25 June 2015

DS SMITH PLC – 2014/15 FULL YEAR RESULTS

Continued momentum in performance, scale and quality of the business

12 months to 30 April 2015		Change (reported)	Change (constant currency)
Revenue	£3,820m	(5)%	+1%
Adjusted operating profit(1)	£335m	+9%	+17%
Profit before tax	£200m	+20%	+30%
EPS(1)	24.5p	+14%	+24%
Dividend per share	11.4p	+14%	+14%
Return on sales(4)	8.8%	+120bps	+130bps
ROACE(5)	14.6%	+160bps	+160bps

Highlights

- Strong growth in profits, returns and dividends, despite FX headwinds
- Organic corrugated box volume growth of +3.1%
    - Acceleration in H2
    - Market share gains
- Strengthened the quality of the business portfolio and continued value creation from acquisitions
    - Four acquisitions announced in the year, including Andopack in Spain and Duropack in south eastern Europe
    - Announcing today the proposed acquisition of Grupo Lantero's corrugated business for €190 million, substantially expanding our position in Iberia
- Continued delivery against all our medium-term targets
    - Significant improvement in return on sales and ROACE
    - Strong cashflow and working capital performance
    - Net debt reduced to £651 million, 1.49x EBITDA

Miles Roberts, **Group Chief Executive, commented:**

"This has been another good year for DS Smith. In a fast changing retail and consumer environment, packaging is more relevant than ever. The progress in the business with customers is evidenced by accelerating volume growth, together with increased margins and returns, from our unique and enhanced offering.

We also have momentum behind developing our business portfolio to improve the quality of our business, and we are pleased to announce the proposed acquisition of Grupo Lantero's corrugated business today. We have been delighted with the positive customer reaction to our recent acquisitions. The progress we continue to make with global customers, together with the opportunities we see for growth as we expand our international reach and offering, gives us confidence to increase our medium-term margin target by 100 basis points, and, notwithstanding the continued challenging market environment, we remain excited about the prospects for the business."

Sustainable delivery in line with medium term targets

Medium-term targets	Delivery in 2014/15
Organic volume growth[2] at least GDP[3]+1%	3.1%
Return on sales[4] 7% – 9%	8.8%, +130 bps
ROACE[5] 12% - 15%	14.6%, +160 bps
Net Debt / EBITDA[6] ≤2.0x	1.49x
Operating cash flow/ operating profit[7] ≥ 120%	127%

See notes to the financial tables, below

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Presentation and dial-in details

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

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

A replay of the event is available for seven days, on +44 (0) 20 8196 1998, PIN 2915151#. An audio file and transcript will also be available on www.dssmith.com/investors/results-and-presentations.

Notes to the financial tables

(1) Before exceptional items and amortisation

(2) Corrugated box volumes, adjusted for the number of working days

(3) GDP growth (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country, for the period April 2014 – March 2015= 1.3%. Source: Eurostat (13/5/15)

(4) Earnings from continuing operations before interest, tax, amortisation and exceptional items as a percentage of revenue. Comparative on a constant currency basis

(5) Earnings from continuing operations before interest, tax, amortisation and exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Average capital employed includes property, plant and equipment, intangible assets (including goodwill), working capital, provisions, capital debtors/creditors and assets/liabilities held for sale

(6) EBITDA being earnings from continuing operations before interest, tax, exceptional items, depreciation and amortisation. Comparative on a constant currency basis

(7) Free cash flow before tax, net interest, growth capital expenditure, pension payments and exceptional cash flows as a percentage of earnings before interest, tax, amortisation and exceptional items

Cautionary statement: This announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and DS Smith Plc undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast.

Overview

In the financial year 2014/15, DS Smith has again delivered strong underlying growth in volumes, margins, profits, returns and dividends, with all metrics well in line with our medium-term financial targets. At the same time as gaining market share through organic growth, we have delivered a series of acquisitions and disposals this year which help to focus the business on recycled packaging, and expand our geographic footprint and customer offering. We have also delivered against our non-financial key performance indicators, with further improvements in health and safety and in our environmental impact, reflecting our strategy of having a sustainable business model.

Corrugated box volumes have increased by 3.1 per cent year-on-year, on a like-for-like basis, with an acceleration in H2. All regions demonstrated positive progress, with particularly good growth in Central Europe and Italy. This is materially ahead of both our target of volume growth of GDP +1 per cent and the overall corrugated market in Europe, demonstrating how customers are continuing to move to DS Smith, reflecting our strength in innovation and design and the ability to deliver a pan-European solution for their packaging requirements.

In a market where the needs of consumers, retailers and our customers are constantly changing, we continue to focus on developing innovative solutions for our customers and the roll-out of our performance packaging programme. This utilises our unique proprietary technology, in order to provide high quality packaging for our customers on a consistent basis in the most cost-effective way.

For the full year period, revenues increased by 1 per cent on a constant currency basis, despite a slight reduction from the net impact of acquisitions and disposals. Reported revenues reduced by 5 per cent due to foreign exchange (FX) translation of non-sterling revenues. Adjusted operating profit increased by 17 per cent on a constant currency basis to £335 million (9 per cent on a reported basis), driven by the contribution from the volume growth, our focus on higher value-added product and services to customers, together with the benefit of synergies from the SCA Packaging acquisition, where we have delivered the expected, final tranche of €40 million of synergies in the period.

We have continued our strategy to licence certain of our technologies in a number of geographies worldwide. During the period, we entered into an agreement with Georgia-Pacific Corrugated LLC (GP), a major packaging company in North America, whereby GP licenses our technology for real-time monitoring and measurement of the quality and performance of packaging.

We have an ongoing programme of opening our Impact and Packright design centres, where we bring together our innovation and design expertise to develop the best packaging solutions. The strength of our business model lies in our scale, as the design centres share expertise and a database of designs, which means customers receive the best solutions, while the cost of development is shared. To date we have rolled out 17 new or refurbished centres, which combined with existing design centres means we have 30 such centres across Europe. We expect to extend this to over 40 by the end of the 2015/16 financial year.

Earnings per share increased by 24 per cent on a constant currency basis to 24.5 pence (14 per cent on a reported basis) (2013/14: 21.4 pence). This result follows four prior years of consistent growth, with the 5-year compound annual growth rate for reported EPS being 34 per cent.

The Board considers the dividend to be an important component of shareholder returns and, as such, has a policy to deliver a progressive dividend, where dividend cover is between 2.0 and 2.5 times, through the cycle. For the year 2014/15, the Board recommends a final dividend of 7.7 pence, which together with the interim dividend of 3.7 pence gives a total dividend for the year of 11.4 pence per share (2013/14: 10.0 pence per share). This represents an increase of 14 per cent on the prior year and cover of 2.1 times in relation to earnings per share (before amortisation and exceptional items).

Improving the quality of the business by investment and reshaping the asset portfolio

DS Smith is ambitious to improve the quality and scale of our business. Scale is important as it allows us to invest in innovation and design, with the benefit shared throughout the business and across our customers. This results in a business that is able to lead the market in quality and innovation while remaining competitive on price and providing a full geographic reach, which together underpin our improvement in driving margins and returns. Allied to this is a focus on increasing the value-added products and services to our customers.

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

We increased our interest in Italmaceri, a recycling business in Italy, from 50 to 100 per cent in July 2014, and bought a plastics manufacturing site in Croatia in September 2014.

In November 2014 we acquired Andopack, a corrugated packaging business in Spain. We have been delighted with the customer reaction and the performance of the business, with volume growth significantly ahead of the Group average.

Since the year end we have completed our acquisition of Duropack, a corrugated packaging business with a market leading position in south eastern Europe. The reaction from customers and employees has been very positive and we look forward to integrating the business into the Group.

During the year we have also acquired a small packaging consultancy business, serving global customers with operations in Europe, US and Asia. This expands our global reach and increases our capabilities in the analysis of packaging and its interaction with supply chains. We are adding additional capability in the US to offer greater packaging design consultancy and procurement services, on the back of existing customer contracts and strong demand for our services beyond Europe. We are very pleased with the positive reaction from our global customers to this new initiative.

We have made a number of disposals of businesses that were not core to the Group's strategy, including a Foams business in Scandinavia, in September 2014, and StePac, a specialist modified atmosphere packaging business, in May 2015, after the year end. We

have also disposed of a paper mill at Nantes, France, in line with our strategy to reduce non-integrated paper manufacturing.

We have continued to invest in our assets ahead of depreciation, with net capex of £149 million (2013/14: £156 million). Approximately three quarters of this expenditure has been in the corrugated packaging business, with growth expenditure focused on the regions where there is the greatest opportunity. For example, in the year, approximately a third of the growth capex in the packaging business was spent in Central Europe, with investment in our sites in Poland, Hungary, Czech Republic and Romania.

Operating review

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

UK

	Year ended 30 April 2015	Year ended 30 April 2014	Change
Revenue	£905m	£929m	(3%)
Operating profit*	£81m	£64m	27%
Return on sales*	9.0%	6.9%	+210bps

*Adjusted, before amortisation and exceptional items

The UK has seen modest volume growth in a competitive market environment and challenging retail landscape. Revenues have fallen by 3 per cent, in part reflecting reduced external sales from recycling.

The UK business has been leading the development of our performance packaging processes, requiring close collaboration between our paper and our packaging operations, with this rolled out throughout the UK. Profitability has improved by £17 million through a combination of improvements in both the packaging and the paper operations, resulting in a significant uplift of 210 basis points to our margin. In packaging, we have focused on higher value-added contracts, driving the performance packaging initiatives, and the delivery of cost initiatives. In our paper operations, we saw an improved performance from the Kemsley mill in Kent in the first half of the year, where applying best practice from our European mills has resulted in an improvement in efficiency and profitability of this site. In the second half of the year there was some adverse impact to the business from the increased strength of sterling on trading from the UK to continental Europe.

Western Europe

	Year ended 30 April 2015	Year ended 30 April 2014	Change-reported	Change-constant currency
Revenue	£941m	£1,017m	(7%)	0%
Operating profit*	£65m	£67m	(3%)	7%
Return on sales*	6.9%	6.6%	+30bps	+40 bps

*Adjusted, before amortisation and exceptional items

Like-for-like volumes in the region have been around the market average, with France outperforming that average, offset by tougher conditions in the Benelux region. We have been particularly pleased with the initial performance from the Andopack site, which has significantly outperformed the market. On a constant currency basis revenue was broadly flat, with the benefit from the acquisition of Andopack part way through the year offset by declines in other parts of the business.

Adjusted operating profit on a constant currency basis increased by 7 per cent, reflecting a focus on higher value-added business, operating leverage and synergies. Return on sales has improved by 40 basis points.

DACH and Northern Europe

	Year ended 30 April 2015	Year ended 30 April 2014	Change- reported	Change – constant currency
Revenue	£922m	£1,029m	(10%)	(2)%
Operating profit*	£96m	£96m	0%	10%
Return on sales*	10.4%	9.3%	+110bps	+120bps

*Adjusted, before amortisation and exceptional items

Volumes in this region have grown well, in particular in DACH, where we have been gaining market share. Constant currency revenues declined by 2 per cent, as a result of the disposal of the Scandinavian foams business near the start of the year. The underlying business delivered stable revenues, with the revenues from pan-European customers increasing substantially.

Constant currency operating profit increased by 10 per cent, despite a modest reduction from the disposed business, driven by operating leverage benefits and synergy delivery. Return on sales improved 120 basis points to 10.4 per cent, the highest margin of all regions.

Central Europe and Italy

	Year ended 30 April 2015	Year ended 30 April 2014	Change – reported	Change – constant currency
Revenue	£750m	£739m	1%	11%
Operating profit*	£65m	£53m	23%	33%
Return on sales*	8.7%	7.2%	+150bps	+150bps

* Adjusted, before amortisation and exceptional items

Volumes in this region have been excellent, with both the business in Italy and in Central Europe substantially outperforming the market. Constant currency revenue growth of 11 per cent reflects the volume performance, delivered through above average market growth and significant market share development, plus a modest contribution from the acquired recycling business in Italy.

Adjusted operating profit grew by 33 per cent, with approximately half of the revenue growth in the region from pan-European customers with the remainder from the local markets. The region has seen significant investment in its plants over the period and we are continuing to invest in this exciting region.

Plastics

	Year ended 30 April 2015	Year ended 30 April 2014	Change – reported	Change – constant currency
Revenue	£302m	£321m	(6%)	(2%)
Operating profit*	£28m	£27m	4%	8%
Return on sales*	9.3%	8.4%	+90bps	+90bps

* Adjusted, before amortisation and exceptional items

Constant currency revenue declined slightly, reflecting growth in the underlying business, offset by the disposal of two small non-core businesses. Adjusted operating profit grew by 8 per cent on a constant currency basis with a 90 basis point increase in margin, reflecting organic profit development as the investments made in the business in 2013/14 were put into service. In the flexible packaging segment of the business, continued double digit growth of the beverage dispensing tap business in the USA was partially offset by the gradual start-up of new facilities in Europe. Demand for flexible packaging continues to grow through new product offerings and new markets served, in addition to a better service offering in Europe.

The rigid transit packaging segment, based in Europe, had a very strong year. Revenue increased by 8 per cent over the prior year on increased demand for most product lines and adjusted operating profit increased by 26 per cent as plant improvements and a favourable raw materials market increased the impact of the additional sales and more than offset the negative FX effects.

Delivering on our medium-term targets and key performance indicators

We have made progress against our key performance indicators over the full-year with substantial improvement in our metrics. As set out above, corrugated box volumes grew by 3.1 per cent. This exceeded our target of GDP+1 per cent, with year-on-year GDP growth, weighted by our sales in the markets in which we operate, estimated at 1.3 per cent (Source: Eurostat) resulting in a target of 2.3 per cent. We have delivered this growth across all our regions with a particularly strong contribution from Central Europe and Italy, which has benefited from our investment in the region as well as good growth in the markets. This performance reinforces our confidence in our investment in the Duropack business, which expands our geographic reach in the region, with the new business expected to increase our corrugated volumes in the region by circa one third. As a consequence of our strong volume growth, DS Smith has gained market share across Europe, where the overall corrugated packaging market has shown volume growth of 1.5 per cent (Source: FEFCO, May 2014 – April 2015).

Adjusted return on sales has increased by 130 basis points on a constant currency basis to 8.8 per cent, at the upper end of our target range of 7 to 9 per cent, reflecting the improvement in profitability from our focus on higher value-added products and services, operational gearing and the final year of cost synergies from the acquisition of SCA Packaging, that have been achieved over the year as anticipated.

Return on average capital employed has improved by 160 basis points to 14.6 per cent (2013/14: 13.0 per cent), toward the upper end of our medium-term target range of 12 to 15 per cent and significantly above our cost of capital. The improvement is driven by our improved profitability and our continual focus on tight capital allocation and management within the business, including working capital, which has shown further improvement this year. Return on average capital employed is our primary financial measure of success, and is measured and calculated on a monthly basis. All senior management have part of their remuneration package linked to this measure.

Net debt has decreased to £651 million (2013/14: £827 million) while net debt / EBITDA (calculated in accordance with our banking covenant requirements) was 1.49 times (2013/14: 1.96 times), in line with our medium-term financial KPI of a ratio of 2.0 times or below and reflecting ongoing tight cash management and control throughout the business.

During the year the Group generated free cash flow of £307 million (2013/14: £140 million). Cash conversion was 127 per cent, in line with our target.

DS Smith is committed to providing all employees with a safe and productive working environment. We are pleased to report a further substantial improvement in our safety record, with our accident frequency rate reduced a further 13 per cent from 4.79 to 4.16, reflecting our ongoing commitment to best practice in health and safety. Our target is for zero accidents, which we are pleased to report that 182 sites achieved this year, up from 138 in 2013/14. We continue to strive to achieve zero accidents for the Group as a whole.

The Group has a target for customer service of 97 per cent on-time, in-full deliveries. In the year we achieved 92 per cent, broadly similar to the level achieved in the prior year. Standards of service, quality and innovation are key to our differentiation in the market. We are investing significantly in these areas, from design centres throughout Europe, to the roll-out of our performance packaging methodology, in order to continue to lead the industry in this field.

DS Smith is part of the sustainable economy, with our principal product of corrugated packaging fully recyclable, and substantially constructed from recycled material, as are many of our plastic packaging products. Our Recycling business works with customers across Europe to improve their recycling operations and overall environmental performance. We have invested in improved environmental tracking systems with far more detail now available, as set out in greater detail in our Sustainability Report 2015. CO_2 equivalent emissions, relative to production, have reduced by 2 per cent, and we are on target to achieve our 2010 commitment to a 20 per cent reduction by 2020.

Updated medium term targets and financial key performance indicators

We believe that scale brings benefits for customers and for our shareholders. Five years ago, for the year ended 30 April 2010, DS Smith reported a return on sales of 4.5 per cent. In December 2010 the Board set a medium term target of 6 – 8 per cent, and raised that to 7 – 9 per cent following the disposal of Spicers in 2011. Having achieved a full-year return on sales of 8.8 per cent this year, near the top of that range, the Board consider it appropriate to raise this sustainable medium-term target by an additional 100 basis points.

In relation to cash conversion, the target level of 120 per cent was also set in 2010 when, inter alia, working capital was a substantially higher proportion of revenue than its current level of 2.7 per cent. The Board therefore believes that the appropriate cash conversion ratio for the business going forward, having achieved the target of 120 per cent or above for the prior five years, is 100 per cent or above. This reflects the structural working capital reductions achieved and the maturity of the current business.

Outlook

The current year has started well, with momentum in volumes continuing. We also have momentum behind developing our business portfolio to improve the quality of our business. We have been delighted with the positive customer reaction to our recent acquisitions. The progress we continue to make with global customers, together with the opportunities we see for growth as we expand our international reach and offering, gives us confidence to increase our medium-term margin target by 100 basis points, and, notwithstanding the continued challenging market environment, we remain excited about the prospects for the business.

Financial review

All numbers within this review are based on continuing operations before amortisation and exceptional items, with any comment and comparable analysis based on constant currency, unless otherwise stated.

Group revenue of £3,820 million was 5 per cent lower than the prior year (2013/14: £4,035 million) with exchange effects, particularly the weakening of the euro throughout the year, having a significant impact (£236 million). On a like-for-like constant currency basis, after adjusting for acquisitions and disposals, underlying revenue grew by £29 million, up 1 per cent.

The growth in revenue was underpinned by corrugated box volume growth across Europe of 3.1 per cent, partially offset by the effects of lower paper prices, particularly in the first half of the year. Plastics revenue declined by 2 per cent as the restructuring of the Flexibles business was implemented and a platform for future growth was established.

Adjusted operating profit rose by 9 per cent to £335 million (2013/14: £307 million), 17 per cent on a constant currency basis, with exchange effects estimated to have an impact of about £21 million. Whilst the business has benefitted from the balance of the SCA Packaging synergies of €40 million, or £31 million, bringing the total delivered to €120

million, as previously announced, it has also been impacted by deflation in a few markets. Input cost benefits were balanced by sales price reductions, with organic growth in corrugated box volumes contributing the majority of the further improvement in profit.

Amortisation for the year was £46 million (2013/14: £51 million). Depreciation of £117 million is slightly lower than the prior year (2013/14: £123 million) due to the impact of foreign exchange. New investments in machinery have increased depreciation and maintenance costs by around £13 million; these have been partially offset by a reduction from the finalisation of the SCA Packaging fair value work which culminated in a comprehensive review of asset lives on a consistent basis, which had a c. £7 million impact.

The Group's measures of return on sales and return on average capital employed have seen improvements in the current year and both are towards the top end of their target ranges. Return on sales is 8.8 per cent (target range of 7-9 per cent), whilst return on average capital employed is 14.6 per cent (target range of 12-15 per cent). As noted earlier, return on average capital employed is significantly above the Group cost of capital. The Board has reviewed the medium-term targets and has decided to raise the return on sales target by 100 basis point whilst retaining the return on average capital employed range as it is, to reflect the short-term impact which results from the acquisition of new businesses.

Exceptional items

Exceptional items before tax and share of results of associates were £44 million (2013/14: £38 million).

Exceptional items comprise of restructuring initiatives totalling £47 million, which have been concentrated in UK and German Packaging businesses, and on the infrastructure necessary to support the Group's growth and development. These costs have been partially offset by utilisation of provisions made on the SCA Packaging acquisition.

Acquisition and disposal activity has generated a further £4 million of exceptional costs. This charge also includes costs incurred in respect of the post-balance sheet date acquisition of Duropack.

Gains on the disposal of the Scandinavian Foam business and the step-up acquisition of the Italian recycling business amounted to £6 million, and were offset by the loss on disposal of the Nantes mill of £9 million and other costs of £2 million.

Unamortised finance costs amounting to £4 million relating to the refinancing of the SCA Packaging acquisition finance.

Exchange losses on the Ukrainian associate of £7 million, as the Hryvian weakened against the US dollar (the currency in which the associate's debt is denominated), have been recognised as exceptional.

In 2015/16, exceptional costs of £40 million are expected to be incurred, principally relating to the acquisition and integration of Duropack and other one-off restructuring projects in our packaging business.

Interest, tax and earnings per share

Net interest expense before exceptionals has reduced from £41 million in 2013/14 to £32 million in 2014/15, due both to the refinancing and to the lower levels of debt as further working capital initiatives have delivered results. The employment benefit net finance expense was £6 million (2013/14: £7 million).

Profit before tax (excluding amortisation, exceptional items and share of profit of associates) was £297 million (2013/14: £259 million), an increase of 15 per cent on a reported basis.

The share of the results of equity accounted investments includes the previously described exceptional exchange loss of £7 million on US dollar denominated debt in the Ukrainian associate.

The Group's effective tax rate, excluding amortisation, exceptional items and associates was 23 per cent, consistent with the prior year. The exceptional tax credit was £10 million.

Reported profit after tax after amortisation and exceptional items from continuing operations was £156 million (2013/14: £144 million).

Adjusted earnings per share were 24.5 pence (2013/14: 21.4 pence), an increase of 14 per cent. Total earnings per share were 16.6 pence (2013/14: 15.0 pence).

Dividend

The proposed final dividend is 7.7 pence (2013/14: 6.8 pence), giving a total dividend for the year of 11.4 pence (2013/14: 10.0 pence). Dividend cover before amortisation and exceptional items was 2.1 times in 2014/15 (2013/14: 2.1 times). The final dividend will be paid on 2 November 2015 to shareholders on the register at the close of business on 2 October 2015.

Acquisitions and disposals

The Group's strategic aim is to grow its consumer packaging businesses to meet the requirements of its major customers. The focus on the overall "short" paper position remains, with ongoing investment in paper mills which produce high quality lightweight papers and further reduction in exposure to those that do not. Acquisition and disposal activity has intensified in the year, with three acquisitions and two disposals. Since the year end a further acquisition and disposal have been completed.

On 10 July 2014 the 50 per cent of Italmaceri not previously owned was acquired. The Italmaceri recycling business operates in northern Italy with annual volumes of

approximately 500k tonnes. On 9 September 2014 Kaplast, an injection-moulding business in Croatia, was acquired, to expand the returnable transit packaging element of the Plastics business. On 6 November 2014, the acquisition of Andopack, a corrugated manufacturing business in Spain, was completed for £39 million (including acquired debt of £28 million). The business operates from a single well-invested site with considerable scope to grow the business by serving the Group's pan-European customers based in this large market.

On 2 September 2014 the Scandinavian Foams business, which the Group had acquired as part of the SCA Packaging acquisition, was disposed of for £22 million, realising a gain of £3 million.

Following the binding offer received on 20 November 2014, the small paper mill in Nantes, France with annual capacity of c. 60k tonnes of testliner was disposed of, with a loss on disposal of £9 million. This disposal was in-line with our strategy to increase our "short" paper position.

Subsequent to the year end, on 31 May 2015, the acquisition of Duropack, a recycled corrugated packaging business with market-leading positions across south eastern Europe, was completed for €305 million, including debt acquired of €100 million, subject to post-closing working capital adjustments.

On 18 May 2015, the Group completed the sale of StePac, a specialist modified atmosphere packaging business based in Israel, for $31 million, subject to post-closing working capital adjustments.

Cash flow

Net debt ended the year significantly lower than the prior year at £651 million (£827 million). Working capital management continues to be a major focus for the business. The current year inflow of £101 million reflects a continuation of tight working capital management, particularly of trade receivables and trade payables. A number of inventory reduction initiatives have commenced, the results of which should flow through over the next 12 months. The structuring of the Group's debt to be aligned with the currency of operations benefited net debt by £68 million driven mainly by the weaker euro. The business has continued to invest in capital expenditure with net costs (after disposal proceeds of £18 million) of £149 million (2013/14: £156 million). The Group strikes a balance between expenditure on asset renewal/replacement and investment in growth and efficiency, with the latter amounting to about 52 per cent of the total expenditure. Disposals included £6 million of surplus property assets (2013/14: £3 million) realising profits of £6 million (2013/14: £5 million).

Net interest payments of £34 million were £9 million lower than the prior year and were broadly in line with the net finance expense. Tax paid of £28 million was significantly lower than the prior year (2013/14: £55 million) primarily due to refunds secured in a number of regions and a greater focus on the timing of payments.

Cash costs of exceptional items amounted to £49 million representing the cash investment in restructuring and infrastructure. Disposals of businesses realised £18 million, whilst acquisitions of £28 million comprised Andopack, Italmaceri and the Kaplast businesses.

The dividend pay-out was £94 million, reflecting the payment in 2014/15 of the interim and final dividend for 2013/14.

Total Group cash inflow for the year was £154 million, compared to an outflow of £27 million in the prior year. Net debt acquired was £30 million. Exchange and other movements reduced net debt by £52 million.

Statement of financial position

Shareholders' funds of £1,018 million at 30 April 2015 have reduced from £1,131 million at 30 April 2014, principally due to exchange losses, actuarial losses and dividends, partially offset by retained profit for the year. Profit attributable to shareholders was £156 million (2013/14: £141 million) and dividends of £94 million (2013/14: £74 million) were paid during the year. In addition, actuarial losses of £65 million from the Group's employee benefit schemes were charged to reserves. Other items recognised directly in reserves include currency translation losses of £105 million, favourable movements on cash flow hedges of £5 million and the related tax charge of £12 million.

At 30 April 2015, the Group's net debt was £651 million (30 April 2014: £827 million). The Group improved its net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio from 1.96 times at 30 April 2014 to 1.49 times at 30 April 2015 and complied with all the covenants in its financing agreements. The Group's financial covenants for the syndicated committed bank facilities specify an EBITDA to net interest payable ratio of not less than 4.5 times, a maximum ratio of net debt to EBITDA of 3.25 times and net assets to exceed £360 million.

The covenant calculations exclude from the income statement exceptional items and any interest arising from the defined benefit pension schemes. The calculation of net assets excludes the net asset or liability arising from the defined benefit pension schemes. At 30 April 2015, the Group had substantial headroom under its covenants; the most sensitive covenant is net debt to EBITDA and this had an EBITDA headroom of £243 million.

Energy costs

Energy continued to be a significant cost for the Group in 2014/15. The Group's total costs for gas, electricity and diesel decreased from £241 million in 2013/14 to £187 million in 2014/15 a 22 per cent decrease, with the benefits of capital invested in CHP facilities, currency translation, lower prices and energy efficiency initiatives all contributing. The Group continues to manage the risks associated with its purchases of energy through its Energy Procurement Group. By hedging energy costs with suppliers and financial institutions we aim to reduce the volatility of energy costs and to provide the Group with a degree of certainty over future energy costs. Given the significant

reduction in spot natural gas prices, particularly last summer, the hedging strategy removed opportunities to benefit from the lowest possible prices.

Capital structure and treasury management

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

The Group's overall treasury objectives are to ensure that sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed.

The Group regularly reviews the level of cash and debt facilities required to fund its activities. At 30 April 2015, the Group's committed borrowing facilities totalled c. £1.4 billion of which £649 million were undrawn. Total gross borrowings at 30 April 2015 were £783 million. At 30 April 2015, the Group's committed borrowing facilities had a weighted-average maturity of 4.6 years (30 April 2014: 3.3 years).

During the year the Group refinanced its committed bank borrowing facilities. The syndicated term loan facility, under which €380 million was outstanding at 30 April 2014, was repaid on 23 May 2014, and replaced with a €300 million syndicated bank term loan facility maturing in May 2017. In addition, on the same date, the £610 million syndicated revolving credit facility was repaid and replaced with a £800 million syndicated bank revolving credit facility maturing in 2019, but with options to extend this facility to 2021. Since the year end the maturity of this facility has been extended to May 2020. The year-on-year interest saving, assuming the previous facilities were fully drawn at all times is £5 million.

The Group also obtained an investment grade credit rating from Standard and Poor's (BBB-Stable) which reflects the strong credit metrics of the Group and the financial discipline of management. This credit rating allows the Group to issue investment grade bonds in the public debt markets.

Foreign exchange translation

Approximately 63 per cent of the Group's EBITA in 2014/15 was earned in euros, 17 per cent in Sterling, 6 per cent in US dollar and the remainder in other European currencies. In addition to the headwind to operating profit in 2014/15 of £21 million, the results for the year 2015/16 will be influenced by foreign exchange translation, where the euro is currently weaker than the average rate over 2014/15 of 1.29. In relation to the euro, an

increase of 1c decreases EBITA by approximately £1.6 million and profit before tax by approximately £1.0 million.

Consolidated Income Statement

Year ended 30 April 2015

Continuing operations	Note	**Before exceptional items 2015 £m**	**Exceptional items (note 3) 2015 £m**	**After exceptional items 2015 £m**	Before exceptional items 2014 £m	Exceptional items (note 3) 2014 £m	After exceptional items 2014 £m
Revenue	2	**3,820**	**–**	**3,820**	4,035	–	4,035
Operating costs		**(3,485)**	**(31)**	**(3,516)**	(3,728)	(35)	(3,763)
Operating profit before amortisation, acquisitions and disposals and SCA Packaging related costs		**335**	**(31)**	**304**	307	(35)	272
Amortisation of intangible assets and acquisitions and disposals		**(46)**	**(9)**	**(55)**	(51)	–	(51)
SCA Packaging related exceptional costs		**–**	**–**	**–**	–	(3)	(3)
Operating profit		**289**	**(40)**	**249**	256	(38)	218
Finance income	5	**3**	**–**	**3**	3	–	3
Finance costs	5	**(35)**	**(4)**	**(39)**	(44)	–	(44)
Employment benefit net finance expense	4	**(6)**	**–**	**(6)**	(7)	–	(7)
Net financing costs		**(38)**	**(4)**	**(42)**	(48)	–	(48)
Profit after financing costs		**251**	**(44)**	**207**	208	(38)	170
Share of profit/(loss) of equity accounted investments, net of tax		**–**	**(7)**	**(7)**	–	(3)	(3)
Profit before income tax		**251**	**(51)**	**200**	208	(41)	167
Income tax (expense)/credit	6	**(54)**	**10**	**(44)**	(45)	22	(23)
Profit for the year from continuing operations		**197**	**(41)**	**156**	163	(19)	144
Discontinued operations							
Loss for the year from discontinued operations		**–**	**–**	**–**	(3)	–	(3)
Profit for the year		**197**	**(41)**	**156**	160	(19)	141
Profit for the year attributable to:							
Owners of the parent		**197**	**(41)**	**156**	159	(19)	140
Non-controlling interests		**–**	**–**	**–**	1	–	1
Earnings per share							
Adjusted from continuing operations [1]							
Basic	7	**24.5p**			21.4p		
Diluted	7	**24.3p**			21.1p		
From continuing operations							
Basic	7			**16.6p**			15.3p
Diluted	7			**16.4p**			15.2p
From continuing and discontinued operations							
Basic				**16.6p**			15.0p
Diluted				**16.4p**			14.9p

[1] Adjusted for amortisation and exceptional items.

Notes

(a) Subject to approval of shareholders at the Annual General Meeting to be held on 8 September 2015, the final dividend of 7.7p will be paid on 2 November 2015 to ordinary shareholders on the register on 2 October 2015.

(b) The financial information presented in this preliminary announcement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 30 April 2015. The financial information set out above does not constitute the Company's statutory financial statements for the years ended 30 April 2015 or 30 April 2014 but is derived from those financial statements. Statutory accounts for the year ended 30 April 2014 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 30 April 2015 will be delivered following the Company's Annual General Meeting. The auditors' report on these accounts was not qualified or modified and did not contain any statement under Sections 498(2) or (3) of the Companies Act 2006.

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

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

Consolidated Statement of Comprehensive Income

Year ended 30 April 2015

	2015 £m	2014 £m
Profit for the year	**156**	141
Items which will not be reclassified subsequently to profit or loss		
Actuarial (losses)/gains on employee benefits	**(65)**	57
Income tax on items which will not be reclassified subsequently to profit or loss	**10**	(18)
Items which may be reclassified subsequently to profit or loss		
Foreign currency translation differences	**(105)**	(55)
Movements in cash flow hedges	**5**	(16)
Income tax on items which may be reclassified subsequently to profit or loss	**(22)**	(4)
Other comprehensive expense for the year, net of tax	**(177)**	(36)
Total comprehensive (expense)/income for the year	**(21)**	105
Total comprehensive (expense)/income attributable to:		
Owners of the parent	**(21)**	104
Non-controlling interests	**–**	1

Consolidated Statement of Financial Position

At 30 April 2015

	Note	2015 £m	2014 £m
Assets			
Non-current assets			
Intangible assets		**855**	961
Property, plant and equipment		**1,342**	1,372
Equity accounted investments		**17**	24
Other investments		**3**	8
Deferred tax assets		**58**	84
Other receivables		**5**	3
Derivative financial instruments		**24**	4
Total non-current assets		**2,304**	2,456
Current assets			
Inventories		**256**	272
Other investments		**1**	1
Income tax receivable		**38**	11
Trade and other receivables		**548**	650
Cash and cash equivalents		**95**	98
Derivative financial instruments		**13**	2
Assets held for sale		**46**	45
Total current assets		**997**	1,079
Total assets		**3,301**	3,535
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings		**(781)**	(786)
Employee benefits	4	**(200)**	(151)
Other payables		**(5)**	(4)
Provisions		**(7)**	(23)
Deferred tax liabilities		**(121)**	(163)
Derivative financial instruments		**(13)**	(40)
Total non-current liabilities		**(1,127)**	(1,167)
Current liabilities			
Bank overdrafts		**(13)**	(34)
Interest-bearing loans and borrowings		**(2)**	(96)
Trade and other payables		**(927)**	(930)
Income tax liabilities		**(147)**	(90)
Provisions		**(34)**	(49)
Derivative financial instruments		**(18)**	(20)
Liabilities held for sale		**(15)**	(18)
Total current liabilities		**(1,156)**	(1,237)
Total liabilities		**(2,283)**	(2,404)
Net assets		**1,018**	1,131
Equity			
Issued capital		**94**	94
Share premium		**715**	715
Reserves		**210**	323
Total equity attributable to owners of the parent		**1,019**	1,132
Non-controlling interests		**(1)**	(1)
Total equity		**1,018**	1,131

Consolidated Statement of Changes in Equity

Year ended 30 April 2015

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total reserves attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2013		**93**	**710**	**(17)**	**65**	**(2)**	**238**	**1,087**	**(2)**	**1,085**
Profit for the year		–	–	–	–	–	140	140	1	141
Actuarial gains on employee benefits		–	–	–	–	–	57	57	–	57
Foreign currency translation differences		–	–	–	(55)	–	–	(55)	–	(55)
Cash flow hedges fair value changes		–	–	(16)	–	–	–	(16)	–	(16)
Income tax on other comprehensive income		–	–	2	(6)	–	(18)	(22)	–	(22)
Total comprehensive income/(expense)		**–**	**–**	**(14)**	**(61)**	**–**	**179**	**104**	**1**	**105**
Issue of share capital		1	5	–	–	–	–	6	–	6
Employee share trust		–	–	–	–	2	(2)	–	–	–
Share-based payment expense (net of tax)		–	–	–	–	–	9	9	–	9
Dividends paid	8	–	–	–	–	–	(74)	(74)	–	(74)
Other changes in equity in the year		**1**	**5**	**–**	**–**	**2**	**(67)**	**(59)**	**–**	**(59)**
At 30 April 2014		**94**	**715**	**(31)**	**4**	**–**	**350**	**1,132**	**(1)**	**1,131**
Profit for the year		–	–	–	–	–	156	156	–	156
Actuarial losses on employee benefits		–	–	–	–	–	(65)	(65)	–	(65)
Foreign currency translation differences		–	–	–	(105)	–	–	(105)	–	(105)
Cash flow hedges fair value changes		–	–	5	–	–	–	5	–	5
Income tax on other comprehensive income		–	–	(1)	(21)	–	10	(12)	–	(12)
Total comprehensive (expense)/income		**–**	**–**	**4**	**(126)**	**–**	**101**	**(21)**	**–**	**(21)**
Share-based payment expense (net of tax)		–	–	–	–	–	2	2	–	2
Dividends paid	8	–	–	–	–	–	(94)	(94)	–	(94)
Other changes in equity in the year		**–**	**–**	**–**	**–**	**–**	**(92)**	**(92)**	**–**	**(92)**
At 30 April 2015		**94**	**715**	**(27)**	**(122)**	**–**	**359**	**1,019**	**(1)**	**1,018**

Consolidated Statement of Cash Flows

Year ended 30 April 2015

Continuing operations	Note	**2015 £m**	2014 £m
Operating activities			
Cash generated from operations	9	**463**	309
Interest received		**3**	3
Interest paid		**(37)**	(46)
Tax paid		**(28)**	(55)
Cash flows from operating activities		**401**	211
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	12	**(28)**	(27)
Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents	12	**18**	12
Capital expenditure		**(167)**	(174)
Proceeds from sale of property, plant and equipment and intangible assets		**18**	18
Decrease in restricted cash		**3**	16
Loan to associate		**(2)**	–
Cash flows used in investing activities		**(158)**	(155)
Financing activities			
Proceeds from issue of share capital		**–**	6
Decrease in borrowings		**(352)**	–
Increase in borrowings		**233**	8
Repayment of finance lease obligations		**–**	(2)
Dividends paid to Group shareholders	8	**(94)**	(74)
Cash flows used in financing activities		**(213)**	(62)
Increase/(decrease) in cash and cash equivalents from continuing operations		**30**	(6)
Discontinued operations:			
Cash used in discontinued operations		**–**	(4)
Increase/(decrease) in cash and cash equivalents		**30**	(10)
Net cash and cash equivalents at 1 May		**64**	78
Reclassification to held for sale		**(6)**	–
Exchange losses on cash and cash equivalents		**(6)**	(4)
Net cash and cash equivalents at 30 April		**82**	64

Notes to the financial statements

1. BASIS OF PREPARATION

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

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

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

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

No changes have been made to the Group's accounting policies in the year ended 30 April 2015.

The accounting policies, presentation methods and methods of computation followed are the same as those detailed in the 2014 Annual Report and Accounts, which is available on the Group's website (www.dssmith.com/investors/results-and-presentations). Whilst the financial information included in the preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

Notes to the financial statements continued

2. SEGMENT REPORTING

Operating segments

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

[1] Adjusted for amortisation and exceptional items.

Year ended 30 April 2014	Note	UK £m	Western Europe £m	DACH and Northern Europe £m	Central Europe and Italy £m	Plastics £m	Total Continuing Operations £m
External revenue		929	1,017	1,029	739	321	4,035
EBITDA		92	102	126	73	37	430
Depreciation		(28)	(35)	(30)	(20)	(10)	(123)
Operating profit [1]		64	67	96	53	27	307
Unallocated items:							
Amortisation							(51)
Exceptional items	3						(38)
Total operating profit (continuing operations)							218
Analysis of total assets and total liabilities							
Segment assets		708	790	981	641	183	3,303
Unallocated items:							
Equity accounted investments and other investments							33
Derivative financial instruments							6
Cash and cash equivalents							98
Tax							95
Total assets							3,535
Segment liabilities		(230)	(319)	(192)	(196)	(76)	(1,013)
Unallocated items:							
Borrowings and accrued interest							(927)
Derivative financial instruments							(60)
Tax							(253)
Employee benefits							(151)
Total liabilities							(2,404)
Capital expenditure		40	41	47	35	11	174

[1] Adjusted for amortisation and exceptional items.

Notes to the financial statements continued

2. SEGMENT REPORTING CONTINUED

Geographical areas

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

	External revenue	
Continuing operations	**2015 £m**	2014 £m
UK	**865**	933
France	**623**	688
Germany	**578**	613
Italy	**429**	433
Rest of the World	**1,325**	1,368
	3,820	4,035

3. EXCEPTIONAL ITEMS

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

Continuing operations	**2015 £m**	2014 £m
SCA Packaging integration costs	**–**	(42)
SCA Packaging acquisition finalisation	**–**	39
SCA Packaging related exceptional costs	**–**	(3)
Acquisition related costs	**(4)**	(4)
Other restructuring costs	**(31)**	(29)
Impairment of assets	**(4)**	(5)
Rebranding	**–**	(4)
(Loss)/gain on divestments	**(5)**	4
Other	**4**	3
Total pre-tax exceptional items (recognised in operating profit)	**(40)**	(38)
Income tax credit on exceptional items	**10**	22
Share of exceptional loss of associate, net of tax	**(7)**	(3)
Exceptional finance costs	**(4)**	–
Total post-tax exceptional items	**(41)**	(19)

2014/15

Acquisition costs of £4m relate to professional advisory, legal and consultancy fees relating to the review of potential deals, and deals completed during the year.

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

Impairment of assets of £4m relate to the impairment of assets in UK Packaging and France Packaging.

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

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

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

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

The above items give rise to a net income tax credit at the local applicable tax rate with the exception of gains and losses on some of the divestments which are not subject to tax under local rules, impairments not deductible for tax purposes, and non-tax deductible deal related advisory fees in relation to acquisitions and disposals.

Notes to the financial statements continued

3. EXCEPTIONAL ITEMS CONTINUED

2013/14

SCA Packaging integration costs relate to the completion of integration projects which began in 2012/13.

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

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

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

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

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

4. EMPLOYEE BENEFITS

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

	2015 £m	2014 £m
Employee benefit deficit 1 May	**(151)**	(214)
Expense recognised in operating profit	**(4)**	(7)
Employment benefit net finance expense (excluding Pension Protection Fund levy)	**(4)**	(7)
Employer contributions	**17**	19
Other payments and contributions	**6**	–
Actuarial (losses)/gains	**(65)**	57
Currency translation	**10**	1
Reclassification	**(9)**	–
Employee benefit deficit at 30 April	**(200)**	(151)
Deferred tax asset	**48**	40
Net employee benefit deficit at 30 April	**(152)**	(111)

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

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

5. FINANCE INCOME AND COSTS

Continuing operations	**2015 £m**	2014 £m
Interest income from financial assets	**(1)**	(1)
Other	**(2)**	(2)
Finance income	**(3)**	(3)
Interest on loans and overdrafts	**37**	41
Other	**2**	3
Finance costs	**39**	44

Notes to the financial statements continued

6. INCOME TAX EXPENSE

Continuing operations	**2015 £m**	2014 £m
Current tax expense		
Current year	**(73)**	(61)
Adjustment in respect of prior years	**1**	6
	(72)	(55)
Deferred tax expense		
Origination and reversal of temporary differences	**10**	1
Reduction in UK tax rate	**–**	2
Adjustment in respect of prior years	**8**	7
	18	10
Total income tax expense before exceptional items	**(54)**	(45)
Tax relating to exceptional items (note 3)	**10**	22
Total income tax expense in the income statement from continuing operations	**(44)**	(23)
Discontinued operations		
Current tax expense adjustment in respect of prior years	**–**	(3)
Total income tax expense in the income statement from discontinued operations	**–**	(3)

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

	2015 £m	2014 £m
Profit before income tax	**200**	167
Share of (profit)/loss of associates	**7**	3
Profit before tax and share of (profit)/loss of associates	**207**	170
Income tax at the domestic corporation tax rate of 20.92% (2013/14: 22.83%)	**(43)**	(39)
Effect of additional taxes and tax rates in overseas jurisdictions	**(19)**	(14)
Additional items deductible for tax purposes	**18**	35
Non-deductible expenses	**(17)**	(25)
Non-taxable gains	**3**	–
Release of prior year provisions in relation to acquired businesses	**2**	–
Change in unrecognised deferred tax assets in relation to acquired businesses	**6**	–
Adjustment in respect of prior years	**9**	15
Effect of change in UK corporation tax rate	**(3)**	2
Income tax expense – total Group	**(44)**	(26)
Income tax expense from continuing operations	**(44)**	(23)
Income tax expense from discontinued operations	**–**	(3)

Notes to the financial statements continued

7. EARNINGS PER SHARE

Basic earnings per share from continuing operations

	2015	2014
Profit from continuing operations attributable to ordinary shareholders	**£156m**	£143m
Weighted average number of ordinary shares	**941m**	932m
Basic earnings per share	**16.6p**	15.3p

Diluted earnings per share from continuing operations

	2015	2014
Profit from continuing operations attributable to ordinary shareholders	**£156m**	£143m
Weighted average number of ordinary shares	**941m**	932m
Potentially dilutive shares issuable under share-based payment arrangements	**9m**	8m
Weighted average number of ordinary shares (diluted)	**950m**	940m
Diluted earnings per share	**16.4p**	15.2p

Basic earnings per share from discontinued operations

	2015	2014
Loss attributable to ordinary shareholders	**–**	(£3m)
Weighted average number of ordinary shares	**941m**	932m
Basic earnings per share	**–**	(0.3p)

Diluted earnings per share from discontinued operations

	2015	2014
Loss attributable to ordinary shareholders	**–**	(£3m)
Weighted average number of ordinary shares	**941m**	932m
Potentially dilutive shares issuable under share-based payment arrangements	**n/a**	n/a
Weighted average number of ordinary shares (diluted)	**941m**	932m
Diluted earnings per share	**–**	(0.3p)

The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of nil (2013/14: 1m).

Adjusted earnings per share from continuing operations

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

	2015			2014		
	£m	**Basic – pence per share**	**Diluted – pence per share**	£m	Basic – pence per share	Diluted – pence per share
Basic earnings	**156**	**16.6p**	**16.4p**	143	15.3p	15.2p
Add back amortisation, after tax	**34**	**3.6p**	**3.6p**	37	4.1p	4.0p
Add back exceptional items, after tax	**41**	**4.3p**	**4.3p**	19	2.0p	1.9p
Adjusted earnings	**231**	**24.5p**	**24.3p**	199	21.4p	21.1p

8. DIVIDENDS PROPOSED AND PAID

	2015		2014	
	Pence per share	**£m**	Pence per share	£m
2013/14 interim dividend - paid	**–**	**–**	3.2p	30
2013/14 final dividend – paid	**–**	**–**	6.8p	64
2014/15 interim dividend – paid	**3.7p**	**35**	–	–
2014/15 final dividend – proposed	**7.7p**	**73**	–	–

	2015 £m	2014 £m
Paid during the year	**94**	74

The interim dividend in respect of 2014/15 of 3.7 pence per share (£35m) was paid after the year end on 1 May 2015. The 2013/14 interim and final dividends were paid during the 2014/15 financial year. A final dividend in respect of 2014/15 of 7.7 pence per share (£73m) has been proposed by the Directors after the reporting date.

Notes to the financial statements continued

9. CASH GENERATED FROM OPERATIONS

Continuing operations	**2015 £m**	2014 £m
Profit for the year	**156**	144
Adjustments for:		
Pre-tax SCA Packaging integration costs and other exceptional items	**31**	38
Amortisation of intangible assets and acquisitions and disposals	**55**	51
Cash outflow for exceptional items	**(49)**	(78)
Depreciation	**117**	123
Profit on sale of non-current assets*	**(8)**	(8)
Share of (profit)/loss of equity accounted investments, net of tax	**7**	3
Employment benefit net finance expense	**6**	7
Share-based payment expense	**5**	4
Finance income	**(3)**	(3)
Finance costs	**39**	44
Other non-cash items (including other deposits)	**(7)**	(8)
Income tax expense	**44**	23
Change in provisions	**(15)**	(21)
Change in employee benefits	**(16)**	(13)
Cash generation before working capital movements	**362**	306
Changes in:		
Inventories	**(13)**	(6)
Trade and other receivables	**65**	(25)
Trade and other payables	**49**	34
Working capital movement	**101**	3
Cash generated from continuing operations	**463**	309

*Includes gains on the sale of surplus property assets total £6m (2013/2014: £5m).

10. ANALYSIS OF NET DEBT

	2015 £m	**2014 £m**
Cash and cash equivalents	**95**	98
Overdrafts	**(13)**	(34)
Net cash and cash equivalents	**82**	64
Restricted cash – receivable after one year	**–**	5
Restricted cash – receivable within one year	**–**	1
Other deposits	**33**	25
Interest-bearing loans and borrowings due – after one year	**(776)**	(782)
Interest-bearing loans and borrowings due – within one year	**(1)**	(96)
Finance leases	**(6)**	(4)
Derivative financial instruments		
– assets	**21**	4
– liabilities	**(4)**	(44)
	(733)	(891)
Net debt	**(651)**	(827)

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

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

Notes to the financial statements continued

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

	2015 £m	2014 £m
Continuing operations		
Operating profit before amortisation and exceptional items	**335**	307
Depreciation	**117**	123
Adjusted EBITDA	**452**	430
Working capital movement	**101**	3
Change in provisions	**(15)**	(21)
Change in employee benefits	**(16)**	(13)
Other	**(4)**	(5)
Cash generated from operations before exceptional cash items	**518**	394
Capital expenditure	**(167)**	(174)
Proceeds from sale of property, plant and equipment and other investments	**18**	18
Tax paid	**(28)**	(55)
Net interest paid	**(34)**	(43)
Free cash flow	**307**	140
Cash outflow for exceptional items	**(49)**	(78)
Dividends paid to Group shareholders	**(94)**	(74)
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(28)**	(27)
Divestment of subsidiary and equity accounted businesses, net of cash and cash equivalents	**18**	12
Net cash flow	**154**	(27)
Proceeds from issue of share capital	**–**	6
Reclassification	**(9)**	–
Loans and borrowings acquired	**(30)**	–
Net movement on debt	**115**	(21)
Foreign exchange, fair value and other non-cash movements	**61**	15
Net debt movement – continuing operations	**176**	(6)
Net debt movement – discontinued operations	**–**	(4)
Opening net debt	**(827)**	(817)
Closing net debt	**(651)**	(827)

12. ACQUISITIONS AND DIVESTMENTS

(a) 2014/15 acquisitions and disposals

During the year ended 30 April 2015, the Group completed various business combination transactions with total cash consideration of £28m (including £1m bank overdraft acquired), and various business disposals with total cash consideration of £18m which are not considered material to the Group individually or in aggregate.

(b) 2013/14 acquisitions and disposals

During the year ended 30 April 2014, the Group completed various business combination transactions with total cash consideration of £27m, and various business disposals with total cash consideration of £12m which are not considered material to the Group individually or in aggregate.

(c) Acquisition related costs

The Group incurred acquisition related costs of £4m in 2014/15 (2013/14: £4m). In 2014/15 these primarily related to the acquisition of the Andopack Group, the Duropack Group and Italmaceri, as well as other deal costs relating to reviewing potential acquisitions. These costs have been included in administrative expenses in the Group's income statement within exceptional items.

Notes to the financial statements continued

13. SUBSEQUENT EVENTS

(a) Acquisition of Duropack

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

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

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

The following table summarises the consideration paid for the Duropack business and provisional carrying values of identifiable assets and liabilities. The below values will be subject to a fair value review and finalised within a year of the acquisition date and retrospectively applied.

	Provisional carrying values at acquisition £m
Property, plant and equipment	**103**
Other non-current assets	**10**
Current assets	**91**
Non-current liabilities	**(62)**
Current liabilities	**(46)**
Total identifiable net assets acquired	**96**
Goodwill	**50**
Total consideration	**146**
Satisfied by:	
Cash consideration	**146**
Net cash flow arising on acquisition	
Cash consideration	**146**
Cash and cash equivalents acquired	**(18)**
Total cash outflow	**128**

(b) Disposal of StePac

On 18 May 2015 the Group completed the sale of StePac, classified as held for sale at 30 April 2015, for $31m, subject to customary working capital adjustments. This disposal is consistent with the Group's focus on investment and growth in consumer based packaging in strategic markets and will result in an exceptional gain in the forthcoming year.

(c) Other subsequent events

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