21 June 2022

DS SMITH PLC – 2021/22 FULL YEAR RESULTS
CONTINUING MOMENTUM

12 months to 30 April 2022 Continuing operations		Change (reported)	Change (constant currency)
Revenue	£7,241m	+21%	+26%
Adjusted operating profit[(1)]	£616m	+23%	+29%
Profit before tax	£378m	+64%	+71%
Adjusted basic EPS[(1)]	30.7p	+27%	+35%
Statutory basic EPS	20.4p	+53%	+61%
Dividend per share	15.0p	+24%	NA
Return on sales (RoS)[(2)]	8.5%	+10bps	+10bps
ROACE[(3)]	10.8%	+260bps	+260bps

See notes to financial table below

Miles Roberts, Group Chief Executive, commented:
"It has been another year of volatile trading conditions where we have worked through the tail-end of the pandemic and, more recently, the tragic events of the Russian invasion of Ukraine. These difficult periods have again brought the best out of all of our colleagues at DS Smith, demonstrating their resilience, compassion and commitment.

We have delivered strong operational, environmental and financial results. The actions we have taken, driven by our strategic focus on our customers and their changing needs, including an ever-increasing focus on sustainability, have resulted in record volume growth. This, together with price increases which have offset significant cost inflation, has driven a strong improvement in profitability and high cash generation. We continued to recycle capital out of mature, non-core assets with the disposal of the De Hoop paper mill, whilst reinvesting in new packaging sites that meet customer demand and offer attractive financial returns.

The new financial year has started well, building on the momentum from the previous year. Whilst there remains considerable uncertainty about the overall economic environment, our expectations remain unchanged. Strong customer demand reinforces our confidence to invest in the business, with capital expenditure expected to further increase in the current year. We currently expect to see 2-4 per cent growth in our volumes, aided by our focus on resilient end markets, a strong performance in the US and the opening of new sites in regions where demand is buoyant. This growth, combined with the benefits of ongoing pricing momentum and careful management of our cost base gives us confidence for the year ahead and is expected to result in a further substantial improvement in our performance."

Strong financial performance

- Record like-for-like corrugated box volume growth of +5.4%[4] vs FY 2020/21
- Adjusted operating profit of £616m up 29%
  - Positive profit momentum through the period: H2 EBITA £340m (H1 £276m)
  - Price recovery successfully offsetting increased input costs
- Strong operational and financial performance from Europac (12% ROACE in FY21/22)
- Continued US progress with EBITA growth of +31% and RoS 13.4%
- ROACE +260bps to 10.8% (H2 12.1%)
- Return on Sales +10bps to 8.5% (H2 8.8%)
- Strong cash flow generation driving leverage reduction
  - FCF[8] £519m (+7%)
  - Net debt reduction to £1,484m; 1.6x net debt/EBITDA[6] (2.2x at 30 April 21)
- Statutory profit before tax for year £378m (+71%)

Good strategic and operational progress

- Supporting our customers in a challenging environment
  - Excellent service levels and security of supply
- Investment in growth projects on track with new greenfield site in Italy now operational and Poland currently being commissioned
  - 80% pre-sold and expected 15-20% ROACE in year 3
- Demand from resilient FMCG focussed customer base supports continued disciplined capital investment for growth

Leading in Sustainability

- Working with our customers to deliver their sustainability goals
  - Circular design metrics gaining traction with 2,000 live projects
  - 313m units of plastic replaced since 2020
- Industry leading CO_2 reduction targets
  - Science Based Targets initiative approved plan in line with 1.5℃ trajectory
  - Commitment to Net Zero carbon emissions by 2050
- 29% reduction in CO_2 per tonne of production vs 2015
- 100 biodiversity projects launched in the year
- Achieved target for producing 100% reusable or recyclable packaging

Positive outlook

- Despite a more challenging backdrop, the structural growth drivers together with a resilient FMCG customer base and our compelling offering underpin our confidence for FY22/23:
  - Corrugated box volume growth currently expected to be 2-4%

    - Capital expenditure increased to approximately £500 million to invest in customer led growth opportunities, including sustainability, at attractive financial returns
- Continued price recovery and cost management offsetting inflationary costs
- Good early momentum in the current financial year 2022/23

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

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

Media
Greg Dawson, Corporate Affairs Director

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

A presentation for investors and analysts will be held today at 9:00am by webcast.

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

If you would like to ask a question at the end of the webcast, then you will need to dial into the associated conference call using the following details. Please dial in 15 minutes before the start of the webcast to allow for registration.

Dial-in number (UK): +44 (0)33 0551 0200
Dial-in number (US): +1 212 999 6659
Password: DS Smith

An audio file and transcript will also be available on https://www.dssmith.com/investors/results-and-presentations.

Notes to the financial tables

Note 14 explains the use of non-GAAP performance measures. These measures are used both internally and externally to evaluate business performance, as a key constituent of the Group's planning process, they are applied in the Group's financial and debt covenants, as well as establishing the targets against which compensation is determined. Reporting of non-GAAP measures alongside reported measures is considered useful to enable investors to understand how management evaluates performance and value creation internally, enabling them to track the Group's adjusted performance and the key business drivers which underpin it over time. Reported results are presented in the Consolidated Income Statement and reconciliations to adjusted results are presented on the face of the Consolidated Income Statement, in note 2, note 7, and note 14.

(1) Operating profit (adjusted EBITA) is before adjusting items (as set out in note 3) and amortisation of £138 million.
(2) Operating profit before amortisation and adjusting items as percentage of revenue.
(3) Operating profit before amortisation and adjusting items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, right-of-use assets, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors, biological assets and assets/liabilities held for sale.
(4) Corrugated box volumes on a rolling 12 months basis (based on area (m2) of corrugated box sold), adjusted for working days, on an organic basis.
(5) GDP growth for rolling 12 months (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country = 8%. Source: Eurostat (17 May 2022) and ONS.
(6) EBITDA being operating profit before adjusting items, depreciation and amortisation and adjusted for the full year effect of acquisitions and disposals in the period. Net debt is calculated at average exchange rates as opposed to closing rates. Ratio as calculated in accordance with bank covenants. See note 14 on non-GAAP measures for reconciliation.
(7) Free cash flow before tax, net interest, growth capital expenditure, pension payments and adjusting cash flows as a percentage of operating profit before amortisation and adjusting items.
(8) Free cash flow is the net movement on debt before cash outflow for adjusting items, dividends paid, acquisitions and divestment of subsidiary businesses (including borrowings acquired) and proceeds from issue of share capital.

Operating Review

A year of growth and momentum

Organic corrugated box volumes have shown record growth of 5.4 per cent across the year, reflecting continued growth in the resilient fast moving consumer goods (FMCG) and other consumer related sectors, which represent over 80 per cent of our volumes, together with a recovery in the industrial sector following the impact of the pandemic in the prior year. In a challenging supply chain environment, our large scale, security of supply and high service levels have driven ongoing gains with our customers including large multinational companies. Regionally, we have seen particularly good performances in the US, Southern and Eastern Europe.

The structural market drivers of plastic replacement, consumer and retail channel evolution and e-commerce continue to help accelerate growth. We have continued to invest in innovation and have embedded our pioneering Circular Design Metrics across all our packaging sites. We are the only packaging producer to offer this unique tool, which gives our customers across a wide range of sectors such as FMCG, industrial, retail and e-commerce a clear view of their packaging designs' circularity performance and helps them achieve their sustainability goals.

Looking forward, customer demand remains strong and we expect to see continued volume growth of 2-4 per cent in the current financial year.

For the full year, revenue grew by £1.5 billion (26 per cent) on a constant currency basis and 21 per cent on a reported basis, driven by corrugated box volume growth (£203 million) and higher selling prices (£1,279 million) across the Group. External paper, recycling, and other packaging revenues increased (£23 million) as higher pricing more than offset reduced volumes sold externally as the organic growth of our packaging volumes meant we utilised a greater proportion of our paper production internally.

Raw material, energy and transportation input costs all rose significantly over the comparative period. However, these were mitigated by effective supplier arrangements, long-term hedging positions and rising packaging selling prices.

Volume growth combined with increased packaging selling prices, partly offset by the increased input costs, resulted in adjusted operating profit growing by 29 per cent on a constant currency basis and 23 per cent on a reported basis to £616 million. Corrugated box volume growth contributed £65 million and the effect of an increase in the average sales price and mix was £1,279 million versus the comparable period. £714 million of this increase was due to an increase in packaging prices with the remainder of £565 million due to increases in price of external sales of paper, recycling material and energy. These increases reflect the recovery through increased sales pricing (with a lag) of the significant increases in input costs during 2021 and 2022. Compared to the comparative period, input costs increased by £1,207 million with rises in raw materials costs of £720 million, energy costs of £297 million and other costs of £190 million. The net energy cost increase, after the price benefit of energy sales, was £174 million. The energy impact, while significant, was mitigated by the Group's three-year rolling hedging programme. Group return on sales grew during the year to 8.5 per cent (2020/21: 8.4 per cent) with the second half at 8.8 per cent, reflecting the significant growth in profitability more than offsetting the dilutive effect of higher cost and selling prices.

Adjusted basic earnings per share from continuing operations grew 35 per cent on a constant currency basis to 30.7 pence (2020/21: 24.2 pence). Basic earnings per share of 20.4 pence grew by 61 per cent compared to the prior year on a constant currency basis (2020/21: 13.3 pence), reflecting the growth in operating profit.

Cash generation during the year was strong, with £519 million of free cash flow (2021: £486 million) driving a reduction in net debt to £1,484 million (2021: £1,795 million). The free cash flow was driven by increased profitability and a positive working capital inflow of £215 million, more than offsetting the increased capital expenditure. £109 million of working capital inflow relates to margin calls to manage our energy hedging counter-party risk and this is expected to reverse in the financial year 2022/23.

The continued reduction in net debt, together with the increasing profitability, improved our leverage ratio of net debt/EBITDA to 1.6 times, compared to 2.2 times as at 30 April 2021, and within our medium-term target of at or less than 2 times.

The increased profitability of the Group, together with tight capital management, drove a 260 basis point increase in ROACE to 10.8 per cent, with excellent momentum throughout the year, reflected in a ROACE in the second half of the year of 12.1 per cent, within our medium-term target range.

Investing for growth
Within our financial metric priorities of maintaining our investment grade credit rating and a net debt/EBITDA ratio of below 2 times, our capital allocation priorities remain focused on disciplined investment to support growth with our customers and drive shareholder returns.

With strong structural market drivers and growth with our customers, we continue to see attractive opportunities to invest organically in our business via focused innovation, expansion of current and new sites and improving efficiency.

Our new site in Italy is now operational, with the site in Poland currently being commissioned ready for production to commence in the next few weeks, all in line with customer driven demand for ever more sustainable packaging. Together they represent approximately an additional 3 to 4 per cent packaging capacity at full utilisation and are 80 per cent pre-sold. These are expected to make a 15 to 20 per cent return on capital once operating at full capacity, which is anticipated to be in the third year of operation.

While the Board recognises the current macroeconomic uncertainties, strong customer pull underpins our confidence in the organic growth opportunities and accordingly capital expenditure for 2022/23 is expected to increase by approximately 20 per cent to around £500 million. This will be allocated across three main areas: investing for growth by systematically enhancing the capability and efficiency at existing packaging plants; further aligning our paper capacity with our packaging customers; and replacing assets with more environmentally efficient options as part of the usual capital replacement cycle. All the growth projects undertaken have estimated returns on capital in excess of the Group target ROACE range of 12 to 15 per cent.

Innovation

Many of our customers are multinational industry-leading brands who require a pan-continental, consistent approach to their packaging, and they are increasingly looking for closer partnerships to grow and innovate with them.

As part of the commitment we announced in 2021 to invest £100 million in R&D over five years, we have opened a state-of-the-art laboratory at Kemsley Mill, one of the largest paper mills in Europe, to advance our research into alternative fibre sources for paper and packaging products.

We have also announced a new flagship innovation centre for ideation, design, testing, piloting and collaboration near Birmingham, UK. This facility will allow us to install and test pilot product and service lines to enable customers to visualise the value that we can bring to them.

Packaging innovation is the lifeblood of our organisation and is vital in keeping global supply chains running as they become more integrated, demanding and focused on sustainability.

Leading the way in sustainability

Sustainability has been at the heart of our business for many years as we have developed and grown into a solely fibre-based corrugated packaging business. We continue to work actively with our customers to help them address their sustainability challenges. Our Circular Design Principles combined with our carbon reduction programme and focus on plastic replacement are allowing us to meet our customers' increasing sustainability requirements. Momentum in plastic replacement is accelerating and we have replaced 313 million units of plastic since 2020.

We continue to make good progress in delivering against our sustainability targets. We have reduced our CO_2 per tonne of production by 29 per cent from 2015, achieved a 5 per cent reduction in water abstraction within paper mills in areas at risk of water stress, achieved our target of 100 per cent reusable or recyclable packaging and launched 100 biodiversity projects.

We are delighted that this progress has been recognised with an improvement in rating by a number of external indices including MSCI ACWI Index, Dow Jones Sustainability Index, EcoVadis, Sustainalytics and CDP.

Looking forward, we have the most ambitious carbon reduction targets in our industry with a Science Based Targets initiative approved CO_2 reduction target of 46 per cent from 2019 to 2030 and a commitment to achieving net zero carbon emissions by 2050.

Dividend

The Board considers the dividend to be a very important component of shareholder returns. Our policy is that dividends will be progressive and that, in the medium term, dividend cover should be on average 2.0 to 2.5 times (relative to adjusted earnings per share), through the cycle. Accordingly, and reflecting the strong growth in the business and our confidence in the outlook, we are announcing a final dividend for this year of 10.2 pence, taking the total dividend for the year to 15.0 pence per share (2020/21: 12.1 pence), in line with our policy and an increase of 24 per cent over the prior period.

Subject to approval of shareholders at AGM to be held on 6 September 2022, the final dividend will be paid on 1 November 2022 to shareholders on the register at the close of business on 7 October 2022.

Our medium-term targets and key performance indicators

We measure our performance according to both our financial and non-financial medium-term targets and key performance indicators. We have seen an improvement in our performance for all measures.

As set out above, like-for-like[(4)] corrugated box volumes grew by a record 5.4 per cent driven by growth with our FMCG and consumer-focused customers. Although volume growth was behind our target of GDP +1 per cent[(5)], GDP has been particularly impacted by Covid-19 with major declines seen in the comparative period in the prior year, when we exceeded our target by 9.0 per cent, followed by a strong recovery in the financial year

2021/22. Over the two-year period the average of GDP +1 per cent was 1.6 per cent and our compound average box volume growth over the same period was 4.0 per cent.

Return on sales grew 10 basis points to 8.5 per cent. Despite the 29 per cent improvement in adjusted operating profit, the dilutive impact of the significant cost and selling price inflation limited the annual improvement in return on sales, which was below our target range of 10 to 12 per cent. The margin progressively improved during the period, with the margin in the second half being 8.8 per cent, underpinning our confidence in achieving our medium-term target.

Adjusted ROACE grew 260 basis points 10.8 per cent (2020/21: 8.2 per cent), reflecting the significant growth in adjusted operating profit. The improving trend in profitability through the year combined with the improving returns from recent acquisitions and investments means ROACE was within our medium term target range of 12 to 15 percent at 12.1 per cent for the second half of the year.

Net debt as at 30 April 2022 was £1,484 million (30 April 2020: £1,795 million), with the reduction principally due to free cash flow of £519 million. Working capital performance was extremely good with both a strong focus in the business and the benefit of rising input costs such as paper and OCC on our payables. It also benefitted from £109 million of working capital inflow which relates to margin calls to manage our energy hedging counterparty risk which is expected to reverse in the financial year 2022/23. Cash generated from operations before adjusting cash items of £1,092 million was used to invest in net capex of £415 million, which increased by 28 per cent on the prior year, principally reflecting the investment in two new packaging plants in Italy and Poland. Net debt/EBITDA (calculated in accordance with our banking covenant requirements) is 1.6 times (2020/21: 2.2 times), substantially below our banking covenant of 3.75 times. The Group remains fully committed to maintaining its investment grade credit rating.

During the year, the Group generated free cash flow of £519 million (2020/21: £486 million), reflecting increased profitability and strong cash and working capital management. Cash conversion(7), as defined in our financial KPIs (note 14), was 142 per cent, well ahead of our target of being at or above 100 per cent.

DS Smith is committed to providing all employees with a safe and productive working environment. We are pleased, once again, to report improvements in our safety record, with our accident frequency rate (defined as the number of lost time accidents per million hours worked) reducing by a further 6 per cent to 1.9, reflecting our ongoing commitment to best practice in health and safety. We are proud that 266 out of a total of 325 reporting sites achieved our target of zero accidents this year and we continue to strive for zero accidents for the Group as a whole.

The Group has an industry leading target for customer service of 97 per cent on-time, in-full deliveries. In the year we achieved a good performance at 94 per cent, despite the impact on supply chains of the pandemic and latterly the Russian invasion of Ukraine. Management remains fully committed to the target and the highest standards of service, quality and innovation to all our customers and we will continue to strive to meet the demanding standards our customers expect. Other markers of quality, such as our defects rate (measured in parts-per-million) have improved significantly, having reduced 13 per cent.

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

Northern Europe

	Year ended 30 April 2022	Year ended 30 April 2021	Change-reported	Change-constant currency
Revenue	£2,790m	£2,370m	+18%	+21%
Adjusted operating profit(1)	£139m	£138m	+1%	+5%
Return on sales(1)	5.0%	5.8%	(80bps)	(80bps)

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

The Northern Europe division has seen good corrugated box volume growth in Germany and Benelux offset by declines in the UK where there was a particularly strong comparator following the exceptional e-commerce related growth during the pandemic.

Revenues have increased by 21 per cent in the region due to a combination of the increases in corrugated box volumes and pricing and the increased sales prices for externally sold paper, recycled fibre and energy. Adjusted operating profit grew 5 per cent, reflecting the increased pricing in packaging, recycling and external paper sales more than offsetting increased input costs, principally OCC and energy. Return on sales reduced by 80 basis points, reflecting the greater impact of lower margin external recycled fibre sales, together with greater cost inflation than other regions.

Southern Europe

	Year ended 30 April 2022	Year ended 30 April 2021	Change-reported	Change – constant currency
Revenue	£2,736m	£2,156m	+27%	+33%
Adjusted operating profit(1)	£324m	£223m	+45%	+53%
Return on sales(1)	11.8%	10.3%	+150bps	+150bps

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

Southern Europe saw very strong growth in volumes driven by Iberia in particular, which had been significantly impacted by reduced tourism in the financial year 2020/21.

Revenue grew by 33 per cent, due to the impact of higher box volumes and increases in both box and paper pricing. Adjusted operating profit grew by 53 per cent compared to the prior period, with the packaging operations benefitting from the pass through of higher paper prices, together with a very positive impact from paper sold externally. Return on sales improved by 150 basis points reflecting the strong improvement in operating profit.

Since the acquisition of Europac in 2019, the region has grown its profitability significantly, with Europac contributing not only to the improved profit and margin growth in the region but also the overall strength of the Group's security of supply of paper. In 2021/22, the return on invested capital from the acquisition was 12 per cent, in line with our target of being in our ROACE target range of 12 to 15 per cent in the third full year of ownership.

Eastern Europe

	Year ended 30 April 2022	Year ended 30 April 2021	Change – reported	Change – constant currency
Revenue	£1,118m	£909m	+23%	+30%
Adjusted operating profit(1)	£73m	£78m	(6%)	0%
Return on sales(1)	6.5%	8.6%	(210bps)	(200bps)

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

Organic corrugated box volumes in Eastern Europe have grown the fastest within Europe and well across the whole region, reflecting the business mix and comparative performance in the prior year.

Revenues grew 30 per cent, principally reflecting increases in corrugated box volumes and pricing. Adjusted operating profits were flat, reflecting the timing lag in the recovery of higher paper prices through increased packaging pricing. The region has the lowest proportion of paper capacity relative to packaging production within the regions in the Group, which impacts margin in the short term via the increased paper costs.

North America

	Year ended 30 April 2022	Year ended 30 April 2021	Change – reported	Change – constant currency
Revenue	£597m	£541m	+10%	+14%
Adjusted operating profit(1)	£80m	£63m	+27%	+31%
Return on sales(1)	13.4%	11.6%	+180bps	+180bps

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

Packaging volumes in the region have continued to see the strongest increases within the Group, reflecting continued excellent customer traction with growth across a number of packaging sites and the increasing utilisation of the box plant in Indiana. Full utilisation is expected to be completed on plan in the financial year 2022/23.
Revenues increased by 14 per cent, principally reflecting the packaging volume and pricing growth and the increase in export paper prices more than offsetting reduced volumes in external paper sales as we utilised, as planned, more of our paper production. Adjusted operating profit grew by 31 per cent, reflecting the improvement in paper and packaging pricing, resulting in a 180 basis point increase in return on sales to 13.4 per cent, the highest region within the Group.

Outlook

The new financial year has started well, building on the momentum from the previous year. Whilst there remains considerable uncertainty about the overall economic environment, our expectations remain unchanged. Strong customer demand reinforces our confidence to invest in the business, with capital expenditure expected to further increase in the current year. We currently expect to see 2-4 per cent growth in our volumes, aided by our focus on resilient end markets, a strong performance in the US and the opening of new sites in regions where demand is buoyant. This growth, combined with the benefits of ongoing pricing momentum and careful management of our cost base gives us confidence for the year ahead and is expected to result in a further substantial improvement in our performance.

Financial Review

Pricing power in a highly volatile environment

"Significantly improved profitability and returns, good volume growth and robust cash performance were delivered through our agile business model, which responded to a fast changing and highly volatile market environment while continuing to meet our customers evolving needs through our supply of sustainable, innovative fibre based packaging solutions."
Adrian Marsh, Group Finance Director

Overview

2021/22 has seen the Group continue to demonstrate the strength of its business model in the face of significant macro-economic volatility as the global economy emerged from the impact of Covid-19. The benefits of the rising demand for fibre based packaging in general and the security of supply that DS Smith offers its customers in particular have more than offset sharply rising prices of key raw materials and energy prices. This environment has been further hardened by the current conflict in the Ukraine.

Box volume growth, year-on-year, of 5.4 per cent was again extremely good and recognised the covid specific dynamics of the various markets we operate in. The growth drivers of the business particularly around single use plastic replacement have continued to gather momentum and the opportunity to grow further in the US, with the greenfield plant in Lebanon, Indiana, remaining extremely positive. Customers are clearly recognising the strength and scale of DS Smith and with security of supply, quality and service major issues for them it has been pleasing to see this reflected in the Group's strong volume growth.

The business has experienced unprecedented rises in its input costs, with our net energy and recyclate costs increasing year-on-year by 81 per cent and 49 per cent respectively on a constant currency basis. These increases have been mitigated through the size, scale, and expertise of our procurement operations, long-term buying relationships for both recyclate and paper, and our long-running three year rolling energy hedging programme which we believe has been a real competitive advantage during this highly volatile period.

The second half of the year saw the Group continue to improve its profitability and cash performance, consolidating the good performance of the first half, with further box price rises reflecting the level of inflation in the markets we serve. During the first half of the year, the Group disposed of its non-core Dutch paper mill operations, consistent with the Group's paper strategy and track record of recycling capital from non-core operations to higher returning packaging assets.

During this significant period of macroeconomic uncertainty, the Group remains committed to achieving its medium-term financial measures and key performance indicators, as established by the Board, together with maintaining its investment grade credit rating. The principal measure of return on average capital employed (ROACE) for the year was 10.8 per cent (2020/21: 8.2 per cent), with the second half year at approximately 12.1 per cent, which was within the target of 12 to 15 per cent. The results are described below:

- Organic corrugated box volume growth of 5.4 per cent (2020/21: +3.5 per cent)
- Revenue increased 26 per cent on a constant currency and 21 per cent on a reported basis to £7,241 million (2020/21: £5,976 million)
- Adjusted operating profit of £616 million, an increase of 29 per cent on a constant currency basis and 23 per cent on a reported basis (2020/21: £502 million)
- 42 per cent increase in operating profit to £443 million on a reported basis; 49 per cent increase on a constant currency basis (2020/21: £311 million)
- 71 per cent increase in statutory profit before tax to £378 million on a constant currency basis and 64 per cent increase on a reported basis (2020/21: £231 million)
- Adjusted return on sales at 8.5 per cent (2020/21: 8.4 per cent)
- Adjusted return on average capital employed of 10.8 per cent (2020/21: 8.2 per cent)
- Net debt to EBITDA ratio of 1.6 times (2020/21: 2.2 times)
- Cash conversion 142 per cent (2020/21: 150 per cent).

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

Non-GAAP performance measures

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

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

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

Trading results
Revenue increased by 21 per cent on a reported basis to £7,241 million (2020/21: £5,976 million). Strong demand throughout the year saw volume growth of 5.4 per cent and this was coupled with higher selling prices of packaging, paper and recyclate to mitigate the unprecedented price rises of raw materials and key input costs. Volumes rose in all European regions and were noticeably higher in North America as a result of the continued growth at the greenfield packaging site at Lebanon, Indiana.

Reported revenues are subject to foreign currency translation effects. In the year, the euro accounted for 61 per cent of Group revenue. As such, the movements of the euro against sterling during the year constituted the majority of the £240 million of negative foreign exchange translation impact. On a constant currency basis, revenues increased by 26 per cent.

Corrugated box volume growth of 5.4 per cent (2020/21: 3.5 per cent growth) reflects the momentum seen in the Group's core markets and segments, with both new and existing customers.

The Group's current year volume growth should be set against a backdrop of exceptionally distorted Covid related GDP data. As a Group, c. 83 per cent of corrugated box volumes are sold to consumer goods customers, substantially ahead of the industry average, an indicator that our continued development of tailored and innovative packaging solutions is regarded as a differentiated offering in the market. Annualised growth over the past two years is estimated at 4.0 per cent, compared to a GDP +1 figure of 1.6 per cent.

Adjusted operating profit of £616 million on a reported basis is an increase of 23 per cent (2020/21: £502 million). This is largely attributable to volume growth of (£65 million) consolidated by price rises of £1,279 million exceeding input cost increases of £1,207 million and FX and other impacts (£23 million).

Operating profit at £443 million, is an increase of 49 per cent on a constant currency and 42 per cent on a reported basis (2020/21: £311 million). The Group benefitted from a strong performance across its whole business responding to a fast changing economic environment. Costs are proactively managed, of which the largest, energy, is predominantly managed and hedged on a 3 year rolling basis. As at the year end the Group has £714 million of net "in the money" commodity derivatives recognised as assets on the balance sheet, the benefits of which will flow through in future accounting periods.

On a reported basis, depreciation declined to £290 million (2020/21: £304 million) as the underlying increase was offset by the effects of exchange and the disposal of the non-core De Hoop paper mill in the Netherlands. Amortisation decreased marginally to £138 million.

The key measure of return on average capital employed (ROACE) improved to 10.8 per cent (2020/21: 8.2 per cent). This performance, as expected, was below the Group's medium-term target of 12 to 15 per cent for the year. However, the strong momentum in the second half of the year delivered an estimated return within this target range and the Board is confident this will be repeated for the full year 2022/23.

The Group has continued to focus on margin recovery through commercial disciplines and ongoing cost management and efficiency programmes. Adjusted return on sales increased by 10 basis points to 8.5 per cent (2020/21: 8.4 per cent) – whilst this is still below the medium term target of 10 to 12 per cent, the Board remains confident that target will progressively be achieved over the next couple of years.

Income statement – from continuing operations (unless otherwise stated)	**2021/22 £m**	2020/21 £m
Revenue	7,241	5,976
Adjusted operating profit[1]	616	502
Operating profit	443	311
Adjusted return on sales[1]	8.5%	8.4%
Adjusted net financing costs[1]	(70)	(78)
Share of profit of equity-accounted investments, net of tax	7	5
Profit before income tax	**378**	**231**
Adjusted profit before income tax[1]	**553**	**429**
Adjusted income tax expense[1]	(131)	(97)
Adjusted earnings[1]	**422**	**332**
Profit from discontinued operations, net of tax	-	12
Adjusted basic earnings per share[1]	30.7p	24.2p
Profit for the year attributable to owners of the parent (including discontinued operations)	**280**	**194**
Basic earnings per share from continuing and discontinued operations	20.4p	14.2p
Basic earnings per share from continuing operations	20.4p	13.3p

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

Adjusting items
Adjusting items before tax and financing costs were £35 million (2020/21: £49 million) which includes £29 million in relation to an investment in an associate in Ukraine. Without the impairment linked to the catastrophic Russian invasion of Ukraine, adjusting items would have been £6 million (2020/21: £49 million), in line with guidance.

The £29 million consisted of the full impairment of the Group's 49.6 per cent investment in the Ukrainian associate, RKTK. The Group has provided support to RKTK and its employees following the invasion of Ukraine by Russia. However, the invasion has caused significant damage to the assets of RKTK and impacted its ability to trade. Accordingly, an impairment of the entire investment has been recognised, together with amounts in connection with the trading activities conducted by the Group with the associate. There was no cash impact from this impairment.

Within restructuring costs, £8 million (2020/21: £27 million) principally relates to the completion of the major restructuring programme in Germany and the structured review of the underlying, indirect cost base of the European Packaging business.

Merger and acquisition-related costs of £1 million (2020/21: £2 million) were incurred, being predominantly professional advisory fees and purchase of minority interests.

On 12 October 2021 the Group sold its non-core Dutch paper mill operations. Cash consideration, net of cash and cash equivalents and transaction costs, was £35 million and net assets divested were £28 million, resulting in a net gain of £7 million. In addition, there were £4 million of other site disposal costs.

Non-acquisition and disposal adjusting items in 2022/23 are expected to be £nil.

Interest, tax and earnings per share
Net finance costs were £72 million (2020/21: £85 million). The decrease of £13 million on last year is primarily a result of lower levels of debt throughout the year. The employment benefit net finance expense of £3 million has remained at a similar level to the prior year.

Adjusting financing costs of £2 million (2020/21: £7 million) relate to the final unwind of the Interstate Resources put option.

The share of profits of equity-accounted investments was £7 million (2020/21: £5 million).

Profit before tax increased by 64 per cent on a reported basis to £378 million (2020/21: £231 million), driven by the increase in operating profit and a reduction in financing costs. Adjusted profit before tax of £553 million (2020/21: £429 million) increased by 29 per cent on a reported basis, again due to the increase in the underlying adjusted operating profit.

The tax charge of £98 million (2020/21: £49 million) reflects the impact of higher profits. The Group's effective tax rate on adjusted profit, excluding amortisation, adjusting items and associates was 24.0 per cent (2020/21: 23.0 per cent). The tax credit through adjusting items was £2 million (2020/21: £16 million).

Reported profit after tax, amortisation and adjusting items for continuing and discontinued operations was £280 million (2020/21: £194 million). The increase in operating profit led to an increase of 53 per cent in basic earnings per share from continuing operations on a reported basis to 20.4 pence (2020/21: 13.3 pence), with adjusted earnings per share from continuing operations 27 per cent higher at 30.7 pence (2020/21: 24.2 pence) on a reported basis, 35 per cent higher on a constant currency basis.

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

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

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

Cash flow
Reported net debt of £1,484 million (30 April 2021: £1,795 million) has decreased from the prior year, driven by higher cash inflows from operating activities. The rise in EBITDA from the strong business performance was combined with a net working capital inflow of £215 million, partly due to the ongoing focus on cash management, in particular cash collection and inventory management but also in no small part from higher commodity prices, most notably paper and energy, leading to increases in trade payables at the year-end compared to the prior year. The Group's energy and carbon hedges increased significantly in value during the year and in order to manage our counterparty risk there were margin calls made, of which £109 million relating to positions maturing after the year end. This £109 million is reflected within the cash flow statement as a working capital inflow which will reverse in 2022/23 and should, therefore, not be considered as an underlying working capital improvement.

Trade receivables factoring is £26 million lower than April 2021 at £381 million. Going forward the Group expects to continue to sell high credit quality receivables under this programme within the range £350-400 million outstanding at any one time. This is a reduction of some 30 per cent from the peak balance of £559 million in 2018.

Net capital expenditure increased by £92 million to £415 million in the year. The Group continued to focus on growth and efficiency capital projects, which represented 56 per cent of the reported spend in the year. Major investments in greenfield packaging plants in Italy and Poland were a significant portion of this, with operations in Italy starting up at the very end of the year and meaningful production at both sites expected during 2022/23. Proceeds from the disposal of property, plant and equipment were £16 million (2020/21: £8 million).

Tax paid of £96 million is £30 million higher than the prior year, which benefitted from tax receipts of £20 million in North America.

Net interest payments of £62 million decreased by £6 million over the prior year driven by the maturity of debt bearing higher interest rates and a lower net debt position throughout the year. The remainder of interest principally comprises interest on the Euro medium-term notes and US private placements, with amortisation of debt issuance and other finance costs accounting for the majority of the difference between cash interest paid and finance costs reported in the income statement.

Cash outflows associated with adjusting items decreased by £35 million to £13 million, and include restructuring and integration costs. The current year reduction is driven by a further decrease in merger and acquisition costs incurred in prior years. The impairment of the investment in RKTK had no cash flow effect.

Acquisitions and disposals of £13 million in the year (including leases divested of £1 million) include the settlement of £23 million of payments relating primarily to the October 2021 payment to the former owners of Interstate Resources and £35 million of inflows relating to the disposal of businesses, predominantly the Group's non-core Dutch paper mill.

Cash generated from operations before adjusting cash items increased by £149 million to £1,092 million. Net cash inflow was £333 million, a £33 million decrease on the prior year, following the resumption of the dividend payments (£166 million in 2021/22, nil in 2020/21).

Cash flow	2021/22 £m	2020/21 £m
Cash generated from operations before adjusting cash items	1,092	943
Capital expenditure (net of disposal of fixed assets)	(415)	(323)
Tax paid	(96)	(66)
Net interest paid	(62)	(68)
Free cash flow	**519**	**486**
Cash outflow for adjusting items	(13)	(48)
Dividends	(166)	-
Acquisitions and disposals of businesses, net of cash and cash equivalents	12	(74)
Other	(19)	2
Net cash flow	**333**	**366**
Issue of share capital	7	3
Loans, borrowings and finance leases divested	1	3
Foreign exchange, fair value and other movements	(30)	(56)
Net debt movement – continuing operations	**311**	**316**
Net debt movement – discontinued operations	-	(10)
Opening net debt	(1,795)	(2,101)
Closing net debt	**(1,484)**	**(1,795)**

Statement of financial position
At 30 April 2022, shareholder funds increased to £4,232 million, from £3,533 million in the prior year. Profit attributable to shareholders of £280 million contributed to the increase (2020/21: £194 million), together with a net increase in the cash flow hedge reserve of £712 million (2020/21: £112 million gain), and an actuarial gain on employee benefits of £68 million (2020/21: £5 million loss) offset by foreign currency translation losses of £40 million (2020/21: loss of £95 million). Dividends paid in the year were £166 million (2020/21: nil). Equity attributable to non-controlling interests was £2 million (2020/21: £2 million).

The Group's bank and private placement debt covenants stipulate the methodology upon which the net debt to adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) ratio is to be calculated. The effects of IFRS 16 Leases, adopted since 1 May 2019, are excluded by the banks from the ratio's determination. The ratio has reduced to 1.6 times, with an increase in adjusted EBITDA and a reduction in adjusted net debt. This represents an improvement from the H1 position of 1.9 times. The ratio remains compliant with the covenant requirements, which across all banking debt is 3.75 times. We retain a 3.25 times level in the remaining US Private Placement loan notes ($268 million) which will mature during the 2022/23 financial year. As the exercise of the second tranche of the Interstate Resources put option is still outstanding at 30 April 2022, this has not been factored in to the calculated ratio. If the exercise of the remaining 10 per cent stake subject to the put option was included, the ratio would increase to c. 1.7 times. The Group's publicly traded euro and sterling bonds are not subject to any financial covenants. The bonds are, however, subject to a coupon step up of 125 basis points for any period the Group falls below an investment grade credit rating.

The Group is also compliant with a second financial covenant in the remaining US Private Placement loan notes, requiring an adjusted EBITDA to net interest payable ratio of not less than 4.50 times. The covenant will fall away when the US Private Placement loan notes mature in August 2022.

The covenant calculations also exclude income statement items identified as adjusting by the Group and any interest arising from the defined benefit pension schemes. At 30 April 2022, the Group has substantial headroom under its covenants, with the future outlook assessed as part of the annual going concern review. The Group's investment grade credit rating from Standard and Poor's remains stable at BBB-, which takes into account all the items excluded from covenant calculations and working capital.

Statement of financial position	**30 April 2022 £m**	30 April 2021 £m
Intangible assets	2,906	2,995
Property, plant and equipment	3,128	3,050
Right-of-use assets	199	226
Inventories	703	537
Trade and other receivables	1,229	819
Cash and cash equivalents	819	813
Derivative financial instruments	811	115
Other	91	145
Total assets	**9,886**	**8,700**
Bank overdrafts	(73)	(94)
Borrowings	(2,072)	(2,301)
Trade and other payables	(2,540)	(1,849)
Provisions	(55)	(56)
Employee benefits	(86)	(175)
Lease liabilities	(203)	(230)
Derivative financial instruments	(84)	(56)
Other	(539)	(404)
Total liabilities	**(5,652)**	**(5,165)**
Net assets	**4,234**	**3,535**
Net debt	**1,484**	**1,795**
Net debt to EBITDA ratio	**1.6x**	**2.2x**

Energy costs
Production facilities, in particular paper mills, are energy intensive which results in energy being a significant cost for the Group. In 2021/22, costs for gas, electricity and other fuels, net of periodic local incentives, were £609 million (2020/21: £325 million). The year saw significant increases from the first to the second half, in addition to the previous year increases, with energy costs for the first half year of £240 million increasing to £369 million in the second half year (2020/21: H1 £146 million, H2 £179 million). The net impact on the Group was mitigated by an increase in energy sales revenue of £119 million. The energy impact was also mitigated by the Group's three-year rolling hedging programme and the benefits of free allowances following the introduction of phase 4 of the

EU Emissions Trading Scheme. The Group's energy and carbon hedges increased significantly in value during the year and in order to manage our counterparty risk there were margin calls made, of which £109 million relates to derivatives that mature after the year end. There was no impact on income from these margin calls. The Group continues to invest in energy efficiency projects and limits the exposure to volatile energy pricing by hedging energy costs with suppliers and financial institutions, managed by the Group's Energy Procurement team.

Capital structure and treasury management

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

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

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

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

Available cash and debt facilities are reviewed regularly to ensure sufficient funds are available to support the Group's activities. At 30 April 2022, the Group's committed facilities totalled £3.5 billion, of which £1.5 billion remained undrawn and £2.8 billion matures beyond one year or more. Undrawn committed borrowing facilities are maintained to provide protection against refinancing risk.

At 30 April 2022, the committed borrowing facilities had a weighted average maturity of 3.0 years (30 April 2021: 3.9 years). Additional detail on these facilities is provided below. Total gross borrowings at 30 April 2022 were £2,072 million (30 April 2021: £2,301 million). The committed borrowing facilities described do not include the £420 million of three-year committed factoring facilities, which allow the sale of receivables without recourse. Given the three-year committed nature of these facilities, they fully protect the Group from any short-term liquidity risks which may arise from volatility in financial markets.

The Group continues to sell trade receivables without recourse, a process by which the trade receivables balance sold is de-recognised, with proceeds then presented within operating cash flows. Such arrangements enable the Group to optimise its working capital position and reduces the quantum of early payment discounts given. The balance of trade receivables sold as part of the factoring programme decreased by £26 million to £381 million at 30 April 2022 (30 April 2021: £407 million).

In November 2019, the Group established a €1 billion Euro Commercial Paper Programme. At 30 April 2022, the programme was undrawn due to the positive cash position in the Group.

Facilities	Currency	Maturity Date	£m equivalent
Syndicated RCF 2018	Various	2024-25	1,400
Euro medium-term notes	EUR	2022-26	1,552
Euro RCF 2020	EUR	2024	50
Sterling bond medium-term note	GBP	2029	250
US dollar private placement	USD	2022	213
Euro term loan	EUR	2025	23
Committed facilities at 30 April 2022			**3,488**

Impairment
The net book value of goodwill and other intangibles at 30 April 2022 was £2,906 million (30 April 2021: £2,995 million).

IAS 36 Impairment of Assets requires annual testing of goodwill and other intangible assets, as well as an assessment of any other assets for which there may be indicators of impairment. As part of this testing, the Group compares the carrying amount of the assets subject to testing with the higher of their net realisable value and value-in-use to identify whether any impairment exists. The asset or group of assets, value-in-use is determined by discounting the future cash flows they expect to generate from the basis of the Group's weighted average cost of capital (WACC) of 9.5 per cent (2020/21: 9.5 per cent), plus a blended country risk premium for each group of assets. Asset values were tested as at 30 April 2022, with no impairment identified as a result of the testing performed.

Presented within the adjusting items summary is the outcome of the decision to impair the investment in our Ukrainian associate, RKTK.

Pensions
The Group's primary funded defined benefit pension scheme, based in the UK, is closed to future accrual. There are a variety of other post-retirement and employee benefit schemes

operated locally for overseas operations, and an additional unfunded scheme in the UK relating to three former directors which is secured against assets of the UK business. In accordance with *IAS 19 Employee Benefits (Revised 2011)*, the Group is required to make assumptions surrounding rates of inflation, discount rates and current and future life expectancies, amongst others, which could materially impact the value of any scheme surplus or liability. A material revaluation of the relevant assets and liabilities could result in a change to the cost to fund the scheme liabilities.

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

	30 April 2022 £m	30 April 2021 £m
Aggregate gross assets of schemes	1,113	1,178
Aggregate gross liabilities of schemes	(1,199)	(1,353)
Gross balance sheet deficit	(86)	(175)
Deferred tax assets	21	40
Net balance sheet deficit	(65)	(135)

The net deficit has decreased versus prior year driven by significant increase in discount rate assumptions at 30 April 2022 and a less than corresponding fall in the asset valuations.

The 2019 triennial valuation of the main UK scheme incorporated updates to underlying scheme assumptions, including demographic and life expectancy rates, which, along with updates surrounding mortality and proportion married assumptions and future improvements, resulted in a net c. 1 per cent increase in the valuation of the scheme liabilities. No changes were made to the previously approved funding plan following the triennial valuation.

Total cash contributions paid into the Group pension schemes, reported within cash generated from operations in the cash flow, were £21 million in 2021/22 (2020/21: £32 million), which primarily constitute the agreed contributions under the UK defined benefit scheme deficit recovery plan.

Consolidated income statement

Year ended 30 April 2022

Continuing operations	Note	**Before adjusting items 2022 £m**	**Adjusting items 2022 (note 3) £m**	**After adjusting items 2022 £m**	Before adjusting items 2021 £m	Adjusting items 2021 (note 3) £m	After adjusting items 2021 £m
Revenue	2	**7,241**	**-**	**7,241**	5,976	–	5,976
Operating costs	3	**(6,625)**	**(37)**	**(6,662)**	(5,474)	(44)	(5,518)
Operating profit before amortisation, acquisitions and divestments	2	**616**	**(37)**	**579**	502	(44)	458
Amortisation of intangible assets; acquisitions and divestments	3	**(138)**	**2**	**(136)**	(142)	(5)	(147)
Operating profit		**478**	**(35)**	**443**	360	(49)	311
Finance income	5	**1**	**-**	**1**	1	–	1
Finance costs	5,3	**(68)**	**(2)**	**(70)**	(76)	(7)	(83)
Employment benefit net finance expense	4	**(3)**	**-**	**(3)**	(3)	–	(3)
Net financing costs		**(70)**	**(2)**	**(72)**	(78)	(7)	(85)
Profit after financing costs		**408**	**(37)**	**371**	282	(56)	226
Share of profit of equity accounted investments, net of tax		**7**	**-**	**7**	5	–	5
Profit before income tax		**415**	**(37)**	**378**	287	(56)	231
Income tax (expense)/credit	6,3	**(100)**	**2**	**(98)**	(65)	16	(49)
Profit for the year from continuing operations		**315**	**(35)**	**280**	222	(40)	182
Discontinued operations							
Profit for the year from discontinued operations, net of tax		**-**	**-**	**-**	–	12	12
Profit for the year		**315**	**(35)**	**280**	222	(28)	194
Profit for the year attributable to:							
Owners of the parent		**315**	**(35)**	**280**	222	(28)	194
Non-controlling interests		**-**	**-**	**-**	–	–	–
Earnings per share							
Earnings per share from continuing and discontinued operations							
Basic	7			**20.4p**			14.2p
Diluted	7			**20.3p**			14.1p
Earnings per share from continuing operations							
Basic	7			**20.4p**			13.3p
Diluted	7			**20.3p**			13.2p
Adjusted earnings per share from continuing operations							
Basic	7,13		**30.7p**			24.2p	
Diluted	7		**30.5p**			24.1p	

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 2022. The financial information set out above does not constitute the Company's statutory financial statements for the years ended 30 April 2022 or 30 April 2021 but is derived from those financial statements. Statutory accounts for the year ended 30 April 2021 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 30 April 2022 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.

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

Consolidated statement of comprehensive income

Year ended 30 April 2022

	Note	**2022 £m**	2021 £m
Profit for the year		**280**	194
Items which will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on employee benefits	4	**68**	(5)
Equity interest at FVTOCI – net change in fair value		**-**	(3)
Income tax on items which will not be reclassified subsequently to profit or loss		**(14)**	(5)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(40)**	(95)
Reclassification from translation reserve to income statement arising on divestment		**(3)**	-
Cash flow hedges fair value changes		**1,069**	103
Reclassification from cash flow hedge reserve to income statement		**(357)**	9
Movement in net investment hedge		**28**	(2)
Income tax on items which may be reclassified subsequently to profit or loss		**(162)**	(21)
Other comprehensive income/(expense) for the year, net of tax		**589**	(19)
Total comprehensive income for the year		**869**	175
Total comprehensive income attributable to:			
Owners of the parent		**869**	175
Non-controlling interests		**-**	-

Consolidated statement of financial position

At 30 April 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets		**2,906**	2,995
Biological assets		**10**	9
Property, plant and equipment		**3,128**	3,050
Right-of-use assets		**199**	226
Equity accounted investments		**17**	38
Other investments		**16**	13
Deferred tax assets		**7**	37
Other receivables		**–**	1
Derivative financial instruments		**495**	35
Total non-current assets		**6,778**	6,404
Current assets			
Inventories		**703**	537
Biological assets		**7**	6
Income tax receivable		**34**	41
Trade and other receivables		**1,229**	818
Cash and cash equivalents		**819**	813
Derivative financial instruments		**316**	80
Assets classified as held for sale		**–**	1
Total current assets		**3,108**	2,296
Total assets		**9,886**	8,700
Liabilities			
Non-current liabilities			
Borrowings		**(1,391)**	(2,066)
Employee benefits	4	**(86)**	(175)
Other payables		**(37)**	(15)
Provisions		**(7)**	(8)
Lease liabilities		**(140)**	(159)
Deferred tax liabilities		**(396)**	(271)
Derivative financial instruments		**(28)**	(15)
Total non-current liabilities		**(2,085)**	(2,709)
Current liabilities			
Bank overdrafts		**(73)**	(94)
Borrowings		**(681)**	(235)
Trade and other payables		**(2,503)**	(1,834)
Income tax liabilities		**(143)**	(133)
Provisions		**(48)**	(48)
Lease liabilities		**(63)**	(71)
Derivative financial instruments		**(56)**	(41)
Total current liabilities		**(3,567)**	(2,456)
Total liabilities		**(5,652)**	(5,165)
Net assets		**4,234**	3,535
Equity			
Issued capital		**137**	137
Share premium		**2,248**	2,241
Reserves		**1,847**	1,155
Total equity attributable to owners of the parent		**4,232**	3,533
Non-controlling interests		**2**	2
Total equity		**4,234**	3,535

Approved by the Board of Directors of DS Smith Plc on 20 June 2022 and signed on its behalf by:

M W Roberts
Director

A R T Marsh
Director

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

Consolidated statement of changes in equity

Year ended 30 April 2022

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings [1]£m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2020		**137**	**2,238**	**(39)**	**14**	**(3)**	**1,003**	**3,350**	**1**	**3,351**
Profit for the year		–	–	–	–	–	194	194	–	194
Actuarial loss on employee benefits		–	–	–	–	–	(5)	(5)	–	(5)
Equity interest at FVTOCI – change in fair value		–	–	–	–	–	(3)	(3)	–	(3)
Foreign currency translation differences		–	–	–	(95)	–	–	(95)	–	(95)
Cash flow hedges fair value changes		–	–	103	–	–	–	103	–	103
Reclassification from cash flow hedge reserve to income statement		–	–	9	–	–	–	9	–	9
Movement in net investment hedge		–	–	–	(2)	–	–	(2)	–	(2)
Income tax on other comprehensive income		–	–	(20)	(1)	–	(5)	(26)	–	(26)
Total comprehensive (expense)/ income		**-**	**-**	**92**	**(98)**	**-**	**181**	**175**	**-**	**175**
Issue of share capital		–	3	–	–	–	–	3	–	3
Employee share trust		–	–	–	–	–	(2)	(2)	–	(2)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Transactions with non-controlling interests		–	–	–	–	–	(3)	(3)	1	(2)
Other changes in equity in the year		**-**	**3**	**-**	**-**	**-**	**5**	**8**	**1**	**9**
At 30 April 2021		**137**	**2,241**	**53**	**(84)**	**(3)**	**1,189**	**3,533**	**2**	**3,535**
Profit for the year		–	–	–	–	–	280	280	–	280
Actuarial gain on employee benefits		–	–	–	–	–	68	68	–	68
Foreign currency translation differences		–	–	–	(40)	–	–	(40)	–	(40)
Reclassification from translation reserve to income statement arising on divestment		–	–	–	(3)	–	–	(3)	–	(3)
Cash flow hedges fair value changes		–	–	1,069	–	–	–	1,069	–	1,069
Reclassification from cash flow hedge reserve to income statement		–	–	(357)	–	–	–	(357)	–	(357)
Movement in net investment hedge		–	–	–	28	–	–	28	–	28
Income tax on other comprehensive income		–	–	(163)	1	–	(14)	(176)	–	(176)
Total comprehensive income/(expense)		**-**	**-**	**549**	**(14)**	**-**	**334**	**869**	**-**	**869**
Issue of share capital		–	7	–	–	–	–	7	–	7
Employee share trust		–	–	–	–	(6)	(15)	(21)	–	(21)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Dividends paid	8	–	–	–	–	–	(166)	(166)	–	(166)
Reclassification		–	–	7	(7)	–	–	–	–	–
Other changes in equity in the year		**-**	**7**	**7**	**(7)**	**(6)**	**(171)**	**(170)**	**-**	**(170)**
At 30 April 2022		**137**	**2,248**	**609**	**(105)**	**(9)**	**1,352**	**4,232**	**2**	**4,234**

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

Consolidated statement of cash flows

Year ended 30 April 2022

Continuing operations	Note	**2022 £m**	2021 £m
Operating activities			
Cash generated from operations	10	**1,079**	895
Interest received		**1**	1
Interest paid		**(63)**	(69)
Tax paid		**(96)**	(66)
Cash flows from operating activities		**921**	761
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	13	**(23)**	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	13	**35**	16
Capital expenditure		**(431)**	(331)
Proceeds from sale of property, plant and equipment and intangible assets		**16**	8
Cash (outflows)/ inflows from restricted cash and other deposits		**(2)**	4
Other investing activities		**2**	2
Cash flows used in investing activities		**(403)**	(391)
Financing activities			
Proceeds from issue of share capital		**7**	3
Repayment of borrowings		**(529)**	(1,213)
Proceeds from borrowings		**334**	1,157
Payments in respect of derivative financial instruments		**(35)**	(16)
Repayment of principal on lease liabilities		**(73)**	(73)
Dividends paid to Group shareholders	8	**(166)**	-
Other		**(21)**	-
Cash flows used in financing activities		**(483)**	(142)
Increase in cash and cash equivalents from continuing operations		**35**	228
Discontinued operation			
Cash flows used in discontinued operation	13(b)	**-**	(10)
Increase in cash and cash equivalents		**35**	218
Net cash and cash equivalents at beginning of the year		**719**	505
Exchange losses on cash and cash equivalents		**(8)**	(4)
Net cash and cash equivalents at end of the year		**746**	719

Notes to the consolidated financial statements

1. Basis of preparation

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

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

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

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

New accounting standards adopted

The following new accounting standards, amendments or interpretations have been adopted by the Group as of 1 May 2021:

- *Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);* and
- *Covid 19 Related Rent Concessions – amendments to IFRS 16*

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

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

Except for the new accounting standards adopted during the year, the accounting policies, presentation methods and methods of computation followed are the same as those detailed in the 2021 Annual Report and Accounts, which is available on the Group's website (www.dssmith.com/investors/results-and-presentations). Whilst the financial information included in the preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

Foreign exchange rates

	Year ended 30 April 2022		Half year ended 31 October 2021		Year ended 30 April 2021	
	Average	**Closing**	Average	Closing	Average	Closing
Euro	**1.179**	**1.192**	1.169	1.184	1.110	1.109
US dollar	**1.359**	**1.256**	1.386	1.378	1.276	1.297

2. Segment reporting

Operating segments

Year ended 30 April 2022	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		**2,790**	**2,736**	**1,118**	**597**	**7,241**
Adjusted EBITDA[1]		**250**	**432**	**116**	**108**	**906**
Depreciation		**(111)**	**(108)**	**(43)**	**(28)**	**(290)**
Adjusted operating profit[1]		**139**	**324**	**73**	**80**	**616**
Unallocated items:						
Amortisation						**(138)**
Adjusting items in operating profit	3					**(35)**
Total operating profit (continuing operations)						**443**
Unallocated items:						
Net financing costs						**(72)**
Share of profit of equity accounted investments, net of tax						**7**
Profit before income tax						**378**
Income tax expense						**(98)**
Profit for the year (continuing operations)						**280**
Analysis of total assets and total liabilities						
Segment assets		**2,127**	**3,597**	**1,128**	**1,330**	**8,182**
Unallocated items:						
Equity accounted investments and other investments						**33**
Derivative financial instruments						**811**
Cash and cash equivalents						**819**
Tax						**41**
Total assets						**9,886**
Segment liabilities		**(1,330)**	**(1,044)**	**(272)**	**(129)**	**(2,775)**
Unallocated items:						
Borrowings, overdrafts and interest payable						**(2,168)**
Derivative financial instruments						**(84)**
Tax						**(539)**
Employee benefits						**(86)**
Total liabilities						**(5,652)**
Capital expenditure		**102**	**200**	**101**	**28**	**431**

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

Year ended 30 April 2021	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		2,370	2,156	909	541	5,976
Adjusted EBITDA[1]		257	333	119	97	806
Depreciation		(119)	(110)	(41)	(34)	(304)
Adjusted operating profit[1]		138	223	78	63	502
Unallocated items:						
Amortisation						(142)
Adjusting items in operating profit	3					(49)
Total operating profit (continuing operations)						311
Unallocated items:						
Net financing costs						(85)
Share of profit of equity accounted investment, net of tax						5
Profit before income tax						231
Income tax expense						(49)
Profit for the year (continuing operations)						182
Analysis of total assets and total liabilities						
Segment assets		2,079	3,344	1,015	1,204	7,642
Unallocated items:						
Equity accounted investment and other investments						51
Derivative financial instruments						115
Cash and cash equivalents						813
Tax						78
Assets classified as held for sale						1
Total assets						8,700
Segment liabilities		(1,028)	(743)	(223)	(117)	(2,111)
Unallocated items:						
Borrowings, overdrafts and interest payable						(2,419)
Derivative financial instruments						(56)
Tax						(404)
Employee benefits						(175)
Total liabilities						(5,165)
Capital expenditure		93	147	56	35	331

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

Geographical areas

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

	External revenue		Non-current assets		Capital expenditure	
Continuing operations	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
UK	**1,113**	947	**460**	467	**42**	26
France	**1,067**	897	**430**	438	**52**	55
Iberia	**841**	654	**613**	610	**73**	57
Germany	**708**	599	**390**	402	**36**	32
Italy	**822**	599	**333**	289	**75**	35
USA	**606**	551	**379**	338	**28**	35
Rest of the World	**2,084**	1,729	**732**	742	**125**	91
	7,241	5,976	**3,337**	3,286	**431**	331

3. Adjusting items

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

Continuing operations	**2022 £m**	2021 £m
Acquisition related costs	**(1)**	(2)
Gain/(loss) on acquisitions and divestments	**3**	(3)
Net gain/ (loss) on acquisitions and divestments	**2**	(5)
Integration costs	**-**	(17)
Other restructuring costs	**(8)**	(27)
Impairment of associate	**(29)**	-
Total pre-tax adjusting items (recognised in operating profit)	**(35)**	(49)
Finance costs adjusting items	**(2)**	(7)
Adjusting tax items	**-**	5
Current tax credit on adjusting items	**2**	11
Total post-tax adjusting items	**(35)**	(40)

2021/22

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

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

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

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

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

2020/21

Acquisition related costs of £2m were incurred predominantly relating to professional advisory, legal and consultancy fees and contractual deferred consideration payments on prior year acquisitions.

The loss on divestment of £3m primarily relates to the disposal of a small sheet plant in North America.

Integration costs relate to integration projects underway, primarily to achieve cost synergies from the major acquisitions made in the previous financial years (of which £14m relates to Europac and £3m relates to Interstate Resources). They include redundancies, professional fees, IT costs and those directly attributable internal salary costs which would otherwise not be incurred. Integration cost activity in respect of Europac and Interstate Resources has ceased with effect from 30 April 2021.

Within other restructuring costs of £27m, £23m relates to a material restructuring in Germany and a structured review of the underlying indirect cost base of the European Packaging business, focusing predominantly on reduction of these indirect costs.

Finance costs adjusting items of £7m relate to the unwind of the discount on the redemption liability related to the purchase of Interstate Resources.

The current tax credit on adjusting items of £11m in the year ended 30 April 2021 is the tax effect at the local applicable tax rate of adjusting items that are subject to tax. This excludes non-tax -deductible deal related advisory fees in relation to acquisitions and divestments.

The adjusting tax item of £5m includes a net decrease in the State Aid provision of £2m primarily in relation to the estimate of interest on overdue tax following agreement reached with HM Revenue & Customs ("HMRC") and the release of a US tax provision of £3m relating to the Plastics business that is no longer due.

4. Employee benefits

	2022 £m	2021 £m
Employee benefit deficit at beginning of the year	**(175)**	(199)
Divestments	**1**	-
Expense recognised in operating profit	**(5)**	(5)
Scheme settlement	**-**	5
Employment benefit net finance expense	**(3)**	(3)
Employer contributions	**21**	20
Other payments and contributions	**6**	10
Actuarial gains/(losses)	**68**	(5)
Currency translation	**1**	2
Employee benefit deficit at 30 April	**(86)**	(175)
Deferred tax asset	**21**	40
Net employee benefit deficit at end of the year	**(65)**	(135)

The table above is the aggregate value of all Group employee benefit schemes including both overseas and UK schemes. The Group's principal funded, defined benefit pension scheme, the DS Smith Group Pension scheme, is in the UK and is now closed to future accrual.

The Group also operates various local post-retirement arrangements for overseas operations, pre-retirement benefits and long-service awards and a small UK unfunded scheme.

5. Finance income and costs

Continuing operations	**2022 £m**	2021 £m
Interest income from financial assets	**(1)**	(1)
Finance income	**(1)**	(1)
Interest on borrowings and overdrafts	**47**	55
Interest on lease liabilities	**11**	12
Other	**10**	9
Finance costs before adjusting items	**68**	76
Finance costs adjusting items (note 3)	**2**	7
Finance costs	**70**	83

6. Income tax expense

	2022 £m	2021 £m
Current tax expense		
Current year	**(128)**	(61)
Adjustment in respect of prior years	**4**	(3)
	(124)	(64)
Deferred tax (charge)/ credit		
Origination and reversal of temporary differences	**(2)**	(28)
Change in tax rates	**12**	–
Recognition of previously unrecognised deferred tax assets	**5**	18
Adjustment in respect of prior years	**9**	9
	24	(1)
Total income tax expense before adjusting items	**(100)**	(65)
Adjusting tax items (note 3)	**-**	5
Current tax credit on adjusting items (note 3)	**2**	11
Total income tax expense in the income statement from continuing operations	**(98)**	(49)
Total income tax expense in the income statement from discontinued operations (note 13)	**-**	9
Total income tax expense in the income statement – total Group	**(98)**	(40)

The tax credit on amortisation was £31m (2020/21: £32m).

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

	2022 £m	2021 £m
Profit before income tax on continuing operations	**378**	231
Profit before income tax on discontinued operations (note 13)	**-**	3
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Profit before tax and share of profit of equity accounted investments, net of tax	**371**	229
Income tax at the domestic corporation tax rate of 19% (2020/21: 19%)	**(71)**	(44)
Effect of additional taxes and tax rates in overseas jurisdictions	**(40)**	(23)
Additional items deductible for tax purposes	**5**	16
Non-deductible expenses	**(20)**	(22)
Non-taxable gain on disposal of business	**2**	–
Recognition of previously unrecognised deferred tax assets	**5**	27
Deferred tax not recognised	**(4)**	(5)
Adjustment in respect of prior years[1]	**13**	11
Effect of change in corporation tax rates	**12**	–
Income tax expense – total Group	**(98)**	(40)

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

The Group's effective tax rate, excluding amortisation, adjusting items and share of result from equity accounted investments, was 24% (2020/21: 23%).

The Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021. Accordingly, the Group's deferred tax balances have been remeasured in the current year.

7. Earnings per share

Basic earnings per share from continuing operations

	2022	2021
Profit from continuing operations attributable to ordinary shareholders	**£280m**	£182m
Weighted average number of ordinary shares	**1,374m**	1,371m
Basic earnings per share	**20.4p**	13.3p

Diluted earnings per share from continuing operations

	2022	2021
Profit from continuing operations attributable to ordinary shareholders	**£280m**	£182m
Weighted average number of ordinary shares	**1,374m**	1,371m
Potentially dilutive shares issuable under share-based payment arrangements	**8m**	6m
Weighted average number of ordinary shares (diluted)	**1,382m**	1,377m
Diluted earnings per share	**20.3p**	13.2p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2020/21: 1m).

	2022		2021	
	Basic pence per share	**Diluted pence per share**	Basic pence per share	Diluted pence per share
Earnings per share from continuing operations	**20.4p**	**20.3p**	13.3p	13.2p
Earnings per share from discontinued operations (note 13)	**-**	**-**	0.9p	0.9p
Earnings per share from continuing and discontinued operations	**20.4p**	**20.3p**	14.2p	14.1p

Adjusted earnings per share from continuing operations

Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders. Adjusted earnings is calculated by adding back the post-tax effects of both amortisation and adjusting items.

Further detail about the use of non-GAAP performance measures, including details of why amortisation is excluded, is given in note 14.

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

	2022			2021		
	£m	**Basic pence per share**	**Diluted pence per share**	£m	Basic pence per share	Diluted pence per share
Basic earnings	**280**	**20.4p**	**20.3p**	182	13.3p	13.2p
Add back:						
Amortisation of intangible assets	**138**	**10.0p**	**9.9p**	142	10.3p	10.3p
Tax credit on amortisation	**(31)**	**(2.3p)**	**(2.3p)**	(32)	(2.3p)	(2.3p)
Adjusting items, before tax	**37**	**2.7p**	**2.7p**	56	4.1p	4.1p
Tax on adjusting items and adjusting tax items	**(2)**	**(0.1p)**	**(0.1p)**	(16)	(1.2p)	(1.2p)
Adjusted earnings	**422**	**30.7p**	**30.5p**	332	24.2p	24.1p

8. Dividends proposed and paid

	2022		2021	
	Pence per share	**£m**	Pence per share	£m
2020/21 interim dividend – proposed and paid	**-**	**-**	4.0p	55
2020/21 final dividend – proposed and paid	**-**	**-**	8.1p	111
2021/22 interim dividend – proposed and paid	**4.8p**	**66**	–	–
2021/22 final dividend – proposed	**10.2p**	**140**	–	–

	2022 £m	2021 £m
Paid during the year	**166**	–

The 2021/22 interim dividend was paid on 3 May 2022 after the year end.

The 2020/21 interim and final dividends were paid during the 2021/22 year.

9. Net debt

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

	At 30 April 2021 £m	Continuing operations cash flow £m	Acquisitions and divestments £m	Foreign exchange, fair value and non-cash movements £m	**At 30 April 2022 £m**
Cash and cash equivalents	813	15	–	(9)	**819**
Overdrafts	(94)	20	–	1	**(73)**
Net cash and cash equivalents	719	35	–	(8)	**746**
Other investments – restricted cash	3	–	–	–	**3**
Other deposits	29	2	–	(1)	**30**
Borrowings – after one year	(2,066)	3	–	672	**(1,391)**
Borrowings – within one year	(235)	192	–	(638)	**(681)**
Lease liabilities	(230)	73	1	(47)	**(203)**
Derivative financial instruments					
Assets	–	(4)	–	16	**12**
Liabilities	(15)	39	–	(24)	**-**
	(2,514)	305	1	(22)	**(2,230)**
Net debt - reported basis	**(1,795)**	**340**	**1**	**(30)**	**(1,484)**
IFRS 16 lease liabilities	**227**				**201**
Net debt excluding IFRS 16 liabilities	**(1,568)**				**(1,283)**

Net debt is a non-GAAP measure not defined by IFRS. While the Group has included lease liabilities after transition to IFRS 16 *Leases* within total lease liabilities (in addition to arrangements previously classified as finance leases under IAS 17), IFRS 16 liabilities are currently excluded from the definition of net debt as set out in the Group's banking covenant requirements. Within lease liabilities of £203m at 30 April 2022 are £201m of lease liabilities that would have been classified as operating leases and £2m of lease liabilities that would have been classified as finance lease liabilities under IAS 17.

Further detail on the use of non-GAAP measures and a reconciliation showing the calculation of adjusted net debt, as defined in the Group's banking covenants, is included in note 14.

Derivative financial instruments above relate to forward foreign exchange contracts and cross-currency swaps used to hedge the Group's borrowings and the net assets of foreign operations. The difference between the amounts shown above and the total derivative financial instrument assets and liabilities in the consolidated statement of financial position relates to derivative financial instruments that hedge forecast foreign currency transactions and the Group's purchases of energy.

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

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

10. Cash generated from operations

Continuing operations	**2022 £m**	2021 £m
Profit for the year	**280**	182
Adjustments for:		
Pre-tax integration costs and other adjusting items	**37**	44
Amortisation of intangible assets; acquisitions and divestments	**136**	147
Cash outflow for adjusting items	**(13)**	(48)
Depreciation	**290**	304
(Profit)/loss on sale of non-current assets	**(1)**	2
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Employment benefit net finance expense	**3**	3
Share-based payment expense	**10**	9
Finance income	**(1)**	(1)
Finance costs	**70**	83
Other non-cash items	**(17)**	(6)
Income tax expense	**98**	49
Change in provisions	**-**	(9)
Change in employee benefits	**(21)**	(32)
Cash generation before working capital movement	**864**	722
Changes in:		
Inventories	**(200)**	(28)
Trade and other receivables	**(449)**	(75)
Trade and other payables	**864**	276
Working capital movement	**215**	173
Cash generated from continuing operations	**1,079**	895

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

	2022 £m	2021 £m
Profit for the year	**280**	182
Income tax expense	**98**	49
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Net financing costs	**72**	85
Amortisation of intangible assets; acquisitions and divestments	**136**	147
Pre-tax integration costs and other adjusting items	**37**	44
Adjusted operating profit	**616**	502
Depreciation	**290**	304
Adjusted EBITDA	**906**	806
Working capital movement	**215**	173
Change in provisions	**-**	(9)
Change in employee benefits	**(21)**	(32)
Other	**(8)**	5
Cash generated from operations before adjusting cash items	**1,092**	943
Capital expenditure	**(431)**	(331)
Proceeds from sale of property, plant and equipment and other investments	**16**	8
Tax paid	**(96)**	(66)
Net interest paid	**(62)**	(68)
Free cash flow	**519**	486
Cash outflow for adjusting items	**(13)**	(48)
Dividends paid	**(166)**	-
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(23)**	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	**35**	16
Other	**(19)**	2
Net cash flow	**333**	366
Proceeds from issue of share capital	**7**	3
Borrowings and lease liabilities divested	**1**	3
Net movement on debt	**341**	372
Foreign exchange, fair value and other non-cash movements (note 9)	**(30)**	(56)
Net debt movement - continuing operations	**311**	316
Net debt movement – discontinued operation (note 13(b)	**-**	(10)
Opening net debt	**(1,795)**	(2,101)
Closing net debt - reported basis	**(1,484)**	(1,795)

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

12. Financial instruments

Carrying amounts and fair values of financial assets and liabilities

Set out below is the accounting classification of the carrying amounts and fair values of all of the Group's financial assets and liabilities:

		2022		2021	
	Category	**Carrying amount £m**	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets					
Cash and cash equivalents	Amortised cost	**819**	**819**	813	813
Restricted cash	Amortised cost	**3**	**3**	3	3
Other investments	Fair value through other comprehensive income	**13**	**13**	10	10
Trade and other receivables	Amortised cost	**1,229**	**1,229**	819	819
Derivative financial instruments	Fair value – hedging instruments	**811**	**811**	115	115
Total financial assets		**2,875**	**2,875**	1,760	1,760
Financial liabilities					
Trade and other payables	Amortised cost, except as detailed below	**(2,540)**	**(2,540)**	(1,849)	(1,849)
Bank and other loans	Amortised cost	**(6)**	**(6)**	(32)	(32)
Commercial paper	Amortised cost	**(37)**	**(37)**	(43)	(43)
Medium-term notes and other fixed-term debt	Amortised cost	**(2,029)**	**(2,015)**	(2,226)	(2,323)
Lease liabilities	Amortised cost	**(203)**	**(203)**	(230)	(230)
Bank overdrafts	Amortised cost	**(73)**	**(73)**	(94)	(94)
Derivative financial instruments	Fair value – hedging instruments	**(84)**	**(84)**	(56)	(56)
Total financial liabilities		**(4,972)**	**(4,958)**	(4,530)	(4,627)

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

The Group's medium-term notes and other fixed-term debt are in effective cash flow and net investment hedges. The fair values of financial assets and liabilities which bear floating rates of interest or are short-term in nature are estimated to be equivalent to their carrying amounts.

The Group's financial assets and financial liabilities are categorised within the fair value hierarchy that reflects the significance of the inputs used in making the assessments. The majority of the Group's financial instruments are Level 2 financial instruments in accordance with the fair value hierarchy, meaning although the instruments are not traded in an active market, inputs to fair value are observable for the asset and liability, either directly (i.e. quoted market prices) or indirectly (i.e. derived from prices). The Group's medium-term notes are Level 1 financial instruments, as the notes are listed on the Luxembourg Stock Exchange. Other investments and the redemption liability arising on the acquisition of Interstate Resources (within trade and other payables) are Level 3 financial instruments. The fair value of other investments is derived from fair value calculations based on their cash flows.

13. Acquisitions and divestments

(a) 2021/22

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

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

(b) 2020/21

On 26 June 2020, the purchase of a further 10% stake in Interstate Resources was completed after the exercise of a portion of the put option held by the sellers. Of the £106m consideration, £82m was paid in cash, with, by agreement, the remainder deferred to October 2021. The final 10% stake remains subject to the put option. As a substantial shareholder of the Group, the seller met the definition of a related party.

In total, during the year ended 30 April 2021, cash consideration for acquisition of subsidiary businesses, net of cash and cash equivalents, was £90m, and borrowings acquired, including deposits, were £nil. Apart from the acquisition of the 10% stake in Interstate Resources, the remaining acquisitions are not material to the Group individually or in aggregate.

On 11 December 2020, the Group sold the New England sheets business in North America. Cash consideration, net of cash and cash equivalents, was £16m, and leases divested were £3m.

A deferred tax asset of £9m arose in respect of tax losses on the disposal of the Plastics business and was recognised in discontinued operations.

Plastics Division

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

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

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

Consolidated income statement – discontinued operations

	Year ended 30 April 2022 £m	Year ended 30 April 2021 £m
Revenue	**–**	–
Operating costs	**–**	–
Operating profit before amortisation and adjusting items	**–**	–
Amortisation of intangible assets	**–**	–
Profit on disposal before tax	**–**	3
Other pre-tax adjusting items	**–**	–
Net finance cost	**–**	–
Profit before income tax	**–**	3
Income tax credit/(expense)	**–**	9
Profit for the year from discontinued operations	**–**	12

In 2020/21 a deferred tax asset of £9m in respect of tax losses arising on the disposal of the Plastics business and £9m was recognised in discontinued operations.

Basic earnings per share from discontinued operations

	2022	2021
Profit from discontinued operations attributable to ordinary shareholders	**–**	£12m
Weighted average number of ordinary shares	**1,374m**	1,371m
Basic earnings per share	**–**	0.9p

Diluted earnings per share from discontinued operations

	2022	2021
Profit from discontinued operations attributable to ordinary shareholders	**–**	£12m
Weighted average number of ordinary shares	**1,374m**	1,371m
Potentially dilutive shares issuable under share-based payment arrangement	**8m**	6m
Weighted average number of ordinary shares (diluted)	**1,382m**	1,377m
Diluted earnings per share	**–**	0.9p

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 2m (2020/21: 1m).

Adjusted earnings per share from discontinued operations

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

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

	2022			2021		
	£m	**Basic - pence per share**	**Diluted - pence per share**	£m	Basic – pence per share	Diluted – pence per share
Basic earnings from discontinued operations	-	-	-	12	0.9p	0.9p
Add back:						
Adjusting items, before tax	-	-	-	(3)	(0.2p)	(0.2p)
Tax on adjusting items and adjusting tax items	-	-	-	(9)	(0.7p)	(0.7p)
Adjusted earnings from discontinued operations	-	-	-	–	–	–

Cash flows used in discontinued operations

	Year ended 30 April 2022 £m	Year ended 30 April 2021 £m
Net cash used in investing activities	-	(10)
Net cash flows for the year	-	(10)

14. Non-GAAP performance measures

The Group presents reported and adjusted financial information in order to provide shareholders with additional information to further understand the Group's operational performance and financial position.

The principal adjustments to financial information are made to exclude the effects of adjusting items (refer to note 3) and amortisation.

Total reported financial information represents the Group's overall performance and financial position, but can contain significant unusual or non-operational items that may obscure understanding of the key trends and position. These unusual or non-operational items include business disposals, restructuring and optimisation project costs, acquisition-related and integration costs, and impairments. Restructuring and optimisation items treated as adjusting items are major programmes usually spanning more than one year, with uneven impact on the profit and loss for those years affected. Other adjusting items, such as business disposals, impairments, integration and acquisition costs, are by nature either highly variable or can also have a similar distorting effect. Therefore, the Directors consider that presenting non-GAAP measures which exclude adjusting items enables comparability of the recurring core business, complementing the IFRS measures presented.

Amortisation relates primarily to customer contracts and relationships and infrastructure optimisation projects arising from or as a result of business combinations. Significant costs are incurred in maintaining, developing and increasing the value of such intangibles, costs which are charged in determining adjusted profit. Exclusion of amortisation remedies this double count as well as, in the case of customer contracts and relationships, providing comparability over the accounting treatment of customer contracts and relationships arising from the acquisition of businesses and those generated internally.

The Group's key non-GAAP measures are used both internally and externally to evaluate business performance against the Group's KPIs and banking and debt covenants, as a key constituent of the Group's planning process, as well as comprising targets against which compensation is determined.

Certain non-GAAP performance measures can be, and are, reconciled to information presented in the financial statements. Other financial key performance measures are calculated using information which is not presented in the financial statements and is based on, for example, average 12-month balances or average exchange rates.

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

Key non-GAAP performance measures

The key non-GAAP performance measures used by the Group and their calculation methods are as follows:

Adjusted operating profit

Adjusted operating profit is operating profit excluding the pre-tax effects of both amortisation and adjusting items. Adjusting items include business divestment gains and losses, restructuring and optimisation costs, acquisition related and integration costs and impairments.

A reconciliation between reported and adjusted operating profit is set out on the face of the consolidated income statement.

Operating profit before adjusting items

A reconciliation between operating profit and operating profit before adjusting items is set out on the face of the consolidated income statement.

Other similar profit measures before adjusting items are quoted, such as profit before income tax and adjusting items, and are directly derived from the consolidated income statement, from which they can be directly reconciled.

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is adjusted operating profit excluding depreciation. A reconciliation from adjusted operating profit to adjusted EBITDA is provided in note 11.

Adjusted earnings per share

Adjusted earnings per share is basic earnings per share adjusted to exclude the post-tax effects of adjusting items and amortisation. Adjusted earnings per share is a key performance measure for management long-term remuneration and is widely used by the Group's shareholders.

A reconciliation between basic and adjusted earnings per share is provided in note 7.

Return on sales

Return on sales is adjusted operating profit measured as a percentage of revenue. Return on sales is used to measure the value we deliver to customers and the Group's ability to charge for that value.

	2022 £m	2021 £m
Adjusted operating profit	**616**	502
Revenue	**7,241**	5,976
Return on sales	**8.5%**	8.4%

Adjusted return on average capital employed (ROACE)

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

	2022 £m	2021 £m
Capital employed at 30 April	**5,578**	5,728
Currency, inter-month and acquisition/divestment movements	**113**	394
Last 12 months' average capital employed	**5,691**	6,122
Last 12 months' adjusted operating profit	**616**	502
Adjusted return on average capital employed	**10.8%**	8.2%

Net debt and net debt/EBITDA

Net debt is the measure by which the Group assesses its level of overall indebtedness within its financial position. The components of net debt as they reconcile to the primary financial statements and notes to the accounts are disclosed in note 9.

Net debt/EBITDA is the ratio of net debt to adjusted EBITDA, calculated in accordance with the Group's banking covenant requirements.

Net debt/EBITDA is considered a key measure of balance sheet strength and financial stability by which the Group assesses its financial position.

The Group's banking covenant requirements currently exclude IFRS 16 liabilities from the definition of net debt, as well as requiring that EBITDA is calculated before the effects of IFRS 16, so an adjustment to the previous IAS 17 basis is made in the calculation.

In calculating the ratio, net debt is stated at average rates as opposed to closing rates, and adjusted EBITDA is adjusted operating profit before depreciation from the previous 12 month period adjusted for the full year effect of acquisitions and divestments in the period, and to adjust to an IAS 17 basis.

	2022 £m	2021 £m
Net debt – reported basis (note 9)	**1,484**	1,795
IFRS 16 lease liabilities (note 9)	**(201)**	(227)
Adjustment to average rate	**13**	38
Net debt – adjusted basis	**1,296**	1,606
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**906**	806
Adjust to IAS 17 basis	**(78)**	(82)
Acquisition and divestment effects	**(7)**	2
Adjusted EBITDA – banking covenant basis	**821**	726
Net debt/EBITDA	**1.6x**	2.2x

Free cash flow

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

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

Cash conversion

Cash conversion is free cash flow, as defined above, adjusted to exclude tax, net interest, growth capital expenditure and pension payments as a percentage of adjusted operating profit and can be derived directly from note 11, other than growth capital expenditure, which is capital expenditure necessary for the development or expansion of the business as follows:

	2022 £m	2021 £m
Growth capital expenditure	**176**	100
Non-growth capital expenditure	**255**	231
Total capital expenditure (note 11)	**431**	331
Free cash flow (note 11)	**519**	486
Tax paid (note 11)	**96**	66
Net interest paid (note 11)	**62**	68
Growth capital expenditure	**176**	100
Change in employee benefits (note 11)	**21**	32
Adjusted free cash flow	**874**	752
Adjusted operating profit	**616**	502
Cash conversion	**142%**	150%

Average working capital to sales

Average working capital to sales measures the level of investment the Group makes in working capital to conduct its operations. It is measured by comparing the monthly working capital balances for the previous 12 months as a percentage of revenue over the same period. Working capital is the sum of inventories, trade and other receivables, and trade and other payables, excluding capital and acquisition and divestment related debtors and creditors.

	2022 £m	2021 £m
Inventories	**703**	537
Trade and other receivables	**1,189**	786
Trade and other payables	**(2,372)**	(1,669)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**241**	236
Last 12 months' average working capital	**(239)**	(110)
Last 12 months' revenue	**7,241**	5,976
Average working capital to sales	**(3.3%)**	(1.8%)

Constant currency and organic growth

The Group presents commentary on both reported and constant currency revenue and adjusted operating profit comparatives in order to explain the impact of exchange rates on the Group's key income statement items. Constant currency comparatives recalculate the prior year revenue and adjusted operating profit as if they had been generated using the current year exchange rates. In addition, the Group then separates the incremental effects of acquisitions and disposals made in the current year, and the incremental effects of acquisitions and disposals made in the previous year, to determine underlying organic growth. The table below shows the calculations:

	Revenue £m	Adjusted operating profit £m
Reported basis – comparative year ended 30 April 2021	**5,976**	**502**
Currency effects	**(240)**	**(23)**
Constant currency basis – comparative year ended 30 April 2021	**5,736**	**479**
Organic growth	**1,505**	**137**
Reported basis – year ended 30 April 2022	**7,241**	**616**

Dividend cover

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

	2022	2021
Adjusted earnings per share	**30.7p**	24.2p
Total dividend	**15.0p**	12.1p
Dividend cover	**2.0x**	2.0x

15. Subsequent events

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