26 June 2014

DS SMITH PLC – 2013/14 FULL YEAR RESULTS

Delivering sustainable results

12 months to 30 April	2014	2013(1)	Change
	£m	£m	
Revenue	4,035	3,669	+10%
Adjusted operating profit(2)	307	249	+23%
Profit before tax	167	82	+104%
EPS(2)	21.4p	17.1p	+25%
Dividend per share	10.0p	8.0p	+25%
Return on sales(5)	7.6%	6.8%	+80bps
ROACE(6)	13.0%	12.2%	+80bps

These results include a 12 month contribution following the acquisition of SCA Packaging on 1 July 2012 compared to the comparative period where 10 months' contribution was included. See notes to the financial tables, below.

Highlights

- Strong growth in profits, returns and dividends
- Organic corrugated packaging volume growth of +2.2% driving market outperformance, led by good growth in areas of focus
- Return on sales progression of 80bps to 7.6% despite input cost pressures
- Synergy benefits from SCA Packaging acquisition fully on track
- Continued delivery of our medium-term targets
- Investment to support further growth and efficiency

"This is a strong set of results achieved despite economic conditions across Europe remaining challenging. We have achieved our synergy targets for the year and delivered good growth in profits, returns and dividends.

At the heart of our performance is an unrelenting focus on the customer. Our strengthened customer proposition and an ability to deliver across the whole customer supply cycle has led to increased market share across our regions.

The current year has started well and is in line with our expectations. While we are planning for a difficult consumer economic environment to remain, our focus on delivery, capital discipline and continued investment in the business provides us with confidence in the sustainability of our business model. Looking ahead we remain excited about further growth opportunities for the Group."

Miles Roberts, **Group Chief Executive**

Continued delivery in line with medium-term targets

Medium-term targets	Delivery in 2013/14
Organic volume growth(3) at least GDP(4)+1%	2.2%
Return on sales(5) 7% – 9%	7.6%, +80 bps(1)
ROACE(6) 12% - 15%	13.0%, +80 bps(1)
Net Debt / EBITDA(7) ≤2.0x	1.96x
Operating cash flow/ operating profit(8) > 120%	120%

See notes to the financial tables, below

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Presentation and dial-in details

A presentation to investors and analysts will be held at 9:30am today at Holborn Bars 138-142 Holborn, London, EC1N 2NQ. Dial-in access for the presentation is available per the details below. The slides accompanying the presentation will be available on our website shortly before 09:30. Dial-in participants will have the opportunity to participate in the Q&A.

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

A replay of the event is available for seven days, on +44 (0) 20 8196 1998, PIN 8890992. An audio file and transcript will also be available on www.dssmith.com/investors/results-and-presentations.

Notes to the financial tables

(1) Prior period figures are restated for IAS 19 (revised 2011)
(2) Continuing operations, before exceptional items and amortisation
(3) Corrugated box volumes, adjusted for the number of working days
(4) GDP growth (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country, for the period April 2013 – March 2014= 0.9%. Source: Eurostat (14/5/14)
(5) Earnings from continuing operations before interest, tax, amortisation and exceptional items as a percentage of revenue
(6) Earnings from continuing operations before interest, tax, amortisation and exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors and assets/liabilities held for sale
(7) EBITDA being earnings from continuing operations before interest, tax, exceptional items, depreciation and amortisation
(8) Free cash flow before tax, net interest, growth capital expenditure, pension payments and exceptional cash flows as a percentage of earnings before interest, tax, amortisation and exceptional items

Overview

The financial year 2013/14 has been a year in which DS Smith has delivered on its targets, with strong growth in profits, returns and dividends. Integration of the business acquired from SCA, in the first full year of ownership, is now well established and we continue to be extremely excited by the opportunities for the combined business. We have delivered on our synergy targets for the year and on our broader key performance indicators, which apply to the whole business. We have gained market share, further improved our health and safety performance and continued to reduce our environmental impact. We are investing further in the business, to underpin future growth.

In 2013/14 the Group's corrugated box volumes grew 2.2 per cent, ahead of the corrugated packaging market and ahead of our target of volume growth of GDP +1 per cent. Volume growth has been particularly strong in our Central Europe and Italy region, benefiting from new customer wins and expanded service to existing customers, in fast-moving consumer goods (FMCG), online retail and the automotive sectors. Our DACH and Northern Europe region has also shown strong growth as we have been able to offer customers a wider geographic reach, with volume growth across a range of sectors.

All numbers within this review are based on continuing operations before amortisation and exceptional items, unless otherwise stated. Comparatives have been restated for the impact of IAS 19 *Employee Benefits* (revised 2011).

Revenues grew by 10 per cent, due to organic growth and the contribution from the legacy SCA Packaging business for a full 12 months in this year versus 10 months in the prior year. Operating profit increased 23 per cent to £307 million (2012/13: £249 million), including the benefit of €40 million of cost synergies, which we have delivered as expected. A further €40 million benefit is expected from synergies in 2014/15, as previously announced, completing the overall three year cost synergy programme. Earnings per share increased 25 per cent to 21.4 pence (2012/13: 17.1 pence), building on the substantial growth of the prior two years of 37 per cent and of 29 per cent.

These results have been achieved despite economic conditions across Europe remaining challenging, with the significant pressure on household budgets impacting the entire supply chain. Paper costs comprise approximately half the total cost of corrugated packaging, and paper prices have increased substantially over the period, requiring us to recover those costs from our customers. Our focus on innovation and, in particular, performance packaging, has put us in a good position to help mitigate the impact for our customers, delivering packaging solutions with the performance qualities that they need, while using smart design to reduce the cost of materials used.

Sustainability is at the heart of our business model, meaning that not only is our product fully recyclable, but that our financial performance is equally sustainable. During the year we have taken action to make the business more efficient and able to take advantage of a range of commercial opportunities that are now open to our pan-European business. We expect the benefits of this work to underpin future growth.

Delivering on our key performance indicators

Our performance this year has delivered progress on our key performance indicators. As set out above, corrugated box volumes grew by 2.2 per cent. This exceeded our target of GDP+1 per cent, with year-on-year GDP growth, weighted by our sales in the markets in which we operate, estimated at 0.9 per cent (Source: Eurostat). DS Smith has been gaining market share across our regions, where the overall corrugated packaging market has shown volume growth of 1.2 per cent (Source: FEFCO, April 2013 – March 2014). These gains have been driven by the success of our commercial offering, in particular our ability to serve customers across Europe and to offer high standards of service, quality and innovation.

In the year 2013/14, we owned SCA Packaging for a full 12 months compared to 10 months in the prior year. The improvements made in our key performance indicators this year has therefore been achieved despite owning SCA Packaging for an additional two months compared to the prior period. This would have had an underlying negative impact, given the relatively poor historic performance of SCA Packaging compared to DS Smith.

Return on sales has increased by 80 basis points to 7.6 per cent (2012/13: 6.8 per cent), within our target range of 7 to 9 per cent, reflecting the improvement in profitability driven by our strong focus on costs and the on-going delivery of planned synergies. This margin increase has been achieved despite the substantial short-term headwind on operating profit presented by the continued lack of growth in European consumer spending and a significant increase in input costs due to rising paper prices which, as expected, have been partially recovered in the financial year.

Return on average capital employed has improved by 80 basis points to 13.0 per cent (2012/13: 12.2 per cent), within our medium-term target range of 12 to 15 per cent and well above our cost of capital of c. 9.5 per cent. The improvement is driven by our improved profitability and continual focus on capital allocation within the business, including working capital, which has again shown further improvement this year. Return on average capital employed is our primary financial measure of success, with all senior management having part of their remuneration package linked to this measure.

Net debt / EBITDA (calculated in accordance with our banking covenant requirements) was 1.96x (2012/13: 1.97x), in line with our target of a ratio of 2.0x or below.

During the year the Group generated free cash flow of £140 million (2012/13: £270 million). Our underlying cash flow remains strong with further good management of working capital, following the exceptional performance in the prior year. Cash conversion was 120 per cent, in line with our target.

The Group has a target for customer service of 97 per cent on-time, in-full deliveries. In the year we achieved 93.1 per cent, which was adversely impacted by the inclusion of a full 12 month contribution from SCA Packaging. At the same time, our quality measure (defects parts per million) has improved by 19 per cent. These measures are critical to us as they reflect our commitment to be a trusted business partner and are part of our overall vision to deliver high standards of service, quality and innovation in packaging solutions for our customers. Our service levels remain a strategic priority and a clear area of differentiation in a very fragmented market.

DS Smith is committed to providing all employees with a safe and productive working environment. We are pleased to report a further substantial improvement in our safety record, with our accident frequency rate reduced a further 22 per cent from 6.2 to 4.8. This reflects the on-going commitment to best practice in health and safety, which is supported by investment. Our target is for zero accidents, which we are proud to report that 70 per cent of sites achieved this year. We continue to strive to achieve zero accidents for the Group as a whole.

DS Smith is part of the sustainable economy, with our principal product of corrugated packaging fully recyclable, from recycled material. Our Recycling business works uniquely with customers across Europe to improve their recycling operations and overall environmental performance. During 2013/14 we have implemented significant new systems to track our own environmental performance. We are pleased to say that we estimate that our CO_2 emissions, relative to production, have reduced a further 5 per cent, meaning that we are well on target to achieve our 2010 commitment to a 20 per cent reduction by 2020.

Investing in the business

Alongside on-going delivery of operating performance, we continue to invest in the business. Net capital expenditure of £156 million has been spent in the year, of which 74 per cent has been spent within the corrugated packaging side of the business, reflecting a wide range of opportunities for growth in this business. When considering growth capital expenditure and restructuring expenditure, our primary measures of return are cash payback, and a return on capital well in excess of the Group target. Specific returns are varied according to the risk profile of the investment.

We have now owned the SCA Packaging business for about two years and the integration programmes are now business as usual. We continually seek to optimise the business for both future growth and competitiveness. As a result, a number of restructuring exercises are taking place across the business. We are implementing this investment which, combined with our targeted capital expenditure programme, is designed to optimise our footprint, drive greater efficiency and further improve our customer offering. The total cost of these investments is expected to be approximately £60 million, of which £29 million has been incurred in 2013/14. The benefits from the investment will be progressively realised, substantially from 2015/16 and underpin our confidence in our financial performance and supports our future growth expectations.

Growth capital expenditure in 2014/15 is focused on our market leading display packaging business, particularly in Germany, where our pan-European customers both demand and reward innovation. We continue to invest in digital printing to offer high quality packaging that helps our customers to differentiate their products and explore further developments in shelf ready packaging.

Foreign exchange translation

Approximately 65 per cent of the Group's EBITA is earned in euros. The results for the year 2014/15 will be influenced by foreign exchange translation, where the euro is currently weaker than the average rate over 2013/14 of 1.19. A change of 1c impacts EBITA by approximately £1.6 million and profit before tax by approximately £1.2 million.

Outlook

The current year has started well and is in line with our expectations. While we expect a difficult consumer economic environment to remain, our focus on delivery, capital discipline and continued investment in the business provides us with confidence in the sustainability of our business model. Looking ahead we remain excited about further growth opportunities for the Group.

Operating review

The divisional results set out below include a full 12 month contribution from the SCA Packaging business versus 10 months in the comparative prior period. The revenue and operating profit uplift from this acquisition effect is most pronounced in DACH and Northern Europe, where DS Smith previously had relatively little operational presence, and also in Western Europe and in Central Europe and Italy where the acquired business has materially expanded our presence in these regions.

UK

	Year ended 30 April 2014	Year ended 30 April 2013 (restated)**
Revenue	£929m	£961m
Operating profit*	£64m	£46m
Return on sales*	6.9%	4.8%

*before amortisation and exceptional items
**prior year restated for the impact of IAS 19 (Revised)

The UK has seen good volume growth, broadly consistent with that of the Group as a whole, as the corrugated packaging business has led the move to performance-driven specification. The business has succeeded in generating increased sales by offering innovative corrugated packaging solutions for products previously packaged in other materials. We have also gained sales through our retail-ready packaging focus, designed to drive more sales for both the FMCG customer and the retailer. At the same time, the packaging business has worked consistently to recover rising input costs driven by paper prices. Revenues, which have fallen by 3 per cent, have been impacted by the sale of non-core businesses. Profitability has improved due to the benefit of cost synergies, and an improved performance from the Kemsley mill in Kent. Here management has benefited from applying best practice from mills acquired from SCA, resulting in a significant improvement in efficiency and profitability at this site. The Recycling business has continued to grow in line with our strategy to expand our service offering to more European customers, with additional business won in France, Germany and Poland. At the same time, we have rationalised our recycling depot network in the UK from 23 to 13, benefiting from the sites acquired with the SCA Packaging acquisition and resulting in a better geographic spread across the UK.

Western Europe

	Year ended 30 April 2014	Year ended 30 April 2013 (restated)**
Revenue	£1,017m	£966m
Operating profit*	£67m	£73m
Return on sales*	6.6%	7.6%

*before amortisation and exceptional items
**prior year restated for the impact of IAS 19 (Revised)

Revenue has increased 5 per cent, reflecting the additional two month contribution from the acquired business and a slight benefit from foreign exchange translation. Market conditions in this region have been very challenging with volume growth lower than the Group average. Operating profit has fallen 8 per cent and return on sales has decreased 100 basis points, reflecting the difficult economic and trading conditions in the region. The region has benefited from the combined business being able to offer a wider product range to its customers.

DACH and Northern Europe

	Year ended 30 April 2014	Year ended 30 April 2013 (restated)**
Revenue	£1,029m	£836m
Operating profit*	£96m	£63m
Return on sales*	9.3%	7.5%

*before amortisation and exceptional items
**prior year restated for the impact of IAS 19 (Revised)

DACH and Northern Europe, which is a region that DS Smith's corrugated business did not operate in prior to acquiring the SCA Packaging business, has grown revenue 23 per cent and operating profit by 52 per cent, with the growth driven by the full 12 month contribution from the acquired business and organic growth. The growth in margin of 180 basis points principally reflects the benefit of synergies being realised, together with the organic growth within the region and the strong paper pricing benefiting the two mills. Volumes have been strong as a result of a good performance, particularly in Germany. DS Smith was the clear innovation leader in the region, winning six Design Awards, two World Star awards, two German Packaging Prizes, one Superstar and one Popai Award. DS Smith Germany also won the Nestlé Supplier Award in Gold for outstanding customer service, out of 16,000 suppliers.

Central Europe and Italy

	Year ended 30 April 2014	Year ended 30 April 2013 (restated)**
Revenue	£739m	£601m
Operating profit*	£53m	£41m
Return on sales*	7.2%	6.8%

*before amortisation and exceptional items
**prior year restated for the impact of IAS 19 (Revised)

Revenue and operating profit have increased by 23 per cent and 29 per cent respectively, reflecting the full 12 month contribution from the acquired business and organic growth. As described in the financial review, towards the end of the financial year, the power plant adjacent to the paper mill in Italy was acquired. Volumes in the corrugated packaging business have been excellent, driven by Central Europe, substantially above the Group average. This reflects the benefit of developing sales with existing strategic FMCG and industrial customers and new large and medium size accounts, with a large part of this growth supported by our strength in innovation as well as our enhanced footprint.

Plastics

	Year ended 30 April 2014	Year ended 30 April 2013 (restated)**
Revenue	£321m	£305m
Operating profit*	£27m	£26m
Return on sales*	8.4%	8.5%

*before amortisation and exceptional items
**prior year restated for the impact of IAS 19 (Revised)

Plastics has delivered revenue growth of 5 per cent and operating profit growth of 4 per cent, resulting in a modest reduction in operating margin of 10 basis points.

The Plastics business comprises two elements, flexible packaging and dispensing (FP&D) and returnable transit packaging (RTP). The FP&D business in the US has had a very good year, delivering good profit growth as the business has seen continued success of its Trutap product and of tea-urn liners. In the European FP&D business, it has been a year of investment, with a substantial reorganisation in our European operations. Manufacturing has been transferred to eastern Europe, to sites with greater efficiency and with scope for increased production and which are closer to the customers they serve. There has been disruption to the business during this transfer, which is on track to be substantially completed by December, and this has limited the growth from this business during the year.

The RTP business, which is based in Europe, has had a very strong year, driven by the improvement in the market for transit packaging for automotive parts and also plastic board for display. In our crates business, we have won a significant contract in eastern Europe with a major brewer, driven by our "soft touch" crate design, which incorporates the strength of rigid plastic with a softer polymer in the handle and the scope for high quality printing onto the crate. This makes the crate usable both in the supply chain and also in the retail store. The crate is then re-used multiple times and, at the end of its useful life, can be recycled. The plastic is ground up by a specialist mobile unit that DS Smith provides, and the material then returned to our site for re-use. We have invested in additional capacity behind this business in order to fulfil existing demand for these products.

Financial review

Trading results

All numbers within this review are based on continuing operations before amortisation and exceptional items, unless otherwise stated. Comparatives have been restated for the impact of IAS 19 *Employee Benefits* (revised 2011).

Revenue of £4,035 million represents an increase of 10 per cent (2012/13: £3,669 million).

The growth in revenue includes the effect of a full year of SCA Packaging (compared to ten months in 2012/13) and was underpinned by corrugated box volume growth across Europe of 2.2 per cent. Plastics delivered revenue growth of 5 per cent whilst implementing a significant programme of restructuring.

Adjusted operating profit rose by 23 per cent to £307 million (2012/13: £249 million). The improvement in profit reflects the additional two months of SCA Packaging, together with synergy benefits of £33 million (€40 million) arising from the integration.

In the prior year, the Group's measures of return on sales and return on average capital employed were both negatively impacted by the acquisition of SCA Packaging, but have seen improvements in the current year as the benefits of the combined businesses flow through. Return on sales of 7.6 per cent is back within the range of 7-9 per cent, whilst return on average capital employed of 13.0 per cent in 2013/14 strengthened within the range of 12-15 per cent and is significantly above the Group's cost of capital.

Exceptional items

Exceptional items before tax and share of results of associates were £38 million (2012/13: £79 million). The major exceptional costs associated with the SCA Packaging integration programme have now been incurred. The total costs of the programme are in line with original estimates of £100 million with £42 million in 2013/14. The business is now operating as a pan-European supplier with consistent messaging and common customer interfaces which creates an excellent platform for growth. Having successfully completed the business integration, the business is now focusing on the next stage of the process which is to rationalise the asset footprint and ensure the cost base is fit for the future. The Plastics business in Europe commenced an ambitious restructuring plan involving a detailed analysis of both its cost base and future opportunities. This review resulted in the closure of a number of sites in the more established parts of Europe and investment in new facilities in higher growth markets in eastern Europe and an optimisation of the remaining asset base. This methodology has also been applied to Recycling and Packaging divisions and further investments are planned for 2014/15. The exceptional charge for

2013/14 for this rationalisation programme was £29 million and there are plans for a similar level of investment in 2014/15.

Following the conclusion of the SCA Packaging completion process in December the Group acquired the Lucca power plant in Italy. This resulted in a detailed balance sheet review and an exceptional credit was released which included amounts for an onerous energy contract in Italy.

Profits on sales of businesses amounted to £4 million and other exceptionals, including employee compensation and pension settlements, offset by the set up costs of the UK shared service program, benefited income by £3 million.

Interest, tax and earnings per share

Net interest expense increased from £37 million in 2012/13 to £41 million in 2013/14, principally due to the interest payable on the financing of the SCA Packaging acquisition. The employment benefit net finance expense was £7 million (2012/13: £7 million). The adoption of the revisions to IAS 19 *Employee Benefits* increased this cost by £3 million; the prior year has been restated.

Profit before tax (excluding amortisation, exceptional items and share of profit of associates) was £259 million (2012/13: £205 million), an increase of 26 per cent.

The share of the results of equity accounted investments includes an exceptional exchange loss of £3 million on US dollar denominated debt in the Ukrainian associate.

The Group's effective tax rate from continuing operations, excluding amortisation, exceptional items and associates was 23.0 per cent, compared to a rate in the previous year of 23.6 per cent. The reduction in the effective tax rate reflects a further reduction in the UK rate of corporate income tax (2013/14: 22.8 per cent, 2012/13: 23.8 per cent) and changes in the mix of taxable profits and tax rates across the regions in which the enlarged Group holds its subsidiaries and operates its businesses. The exceptional tax credit was £22 million.

Reported profit after tax from continuing operations after amortisation and exceptional items was £144 million (2012/13: £67 million).

Adjusted earnings per share were 21.4 pence (2012/13: 17.1 pence), an increase of 25 per cent. Total earnings per share were 15.0 pence (2012/13: 8.0 pence).

Discontinued operations in the current and prior year represent tax and the final settlement, respectively, in respect of the Office Products Wholesaling Division sold in December 2011.

Dividend

The proposed final dividend is 6.8 pence (2012/13: 5.5 pence), giving a total dividend for the year of 10.0 pence (2012/13: 8.0 pence). Dividend cover before amortisation and exceptional items was 2.1 times in 2013/14 (2012/13: 2.1 times).

Cash flow

Net debt ended the year broadly similar year on year as we sought to balance the use of the free cash that the Group generated between accelerating investment in restructuring within the Group earlier than originally planned, continuing to invest in fixed assets to grow the business, and providing returns to shareholders.

Management of working capital remained a priority, with a further benefit of £3 million being realised in the year. This continued improvement was achieved despite the challenging market conditions, growth in revenues, higher paper prices throughout the year and an exceptional performance in the prior year following the acquisition of SCA Packaging. Cash generated from operations at £394 million was £110 million lower than 2012/13 (£504 million) given the significant one off improvement in working capital the previous year. In total, interest and tax payments were £21 million higher than the prior year. Net capital expenditure was broadly flat to the prior year and was balanced to allow significant investments in growth and efficiency projects, as well as recurring renewal and maintenance.

The cash costs of the integration programme (£43 million) and the restructuring programme (£26 million) are reflected as exceptional cash flows.

Acquisitions and divestments comprise the purchase of the power plant adjacent to the paper mill in Italy, less the receipts from the disposals of non-core businesses.

The dividend payout has doubled year on year to £74 million, reflecting the payment in 2013/14 of the interim and final dividend for 2012/13, versus, in the prior year, the payment in year of the final dividend for 2011/12.

Statement of financial position

Shareholders' funds of £1,131 million at 30 April 2014 have increased from £1,085 million at 30 April 2013, principally due to retained profit for the year. Profit attributable to shareholders (including discontinued operations) was £141 million (2012/13: £74 million) and dividends of £74 million (2012/13: £37 million) were paid during the year. In addition, actuarial gains of £57 million from the Group's employee benefit schemes were credited to reserves. Other items recognised directly in reserves include currency translation losses of £55 million, adverse movements on cash flow hedges of £16 million and the related tax charge of £22 million.

At 30 April 2014, the Group's net debt was £827 million (2012/13: £817 million). The Group improved its net debt to EBITDA ratio from 1.97 times at 30 April 2013 to 1.96 times at 30 April 2014 and complied with all the covenants in its financing 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 2014, the Group had substantial headroom under its covenants; the most sensitive covenant is net debt to EBITDA and this had an EBITDA headroom of £171 million.

Subsequent to the year end, we have reached agreement to dispose of our Scandinavian foam business for £24 million, subject to working capital adjustments and competition clearance. No material gain or loss is expected to arise.

Energy costs

Energy continued to be a significant cost for the Group in 2013/14. The Group's total costs for gas, electricity and diesel decreased slightly from £248 million in 2012/13 to £241 million in 2013/14 through a combination of risk management activities and energy efficiency programmes and incentives. The Group manages the risks associated with its purchases of energy through its Energy Procurement Group. By hedging energy costs with suppliers and financial institutions we aim 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, borrowings, shareholders' equity and, where appropriate, disposals of non-core businesses. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in short and medium-term funding so as to accommodate material investments or acquisitions. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having a range of maturities and borrowings 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 regularly reviews the level of cash and debt facilities required to fund its activities. At 30 April 2014, the Group's committed borrowing facilities totalled c. £1.4 billion of which £496 million were undrawn. Total gross borrowings at 30 April 2014 were £882 million. At 30 April 2014, the Group's committed borrowing facilities had a weighted-average maturity of 3.3 years (30 April 2013: 4.4 years).

Since the year end, the Group has refinanced its committed bank borrowing facilities which were put in place to finance the acquisition of SCA Packaging. The increase in the amount of borrowing facilities provides additional headroom to cover the scheduled maturity of private placement debt in August 2014, US$ 105 million (£63 million as at 30 April 2014).

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. No impairments were identified as a result of the testing.

The net book value of goodwill and other intangibles at 30 April 2014 was £961 million (30 April 2013: £1,044 million).

Pensions

IAS 19 *Employee Benefits*, requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and current and future life expectancies.

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 2014 were £908 million and the gross liabilities at 30 April 2014 were £1,059 million, resulting in the recognition of a gross balance sheet deficit of £151 million (30 April 2013: £214 million), a net deficit of £111 million (30 April 2013: £158 million) after a deferred tax asset of £40 million (30 April 2013: £56 million).

The decrease in the gross balance sheet deficit of £63 million is principally attributable to an increase in the discount rate. The main factor behind this increase is the rise in corporate bond yields over the period.

Consolidated Income Statement

Year ended 30 April 2014

Continuing operations	Note	Before exceptional items 2014 £m	Exceptional items (note 3) 2014 £m	After exceptional items 2014 £m	Before exceptional items 2013 [1]£m	Exceptional items (note 3) 2013 £m	After exceptional items 2013 [1]£m
Revenue	2	**4,035**	**-**	**4,035**	3,669	–	3,669
Operating costs		**(3,728)**	**(31)**	**(3,759)**	(3,420)	(10)	(3,430)
Operating profit before amortisation, acquisition and SCA Packaging related costs		**307**	**(31)**	**276**	249	(10)	239
Amortisation of intangible assets and acquisition related costs		**(51)**	**(4)**	**(55)**	(45)	(11)	(56)
SCA Packaging related exceptional costs		**-**	**(3)**	**(3)**	–	(58)	(58)
Operating profit		**256**	**(38)**	**218**	204	(79)	125
Finance income	5	**3**	**-**	**3**	3	–	3
Finance costs	5	**(44)**	**-**	**(44)**	(40)	–	(40)
Employment benefit net finance expense	4	**(7)**	**-**	**(7)**	(7)	–	(7)
Net financing costs		**(48)**	**-**	**(48)**	(44)	–	(44)
Profit after financing costs		**208**	**(38)**	**170**	160	(79)	81
Share of (loss)/profit of equity accounted investments, net of tax		**-**	**(3)**	**(3)**	1	–	1
Profit before income tax		**208**	**(41)**	**167**	161	(79)	82
Income tax (expense)/credit	6	**(45)**	**22**	**(23)**	(35)	20	(15)
Profit for the year from continuing operations		**163**	**(19)**	**144**	126	(59)	67
Discontinued operations							
(Loss)/profit for the year from discontinued operations	12	**(3)**	**-**	**(3)**	–	7	7
Profit for the year		**160**	**(19)**	**141**	126	(52)	74
Profit for the year attributable to:							
Owners of the parent		**159**	**(19)**	**140**	126	(52)	74
Non-controlling interests		**1**	**-**	**1**	–	–	–
Earnings per share							
Adjusted from continuing operations [2]							
Basic	7	**21.4p**			17.1p		
Diluted	7	**21.1p**			16.9p		
From continuing operations							
Basic	7			**15.3p**			7.2p
Diluted	7			**15.2p**			7.1p
From continuing and discontinued operations							
Basic				**15.0p**			8.0p
Diluted				**14.9p**			7.9p

[1] Restated for IAS 19 (Revised 2011) (note 1).

[2] Adjusted for amortisation and exceptional items.

Notes

(a) Subject to approval of shareholders at the Annual General Meeting to be held on 17 September 2014, the final dividend of 6.8p will be paid on 3 November 2014 to ordinary shareholders on the register on 3 October 2014.

(b) The financial information presented in this preliminary announcement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 30 April 2014. The financial information set out above does not constitute the Company's statutory financial statements for the years ended 30 April 2014 or 30 April 2013 but is derived from those financial statements. Statutory accounts for the year ended 30 April 2013 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 30 April 2014 will be delivered following the Company's Annual General Meeting. The auditor's report on these accounts was not qualified or modified and did not contain any statement under Sections 498(2) or (3) of the Companies Act 2006.

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

(d) Items are presented as exceptional in the accounts where they are significant items of financial performance that the Directors consider should be separately disclosed, to assist in the understanding of the trading and financial results achieved by the Group (note 3).

Consolidated Statement of Comprehensive Income

Year ended 30 April 2014

	2014 £m	2013 [1] £m
Items which will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on employee benefits	**57**	(68)
Income tax on items which will not be reclassified subsequently to profit or loss	**(18)**	14
Items which may be reclassified subsequently to profit or loss		
Foreign currency translation differences	**(55)**	54
Movements in cash flow hedges	**(16)**	(20)
Income tax on items which may be reclassified subsequently to profit or loss	**(4)**	10
Other comprehensive expense for the year, net of tax	**(36)**	(10)
Profit for the year	**141**	74
Total comprehensive income for the year	**105**	64
Total comprehensive income attributable to:		
Owners of the parent	**104**	64
Non-controlling interests	**1**	-

[1] Restated for IAS 19 (Revised 2011) and re-presented to reflect adoption of amendments to IAS 1 (note 1).

Consolidated Statement of Financial Position

At 30 April 2014

	Note	**2014 £m**	2013 £m
Assets			
Non-current assets			
Intangible assets		**961**	1,044
Property, plant and equipment		**1,372**	1,371
Equity accounted investments		**24**	24
Other investments		**8**	6
Deferred tax assets		**84**	79
Other receivables		**3**	3
Derivative financial instruments		**4**	9
Total non-current assets		**2,456**	2,536
Current assets			
Inventories		**272**	285
Other investments		**1**	17
Income tax receivable		**11**	6
Trade and other receivables		**650**	644
Cash and cash equivalents		**98**	116
Derivative financial instruments		**2**	1
Assets held for sale		**45**	1
Total current assets		**1,079**	1,070
Total assets		**3,535**	3,606
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings		**(786)**	(904)
Employee benefits	4	**(151)**	(214)
Other payables		**(4)**	(10)
Provisions		**(23)**	(39)
Deferred tax liabilities		**(163)**	(156)
Derivative financial instruments		**(40)**	(21)
Total non-current liabilities		**(1,167)**	(1,344)
Current liabilities			
Bank overdrafts		**(34)**	(38)
Interest-bearing loans and borrowings		**(96)**	(20)
Trade and other payables		**(930)**	(956)
Income tax liabilities		**(90)**	(107)
Provisions		**(49)**	(54)
Derivative financial instruments		**(20)**	(2)
Liabilities held for sale		**(18)**	-
Total current liabilities		**(1,237)**	(1,177)
Total liabilities		**(2,404)**	(2,521)
Net assets		**1,131**	1,085
Equity			
Issued capital		**94**	93
Share premium		**715**	710
Reserves		**323**	284
Total equity attributable to owners of the parent		**1,132**	1,087
Non-controlling interests		**(1)**	(2)
Total equity		**1,131**	1,085

Consolidated Statement of Changes in Equity

Year ended 30 April 2014

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total reserves attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2012		**93**	**710**	**(2)**	**6**	**(8)**	**260**	**1,059**	**(2)**	**1,057**
Profit for the year [1]		–	–	–	–	–	74	74	–	74
Actuarial losses on employee benefits [1]		–	–	–	–	–	(68)	(68)	–	(68)
Foreign currency translation differences		–	–	–	54	–	–	54	–	54
Cash flow hedges fair value changes		–	–	(19)	–	–	–	(19)	–	(19)
Movement from cash flow hedge reserve to income statement		–	–	(1)	–	–	–	(1)	–	(1)
Income tax on other comprehensive income [1]		–	–	5	5	–	14	24	–	24
Total comprehensive (expense)/income		**-**	**-**	**(15)**	**59**	**-**	**20**	**64**	**-**	**64**
Ordinary shares purchased		–	–	–	–	(1)	–	(1)	–	(1)
Employee share trust		–	–	–	–	7	(7)	–	–	–
Share-based payment expense (net of tax)		–	–	–	–	–	2	2	–	2
Dividends paid	8	–	–	–	–	–	(37)	(37)	–	(37)
Other changes in equity in the year		**-**	**-**	**-**	**-**	**6**	**(42)**	**(36)**	**-**	**(36)**
At 30 April 2013		**93**	**710**	**(17)**	**65**	**(2)**	**238**	**1,087**	**(2)**	**1,085**
Profit for the year		–	–	–	–	–	140	140	1	141
Actuarial gains on employee benefits		–	–	–	–	–	57	57	–	57
Foreign currency translation differences		–	–	–	(55)	–	–	(55)	–	(55)
Cash flow hedges fair value changes		–	–	(16)	–	–	–	(16)	–	(16)
Income tax on other comprehensive income		–	–	2	(6)	–	(18)	(22)	–	(22)
Total comprehensive (expense)/income		**-**	**-**	**(14)**	**(61)**	**-**	**179**	**104**	**1**	**105**
Issue of share capital		1	5	–	–	–	–	6	–	6
Employee share trust		–	–	–	–	2	(2)	–	–	–
Share-based payment expense (net of tax)		–	–	–	–	–	9	9	–	9
Dividends paid	8	–	–	–	–	–	(74)	(74)	–	(74)
Other changes in equity in the year		**1**	**5**	**-**	**-**	**2**	**(67)**	**(59)**	**-**	**(59)**
At 30 April 2014		**94**	**715**	**(31)**	**4**	**-**	**350**	**1,132**	**(1)**	**1,131**

[1] Restated for IAS 19 (Revised 2011) (note 1).

Consolidated Statement of Cash Flows

Year ended 30 April 2014

Continuing operations	Note	**2014 £m**	2013 £m
Operating activities			
Cash generated from operations	9	**309**	374
Interest received		**3**	-
Interest paid		**(46)**	(35)
Tax paid		**(55)**	(42)
Cash flows from operating activities		**211**	297
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	12	**(27)**	(1,281)
Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents	12	**12**	51
Capital expenditure		**(174)**	(161)
Proceeds from sale of property, plant and equipment and intangible assets		**18**	4
Decrease/(increase) in restricted cash		**16**	(22)
Cash flows used in investing activities		**(155)**	(1,409)
Financing activities			
Proceeds from issue of share capital		**6**	-
Purchase of own shares		**-**	(1)
Increase in borrowings		**8**	552
Repayment of finance lease obligations		**(2)**	-
Dividends paid to Group shareholders	8	**(74)**	(37)
Cash flows (used in)/from financing activities		**(62)**	514
Decrease in cash and cash equivalents from continuing operations		**(6)**	(598)
Discontinued operations			
Cash (used in)/from discontinued operations		**(4)**	7
Decrease in cash and cash equivalents		**(10)**	(591)
Net cash and cash equivalents at 1 May		**78**	653
Exchange (losses)/gains on cash and cash equivalents		**(4)**	16
Net cash and cash equivalents at 30 April		**64**	78

Notes to the financial statements

1. BASIS OF PREPARATION

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

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

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

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect whether and how policies are applied and the reported amounts of assets and liabilities, income and expenses.

No changes have been made to the Group's accounting policies in the year ended 30 April 2014 other than the following:

- As a result of adopting IAS 19 *Employee Benefits (Revised 2011)*, interest costs and expected return on assets have been replaced by a net interest charge/credit on the net employee benefit pension liability/surplus. Certain costs previously recorded as part of finance costs or other comprehensive income have now been presented within operating expenses. As the Group records actuarial adjustments immediately, there has been no effect on the comparative pension deficit. The change has no net effect on total comprehensive income as the increased charge in profit or loss is offset by a decreased charge in other comprehensive income. Accordingly, the year ended 30 April 2013 has been restated with profit after tax being £3 million lower, and other comprehensive income £3 million higher, after the tax impact of the changes.
- IFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements, as well as replacing and expanding related disclosure requirements. The change had no significant impact on the measurement of the Group's assets and liabilities.
- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* requires that items of other comprehensive income that will be reclassified subsequently to profit or loss are grouped separately from those that will never be reclassified, together with their associated income tax. The consolidated statement of comprehensive income has been represented to reflect this change.
- The Group has early adopted IAS 28 *Investment in Associates and Joint Ventures* and IFRS 11 *Joint Arrangements*. This included the requirements for joint ventures, as well as associates, to be equity accounted, requiring a change in accounting method for one small joint venture. The comparative period has not been restated for the change described above because the change is immaterial to the Group's results.
- IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities* have been early adopted by the Group. Their adoption has not had a material impact on the Group's financial statements.

Except for as detailed above, the accounting policies, presentation methods and methods of computation followed are the same as those detailed in the 2013 Annual Report and Accounts, which is available on the Group's website (www.dssmith.com/investors/results-and-presentations). Whilst the financial information included in the preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

Notes to the financial statements continued

2. SEGMENT REPORTING

Operating segments

Year ended 30 April 2014	Note	UK £m	Western Europe £m	DACH and Northern Europe £m	Central Europe and Italy £m	Plastics £m	Total Continuing Operations £m
External revenue		**929**	**1,017**	**1,029**	**739**	**321**	**4,035**
EBITDA		**92**	**102**	**126**	**73**	**37**	**430**
Depreciation		**(28)**	**(35)**	**(30)**	**(20)**	**(10)**	**(123)**
Operating profit [1]		**64**	**67**	**96**	**53**	**27**	**307**
Unallocated items:							
Amortisation							**(51)**
Exceptional items	3						**(38)**
Total operating profit (continuing operations)							**218**
Analysis of total assets and total liabilities							
Segment assets		**708**	**790**	**981**	**641**	**183**	**3,303**
Unallocated items:							
Equity accounted investments and other assets							**33**
Derivative financial instruments							**6**
Cash and cash equivalents							**98**
Tax							**95**
Total assets							**3,535**
Segment liabilities		**(230)**	**(319)**	**(192)**	**(196)**	**(76)**	**(1,013)**
Unallocated items:							
Borrowings and accrued interest							**(927)**
Derivative financial instruments							**(60)**
Tax							**(253)**
Employee benefits							**(151)**
Total liabilities							**(2,404)**

[1] Adjusted for amortisation and exceptional items.

Geographical areas

	External revenue	
Continuing operations	**2014 £m**	2013 £m
UK	**933**	1,026
France	**688**	743
Germany	**613**	525
Italy	**433**	370
Rest of the World	**1,368**	1,005
	4,035	3,669

Notes to the financial statements continued

3. EXCEPTIONAL ITEMS

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

Continuing operations	**2014 £m**	2013 £m
SCA Packaging integration costs	**(42)**	(58)
SCA Packaging acquisition finalisation	**39**	–
SCA Packaging related exceptional costs	**(3)**	(58)
Acquisition related costs	**(4)**	(11)
Other restructuring costs	**(29)**	(15)
Impairment of assets	**(5)**	(2)
Rebranding	**(4)**	–
Gain on divestment	**4**	8
Other	**3**	(1)
Total pre-tax exceptional items (recognised in operating profit)	**(38)**	(79)
Income tax credit on exceptional items	**22**	20
Share of exceptional loss of associate, net of tax	**(3)**	–
Total post-tax exceptional items	**(19)**	(59)

2013/14

SCA Packaging integration costs relate to the completion of integration projects which began in 2012/13 and are associated with achieving cost synergies from the acquisition of the packaging division of Svenska Cellulosa Aktiebolaget SCA ('SCA Packaging') in the previous year.

The SCA Packaging completion process concluded in December 2013. Together with the effects of the subsequent acquisition of the power plant adjacent to the paper mill in Italy, and the release of an onerous contract provision recognised in the statement of financial position on acquisition of SCA Packaging, the Group has recorded a gain of £39m.

Acquisition costs of £4m primarily relate to professional advisory, legal and consultancy fees relating to the finalisation of the completion accounts process of the acquisition of the SCA Packaging.

In November 2013, the Group announced a major rebranding, bringing the businesses together under one unified corporate identity. Of the £4m cost in the year, the majority related to signage, internal and external communication and marketing costs.

Of the £29m other restructuring costs, £12m relates to restructuring and rationalisation in the Plastics businesses, £7m relates to UK site closures and reorganisations, and £4m relates to restructuring of businesses in the DACH region.

Other exceptional items principally relate to a provision release for employee compensation, partly offset by costs relating to UK centralisation projects, onerous lease and dilapidation provisions.

The income tax credit on exceptional items includes the reversal of prior year provisions for exceptional tax and the tax effect of exceptional items that are subject to tax.

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

2012/13

Acquisition costs of £11m relate to professional advisory fees, due diligence costs and other acquisition costs relating to the acquisition of SCA Packaging.

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

Of the £15m other restructuring costs, £8m relates to restructuring in the UK Paper business and central services, £3m 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, and disposal of the Group's Norwegian operations.

Notes to the financial statements continued

4. EMPLOYEE BENEFITS

Movements in the net employee benefit deficit recognised in the statement of financial position

	2014 £m	2013[1] £m
Employee benefit deficit 1 May	**(214)**	(104)
Expense recognised in operating profit	**(7)**	(5)
Employment benefit net finance expense	**(7)**	(7)
Employer contributions	**19**	23
Other payments and contributions	**-**	(1)
Settlement/curtailment	**-**	2
Actuarial gains/(losses)	**57**	(67)
Currency translation	**1**	(2)
(Acquisition)/divestment	**-**	(53)
Employee benefit deficit at 30 April	**(151)**	(214)
Deferred tax asset	**40**	56
Net employee benefit deficit at 30 April	**(111)**	(158)

[1] Restated for IAS 19 (Revised 2011) (note 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 post-retirement arrangements for overseas operations, pre-retirement benefits and long-service awards and a small UK unfunded scheme.

5. FINANCE INCOME AND COSTS

Continuing operations	2014 £m	2013 £m
Interest income from financial assets	**(1)**	(1)
Other	**(2)**	(2)
Finance income	**(3)**	(3)
Interest on loans and overdrafts	**41**	38
Other	**3**	2
Finance costs	**44**	40

Notes to the financial statements continued

6. INCOME TAX EXPENSE

Continuing operations	**2014 £m**	2013[1] £m
Current tax expense		
Current year	**(61)**	(73)
Adjustment in respect of prior years	**6**	11
	(55)	(62)
Deferred tax expense		
Origination and reversal of temporary differences	**1**	25
Reduction in UK tax rate	**2**	2
Adjustment in respect of prior years	**7**	–
Total income tax expense before exceptional items	**(45)**	(35)
Tax relating to exceptional items (note 3)	**22**	20
Total income tax expense in the income statement from continuing operations	**(23)**	(15)
Discontinued operations		
Current tax expense adjustment in respect of prior years	**(3)**	–
Total income tax expense in the income statement from discontinued operations	**(3)**	–

[1] Restated for IAS 19 (Revised 2011) (note 1).

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

	2014 £m	2013[1] £m
Profit before income tax		
Continuing operations	**167**	82
Discontinued operations	**-**	7
Share of loss/(profit) of associates	**3**	(1)
Profit before tax and share of loss/(profit) of associates	**170**	88
Income tax at the domestic corporation tax rate of 22.83% (2012/13: 23.92%)	**(39)**	(21)
Effect of tax rates in overseas jurisdictions	**(14)**	(15)
Additional items deductible for tax purposes	**35**	14
Non-deductible expenses	**(25)**	(7)
Gain on disposal of Office Products Wholesaling division	**-**	2
Adjustment in respect of prior years	**15**	10
Effect of change in UK corporation tax rate	**2**	2
Income tax expense – total Group	**(26)**	(15)
Income tax expense from continuing operations	**(23)**	(15)
Income tax expense from discontinued operations	**(3)**	–

[1] Restated for IAS 19 (Revised 2011) (note 1).

Notes to the financial statements continued

7. EARNINGS PER SHARE

Basic earnings per share from continuing operations

	2014	[1]2013
Profit from continuing operations attributable to ordinary shareholders	**£143m**	£67m
Weighted average number of ordinary shares	**932m**	924m
Basic earnings per share	**15.3p**	7.2p

Diluted earnings per share from continuing operations

	2014	[1]2013
Profit from continuing operations attributable to ordinary shareholders	**£143m**	£67m
Weighted average number of ordinary shares	**932m**	924m
Potentially dilutive shares issuable under share-based payment arrangements	**8m**	8m
Weighted average number of ordinary shares (diluted)	**940m**	932m
Diluted earnings per share	**15.2p**	7.1p

Basic earnings per share from discontinued operations

	2014	2013
(Loss)/profit attributable to ordinary shareholders	**(£3m)**	£7m
Weighted average number of ordinary shares	**932m**	924m
Basic earnings per share	**(0.3p)**	0.8p

Diluted earnings per share from discontinued operations

	2014	2013
(Loss)/profit attributable to ordinary shareholders	**(£3m)**	£7m
Weighted average number of ordinary shares	**932m**	924m
Potentially dilutive shares issuable under share-based payment arrangements	**n/a**	8m
Weighted average number of ordinary shares (diluted)	**932m**	932m
Diluted earnings per share	**(0.3p)**	0.8p

[1] Restated for IAS 19 (Revised 2011) (note 1).

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 1m (2012/13: 4m).

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:

	2014			[1]2013		
	£m	**Basic – pence per share**	**Diluted – pence per share**	£m	Basic – pence per share	Diluted – pence per share
Basic earnings	**143**	**15.3p**	**15.2p**	67	7.2p	7.1p
Add back amortisation, after tax	**37**	**4.1p**	**4.0p**	32	3.4p	3.4p
Add back exceptional items, after tax	**19**	**2.0p**	**1.9p**	59	6.5p	6.4p
Adjusted earnings	**199**	**21.4p**	**21.1p**	158	17.1p	16.9p

[1] Restated for IAS 19 (Revised 2011) (note 1).

8. DIVIDENDS PROPOSED AND PAID

	2014		2013	
	Pence per share	**£m**	Pence per share	£m
2011/12 final dividend – paid	**-**	**-**	4.0p	37
2012/13 interim dividend - paid	**-**	**-**	2.5p	23
2012/13 final dividend – paid	**5.5p**	**51**	–	–
2013/14 interim dividend – paid	**3.2p**	**30**	–	–
2013/14 final dividend – proposed	**6.8p**	**64**	–	–

	2014 £m	2013 £m
Paid during the year	**74**	37

The interim dividend in respect of 2013/14 of 3.2 pence per share (£30m) was paid after the year-end on 1 May 2014. The 2012/13 interim and final dividends were paid during the 2013/14 financial year. A final dividend in respect of 2013/14 of 6.8 pence per share (£64m) has been proposed by the Directors after the reporting date.

Notes to the financial statements continued

9. CASH GENERATED FROM OPERATIONS

Continuing operations	2014 £m	2013[1] £m
Profit for the year	**144**	67
Adjustments for:		
Pre-tax SCA Packaging integration costs and other exceptional items	**34**	68
Amortisation of intangible assets and acquisition related costs	**55**	56
Cash outflow for exceptional items	**(78)**	(112)
Depreciation	**123**	112
Profit on sale of non-current assets	**(8)**	(1)
Share of loss/(profit) of equity accounted investments, net of tax	**3**	(1)
Employment benefit net finance expense	**7**	7
Share-based payment expense	**4**	4
Finance income	**(3)**	(3)
Finance costs	**44**	40
Other non-cash items (including other deposits)	**(8)**	(20)
Income tax expense	**23**	15
Change in provisions	**(21)**	2
Change in employee benefits	**(13)**	(18)
Cash generation before working capital movements	**306**	216
Changes in:		
Inventories	**(6)**	29
Trade and other receivables	**(25)**	112
Trade and other payables	**34**	17
Working capital movement	**3**	158
Cash generated from continuing operations	**309**	374

[1] Restated for IAS 19 (Revised 2011) (note 1).

10. ANALYSIS OF NET DEBT

	2014 £m	2013 £m
Cash and cash equivalents	**98**	116
Overdrafts	**(34)**	(38)
Net cash and cash equivalents	**64**	78
Restricted cash – receivable after one year	**5**	5
Restricted cash – receivable within one year	**1**	17
Other deposits	**25**	18
Interest-bearing loans and borrowings due – after one year	**(782)**	(899)
Interest-bearing loans and borrowings due – within one year	**(96)**	(19)
Finance leases	**(4)**	(6)
Derivative financial instruments		
– assets	**4**	9
– liabilities	**(44)**	(20)
	(891)	(895)
Net debt	**(827)**	(817)

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 statement of financial position 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

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

	2014 £m	2013[1] £m
Continuing operations		
Operating profit before amortisation and exceptional items	**307**	249
Depreciation	**123**	112
Adjusted EBITDA	**430**	361
Working capital movement	**3**	158
Change in provisions	**(21)**	2
Change in employee benefits	**(13)**	(18)
Other	**(5)**	1
Cash generated from operations before exceptional cash items	**394**	504
Capital expenditure	**(174)**	(161)
Proceeds from sale of property, plant and equipment and other investments	**18**	4
Tax paid	**(55)**	(42)
Net interest paid	**(43)**	(35)
Free cash flow	**140**	270
Cash outflow for exceptional items	**(78)**	(112)
Dividends paid to Group shareholders	**(74)**	(37)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(27)**	(1,281)
Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents	**12**	51
Net cash flow	**(27)**	(1,109)
Proceeds from issue of share capital	**6**	-
Purchase of own shares	**-**	(1)
Loans and borrowings acquired	**-**	(8)
Net movement on debt	**(21)**	(1,118)
Foreign exchange and fair value movements	**15**	(28)
Net debt movement – continuing operations	**(6)**	(1,146)
Net debt movement – discontinued operations	**(4)**	7
Opening net (debt)/cash	**(817)**	322
Closing net debt	**(827)**	(817)

[1] Restated for IAS 19 (Revised 2011) (note 1).

Notes to the financial statements continued

12. ACQUISITIONS AND DIVESTMENTS

(a) 2013/14 acquisitions and disposals

During the current financial year, the Group completed various business combination transactions with total cash consideration of £27m, and various business disposals with total cash consideration of £12m which are not considered material to the Group individually or in aggregate.

(b) 2012/13 acquisitions and disposals

On 30 June 2012, the Group acquired SCA Packaging. The acquisition was effected by the purchase of equity of 100% of SCA Packaging Holding BV and SCA Packaging Nicollet SAS for £1,281 million (€1.6 billion) on a cash, debt and, to the extent legally possible and commercially practicable, pension free basis. This was subject to customary post-completion adjustments.

Certain fair values assigned to the net assets at the date of acquisition were provisional and, in accordance with IFRS 3 *Business Combinations*, the Group has adjusted the fair values attributable to this acquisition during the year ended 30 April 2014, resulting in a net decrease in goodwill of £3m. During the year ended 30 April 2014, the Group completed settlement of post-completion adjustments with SCA, the effect of which is included within exceptional items.

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 represented approximately 1% of the enlarged Group profit. All three remedy disposal sites were divested during the year ended 30 April 2013 for total proceeds of £43m. The Group incurred transaction costs of £2m of which £0.5m was recognised as an expense for the year ended 30 April 2013, 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.

In the year ended 30 April 2013, the Group made additional minor disposals of associates and subsidiary businesses for proceeds of £8m, 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.

(c) Office Products Wholesaling

In April 2013, DS Smith received £7m 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 2012/13. In 2013/14 a tax expense of £3m was incurred for tax balances written off in relation to the disposal which was recorded in discontinued operations.

(d) Acquisition related costs

The Group incurred acquisition related costs of £4m in 2013/14 (2012/13: £11m). In 2013/14 these primarily related to finalisation of the completion accounts process of the SCA Packaging acquisition in the previous year, as well as other deal costs relating to aborted acquisitions. These costs have been included in administrative expenses in the Group's income statement within exceptional items.

13. SUBSEQUENT EVENTS

On 24 June 2014, the Group reached agreement to dispose of its Scandinavian Foam businesses, classified as held for sale, for £24m, subject to working capital adjustments and competition clearance. The sale is scheduled to complete on or about 31 August 2014, and no material gain or loss on disposal is expected.

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