Registered number: 00630681

DS SMITH PACKAGING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

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COMPANY INFORMATION

Directors	P J Brown M Chiron W B Hicks S Rossi T P Slater (appointed 1 February 2021) R H Newman (resigned 29 January 2021)
Company secretary	Z W Stone
Registered number	00630681
Registered office	350 Euston Road London NW1 3AX United Kingdom
Independent auditor	Deloitte LLP 5 Callaghan Square Cardiff CF10 5BT
Bankers	Citibank Citigroup Centre 33 Canada Square London E14 5LB

STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2021

Introduction

The Directors present their strategic report for the year ended 30 April 2021.

Principal activities and future developments

DS Smith Packaging Limited (the ‘Company’) is principally engaged in the manufacture of fibre-based packaging converted from corrugated case material (‘CCM’) into corrugated board and boxes. The key sectors serviced by the Company are the fast-moving consumer goods sector (‘FMCG’), e-commerce, consumer durables, and industrial sectors. The Directors are not aware of any likely major changes in the Company’s activities in the next year.

Business review

The profit after taxation for the year amounted to £19,952,000 (2020: £20,942,000). The performance is considered satisfactory. No dividends were paid during the year (2020: £nil). Net assets in the year increased by £15,397,000 to £52,027,000 (2020: £36,630,000).

During a year which was hugely impacted by the effects of Covid-19, as an essential supplier for critical supply chains in areas such as FMCG food and drink, pharmaceuticals, and other essential suppliers, the Company's sites remained fully operational and continued to trade throughout the year. Health and safety procedures were enhanced to ensure the safety of the employees at the manufacturing facilities. Operating processes and practices were changed to ensure that the Company could respond to the specific local government requirements; this included asking all non-manufacturing employees to work from home and to support the manufacturing activity remotely. Significant growth was seen in the e-commerce sector as a result of consumer habits moving to online shopping, particularly whilst there were restrictions on non-essential retail. In light of the difficulties that Covid-19 has presented, the Directors are satisfied with the performance of the Company and believe that the Company has navigated itself through the Covid-19 crisis exceptionally well, which is testament to the employees in both the manufacturing sites and those working remotely from home.

The UK left the EU in January 2020 and the transition period ended on 31 December 2020. Product for the Company’s UK customers is largely manufactured within the UK and materials sourced within the UK. As such the Company did not experience substantial disruption in the first few months of 2021 as the new trading arrangements between the UK and the EU came into place. While there are some friction impacts of Brexit, in particular limited capacity with carriers and brokers at the start of 2021, the Company has performed extensive planning, in collaboration with key trading partners, and accordingly the overall impact on the Company has not been material.

Financial key performance indicators ("KPIs")

The Directors monitor the performance of the Company by reference to the following KPIs:

Financial KPIs	2021	2020	Definition and method of calculation
Return on Sales (RoS) %	5.7%	6.2%	RoS is the ratio of earnings before interest, taxation, exceptional items, and discontinued operations to sales expressed as a percentage.
Gross Profit %	29.0%	29.5%	Gross Profit % is the ratio of revenue less cost of sales before exceptional items to sales expressed as a percentage.
Total Lost Time Accidents (LTAs)	5.0	4.0	Number of accidents resulting in lost time of one shift or more.
Accident Frequency Ratio (AFR)	0.9	0.8	Number of LTAs per million hours worked.

Return on Sales and Gross Profit are slightly down on prior year; the strong demand for packaging was accompanied by an increase in input costs, particularly in the fourth quarter of the financial year. Given the strong demand, and good level of customer service, these costs are starting to be recovered with good initial progress. Overall the Directors are satisfied with the performance of the Company despite the decrease in these ratios.

Health and Safety is the key priority of the Directors, and therefore any and all LTAs, and the resulting AFR, are of concern. The Directors are satisfied that there are robust processes in place to address the root cause of the LTAs that have occurred, and that employees are empowered to make changes to the processes at site to ensure that accidents are minimised.

Exceptional Items

During the financial year exceptional items totalling £1,220,000 (2020: 2,525,000) were recognised in the P&L relating to redundancy costs. In addition, exceptional items netting to £nil were recognised as a result of the hive up of TRM Packaging Limited. See Note 10 for details. There was no equivalent transaction in 2020.

Future prospects

The Covid-19 pandemic remains a challenge and the Directors will continue to monitor the impact it will have on the Company. Given how well the people and operations have performed during the peak of the pandemic, the Directors are confident in the Company's ability to continue to perform well in the future, as a result of our business model being built on our consistent fast moving consumer goods (FMCG) and e-commerce customer base. There have been some operational challenges during the first months of the new financial year, including demands on paper supply and the availability of hauliers, however the Company is well placed to manage with these challenges with a wide network of suppliers and a dedicated workforce. We continue to focus on our employees, our customers, our communities and on the efficiency and cash generation of our business.

S172(1) of the Companies Act 2006 - Engaging with Stakeholders

The Directors have regard to the matters set out in Section 172(1) of the Companies Act 2006 when performing their duty to act in the way they each consider, in good faith, would most likely promote the success of the Company for the benefit of its member.

In doing this, Section 172(1) requires a Director to have regard, among other matters, to the:

- likely consequences of decisions in the long-term;
- interests of the company’s employees;
- need to foster the company’s business relationships with suppliers, customers and others;
- impact of the company’s operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company. This last factor is not relevant to the Company, which only has one shareholder.

In discharging their section 172 duties, the Directors have regard to the factors set out above and other factors which they consider relevant to the decisions they make. Our corporate purpose is ‘Redefining Packaging for a Changing World’ (our “Purpose”). This is a common purpose shared with the rest of the DS Smith group of companies (the “Group”). We deliver our Purpose through our four strategic goals:

- to delight our customers;
- to realise the potential of our people;
- to lead the way in sustainability; and
- at a Group level, to double our size and profitability.

The Directors’ decisions are taken in the context of our Purpose and the vision and values of the Group, together with the strategic priorities for the Company. These include ambitious commitments and goals for the next decade in our new sustainability strategy, Now and Next. Rather than working alone as an individual company, we find that we achieve a greater positive impact on the environment and our key stakeholders by working closely with other companies across the wider DS Smith Packaging division and Group. This also drives efficiency and effectiveness.

Our key stakeholders include our employees, customers, suppliers, the communities in which we operate, and the environment. The Company is also a participating employer in a UK defined benefit pension scheme of which the ultimate parent, DS Smith Plc, is the sponsoring employer.

As is normal for large companies, the Directors delegate authority for day-to-day management of the Company to a management team. Management report regularly on health and safety, financial and operational performance, customer service levels, progress on our sustainability strategy, stakeholder initiatives and other relevant matters. This information, along with regular review meetings, informs the key decisions taken throughout the year in relation to the Company.

In relation to our employees, health and safety continues to be a key priority, including the additional measures in our sites to manage the risks related to Covid-19. Virtual site tours have enabled Directors to review these measures and engage with employees, while also monitoring operational performance.

Covid-19, along with other external factors such as climate change, has also led to change and new challenges for our customers. We engage frequently with our customers to help them to meet these challenges and have transitioned to holding virtual ‘Impact Centre’ sessions with our customers in place of physical meetings due to Covid-19. During the year, we have worked with our customers to support their growth in e-commerce, or to accelerate their transition to e-commerce, by designing and supplying sustainable packaging solutions. This has led to an exceptional level of volume growth for the Company during the year.

As regards community and the environment, our Now and Next sustainability strategy involves engaging with a wide range of our stakeholders, including employees, customers, suppliers and communities to seek to further our transition to a circular economy. A detailed overview of our Now and Next sustainability strategy is set out on pages 12 and 13 of the Group’s 2021 Annual Report.

S172(1) of the Companies Act 2006 - Engaging with Stakeholders (continued)

Employee Engagement

One of the four strategic goals underpinning our Purpose is to realise the potential of our people, by creating a safe environment where every colleague can develop their skills and ideas.

The Company is committed to both the principle and achievement of equal opportunities in employment and policies are designed to provide such equality irrespective of sex, creed, ethnic origin, nationality, sexual orientation, age or disability. Over the past year, we have expanded our diversity and inclusion forum, sponsored by Stefano Rossi, which includes representatives from across the Group, including the Company. During the year, we undertook a survey called "This is Us", focused on inclusivity and gaining a greater understanding of the diversity of our employees to support our inclusion agenda.

We employ 3,286 people in the Company. We engage people in a number of ways: on site through team briefings and leadership visits, which took place virtually due to Covid-19, online and in print through our internal communications channels and through providing mechanisms for feedback. We also have a confidential hotline known as 'Speak Up!' for employees to report concerns where they do not wish to go through their line manager.

Recognising that remaining at the workplace throughout the pandemic brought specific challenges for our front-line operational colleagues, we have worked hard to ensure their feedback is heard and reflected in our business. Across locations in the UK we sought feedback by enabling front-line operational colleagues to participate in digital surveys. At a time when a second wave of infections was being recorded and social restrictions were tightening, most colleagues reported a strong sense of togetherness, positive line manager support and that they felt able to continue to work safely.

We have also celebrated the contribution and success of colleagues through the Group's first global recognition programme – The Smithies – to recognise and celebrate individuals and teams who go above and beyond and excel at what they do. This culminated in an online awards event recognising 28 finalists and seven winners, watched by thousands of employees across the world, including the UK. In a post-event poll, 99 per cent said they were more inspired to recognise their colleagues.

On a more formal basis, our European Works Council (EWC) brings together employee representatives from the different European countries where the Group operates, including the UK, and provides a forum for information sharing and consultation. The EWC Executive meets with senior management regularly and the full EWC meets twice a year with the Group Chief Executive and Group Operating Committee members, including Stefano Rossi. This year, discussions have included the implementation of our employee charter, IT security and use of CCTV and the many aspects of adapting to the pandemic.

Having capable managers is fundamental to our people strategy. During the year, the Company has rolled out the refreshed and simplified management standards which have been launched across the Group. There are now four core standards on: managing health, safety and environment; customer focus; managing my team; and managing 'the DS Smith Way' which is our continuous improvement programme. The standards are all underpinned by a foundation of governance, risk management and compliance measures. Certain of the Directors have provided guidance and training on the new management standards by way of video content which is shared with employees through different internal communication channels.

The Company's employees are also able to participate in the Group's Sharesave Plan, which encourages employees' involvement in the Group and Company's performance. Further details of this Plan can be found in the Group's 2021 Annual Report, particularly on page 168.

S172(1) of the Companies Act 2006 - Engaging with Stakeholders (continued)

Fostering of business relations with suppliers, customers and others

One of the four strategic goals underpinning our Purpose is to delight our customers, by delivering outstanding results to them as we increase their sales, reduce their costs, manage their risk and become circular ready.

We have a diverse customer base, with the vast majority of our customers being fast moving consumer goods (FMCG) and other consumer products. These are goods that consumers use in their everyday lives, consumers whose shopping habits are changing due to Covid-19, and other factors. To stand out, consumer goods packaging is diverse and creative. Packaging plays a role in marketing a product within a competitive retail environment beyond simply providing protection.

Engagement with customers is the lifeblood of our business, and takes place via the sales, marketing and innovation teams, led by Marc Chiron. Due to the impact of Covid-19, we developed an online Impact Centre experience for our customers, where we share insights and develop value-adding packaging solutions to support their business objectives. Their insights inform the business decisions that we make, for example, in order to achieve the exceptional growth of our e-commerce packaging. We approach packaging at every step of the supply chain to ensure that it provides sustainable, optimised performance from end-to-end. Certain Directors have also taken part in virtual collaborative events with a range of our customers during the year.

Our circular design principles and our recently-launched circularity metrics allow us to analyse our customers' increasing sustainability requirements. Supported by Marc Chiron, our designers are actively applying our Circular Design Principles, developed in collaboration with the Ellen MacArthur Foundation for the Group, to new packaging designs for many of our customers.

We also engage and partner with our suppliers, customers and other stakeholders in connection with our Now and Next sustainability strategy and our progress towards a circular economy. This strategy is supported by appropriate policies, including our Global Supplier Standard which ensures our suppliers and business partners are in alignment with our core values and work to high ethical standards.

The environment and communities

One of the four strategic goals underpinning our Purpose is to lead the way in sustainability, by championing sustainable supply cycle solutions and using materials responsibly through our production processes and beyond. Further detail on our Now and Next sustainability strategy is set out above.

The Company engages with those communities it touches, ranging from local initiatives such as sponsoring local educational projects, to larger initiatives such as donations by our Charitable Foundation to environmental and education focused charities.

Streamlined Energy and Carbon Reporting

The Company is included in the Group reporting of the ultimate parent company which has provided its consolidated CO_2 emissions and energy consumption on page 33 of the Strategic report in the Group's 2021 annual report.

Principal risks and uncertainties

Competitive pressure in our core markets is a constant risk that could result in the Company losing sales to key competitors and margins being eroded. This risk is managed by working closely with customers to provide quality products and solutions and to ensure good service levels are maintained.

Against this background, the volatility of the Company's main input cost, CCM (Corrugated Case Material) paper, continues to be a risk, particularly given the price movements over the last three years, since additional cost needs to be passed onto the customer in order to maintain margins. The Company has an active programme in place to manage its supplies and costs of CCM paper. Additionally, the Company is very active in implementing productivity improvements and other cost reduction programmes to counter the financial impact of this risk and to protect margins from inflationary increases, particularly ongoing labour cost and other significant input cost increases, for example energy.

The risks associated with the Covid-19 pandemic and Brexit have been discussed in the Business Review.

Credit risk is an issue faced by the Company. This risk is mitigated by the strict application of our credit policy, regular management review of accounts that are rated as higher risk and use of credit insurance where required.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, including the effects to date of Covid-19. The financial position of the Company is as shown in the statement of financial position.

The Company's ultimate parent company and controlling party is DS Smith Plc, whose financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has access to considerable financial resources from across the DS Smith Group. The company generated a profit of £19,952,000 in the year (2020: £20,942,000) however, is in a net current liability position and has received a letter support from DS Smith Group confirming that if required, support will be provided for a minimum period of 12 months from the approval of the financial statements for the year ending 30 April 2021. The Directors have considered the ability of DS Smith Group to provide this support and are satisfied that DS Smith Group has the financial resources to provide that support. In addition, the Directors have made enquiries, looked at forecasts and considered the Company's financial and operational resources and have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements for the year ended 30 April 2021. The Directors have also considered the going concern position of the Company in light of the Covid-19 pandemic. Given the strong performance in the period post year end to date, the judgement is that Covid-19 has not significantly impacted the performance of the Company to date. For these reasons, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the board and signed on its behalf.

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T P Slater
Director

Date: 17 December 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2021

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 30 April 2021.

Disclosures required by s416(4) which have been elevated to the Strategic report:
- Financial risk management objectives and policies;
- Future developments
- Going concern
- Employee engagement.

Results and dividends

The profit for the year, after taxation, amounted to £19,952,000 *(2020 - £20,942,000)*.

Dividends

The Directors have not proposed or paid a dividend for the year ended 30 April 2021 (2020: £nil). There have been no dividends proposed after year-end.

Directors

The Directors who held office during the year and to the date of signing the financial statements, except as noted, were as follows:

P J Brown
M Chiron
W B Hicks
S Rossi
T P Slater (appointed 1 February 2021)
R H Newman (resigned 29 January 2021)

Directors' and officers' liability insurance

During the year and up to the date of approval of these financial statements, the ultimate parent company maintained liability insurance for the Directors and other Officers of the Company. The ultimate parent company has also entered into qualifying third-party indemnity arrangements for the benefit of the Directors of the Company.

Statement of corporate governance arrangements

The Companies (Miscellaneous Reporting) Regulations 2018 require the Company to disclose its corporate governance arrangements, stating:

- which corporate governance code, if any, the company has applied in the financial year;
- how the company has applied any corporate governance code;
- if the company departed from any corporate governance code, the respects in which it did so and why; or
- if the company has not applied any corporate governance code, to explain the reasons for that decision

and to explain what arrangements for corporate governance were applied.

The Company's ultimate parent company is DS Smith Plc, which, as a company listed on the London Stock Exchange, has applied the main principles of good governance included in the 2018 UK Corporate Governance Code. In reviewing the Company's own corporate governance arrangements, the Company has used the Wates Corporate Governance Principles ("Principles") for Large Private Companies ("Code") as the framework for its disclosure. Set out below is a summary of its corporate governance arrangements in respect to each of the Principles included in the Code:

Principle 1 – Purpose and leadership
As explained in the section 172(1) statement, the Company has the Purpose of "Redefining Packaging for a Changing World" and delivers this through four strategic goals. These are underpinned by our five values:

- Be caring
- Be challenging
- Be responsive
- Be trusted
- Be tenacious

The Directors set a strong cultural tone from the top, for example, by engaging with a diverse range of employees and articulating our Purpose and strategic goals in leadership team meetings and internal communications. The Directors encourage employees to raise ideas and concerns, whether informally or through more structured forums such as the European Works Council.

The Directors also encourage high standards of ethical and business conduct, which are set out in appropriate policies which apply to the wider Group and the Company, including our Code of Conduct. Policies cover topics such as anti-bribery and anti-corruption, anti-slavery and human trafficking, commercial agents, competition law, corporate criminal offence, document retention, equal opportunities and anti-discrimination, gifts and hospitality, health and safety, procure to pay, sustainability, personal data protection and 'Speak Up!'. Further detail on these policies is set out in the Group's 2021 Annual Report, particularly on pages 59 to 61.

The Board is supported by the governance, legal and internal audit functions in ensuring compliance and upholding high standards of conduct.

Principle 2 – Board Composition
The Company is led by a Board of Directors, which consists of five Directors with wide experience of the industry in which the Company operates. The Directors bring operational, financial and sales, marketing and innovation expertise to the Board. Between them, they interact with all the key stakeholder groups of the Company. This includes frequent interactions with our customers and employees. They also bring knowledge and insights through their other responsibilities in the wider DS Smith Packaging division and Group.

Statement of corporate governance arrangements (continued)

Principle 2 – Board Composition (continued)
It is acknowledged that there continues to be a lack of diversity on the Board. The Board remains committed to developing greater inclusion and diversity at all levels, including senior levels, of the Company. Stefano Rossi sponsors the diversity and inclusion forum which includes representatives from across the Group and the Company. One of the outcomes of the forum this year has been the Equal Opportunities and Anti-Discrimination policy. The policy sets clear expectations about inclusion and a zero tolerance for discrimination. To drive awareness, its launch has been supported by online and site-based learning, including engaging videos addressing unconscious bias and building inclusive leadership. Evaluation of the Directors is undertaken during annual performance development reviews.

Principle 3 – Director Responsibilities

As explained in the section 172(1) statement, as is normal for large companies, the Directors delegate authority for day-to-day management of the Company to a management team. There are clearly defined processes in place for delegated decision-making, reporting and escalation to the Directors of key decisions and matters for approval.

The Directors receive regular reporting on health and safety, financial and operational performance, customer service levels, progress on our sustainability strategy, stakeholder initiatives and other relevant matters. This information, along with regular review meetings with management, informs the key decisions taken throughout the year in relation to the Company.

By way of example, in relation to health and safety, key information includes the number of lost time accidents (“LTA”) (meaning accidents resulting in lost time of one shift or more) and the accident frequency rate (meaning the number of LTAs per million hours worked). The Directors are committed to a vision of zero harm. In relation to customer service, our key performance indicator is ‘on-time in-full deliveries’ (meaning the proportion of our orders that are delivered on-time in-full across the business). This is because delivering as promised is a critical component to ensuring we remain a trusted partner to our customers.

Principle 4 – Opportunity and Risk
The opportunities and risks faced by the Company are detailed in the Strategic Report in the sections entitled Future prospects and Principal risks and uncertainties, which form part of the Company’s Annual Report and Financial Statements.

The primary annual strategic and financial planning activity is the Corporate Plan process, which covers a period of three successive financial years. This process assesses potential risks and opportunities and is used to develop the strategic direction of the Company and the wider DS Smith Group. The engagement with the Company’s employees, customers and other stakeholders described above are key to the process of identifying and seizing opportunities for the Company.

The Directors are supported by the governance, internal audit and legal functions in implementing internal control systems to identify and mitigate potential risks facing the Company. Rather than operating in isolation, we work closely with other companies across the wider DS Smith Packaging division and Group to identify opportunities to create and preserve value for our stakeholders and to identify and mitigate risks.

Principle 5 – Remuneration
The Company aims to set remuneration at a level that secures and retains good quality senior managers and employees, who can deliver on the Purpose and Company’s strategic goals. The overarching remuneration policy for the Group is set by a committee of non-executive Directors formed by the board of the ultimate parent company, DS Smith Plc, for this purpose. The Remuneration Committee is responsible for developing a reward package that supports our vision and strategy as a wider Group and for ensuring the rewards are performance-based and encourage long-term shareholder value creation. Further information is set out in the Group’s 2021 Annual Report, in particular the Remuneration Committee Report on pages 84 to 107.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2021

Statement of corporate governance arrangements (continued)

Principle 6 – Stakeholder relationships and engagement
The Company's key stakeholders include its workforce, customers, suppliers, community groups and the environment.

This is reflected in three of the four strategic goals by which we deliver our Purpose:
- to delight our customers;
- to realise the potential of our people; and
- to lead the way in sustainability.

Engaging frequently and effectively with our customers is critical to business performance and this takes place with employees across our sales, marketing and innovation function, with management and with Directors. It is core to our Purpose of 'Redefining Packaging for a Changing World' that we have interactive dialogue with our customers, so we can help them to face the challenges of the changing retail landscape, for example, in relation to sustainability and e-commerce.

Similarly, there is interactive dialogue with the Company's workforce, via digital surveys, internal communications using different channels and site visits by management and Directors. Employees are actively invited to provide feedback, make suggestions and raise concerns both informally and via well-established forums or procedures.

Further detail in relation to Principle 6 is set out in the section 172(1) statement, the employee engagement statement and the statement on the fostering of business relations.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with Section 487 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

....
T P Slater
Director

Date: 17 December 2021

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2021

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH PACKAGING LIMITED

Opinion

In our opinion the financial statements of DS Smith Packaging Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 30 April 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework", and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH PACKAGING LIMITED

Other information (continued)
Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Revenue recognition around the accuracy of customer rebates. Our procedures to respond to the risk identified included the following:

- We enquired of management around any new significant rebate agreements in the year and understood the key terms of any such agreements;
- We reviewed minutes of meetings of those charged with governance as part of our assessment of whether new rebate agreements were entered into;
- We selected a sample of rebates from those amounts posted in the year and re-calculated these amounts based on the rebate terms in the agreements to ensure they have been recorded accurately; and
- We tested the design and implementation of the company's controls in respect of this risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH PACKAGING LIMITED

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Hedditch (Senior statutory auditor)

for and on behalf of
Deloitte LLP

5 Callaghan Square
Cardiff
CF10 5BT

17 December 2021

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2021

	Note	Before exceptional items 2021 £000	Exceptional items (Note 10) 2021 £000	Total 2021 £000	*Before exceptional items 2020 £000*	*Exceptional items (Note 10) 2020 £000*	*Total 2020 £000*
Revenue	3	**636,866**	**-**	**636,866**	*569,123*	*-*	*569,123*
Cost of sales		**(452,079)**	**(1,220)**	**(453,299)**	*(401,294)*	*(2,525)*	*(403,819)*
Gross profit		**184,787**	**(1,220)**	**183,567**	*167,829*	*(2,525)*	*165,304*
Distribution costs		**(57,921)**	**-**	**(57,921)**	*(48,461)*	*-*	*(48,461)*
Administrative expenses		**(90,554)**	**-**	**(90,554)**	*(84,100)*	*-*	*(84,100)*
Operating profit	4	**36,312**	**(1,220)**	**35,092**	*35,268*	*(2,525)*	*32,743*
Loss on disposal of property, plant and equipment		**(225)**	**-**	**(225)**	*(43)*	*-*	*(43)*
Income from shares in group undertakings	10	**14,075**	**-**	**14,075**	*-*	*-*	*-*
Impairment of investment in subsidiary	10	**(14,075)**	**-**	**(14,075)**	*-*	*-*	*-*
Interest receivable and similar income	7	**679**	**-**	**679**	*30*	*-*	*30*
Interest payable and similar expenses	8	**(2,350)**	**-**	**(2,350)**	*(3,526)*	*-*	*(3,526)*
Other finance income	9	**(453)**	**-**	**(453)**	*(293)*	*-*	*(293)*
Profit before tax		**33,963**	**(1,220)**	**32,743**	*31,436*	*(2,525)*	*28,911*
Tax on profit	11	**(12,791)**	**-**	**(12,791)**	*(7,969)*	*-*	*(7,969)*
Profit for the financial year		**21,172**	**(1,220)**	**19,952**	*23,467*	*(2,525)*	*20,942*

The notes on pages 21 to 46 form part of these financial statements.

The results shown above are from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2021

	Note	2021 £000	*2020 £000*
Profit for the financial year		**19,952**	*20,942*
Items which will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit schemes	24	**(5,640)**	*(13,728)*
Income tax credit on other comprehensive expense	21	**1,072**	*4,280*
Movement in hedging reserve	22	**13**	*-*
		(4,555)	*(9,448)*
Other comprehensive expense net of tax		**(4,555)**	*(9,448)*
Total comprehensive income for the year		**15,397**	*11,494*

The notes on pages 21 to 46 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2021

	Note		2021 £000		*As restated* 2020 £000*
Non current assets					
Goodwill	12		**12,790**		*(50)*
Intangible assets	13		**5,788**		*8,228*
Tangible assets	14		**207,559**		*199,166*
Investments	15		**3,217**		*28,184*
Debtors more than one year	17		**148,632**		*46,815*
			377,986		*282,343*
Current assets					
Inventories	16	**35,525**		*33,141*	
Debtors within one year	17	**54,879**		*43,474*	
Bank and cash balances		**4,603**		*81,442*	
Total current assets		**95,007**		*158,057*	
Creditors: Amounts falling due within one year	18	**(388,142)**		*(371,600)*	
Net current liabilities			**(293,135)**		*(213,543)*
Total assets less current liabilities			**84,851**		*68,800*
Creditors: Amounts falling due after more than one year	19		**(9,443)**		*(8,216)*
Provisions for liabilities					
Provisions	20	**(786)**		*(486)*	
			(786)		*(486)*
Pension liability			**(22,595)**		*(23,468)*
Net assets			**52,027**		*36,630*
Capital and reserves					
Called up share capital	22		**180**		*180*
Other Reserves			**-**		*(13)*
Profit And Loss Account			**51,847**		*36,463*
			52,027		*36,630*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 December 2021.

....
T P Slater
Director

The notes on pages 21 to 46 form part of these financial statements.

* 30 April 2020 comparative has been restated as explained in Notes 17 and 18.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2021

	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total equity £000
At 1 May 2019	180	(13)	24,969	25,136
Comprehensive income for the year				
Profit for the year	-	-	20,942	20,942
Actuarial losses on pension scheme	-	-	(13,728)	(13,728)
Income tax on other comprehensive income	-	-	4,280	4,280
Other comprehensive expense for the year	-	-	(9,448)	(9,448)
Total comprehensive income for the year	-	-	11,494	11,494
At 1 May 2020	180	(13)	36,463	36,630
Comprehensive income for the year				
Profit for the year	-	-	19,952	19,952
Actuarial losses on pension scheme	-	-	(5,640)	(5,640)
Income tax on other comprehensive income	-	-	1,072	1,072
Movement in hedging reserve	-	13	-	13
Other comprehensive expense for the year	-	13	(4,568)	(4,555)
Total comprehensive income for the year	-	13	15,384	15,397
At 30 April 2021	180	-	51,847	52,027

The notes on pages 21 to 46 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

The Company is a private company limited by shares and was incorporated in the United Kingdom and registered in England. The registered address is 350 Euston Road, London, United Kingdom, NW1 3AX. The principal activities of the Company are detailed in the Strategic report.

These financial statements of DS Smith Packaging Limited (the Company) have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the UK Companies Act 2006.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of DS Smith Plc. The group accounts of DS Smith Plc are available to the public and can be obtained as set out in Note 27.

The financial statements are prepared under the historical cost convention.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- statement of cash flows and related notes;
- disclosures in respect of transactions with wholly-owned subsidiaries, and group and parent entities;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of key management personnel.

As the Group financial statements include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of the following disclosures:
- IFRS 2 Share-based Payments in respect of Group settled share-based payments; and
- IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments.

1.2 Revenue

The Company is in the business of providing corrugated packaging solutions. It has concluded that it is the principal in its revenue arrangements.

Revenue comprises the fair value of the sale of goods and services, net of value added tax and other sales taxes, rebates and discounts. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and the fulfilment of the related performance obligations.

The transaction price is the contractual price with the customer adjusted for rebates and discounts. Rebates and discounts are estimated using customer contracts, historical data and experiences with customers. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur. Returns from customers are negligible. No element of financing is deemed present as typical sales contracts with customers are usually shorter than 12 months.

A receivable is recognised when the goods are delivered, or services provided at a point in time, that consideration is unconditional because only the passage of time is required before the payment is due. This is typically when either the goods are loaded onto the collection vehicle if the buyer is collecting them, or when the goods are unloaded at the delivery address if the Company is responsible for delivery.

1. Accounting policies (continued)

1.3 Foreign currency translation

The Company's financial statements are presented in sterling which is the Company's functional currency and presentational currency. Transactions in foreign currencies are recorded using the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the rate of exchange ruling at that date. Exchange differences arising on translation are taken to the income statement.

1.4 Supplier rebates

The Company receives income from its suppliers, mainly in the form of volume based rebates and early settlement discounts. These are recognised as a reduction in operating costs in the year to which they relate. At the period end the Company is sometimes required to estimate supplier income from annual agreements for volume rebates.

1.5 Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions attached to them. Grants that compensate the Company for expenses incurred are offset against the expenses in the same periods in which the expenses are incurred. Grants relating to assets are released to the income statement over the expected useful life of the asset(s) to which they relate on a basis consistent with the depreciation policy. Depreciation is provided on the full cost of the assets before deducting grants.

1.6 Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.
An internally-generated intangible asset arising from development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1. Accounting policies (continued)

1.7 Other intangible assets

Goodwill is recorded at cost less accumulated impairment losses. The useful life of goodwill is considered to be indefinite and is tested annually for impairment; or more frequently if impairment is indicated.

Computer software that is integral to a related item of hardware is included within property, plant and equipment. All other computer software is treated as an intangible asset.

Amortisation of intangible assets (excluding positive goodwill) is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets (other than goodwill) are amortised from the date they are available for use.

The estimated useful lives are as follows:
Computer software 3-5 years

1.8 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Major components are accounted for separately. Land is not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives are as follows:

Freehold and long leasehold properties	- 10 - 50 years
Plant and equipment, fixtures and fittings (including IT hardware and motor vehicles)	- 2 - 30 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Owned assets and Right of Use assets are depreciated on the same basis.

1.9 Customer contributions to fixed asset purchases

Customer contributions to purchases of property, plant and equipment are included within deferred income in the statement of financial position, and are credited to operating profit over the estimated useful lives of the assets to which they relate.

1.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1. Accounting policies (continued)

1.11 Pensions

Defined contribution schemes

Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

Defined benefit schemes

The Company is an employer participating in a UK funded, defined benefit scheme, the DS Smith Group Pension scheme (the 'Scheme') of which the ultimate parent, DS Smith Plc, is the sponsoring employer.

The DS Smith Group ('the Group') has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. Accordingly, both the Company's statement of financial position and income statement reflect the Company's share of the net defined benefit liability and net defined benefit cost in respect of the Scheme, allocated based on the subsidiaries' share of the headcount in the Scheme. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

1.12 Share based payments

The ultimate parent company, DS Smith Plc, operates an equity-settled, share-based compensation plan covering certain employees of the Company. The fair value of these employee services received by the Company in exchange for the grant of the options is recognised as an expense in the Company's accounting records by means of a recharge from the ultimate parent company. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. At each reporting date the Company revises its estimates of the numbers of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement.

1.13 Provisions for liabilities

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are discounted to present value where the effect is material.

1.14 Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.
The right-of-use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of end of lease dismantling or restoration costs, less any incentives received and related provisions.

Lease liabilities are recorded at the present value of lease payments, which include:
• Fixed lease payments;
• Variable payments that depend on an index or rate, initially measured using the commencement date index or rate;
• Any amounts expected to be payable under residual value guarantees; and

1. Accounting policies (continued)

1.14 Leases (continued)

• The exercise price of purchase options, if it is reasonably certain they will be exercised.

The interest rate implicit in the lease is used to discount lease payments, or, if that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life if shorter.

Interest is recognised on the lease liability, resulting in a higher finance cost in the earlier years of the lease term.

Lease payments relating to low value assets or to short-term leases are recognised as an expense on a straight-line basis over the lease term. Short-term leases are those with 12 or less months duration.

1.15 Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on a weighted average cost or first-in first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

1. Accounting policies (continued)

1.17 Current and deferred taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. In accordance with Group policy, the Company surrenders current year tax losses to other members of the Group, and receives payment for those tax losses at the rate of tax prevailing in the year.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.18 Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price and, where applicable, are subsequently measured at amortised cost. Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1.19 Financial income and expenses

Finance income and expenses are recognised on financial assets and liabilities respectively to the extent they are receivable to the Company or payment is due to a counterparty.

1. Accounting policies (continued)

1.20 Going concern

The financial statements have been prepared using the going concern basis of accounting. In making their assessment on the appropriateness of using the going concern basis, the Directors have considered any material uncertainties relating to events or conditions that may cast significant doubt upon the continuing use of the going concern basis of accounting in future periods. The Directors have considered a period of at least 12 months from the date the financial statements are expected to be authorised for issue. The going concern assessment was made using latest forecast trading results. The Covid-19 pandemic has led to increased demand from customers in the FMCG and e-commerce sectors. The paper price is a key assumption in the trading forecast, however the forecast shows an increase in volumes on FY21.

The financial position of the Company is as shown in the statement of financial position.

The Company's ultimate parent company and controlling party is DS Smith Plc, whose financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has access to considerable financial resources which would be available to the Company if necessary. As a consequence, the Directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have formed a judgement at the time of approving these financial statements, that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing these financial statements.

1.21 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The Directors are required to exercise judgement in applying the exceptional items accounting policy to items of income and expenditure, taking account of their origination, as well as considering similar items in prior years to ensure consistency and appropriate presentation.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

IAS19 employee benefits requires the Company to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in relation to the discount rate used, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. However, the pension liability is not highly sensitive to changes in the discount rate. It is therefore considered unlikely that a change in the discount rate would materiality impact the relevant accounting values. See note 24 for additional information.

3. Turnover

Analysis of turnover by country of destination:

	2021 £000	*2020 £000*
United Kingdom	**628,988**	*539,411*
Continental Europe	**7,748**	*29,707*
Other countries	**130**	*5*
	636,866	*569,123*

All revenue is derived from the principal activities of the Company and relates solely to the production of goods.

4. Operating profit

Operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Auditor's remuneration - fees payable for the audit of the Company's financial statements	173	145
Depreciation of owned property, plant and equipment	15,461	14,361
Depreciation of right-of-use assets	7,557	6,544
Cost of inventories recognised in the period	438,967	387,244
Research and development expenditure	5	9
Net foreign exchange losses	58	107
Amortisation	2,797	2,992
Government grants receivable	(21)	(29)

No fees in relation to non-audit services were paid to the Company's auditor in the current or preceding year.

The government grants relate to a Regional Selective Assistance grant; the grants are being amortised over the lifetime of the assets to which the grant relates.

5. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	1,322	263
Directors' pensions	22	20
Total remuneration as executives	1,344	283

The emoluments of the highest paid Director were £616,000 (2020: £283,000) including pension contributions of £nil (2020: £20,000) and the accrued pension entitlement was nil (2020: nil). The total number of Directors who receive emoluments from the Company is 5 (2020: 1).

The number of Directors for whom pension contributions have been paid by the Company during the financial year was 2 (2020: 1).

The emoluments of some of the Directors are paid by other companies within the Group. The Company receive management and operational recharges for relevant pooled group costs which may include a portion of the Directors' emoluments along with numerous other costs. The Directors who served during the year are also Directors of a number of fellow subsidiaries within the Group. It is not practical to make an accurate apportionment of the emoluments in respect of each of the subsidiaries. Accordingly, their emoluments are disclosed in the financial statements of the respective companies with which they have their primary employment contracts.

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	2021 £000	*2020 £000*
Wages and salaries	124,023	*100,025*
Social security costs	12,573	*10,534*
Contributions to defined contribution pension plans (Note 24)	10,066	*8,924*
	146,662	*119,483*

The average monthly number of employees, including the Directors, during the year was as follows:

	2021 No.	*2020 No.*
Production	2,471	*2,288*
Selling and distribution	495	*393*
Management and administration	320	*214*
	3,286	*2,895*

In addition to wages and salaries there is a charge of £1,050,000 (2020: £1,043,000) in administration expenses in respect of share options granted by the ultimate parent company during the financial year. The Company's management participates in the performance share plan of the Parent Company. For further details see Note 25.

Aggregate payroll costs include government grants receivable of £nil (2020: £313,000) in respect of the coronavirus job retention scheme. All amounts received under this scheme were repaid in February 2021.

7. Interest receivable

	2021 £000	*2020 £000*
Group interest receivable	658	*-*
Bank and other interest receivable	21	*30*
	679	*30*

8. Interest payable and similar expenses

	2021 £000	*2020 £000*
Bank interest	**447**	*722*
Interest on loans from group undertakings	**-**	*415*
Factoring interest payable	**1,083**	*1,626*
Interest on lease liabilities (IFRS 16)	**820**	*763*
	2,350	*3,526*

9. Other finance costs

	2021 £000	*2020 £000*
Interest on pension scheme liabilities	**(440)**	*(293)*
Other finance costs	**(13)**	-
	(453)	*(293)*

10. Exceptional items

	2021 £000	*2020 £000*
Restructuring costs	**(1,220)**	*(2,525)*
Income from shares in group undertakings	**14,075**	-
Impairment of investment in subsidiaries	**(14,075)**	-
	(1,220)	*(2,525)*

Restructuring Costs

Restructuring costs in the current and prior year principally comprise costs arising from redundancies.

Investment in subsidiaries

On 1 May 2020, the trade and assets of TRM Packaging Limited were hived up into the Company. The hybrid accounting model permitted under FRS101 has been applied; meaning that when a business is transferred up but no consideration is paid for the goodwill - the consideration being only equal to the value of the net separable assets - it may be necessary to reallocate part of the investment's carrying value to goodwill. The difference between the carrying value of the investment (£26,866,000) and the net asset value at the date of transfer (£14,075,000) of £12,791,000 has been taken to goodwill (see note 12). The Company received a dividend of £14,075,000 (2020: nil) and impaired its investment in subsidiary undertakings by £14,075,000 (2020: nil).

11. Taxation

	2021 £000	*2020 £000*
Corporation tax		
Corporation tax - current year	**3,258**	*7,630*
Corporation tax - prior year	**(1,899)**	*(5,818)*
	1,359	*1,812*
Total current tax	**1,359**	*1,812*
Deferred tax		
Deferred tax	**11,432**	*6,157*
Total deferred tax	**11,432**	*6,157*
Taxation on profit on ordinary activities	**12,791**	*7,969*

11. Taxation (continued)

Factors affecting tax charge for the year

The difference between the actual tax charge and the standard rate of corporation tax in the UK of 19% (2020: 19%) is as follows:

	2021 £000	2020 £000
Profit on ordinary activities before tax	**32,743**	*28,911*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**6,221**	*5,493*
Effects of:		
Permanent differences	**1,414**	*196*
Change in corporation tax rate	**-**	*916*
Adjustments in respect of prior years	**5,156**	*1,364*
Total tax charge for the year	**12,791**	*7,969*

Factors that may affect future tax charges

In future years, the tax charge will be affected by the extent to which any capital gains can either be rolled over or sheltered by capital losses within the Group as well as subsequently enacted changes in tax rate.

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. enacted at the balance sheet date, the deferred tax balances as at 30 April 2021 continue to be measured at a rate of 19% (2020: 19%).

12. Goodwill

	2021 £000
Cost	
At 1 May 2020	**(246)**
Additions	**12,791**
Disposals	**246**
At 30 April 2021	**12,791**
Impairment	
At 1 May 2020	**(196)**
On disposals	**196**
At 30 April 2021	**-**
Net book value	
At 30 April 2021	**12,791**
At 30 April 2020	*(50)*

The assets of TRM Packaging Limited, a subsidiary company of DS Smith Packaging Limited, were hived up on 1 May 2020. The investment value at the date of the hive up was £26,866,000 and the net assets of TRM Packaging Limited were £14,075,000. In accordance with FRS 101, when a business is transferred up but no consideration is paid for the goodwill, the consideration being only equal to the value of the net separable assets, it may be necessary to reallocate part of the investment's carrying value to goodwill. The difference between the carrying value of the investment and the net assets at the date of the hive up of £12,791,000 has accordingly been recognised as goodwill.

Based on the durability of the hived up business, the useful life of goodwill is considered to be indefinite and is tested annually for impairment; or more frequently if impairment is indicated.

13. Intangible assets

	Software £000
Cost	
At 1 May 2020	**21,265**
Additions	**301**
Transfers	**63**
Disposals	**(646)**
At 30 April 2021	**20,983**
Amortisation	
At 1 May 2020	**13,037**
Charge for the year on owned assets	**2,797**
On disposals	**(639)**
At 30 April 2021	**15,195**
Net book value	
At 30 April 2021	**5,788**
At 30 April 2020	*8,228*

14. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Right of Use Assets £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 May 2020	**83,758**	**320,002**	**7,627**	**19,916**	**3,837**	**435,140**
Additions	**-**	**3,136**	**2**	**2,483**	**7,296**	**12,917**
Transfers intra group	**3,509**	**17,206**	**344**	**6,770**	**304**	**28,133**
Disposals	**(675)**	**(17,511)**	**(130)**	**(2,153)**	**-**	**(20,469)**
Transfers between classes	**1,800**	**5,778**	**(424)**	**-**	**(7,154)**	**-**
Transfers to intangible fixed assets	**-**	**-**	**-**	**-**	**(63)**	**(63)**
At 30 April 2021	**88,392**	**328,611**	**7,419**	**27,016**	**4,220**	**455,658**
Depreciation						
At 1 May 2020	**29,023**	**197,819**	**3,143**	**5,989**	**-**	**235,974**
Charge for the year on owned assets	**1,838**	**12,998**	**625**	**-**	**-**	**15,461**
Charge for the year on right-of-use assets	**-**	**-**	**-**	**7,557**	**-**	**7,557**
Transfers intra group	**175**	**8,004**	**155**	**1,127**	**-**	**9,461**
Disposals	**(669)**	**(17,451)**	**(130)**	**(2,104)**	**-**	**(20,354)**
Transfers between classes	**417**	**-**	**(417)**	**-**	**-**	**-**
At 30 April 2021	**30,784**	**201,370**	**3,376**	**12,569**	**-**	**248,099**
Net book value						
At 30 April 2021	**57,608**	**127,241**	**4,043**	**14,447**	**4,220**	**207,559**
At 30 April 2020	*54,735*	*122,183*	*4,484*	*13,927*	*3,837*	*199,166*

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 May 2020	**28,184**
Additions	**1,899**
Amounts written off	**(14,075)**
Transfers to Goodwill	**(12,791)**
At 30 April 2021	**3,217**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Multigraphics Holdings Limited	United Kingdom	Holding Company	Ordinary	100%
Multigraphics Limited*	United Kingdom	Dormant	Ordinary	100%
Multigraphics Services Limited*	United Kingdom	Dormant	Ordinary	100%
TheBannerPeople.Com Limited*	United Kingdom	Dormant	Ordinary	100%
TRM Packaging Limited	United Kingdom	Dormant	Ordinary	100%
DS Smith Shanghai Trading Limited	China	Trading	Ordinary	100%

* Held indirectly through Multigraphics Holdings Limited
Registered office address for all United Kingdom businesses: 350 Euston Road, London, England NW1 3AX.

Registered office address for DS Smith Shanghai Trading Limited: Room 05C, 3/F, No.2 Building, Hongqiao Vanke Center, 988 Shenchang Rd, Minhang district, 201107, Shanghai.

A capital injection of £1,899,000 (2020: £nil) was made into DS Smith Shanghai Trading Limited.

The disposal in the year relates to the hive-up of TRM Packaging Limited, a subsidiary company of DS Smith Packaging Limited, which occurred on 1 May 2020. The investment value at the date of the hive up was £26,866,000 and the net assets of TRM Packaging Limited were £14,075,000. See Note 10 for more information.

16. Inventories

	2021	*2020*
	£000	*£000*
Raw materials and consumables	**19,400**	*16,864*
Work in progress (goods to be sold)	**2,135**	*2,862*
Finished goods and goods for resale	**13,990**	*13,415*
	35,525	*33,141*

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions at 30 April 2021 were £3,185,000 (2020: £2,561,000).

17. Debtors

	2021	*2020*
	£000	*£000*
Due after more than one year		
Amounts owed by group undertakings	**148,336**	*35,087*
Deferred tax asset	**296**	*11,728*
	148,632	*46,815*

	2021	*2020*
	£000	*£000*
Due within one year		
Trade debtors	**39,999**	*28,467*
Other debtors	**8,798**	*7,215*
Prepayments and accrued income	**6,082**	*7,792*
	54,879	*43,474*

Interest is charged on a loan of £81,550,411 (2020: £2,157,220) to Group undertakings. Interest is charged at a rate of 1.17% and the loan has has maturity date of 1 August 2023. All other assets owed by group undertakings are non-interest bearing and unsecured.

Amounts owed by group undertakings were previously presented as current assets as these amounts had no specified repayment terms attached and therefore it was assumed these balances were receivable on demand. However, there was no expectation that these amounts would be repaid within 12 months, being the entity's normal operating cycle, and therefore, did not meet the criteria to be classified as current assets. The impact on the 30 April 2020 statement of financial position is an increase to non-current assets of £12,830,000 and an equivalent decrease in current assets.

There is no impact on the income statement or the net asset position of the Company.

18. Creditors: Amounts falling due within one year

	2021 £000	*2020 £000*
Bank overdrafts	-	*865*
Trade creditors	55,677	*43,625*
Amounts owed to group undertakings	299,866	*298,554*
Other taxation and social security	6,412	*10,609*
Lease liabilities	6,225	*6,160*
Other creditors	2,606	*1,984*
Accruals and deferred income	17,356	*9,803*
	388,142	*371,600*

Amounts owed to group undertakings are non-interest bearing.

Amounts owed to group undertakings were previously presented as non-current liabilities as the expectation was that they would not be repaid within 12 months of the year end date. However, the amounts owed are subject to the Group policy that intercompany balances with no specified terms are repayable on demand. As such, there is no unconditional right to defer settlement for longer than 12 months and therefore did not meet the criteria to be classified as non-current liabilities. The impact on the 30 April 2020 statement of financial position is an increase in current liabilities by £115,321,000 and an equivalent decrease in non-current liabilities.

There is no impact on the income statement or the net assets position of the Company.

19. Creditors: Amounts falling due after more than one year

	2021 £000	*2020 £000*
Lease liabilities	9,377	*8,129*
Accruals and deferred income	66	*87*
	9,443	*8,216*

Of the £9,377,000 (2020: £8,129,000) right of use assets lease obligation which is non-current, £2,291,000 (2020: £539,000) is due in 5 years or more.

20. Provisions

	Restructuring £000	Dilapidations £000	Other provisions £000	Total £000
At 1 May 2020	**486**	**-**	**-**	**486**
Charged to profit or loss	**1,250**	**430**	**226**	**1,906**
Utilised in year	**(1,606)**	**-**	**-**	**(1,606)**
At 30 April 2021	**130**	**430**	**226**	**786**

21. Deferred taxation

	£000
At 1 May 2020	**11,728**
Charged to profit or loss	**(11,432)**
Charged to other comprehensive income	**-**
At 30 April 2021	**296**

The deferred tax asset is made up as follows:

	2021 £000	*2020 £000*
Depreciation (less than)/ in excess of capital allowances	**(3,997)**	*7,270*
Employee benefits including pensions	**4,293**	*4,458*
	296	*11,728*

22. Called up share capital and reserves

	2021 £000	*2020 £000*
Allotted, called up and fully paid		
179,998 *(2020 - 179,998)* Allotted, called-up and fully paid shares of £1.00 each	**180**	*180*

22. Called up share capital and reserves (continued)

Authorised share capital is 180,000 shares.

Hedging reserve
The prior year hedging reserve comprised the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Capital contributions
Capital contributions of £4,559,000 (2020: £4,559,000) are included within the retained earnings equity reserve.

23. Contingent liabilities

The Company is a participant in the DS Smith Group's uncommitted overdraft facility with a net limit of £5m. The participants in the facility cross guarantee the overdrawn balances under the facility.

The Company has outstanding duty deferment account guarantees totalling £40,000 (2020: £20,000).

24. Employee Benefits

Defined Benefit Scheme

The Company is a participating employer in the DS Smith Group Pension Scheme (the 'Scheme'). The Scheme is a UK funded final salary defined benefit scheme providing pensions and lump sum benefits to members and dependants. The Scheme closed to future accrual from 30 April 2011 with pensions calculated based on pensionable salaries up to the point of closure (or the date of leaving the Scheme, if earlier).

The Scheme has a normal retirement age of 65 although some members are able to take their benefits earlier than this. Increases to pensions are affected by changes in the rate of inflation for the majority of members.

The Scheme exposes the Group to risks, such as longevity risk, currency risk, inflation risk, interest rate risk and investment risk. As the Scheme's obligation is to provide lifetime pension benefits to members upon retirement, increases in life expectancy will result in an increase in the Scheme's liabilities. Other assumptions used to value the defined benefit obligation are also uncertain.

The Group has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. The consolidated financial statements for the year to 30 April 2021 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2021.

	2021	*2020*
	£'000	*£'000*
Present value of funded obligations	(1,188,736)	(1,169,207)
Fair value of Scheme assets	1,120,094	1,097,829
Total deficit, net	(68,642)	(71,378)
Allocated to other participating employers	46,047	47,910
Company's share of deficit,net	(22,595)	(23,468)

24. Employees Benefits (continued)

Defined Benefit Scheme (continued)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£'000	'£000	'£000
At 1 May 2020	*390,675*	*(414,143)*	*(23,468)*
Employment benefit net finance expense	6,220	(6,533)	(313)
GMP equalisation	-	(127)	(127)
Actuarial gains/(losses)	11,309	(16,949)	(5,640)
Benefits paid	(16,535)	16,535	-
Contribution by fellow group entity	6,953	-	6,953
Company's share of IAS 19 deficit,net	**398,622**	**(421,217)**	**(22,595)**

The most recent funding valuation of the Scheme was carried out on 30 April 2019, following which a deficit recovery plan was agreed with the Trustee Board on 14 April 2020. The Group has agreed to maintain the previous Schedule of Contributions. The contribution for the year ended 30 April 2021 under the plan was £19.4 million. The recovery plan is expected to be completed on or around September 2025. The Trustee Board and the Group have in place a secondary Long-Term Funding Target (‘LTFT’), in addition to the statutory funding requirement, the purpose of which is to achieve material additional security for the Scheme’s members. The objective of the LTFT is for the Scheme to be funded by 30 April 2035 to a level that does not expect to rely on future contributions from the Group.

Principal actuarial assumptions for the Scheme are as follows:

	2021	*2020*
	%	*%*
Discount rate for scheme liabilities	**2.0**	*1.6*
Inflation rate	**2.7**	*1.8*
Pre - retirement pension increases	**2.2**	*1.8*
Future pension increases for pre 30 April 2005 service	**2.7**	*1.9*
Future pension increases post 30 April 2005 service	**2.0**	*1.5*

24. Employee Benefits (continued)

Defined Benefit Scheme (continued)

At 30 April 2020 the mortality base table used was SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

	2021 Male	**2021 Female**	*2020 Male*	*2020 Female*
Life age expectancy at 65				
Member currently aged 65	**21.2**	**23.4**	*21.2*	*23.4*
Member currently age 45	**22.2**	**25.0**	*22.3*	*25.0*

The sensitivity of the liabilities in the Scheme to each significant actuarial assumption is summarised in the following table, showing the impact on the defined benefit obligation if each assumption is altered by the amount specified in isolation, whilst assuming that all other variables remain the same. In practice, this approach is not necessarily realistic since some assumptions are related. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability, the measurement of which depends on a number of factors including the fair value of plan assets

	Increase in pension liability £m
0.5% decrease in discount rate	(100)
0.5% increase in inflation rate	(67)
One year increase in life expectancy	(50)

An analysis of Scheme assets below:

	2021 %	2020 %
Equities/multi-strategy	-	-
Debt instruments	47	24
Derivatives	41	68
Cash and cash equivalents	1	5
Other	11	3
	100	100

24. Employee Benefits (continued)

Defined contribution scheme
The Company also participates in a UK defined contribution scheme, which is a trust-based arrangement offering members a range of investments. All assets are held independently from the Group.

The amount recognised as an expense for the defined contribution scheme in the year, relating to current period contributions was £10,066,000 (2020: £8,924,000). The amount payable at 30 April 2021 was £nil (30 April 2020: £nil).

25. Share Based Payments

The Company participates in the Group's share-based payment arrangements as follows:

(i) Performance Share Plan (PSP)
Awards under the PSP normally become exercisable after three years subject to remaining in service and the satisfaction of performance conditions measured over the three financial years commencing with the year of grant. Awards have been made under the PSP annually since 2008, originally based on the following performance measures, in the proportions shown below:

i. the Company's total shareholder return (TSR) compared to the constituents of the Industrial Goods and Services Supersector within the FTSE 250;
ii. average adjusted earnings per share (EPS); and
iii. average adjusted return on average capital employed (ROACE).

Awards between 2013 and 2014 are subject to three performance measures:
i. 50% of each award based on a TSR component;
ii. 25% of each award based on average adjusted EPS; and
iii. 25% of each award based on average adjusted ROACE.

Awards made between 2015 and 2016 are subject to three performance measures:
i. 33.3% of each award based on a TSR component;
ii. 33.3% of each award based on average adjusted EPS; and
iii. 33.3% of each award based on average adjusted ROACE.

Awards made in 2017, 2018 and 2019 are subject to either two performance measures, or to three performance measures:

(a) Two performance measures:
i. 50% of each award based on average adjusted EPS; and
ii. 50% of each award based on average adjusted ROACE.
(b) Three performance measures:
i. 33.3% of each award based on a TSR component;
ii. 33.3% of each award based on average adjusted EPS; and
iii. 33.3% of each award based on average adjusted ROACE.

The awards granted between 2013, 2014 and 2016 have vested but have not yet been fully exercised. The awards granted in 2012 and 2015 have vested and have been fully exercised.

25. Share based payments (continued)

(ii) Deferred Share Bonus Plan (DSBP)
This plan is operated for Executive Directors and, from 2012/13, for senior executives. Shares awarded under the Plan will vest automatically if the Director or senior executive is still employed by the Company three years after the grant of the award.
The 2012, 2014, 2015 and 2016 awards have vested, but have not yet been fully exercised.

(iii) Long-Term Incentive Plan (LTIP)
This plan is operated for selected senior managers with the first award made in 2013/14. The award will vest after three years subject to remaining in service and the satisfaction of performance conditions measured over the three financial years commencing with the year of grant. The performance conditions of the award are based 50% on average adjusted EPS and 50% on average adjusted ROACE. No further awards under this Plan will be made subsequent to the 2016/17 award granted in July 2016.

(iv) Sharesave Plan
A Sharesave Plan was introduced in the UK in January 2014 with further invitations being made in January 2016, January 2017, January 2018 and January 2019. All employees of the Company and participating subsidiaries were eligible to participate in this Plan or an HMRC approved UK Sharesave Plan. Options are granted to participants who have contracted to save up to a maximum of £250 across all open invitations per month over a period of three years, at a discount of up to 20% to the average closing mid-market price of a DS Smith Plc ordinary share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this Plan.

Details of the share options exercised during the year and outstanding at the year-end are as follows:

	Performance share plan		Deferred Share Bonus Plan	
	Weighted average exercise price (p)	Options '000	Weighted average exercise price (p)	Options '000
Exercised	Nil	23	Nil	2
At 30 April 2021	Nil	407	Nil	443

	Long-term Incentive Plan		ShareSave Plan	
	Weighted average exercise price (p)	Options '000	Weighted average exercise price (p)	Options '000
Exercised	Nil	23	371	299
At 30 April 2021	Nil	26	307	3,813

26. Related party transactions

The Company has taken the exemption available under FRS 101 from disclosing related party transactions entered into between two or more members of the DS Smith Group, provided that the fellow group entities are wholly owned by the Group. See Note 5 for details of Directors' remuneration. On 18 May 2020, a loan of €346,834 made to a Director was novated from the Company to a fellow Group subsidiary undertaking and is therefore no longer disclosed as an employee loan receivable on the statement of financial position at 30 April 2021. There were no other related party transactions.

27. Ultimate parent undertaking and controlling party

The Company's Immediate Parent company is DS Smith (UK) Limited, a company incorporated in the United Kingdom.

The ultimate parent company and the ultimate controlling party is DS Smith Plc, a company incorporated in the United Kingdom.

DS Smith Plc represents both the largest and smallest group of undertakings for which Group financial statements are prepared and of which the Company is a member. Copies of the Group financial statements are available from the Company Secretary of DS Smith Plc at its registered address: 350 Euston Road, London, NW1 3AX.

28. Post balance sheet events

There are no significant post balance sheet events.