Other non-cash items	<b>(20.1)</b>	(0.1)
Income tax expense	<b>16.3</b>	13.3
Provisions and employee benefits	<b>(18.3)</b>	(28.8)
<b>Cash generation before working capital movements</b>	<b>215.7</b>	155.3
Changes in:		
Inventories	<b>29.2</b>	2.1
Trade and other receivables	<b>111.4</b>	2.9
Trade and other payables	<b>17.3</b>	38.7
<b>Working capital movement</b>	<b>157.9</b>	43.7
<b>Cash generated from continuing operations</b>	<b>373.6</b>	199.0

## NOTES TO THE FINANCIAL STATEMENTS continued

### 9. Analysis of net debt

	2013 £m	2012 £m
Cash and cash equivalents	<b>116.4</b>	664.5
Overdrafts	<b>(37.9)</b>	(11.3)
Net cash and cash equivalents	<b>78.5</b>	653.2
Restricted cash – receivable after one year	<b>16.6</b>	–
Restricted cash – receivable within one year	<b>5.1</b>	–
Other deposits	<b>17.6</b>	–
Interest-bearing loans and borrowings due – after one year	<b>(899.1)</b>	(225.2)
Interest-bearing loans and borrowings due – within one year	<b>(19.4)</b>	(91.7)
Finance leases	<b>(5.6)</b>	(4.1)
Derivative financial instruments		
– assets	<b>9.1</b>	7.9
– liabilities	<b>(19.8)</b>	(18.4)
	<b>(895.5)</b>	(331.5)
<b>Net (debt)/cash</b>	<b>(817.0)</b>	321.7

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS continued

## 10. Reconciliation of net cash flow to movement in net debt

	2013 £m	2012 £m
<b>Continuing operations</b>		
Operating profit before amortisation and exceptional items	250.9	142.0
Depreciation	112.4	63.9
<b>Adjusted EBITDA</b>	<b>363.3</b>	205.9
Working capital movement	157.9	43.7
Provisions and employee benefits	(18.3)	(28.8)
Other	0.4	4.7
<b>Cash generated from operations before exceptional cash items</b>	<b>503.3</b>	225.5
Capital expenditure	(161.0)	(94.2)
Proceeds from sale of property, plant and equipment and other investments	4.4	8.3
Tax paid	(41.7)	(25.3)
Net interest paid	(34.6)	(19.8)
<b>Free cash flow</b>	<b>270.4</b>	94.5
SCA Packaging acquisition costs	(31.6)	(7.0)
SCA Packaging integration costs	(52.9)	–
Other exceptional items	(27.8)	(19.5)
Dividends paid to Group shareholders	(36.8)	(31.5)
Acquisition of subsidiary businesses, net of cash and cash equivalents	(1,281.0)	(2.3)
Divestment of subsidiary and associate businesses, net of cash and cash equivalents	50.8	184.5
<b>Net cash flow</b>	<b>(1,108.9)</b>	218.7
(Transaction costs)/proceeds from issue of share capital	(0.4)	450.2
Purchase of own shares	(1.2)	(0.3)
Loans and borrowings acquired	(7.9)	(14.2)
<b>Net movement on (debt)/cash</b>	<b>(1,118.4)</b>	654.4
Foreign exchange and fair value movements	(27.5)	24.7
<b>Net debt movement – continuing operations</b>	<b>(1,145.9)</b>	679.1
<b>Net debt movement – discontinued operations</b>	<b>7.2</b>	(6.4)
Opening net debt	321.7	(351.0)
<b>Closing net (debt)/cash</b>	<b>(817.0)</b>	321.7

# NOTES TO THE FINANCIAL STATEMENTS continued

## 11. Acquisitions and divestments

### (a) SCA Packaging

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

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

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

In the year ended 30 April 2013, SCA Packaging contributed revenue of £1,890m and operating profit before amortisation of £104m to the Group's results. If the acquisition had occurred on 1 May 2012, estimated revenue and operating profit before amortisation and exceptional items for the combined entity would have been £4,072m and £273m respectively.

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

	Carrying values before acquisition £m	Provisional fair values £m
Intangible assets	12.9	403.1
Property, plant and equipment	956.3	716.4
Investment in associates	55.8	16.0
Net deferred tax liabilities	(63.9)	(115.1)
Other non-current receivables	9.7	-
Inventories	183.7	158.6
Trade and other receivables	365.7	348.7
Net income tax liabilities	(24.3)	(78.5)
Interest-bearing loans and borrowings – non-current	(1.4)	(1.4)
Employee benefits	(42.9)	(57.0)
Net assets classified as held for sale	7.3	30.7
Cash and cash equivalents	18.8	18.8
Interest-bearing loans and borrowings – current	(5.7)	(5.7)
Trade and other payables	(237.1)	(396.8)
Provisions	(120.1)	(67.9)
<b>Total identifiable net assets acquired</b>	<b>1,114.8</b>	<b>969.9</b>
Goodwill		329.9
<b>Total consideration</b>		<b>1,299.8</b>
<b>Satisfied by:</b>		
Cash consideration		1,299.8
<b>Net cash flow arising on acquisition</b>		
Cash consideration		1,299.8
Cash and cash equivalents acquired		(18.8)
<b>Total cash outflow</b>		<b>1,281.0</b>

# NOTES TO THE FINANCIAL STATEMENTS continued

## 11. Acquisitions and divestments continued

### (a) SCA Packaging continued

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

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

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

The trade and other receivables comprise gross contractual amounts due of £375.4m. At the acquisition date, it is estimated that contractual cash flows of £26.7m will not be collected.

Goodwill of £329.9m arising on the acquisition of SCA Packaging (which is not expected to be tax deductible) includes anticipated synergies from integrating SCA Packaging into the Group, and the skills and technical talent of the SCA Packaging workforce.

Included within provisions are contingent liabilities of £8.6m which have been recognised in respect of legal claims.

### (b) Remedy disposals

On 25 May 2012, the European Commission granted competition clearance for the SCA Packaging acquisition. The clearance required the Group to divest three sites after the acquisition, which represent approximately 1% of the enlarged Group profit. All three remedy disposal sites were divested during the year for total proceeds of £42.6m. The Group incurred transaction costs of £1.8m of which £0.5m was recognised as an expense for the year, with the remainder included in the opening fair value less cost to sell of the two remedy disposal sites gained through the SCA Packaging acquisition.

### (c) Other disposals

The Group made additional minor disposals of associates and subsidiary businesses for proceeds of £8.2m, net of cash and cash equivalents. These include the Group's associate GAE Smith, UK packaging disposals and the sale of the Group's Norwegian subsidiary.

### (d) SCA Packaging acquisition related costs

The Group incurred acquisition related costs of £11.8m in 2012/13 (2011/12: £18.4m) on professional advisory fees and due diligence costs associated with the acquisition. These costs have been included in administrative expenses in the Group's consolidated income statement.

### (e) Office Products Wholesaling

In April 2013, DS Smith received £7.2m in relation to final settlement of the disposal of its Office Products Wholesaling division in 2011/12 to Unipapel SA, which was recorded in discontinued operations in exceptional items.

On 30 December 2011 the Office Products Wholesaling division was sold to Unipapel SA. The Office Products Wholesaling division is presented as discontinued operations in the 2011/12 comparative consolidated income statement and the consolidated statement of cash flows.

### (f) SCA Packaging Kuban acquisition and disposal

In 2011/12 the Group acquired 100% of the equity of SCA Packaging Kuban in July 2011 for €5.0m cash consideration and €1.5m deferred consideration payable in December 2011, exclusively with a view to resale. The business was subsequently sold in December 2011 to the Group's associate, OJSC Rubezhansk Paper and Packaging Mill, for €6.5m with nil profit or loss on disposal.