Independent Auditor's report to the members of DS Smith Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of DS Smith Plc (the 'parent Company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent Company's affairs as at 30 April 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise :

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 34 to the consolidated financial statements; and
- the related notes 1 to 17 to the parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the United Kingdom and IFRSs as issued by the International Accounting Standards Board (IASB). The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

2. 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 group and the parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent Company for the year are disclosed in note 3 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report to the members of DS Smith Plc (continued)

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Classification and presentation of adjusting items; and • Valuation of uncertain tax position provisions These key audit matters have a similar level of risk to the prior year and were presented as key audit matters in our 2021 audit report.
Materiality	The materiality that we used for the group financial statements was £23m (2021: £20m) which was determined on the basis of c. 6% of statutory profit before tax (2021: 0.33% of revenue). As a listed entity we typically seek to apply a profit based measure as the primary basis for materiality. The revision to our approach to determining materiality from the prior year is due to the more stable performance across the group's operations in FY22 following a year of volatility in profit in the year to 30 April 2021 from the impact of the Covid-19 pandemic on the group's operations and consumer demand in the markets in which the group operates.
Scoping	Our full scope audits and specified audit procedures resulted in coverage of 86% (2021: 83%) of the group's profit before tax before adjusting items and 73% (2021: 73%) of the group's revenue.
Significant changes in our approach	In determining our materiality we have reverted to using a profit-based benchmark, our preferred approach for determining materiality for listed entities, following the volatility in this measure in 2021 financial year due to the impact of Covid-19. Our key audit matters remain consistent with those identified in the prior year.

4. 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.

Our evaluation of the directors' assessment of the group's and parent Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the group's financing facilities including the nature of facilities, repayment terms, covenants and available undrawn committed facilities;
- considering the reasonableness of the projections and the appropriateness of the sensitivities performed by management;
- evaluating the key assumptions used in the forecasts;
- recalculating the amount of headroom in the forecasts (liquidity and covenants);
- assessing the linkage to the group's business model and identified principal risks;
- performing additional sensitivity scenario analysis;
- assessing the historical accuracy of forecasts prepared by management;
- assessing the mathematical accuracy of the model itself; and
- assessing the disclosures relating to going concern.

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 group's and parent 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.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Classification and presentation of adjusting items	
Key audit matter description	The classification and presentation of costs and income within adjusting items in the income statement is a key determinant in assessing the quality of the group's earnings and also presents the opportunity for management bias in the presentation of results. Management judgement is required in determining the accounting policy for identifying if an item is adjusting based on the size, nature and incidence of the item. Additionally, this is an area that attracts greater scrutiny from the financial reporting regulator. For the year ended 30 April 2022, the group recognised net adjusting items before taxation in continuing operations of £37m (2021: £56m). Such items include business disposals, restructuring, acquisition and integration costs, and impairments. Refer to note 4 for details of adjusting items in the year and note 1(x) for management's policy for identifying adjusting items and note 1(aa) where adjusting items are identified as a critical accounting judgement. The classification and presentation of adjusting items is also considered to be a significant matter for the Audit Committee (page 85).

Independent Auditor's report to the members of DS Smith Plc (continued)

How the scope of our audit responded to the key audit matter	As a response to the identified key audit matter, we performed the following audit procedures: • We obtained an understanding of relevant controls in respect of the classification and presentation of adjusting items; • We considered and challenged the appropriateness and classification of the items which are included within adjusting items by testing a sample and agreeing them back to relevant supporting documentation; • We tested and considered items within underlying results which may be adjusting by nature but not separately identified; • We assessed the appropriateness of the adjusting items recorded in accordance with management's policy and the latest guidance from the FRC including the latest thematic review on this topic; and • We assessed the related disclosure in the group financial statements for consistency with the prior period and current market best practice.
Key observations	We are satisfied that the amounts classified as adjusting items are in accordance with the group's accounting policy and the related disclosure of these items in the financial statements is appropriate.

5.2. Valuation of uncertain tax position provisions	
Key audit matter description	The value of the tax provisions against a number of uncertain tax positions requires judgement in relation to the likely outcome of negotiations with various tax authorities. Areas of particular focus included transfer pricing provisioning and other uncertain tax positions in the UK and overseas. The total tax risk provision (including interest thereon) held by the Group is £117.8m (2021: £115.6m). Refer to note 1(w) for management's process for estimating and recording tax provisions and note 1(z) for further detail in respect of the range of possible outcomes with regards to those uncertain tax positions. Taxation is also identified in note 1(z) as a key source of estimation uncertainty and to be a significant matter for the Audit Committee.
How the scope of our audit responded to the key audit matter	As a response to the identified key audit matter, we performed the following audit procedures: • We obtained an understanding of relevant controls in respect of the provisioning for uncertain tax positions; • We involved our tax specialists, including those in local jurisdictions as required, to challenge the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held in relation to tax exposures. This included consideration of tax exposures relating to transfer pricing and consideration of specific provisions made in relation to UK and overseas tax risks; • Specifically, we have reviewed and assessed the correspondence with the taxation authorities in significant locations and the supporting evidence or opinions received from external counsel or other advisors where management has utilised such opinions to estimate the likely outcome of technical tax treatments in order to assess the reasonableness of the provisions made and • We assessed the mathematical accuracy and appropriateness of the underlying source data used to calculate UK and overseas taxation provisions.
Key observations	We are satisfied that the estimates and judgements made by management used in the recording and valuation of the uncertain tax provisions are reasonable.

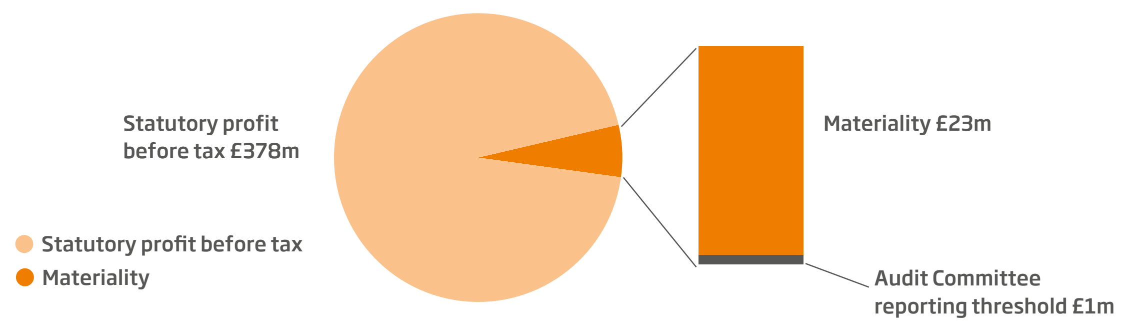
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£23m (2021: £20m)	£11.5m (2021: £10m)
Basis for determining materiality	We have used statutory profit before tax as the primary benchmark in determining materiality and the materiality equates to 6.0% of statutory profit before tax. In the prior year, we used revenue as the benchmark in determining materiality and this equates to 0.33% of revenue and approximately 7% of statutory profit before tax.	Parent Company materiality equates to less than 1% (2021: less than 1%) of net assets, and is capped at 50% (2021: 50%) of group materiality.
Rationale for the benchmark applied	In determining our materiality we have reverted to using a profit-based benchmark, our preferred approach for determining materiality for listed entities following the volatility in this measure in 2021 financial year due to the impact of Covid-19. Profit before tax is a key metric for users of the financial statements and is consistent with the group's internal and external reporting.	Net assets is typically considered an appropriate benchmark for materiality as the parent Company is the holding Company, but given the quantum of net assets on the parent Company balance sheet, we have limited materiality to 50% of group materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2021: 65%) of group materiality	70% (2021: 65%) of parent Company materiality
Basis and rationale for determining performance materiality	On the basis of our risk assessment, our assessment of the group's control environment, the number and quantum of misstatement identified and management's willingness to correct misstatements that may be identified, we set performance materiality for the group and parent Company as 70% (2021: 65%) of group materiality. The increase on the prior year audit reflects the group's recovery against the impact of the pandemic and its underlying performance this year. Accordingly, we set performance materiality for the group at £16.1m (2021: £13.0m) and parent Company at £8.0m (2021: £6.5m).	

Independent Auditor's report to the members of DS Smith Plc (continued)

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1m (2021: £1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

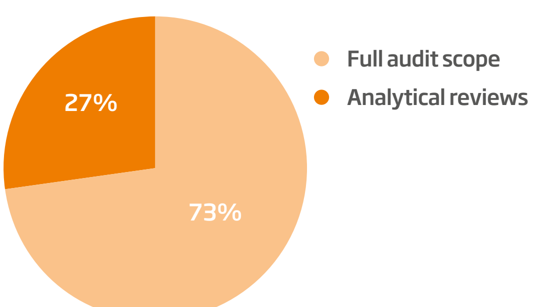
The group operates in four geographic segments, three in Europe (Northern Europe, Eastern Europe and Southern Europe) and another in North America.

Based on that assessment, we focused our group audit scope primarily on the audit work at seventeen components (2021: sixteen) located across the United Kingdom, Spain, Portugal, France, Germany, North America, Italy, Hungary, Poland, Denmark, Netherlands and Sweden. These seventeen components represent the principal business units within the group's key reportable segments and accordingly provide an appropriate basis for undertaking audit work to address the risks of material misstatement. Component materiality was capped at £8.0m (2021: £6.5m). In total, these components accounted for 73% (2021: 73%) of revenue and 86% (2021: 83%) of profit before tax and adjusting items.

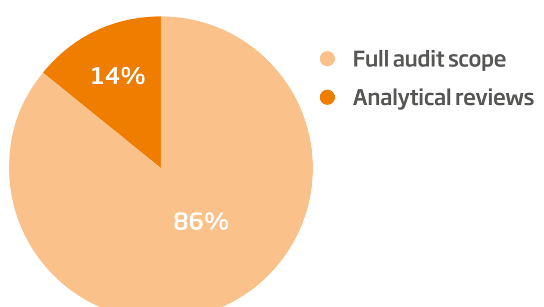
The group audit team takes an active part in the conduct of the audits at these components. For each component, we included the component audit teams in our team briefings held over video conference call facilities to discuss the group risk assessment and audit instructions, to confirm their understanding of the business, and to discuss their local risk assessment. Throughout the audit, we maintained regular contact in order to support, challenge and direct their audit approach. We also attended local audit close meetings with local management, performed reviews of their working papers of significant and material components, and reviewed their reporting to us of the findings from their work.

At the head office level, we also tested the consolidation process and carried out analytical procedures to verify our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

Revenue



Profit before tax and adjusting items



7.2. Our consideration of the control environment

Our approach to controls testing across the group reflects the geographical spread of the group, its decentralised nature and the complex systems landscape. We do not take a centralised approach to controls testing and controls reliance across the group. A number of component audit teams took a controls reliance approach in respect of some business process cycles (e.g. revenue) whilst other components do not. The ability to take controls reliance is impacted by the effectiveness of IT controls in place. We involved IT specialists in performing tests related to IT controls.

No significant deficiencies have been noted in respect of the controls testing performed across the group.

7.3 Our consideration of climate-related risks

As highlighted in management's TCFD report on pages 56 to 60 and the principal risks on pages 47 to 55 the group is exposed to the impacts of climate change on its business and operations. In considering the scope of our audit procedures we have obtained management's assessment on the impact of climate change on their financial statements and built this into our risk assessment through consideration of the risks in climate change. The key areas in the group financial statement considered for FY22 were the statements used in the goodwill impairment review and in the directors' assessment of the adoption of the going concern basis and long-term viability alongside consideration across all financial statement account balances. The group continues to develop its assessment of the potential impacts of climate change and identified the extensive climate related strategic goals, climate commitments, scenario evaluation, risk management processes and the link through the group's governance processes all of which are articulated in the Annual Report.

We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. We also involved climate change and sustainability specialists for assessment of the Task Force on Climate-Related Financial Disclosures reporting and considering whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

8. 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.

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.

9. 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 group's and the parent 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 group or the parent Company or to cease operations, or have no realistic alternative but to do so.

10. 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.

11. 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.

Independent Auditor's report to the members of DS Smith Plc (continued)

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, which this year also included a fraud brainstorming session held with key members of management, together with further enquiries of internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, financial instruments and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud related to the classification and presentation of adjusting items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the regulatory solvency requirements and environmental regulations.

11.2 Audit response to risks identified

As a result of performing the above, we identified classification and presentation of adjusting items as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims. Where relevant we also met directly with external advisers and legal counsel;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- understanding safeguards management have in place, such as whistleblower hotlines, and making enquiries of internal audit as to the nature of matters reported; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 50 and 51;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 49;
- the directors' statement on fair, balanced and understandable set out on page 114;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 79;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 79 to 81; and
- the section describing the work of the audit committee set out on page 82 to 87.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's report to the members of DS Smith Plc (continued)

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the shareholders on 13 October 2006 to audit the financial statements for the year ended 30 April 2007 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor for the year ended 30 April 2014 and subsequent financial years. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ended 30 April 2007 to 30 April 2022. The year to 30 April 2022 will be our final year as auditor of DS Smith Plc.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Nicola Mitchell
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
20 June 2022

Consolidated income statement

Year ended 30 April 2022

Continuing operations	Note	Before adjusting items 2022 £m	Adjusting items 2022 (note 4) £m	After adjusting items 2022 £m	Before adjusting items 2021 £m	Adjusting items 2021 (note 4) £m	After adjusting items 2021 £m
Revenue	2	**7,241**	**-**	**7,241**	5,976	–	5,976
Operating costs	3,4	**(6,625)**	**(37)**	**(6,662)**	(5,474)	(44)	(5,518)
Operating profit before amortisation, acquisitions and divestments	2	**616**	**(37)**	**579**	502	(44)	458
Amortisation of intangible assets; acquisitions and divestments	10, 4	**(138)**	**2**	**(136)**	(142)	(5)	(147)
Operating profit	4	**478**	**(35)**	**443**	360	(49)	311
Finance income	5	**1**	**-**	**1**	1	–	1
Finance costs	5, 4	**(68)**	**(2)**	**(70)**	(76)	(7)	(83)
Employment benefit net finance expense	25	**(3)**	**-**	**(3)**	(3)	–	(3)
Net financing costs		**(70)**	**(2)**	**(72)**	(78)	(7)	(85)
Profit after financing costs		**408**	**(37)**	**371**	282	(56)	226
Share of profit of equity accounted investments, net of tax	13	**7**	**-**	**7**	5	–	5
Profit before income tax		**415**	**(37)**	**378**	287	(56)	231
Income tax (expense)/credit	7, 4	**(100)**	**2**	**(98)**	(65)	16	(49)
Profit for the year from continuing operations		**315**	**(35)**	**280**	222	(40)	182
Discontinued operations							
Profit for the year from discontinued operations, net of tax	30(b)	**-**	**-**	**-**	–	12	12
Profit for the year		**315**	**(35)**	**280**	222	(28)	194
Profit for the year attributable to:							
Owners of the parent		**315**	**(35)**	**280**	222	(28)	194
Non-controlling interests		**-**	**-**	**-**	–	–	–
Earnings per share							
Earnings per share from continuing and discontinued operations							
Basic	8			**20.4p**			14.2p
Diluted	8			**20.3p**			14.1p
Earnings per share from continuing operations							
Basic	8			**20.4p**			13.3p
Diluted	8			**20.3p**			13.2p
Adjusted earnings per share from continuing operations							
Basic	8, 33		**30.7p**			24.2p	
Diluted	8		**30.5p**			24.1p	

Consolidated statement of comprehensive income

Year ended 30 April 2022

	Note	2022 £m	2021 £m
Profit for the year		**280**	194
Items which will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on employee benefits	25	**68**	(5)
Equity interest at FVTOCI – net change in fair value		**-**	(3)
Income tax on items which will not be reclassified subsequently to profit or loss	7	**(14)**	(5)
Items which may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**(40)**	(95)
Reclassification from translation reserve to income statement arising on divestment		**(3)**	-
Cash flow hedges fair value changes		**1,069**	103
Reclassification from cash flow hedge reserve to income statement		**(357)**	9
Movement in net investment hedge		**28**	(2)
Income tax on items which may be reclassified subsequently to profit or loss	7	**(162)**	(21)
Other comprehensive income/(expense) for the year, net of tax		**589**	(19)
Total comprehensive income for the year		**869**	175
Total comprehensive income attributable to:			
Owners of the parent		**869**	175
Non-controlling interests		**-**	-

Consolidated statement of financial position
At 30 April 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	10	**2,906**	2,995
Biological assets		**10**	9
Property, plant and equipment	11	**3,128**	3,050
Right-of-use assets	12	**199**	226
Equity accounted investments	13	**17**	38
Other investments	14	**16**	13
Deferred tax assets	22	**7**	37
Other receivables	16	**-**	1
Derivative financial instruments	21	**495**	35
Total non-current assets		**6,778**	6,404
Current assets			
Inventories	15	**703**	537
Biological assets		**7**	6
Income tax receivable		**34**	41
Trade and other receivables	16	**1,229**	818
Cash and cash equivalents	19	**819**	813
Derivative financial instruments	21	**316**	80
Assets classified as held for sale		**-**	1
Total current assets		**3,108**	2,296
Total assets		**9,886**	8,700
Liabilities			
Non-current liabilities			
Borrowings	20	**(1,391)**	(2,066)
Employee benefits	25	**(86)**	(175)
Other payables	17	**(37)**	(15)
Provisions	23	**(7)**	(8)
Lease liabilities	12	**(140)**	(159)
Deferred tax liabilities	22	**(396)**	(271)
Derivative financial instruments	21	**(28)**	(15)
Total non-current liabilities		**(2,085)**	(2,709)
Current liabilities			
Bank overdrafts	19	**(73)**	(94)
Borrowings	20	**(681)**	(235)
Trade and other payables	17	**(2,503)**	(1,834)
Income tax liabilities		**(143)**	(133)
Provisions	23	**(48)**	(48)
Lease liabilities	12	**(63)**	(71)
Derivative financial instruments	21	**(56)**	(41)
Total current liabilities		**(3,567)**	(2,456)
Total liabilities		**(5,652)**	(5,165)
Net assets		**4,234**	3,535
Equity			
Issued capital	24	**137**	137
Share premium		**2,248**	2,241
Reserves	24	**1,847**	1,155
Total equity attributable to owners of the parent		**4,232**	3,533
Non-controlling interests		**2**	2
Total equity		**4,234**	3,535

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

M W Roberts
Director

A R T Marsh
Director

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

Consolidated statement of changes in equity
Year ended 30 April 2022

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings[1] £m	Total equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 May 2020		**137**	**2,238**	**(39)**	**14**	**(3)**	**1,003**	**3,350**	**1**	**3,351**
Profit for the year		–	–	–	–	–	194	194	–	194
Actuarial loss on employee benefits	25	–	–	–	–	–	(5)	(5)	–	(5)
Equity interest at FVTOCI – change in fair value		–	–	–	–	–	(3)	(3)	–	(3)
Foreign currency translation differences		–	–	–	(95)	–	–	(95)	–	(95)
Cash flow hedges fair value changes		–	–	103	–	–	–	103	–	103
Reclassification from cash flow hedge reserve to income statement	21(c)	–	–	9	–	–	–	9	–	9
Movement in net investment hedge		–	–	–	(2)	–	–	(2)	–	(2)
Income tax on other comprehensive income		–	–	(20)	(1)	–	(5)	(26)	–	(26)
Total comprehensive income/(expense)		**–**	**–**	**92**	**(98)**	**–**	**181**	**175**	**–**	**175**
Issue of share capital		–	3	–	–	–	–	3	–	3
Employee share trust		–	–	–	–	–	(2)	(2)	–	(2)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Transactions with non-controlling interests		–	–	–	–	–	(3)	(3)	1	(2)
Other changes in equity in the year		**–**	**3**	**–**	**–**	**–**	**5**	**8**	**1**	**9**
At 30 April 2021		**137**	**2,241**	**53**	**(84)**	**(3)**	**1,189**	**3,533**	**2**	**3,535**
Profit for the year		–	–	–	–	–	280	280	–	280
Actuarial gain on employee benefits	25	–	–	–	–	–	68	68	–	68
Foreign currency translation differences		–	–	–	(40)	–	–	(40)	–	(40)
Reclassification from translation reserve to income statement arising on divestment		–	–	–	(3)	–	–	(3)	–	(3)
Cash flow hedges fair value changes		–	–	1,069	–	–	–	1,069	–	1,069
Reclassification from cash flow hedge reserve to income statement	21(c)	–	–	(357)	–	–	–	(357)	–	(357)
Movement in net investment hedge		–	–	–	28	–	–	28	–	28
Income tax on other comprehensive income		–	–	(163)	1	–	(14)	(176)	–	(176)
Total comprehensive income/(expense)		**–**	**–**	**549**	**(14)**	**–**	**334**	**869**	**–**	**869**
Issue of share capital		–	7	–	–	–	–	7	–	7
Employee share trust		–	–	–	–	(6)	(15)	(21)	–	(21)
Share-based payment expense (net of tax)		–	–	–	–	–	10	10	–	10
Dividends paid	9	–	–	–	–	–	(166)	(166)	–	(166)
Reclassification		–	–	7	(7)	–	–	–	–	–
Other changes in equity in the year		**–**	**7**	**7**	**(7)**	**(6)**	**(171)**	**(170)**	**–**	**(170)**
At 30 April 2022		**137**	**2,248**	**609**	**(105)**	**(9)**	**1,352**	**4,232**	**2**	**4,234**

1. Retained earnings include a reserve related to merger relief (note 24).

Consolidated statement of cash flows

Year ended 30 April 2022

Continuing operations	Note	2022 £m	2021 £m
Operating activities			
Cash generated from operations	27	**1,079**	895
Interest received		**1**	1
Interest paid		**(63)**	(69)
Tax paid		**(96)**	(66)
Cash flows from operating activities		**921**	761
Investing activities			
Acquisition of subsidiary businesses, net of cash and cash equivalents	30	**(23)**	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	30	**35**	16
Capital expenditure		**(431)**	(331)
Proceeds from sale of property, plant and equipment and intangible assets		**16**	8
Cash (outflows)/ inflows from restricted cash and other deposits		**(2)**	4
Other investing activities		**2**	2
Cash flows used in investing activities		**(403)**	(391)
Financing activities			
Proceeds from issue of share capital		**7**	3
Repayment of borrowings		**(529)**	(1,213)
Proceeds from borrowings		**334**	1,157
Payments in respect of derivative financial instruments		**(35)**	(16)
Repayment of principal on lease liabilities		**(73)**	(73)
Dividends paid to Group shareholders	9	**(166)**	–
Other		**(21)**	–
Cash flows used in financing activities		**(483)**	(142)
Increase in cash and cash equivalents from continuing operations		**35**	228
Discontinued operation			
Cash flows used in discontinued operation	30(b)	**–**	(10)
Increase in cash and cash equivalents		**35**	218
Net cash and cash equivalents at beginning of the year		**719**	505
Exchange losses on cash and cash equivalents		**(8)**	(4)
Net cash and cash equivalents at end of the year	19	**746**	719

Notes to the consolidated financial statements

1. Significant accounting policies

(a) Basis of preparation

(i) Consolidated financial statements

These financial statements are the consolidated financial statements for the Group consisting of DS Smith Plc, a company registered in England and Wales, and all its subsidiaries. The consolidated financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. This transition constitutes a change in accounting framework. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 May 2021. However, there is no change in relation to recognition, measurement or disclosures, as well as no changes in the accounting policies from the transition. The principal accounting policies adopted are set out below in this note and were applied consistently throughout the current and preceding year.

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

The consolidated financial statements have been prepared on a going concern basis as set out on pages 50-51 of the Directors' report. The Directors consider that adequate resources exist for the Company to continue in operational existence for the foreseeable future.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect whether and how policies are applied, and the reported amounts of assets and liabilities, income and expenses. Estimates with a significant risk of material adjustment and the critical accounting judgement are discussed in accounting policies 1(z) and 1(aa).

(ii) Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset or disposal group, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. Cash flows generated from discontinued operations are presented as a single item in the statement of cash flows.

All other notes to the financial statements include amounts for continuing operations.

(iii) New accounting standards adopted

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

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

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

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

(iv) Changes to accounting standards not yet adopted

These standards are currently not expected to have a material impact on the consolidated financial statements of the Group.

1. Significant accounting policies continued

(b) Basis of consolidation

(i) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) Interests in equity accounted investments

The Group's interests in equity accounted investments comprise interests in associates and joint ventures. An associate is an entity over which the Group has significant influence, but not control or joint control, over the financial and operating policy decisions of the investment. A joint venture is an entity in which the Group has joint control, whereby the Group has rights to the net assets of the entity, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investments, until the date on which significant influence or joint control ceases.

(iii) Non-controlling interests

Non-controlling interests are shown as a component of equity in the consolidated statement of financial position net of the value of options over interests held by non-controlling interests in the Group's subsidiaries.

(iv) Business combinations

The acquisition method is used to account for the acquisition of subsidiaries. Identifiable net assets acquired (including intangibles) in a business combination are measured initially at their fair values at the acquisition date.

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and applied retrospectively.

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities acquired is recorded as goodwill.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition.

Acquisition related costs are expensed as incurred.

The results of the subsidiaries acquired are included in the consolidated financial statements from the acquisition date.

(c) Revenue

The Group is in the business of providing sustainable packaging solutions, sustainable paper products, recycling and waste management services. The Group 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 and after eliminating sales within the Group. 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 Group expects to be entitled in exchange for those goods or services and the fulfilment of the related performance obligations. Generally this occurs when the goods are loaded into the collection vehicle if the buyer is collecting them, or when the goods are unloaded at the delivery address if the Group is responsible for delivery.

The transaction price is the contractual price with the customer adjusted for rebates and discounts. Rebates and discounts are estimated using historical data and experiences with the 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.

Revenue by function is not provided in the Group's disclosures as the year-on-year variability in the degree of integration would be misrepresentative of the level of activity.

(d) Supplier rebates

The Group 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, where appropriate, the Group estimates supplier income due from annual agreements for volume rebates.

(e) 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 Group will comply with the conditions attached to them. Grants that compensate the Group 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 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.

(f) Dividends

Dividends attributable to the equity holders of the Company paid during the year are recognised directly in equity.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies continued

(g) Foreign currency translation

The consolidated financial statements are presented in sterling, which is the Group's presentational currency. Transactions in foreign currencies are translated into the respective functional currencies of Group companies at 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 into the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

The assets and liabilities of all the Group entities that have a functional currency other than sterling are translated at the closing exchange rate at the reporting date. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings, and other financial instruments designated as hedges of such investments, are recognised in the translation reserve. On the disposal of foreign currency entities, the cumulative exchange difference recorded in the translation reserve is taken to the consolidated income statement as part of the gain or loss on disposal.

(h) Intangible assets

(i) Goodwill

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of identifiable assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price.

Goodwill is stated at cost less accumulated impairment losses. The useful life of goodwill is considered to be indefinite. Goodwill is allocated to the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination and is tested annually for impairment, or more frequently if an impairment is indicated.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the consolidated income statement.

(ii) Intellectual property

Intellectual property is stated at cost less accumulated amortisation and impairment.

(iii) Computer software

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.

(iv) Customer related

Customer relationships, acquired as part of a business combination, are capitalised separately from goodwill and are carried at cost less accumulated amortisation and impairment.

(v) Other intangible assets

Other intangible assets that are acquired by the Group are carried at cost less accumulated amortisation and impairment.

(vi) Amortisation

Amortisation of intangible assets (excluding 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:

Intellectual property	Up to 20 years
Computer software	3–5 years
Customer relationships	5–15 years

(i) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, and major components that are accounted for separately (or in the case of leased assets, the lease period, if shorter). Land is not depreciated.

The estimated useful lives are as follows:

Freehold and long leasehold properties	10–50 years
Plant and equipment – motor vehicles	3–5 years
Plant and equipment – other, fixtures and fittings (including IT hardware)	2–30 years

Gains or losses arising on the sale of surplus property assets are recorded through operating profit before adjusting items.

1. Significant accounting policies continued

(j) Other investments

Other investments primarily consist of investments in unquoted equity securities and restricted cash. Equity securities are measured at fair value. On initial recognition, the Group makes an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income (FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination. Investment in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on divestment of the equity investments; instead, it is transferred to retained earnings. The Group has designated all investments in equity that are not held for trading as at FVTOCI.

Restricted cash is carried at amortised cost.

(k) Impairment

The carrying amounts of the Group's assets, including tangible and intangible non-current assets, are reviewed at each reporting date to determine whether there are any indicators of impairment. If any such indicators exist, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually at the same time, regardless of the presence of an impairment indicator. An impairment loss is recognised whenever the carrying amount of an asset, collection of assets or its CGU exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

(i) Cash generating units

For the purposes of property, plant and equipment and other intangibles impairment testing, each operating segment, split by process (e.g. Packaging, Paper, Recycling), is a separate individual CGU. Goodwill impairment testing is carried out based on regional groupings of CGUs as set out in note 10, as this is the lowest level at which goodwill is monitored for internal management purposes.

(ii) Calculation of recoverable amount

The recoverable amount of the Group's assets is calculated as the value-in-use of the CGU to which the assets are attributed or the net selling price, if greater. Value-in-use is calculated by discounting the cash flows expected to be generated by the CGU/group of CGUs being tested for evidence of impairment. This is done using a pre-tax discount rate that reflects the current assessment of the time value of money, and the country-specific risks for which the cash flows have not been adjusted. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

(iii) Reversals of impairment

Impairment losses in respect of goodwill are not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Derivative financial instruments

The Group uses derivative financial instruments, primarily currency and commodity swaps, to manage currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not, undertake any speculative activity in these instruments.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has elected to continue to apply the hedge accounting requirements of IAS 39, as allowed under IFRS 9.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk.

For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk associated with either a statement of financial position item or a highly probable forecast transaction; or
- hedges of the net investment in a foreign entity.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

Cash flow hedges: the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement in the same period during which the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or roll-over, the hedged transaction ceases to be highly probable, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies continued

(l) Derivative financial instruments continued

Hedges of net investment in a foreign entity represent the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the foreign entity is sold.

Any gains or losses arising from changes in the fair value of all other derivatives are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are not effective as hedging instruments.

The net present value of the expected future payments under options over interests held by non-controlling interests in the Group's subsidiaries is shown as a financial liability. At the end of each period, the valuation of the liability is reassessed with any changes recognised in profit or loss for the period.

(m) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(n) Trade and other receivables

Trade and other receivables are recognised initially at fair value less expected credit loss allowance and subsequently held at amortised cost. The Group utilises the simplified approach to provide for losses on receivables under IFRS 9.

(o) 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 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.

(p) Biological assets

Biological assets consist of standing timber, measured at fair value less cost to sell. Any change in fair value resulting from both net growth and change in the market value of standing timber is presented in the income statement. The revenue from the sale of standing timber is presented within revenue.

(q) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are stated at amortised cost.

Cash subject to contractual restrictions on use by the Group is excluded from cash and cash equivalents in the consolidated financial statements and is presented within other investments in the consolidated statement of financial position. Restricted cash is stated at amortised cost.

(r) Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost unless designated in a fair value hedge relationship, with borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method.

At the reporting date, interest payable is recorded separately from the associated borrowings, within trade and other payables.

(s) Employee benefits

(i) 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.

(ii) Defined benefit schemes

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value amount and recognised in the income statement within personnel expenses; a corresponding liability for all future benefits is established on the statement of financial position and the fair value of any scheme assets is deducted.

The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating to the duration of the schemes' obligations. The calculation is performed by a qualified actuary using the projected unit method. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

(iii) Share-based payment transactions

The Group operates equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised within personnel expenses, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. 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 entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

(t) Provisions

A provision is recognised in the statement of financial position when the Group 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. Significant accounting policies continued

(u) Trade and other payables

Trade and other payables are initially measured at fair value, net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

(v) Leases

The Group 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
- 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 Group's incremental borrowing rate is used, being the rate that the Group 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.

(w) 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 or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted in each jurisdiction at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and can be estimated. Any interest and penalties accrued are included in income taxes in both the consolidated income statement and the consolidated statement of financial position. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

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 tax effect of certain temporary differences is not recognised, principally with respect to goodwill; temporary differences arising on the initial recognition of assets or liabilities (other than those arising in a business combination or in a manner that initially impacts accounting or taxable profit); and temporary differences relating to investment in subsidiaries and equity accounted investees to the extent that they will probably not reverse in the foreseeable future and the Group is able to control the reversal of such temporary differences. 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.

(x) Adjusting items

Items of income or expenditure that are significant by their nature, size or incidence, and for which separate presentation would assist in the understanding of the trading and financial results of the Group, are classified and disclosed as adjusting items.

Such items include business disposals, restructuring and acquisition related and integration costs, and impairments.

(y) Non-GAAP performance measures

In the reporting of financial information, the Group has adopted certain non-GAAP measures of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRSs).

Non-GAAP measures are either not defined by IFRS or are adjusted IFRS figures, and therefore may not be directly comparable with other companies' reported non-GAAP measures, including those in the Group's industry.

Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

Details of the Group's non-GAAP performance measures, including reasons for their use and reconciliations to IFRS figures are included as appropriate in note 32.

Notes to the consolidated financial statements (continued)

1. Significant accounting policies continued

(z) Key sources of estimation uncertainty

The application of the Group's accounting policies requires management to make estimates and assumptions. These estimates and assumptions affect the reported assets and liabilities and financial results of the Group. Actual outcomes could differ from the estimates and assumptions used.

The Group's key sources of estimation uncertainty are as detailed below:

(i) Taxation

The Group's tax payable on profits is determined based on tax laws and regulations that apply in each of the numerous jurisdictions in which the Group operates. The Group is required to exercise judgement in estimating income tax provisions, along with the recognition of deferred tax assets/liabilities. While the Group aims to ensure that estimates recorded are accurate, the actual amounts could be different from those expected. See note 7 for additional information.

(ii) Employee benefits

IAS 19 *Employee Benefits* requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, 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. See note 25 for additional information.

(aa) Critical accounting judgement

(i) Adjusting items

The Group is required to exercise judgement in applying the adjusting 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. See note 4 for additional information.

(ab) IFRS standards and interpretations endorsed but not yet effective

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations with an effective date after the date of these financial statements.

International Financial Reporting Standards (IFRS/IAS)	Effective date – financial year ending
Amendments to IAS 16 (Property, Plant and Equipment – Proceeds before Intended Use)	30 April 2023
Amendments to IFRS 3 (Reference to the Conceptual Framework)	30 April 2023
Amendments to IAS 37 (Onerous Contracts – Cost of Fulfilling a Contract)	30 April 2023
IAS 41 Agriculture	30 April 2023
Amendments to IAS 1 and IFRS Practice Statement(Disclosure of Accounting Policies)	30 April 2024
Amendments to IAS 12 (Deferred tax related to Assets and Liabilities arising from a single transaction)	30 April 2024
Amendments to IAS 8 (Definition of accounting estimates)	30 April 2024
IFRS 17 Insurance Contracts	30 April 2024

The Group does not anticipate that the adoption of the standards and interpretations that are effective for the year ending 30 April 2023 and beyond will have a material effect on its financial statements.

(ac) IFRS standards that have been issued but are not yet endorsed are as follows:

- *Amendments to IAS 1 (Classification of liabilities as current or non-current)*
- *Amendments to IFRS 4 (Extension of the Temporary Exemption from applying IFRS 9)*

The Group does not anticipate that the adoption of these accounting standards will have a material effect on its financial statements.

2. Segment reporting

Operating segments

IFRS 8 *Operating Segments* requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive (who is the Chief Operating Decision Maker as defined by IFRS 8).

The Group's continuing operations are organised into segments which cover geographical regions with integrated packaging and paper businesses. These comprise the Group's reportable segments and their results are regularly reviewed by the Group Chief Executive. The measure of profitability reported to the Group Chief Executive for the purposes of resource allocation and assessment of performance is adjusted operating profit, which is a non-GAAP performance measure, about which further information is provided in note 32.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central administration costs are allocated to the individual segments on a consistent basis year-on-year. All assets and liabilities have been analysed by segment, except for items of a financing nature, taxation balances, employee benefit liabilities and current and non-current asset investments. Debt and associated interest are managed at a Group level and therefore have not been allocated across the segments.

Year ended 30 April 2022	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		**2,790**	**2,736**	**1,118**	**597**	**7,241**
Adjusted EBITDA[1]		**250**	**432**	**116**	**108**	**906**
Depreciation		**(111)**	**(108)**	**(43)**	**(28)**	**(290)**
Adjusted operating profit[1]		**139**	**324**	**73**	**80**	**616**
Unallocated items:						
Amortisation	10					**(138)**
Adjusting items in operating profit	4					**(35)**
Total operating profit (continuing operations)						**443**
Unallocated items:						
Net financing costs						**(72)**
Share of profit of equity accounted investments, net of tax						**7**
Profit before income tax						**378**
Income tax expense						**(98)**
Profit for the year (continuing operations)						**280**
Analysis of total assets and total liabilities						
Segment assets		**2,127**	**3,597**	**1,128**	**1,330**	**8,182**
Unallocated items:						
Equity accounted investments and other investments						**33**
Derivative financial instruments						**811**
Cash and cash equivalents						**819**
Tax						**41**
Total assets						**9,886**
Segment liabilities		**(1,330)**	**(1,044)**	**(272)**	**(129)**	**(2,775)**
Unallocated items:						
Borrowings, overdrafts and interest payable						**(2,168)**
Derivative financial instruments						**(84)**
Tax						**(539)**
Employee benefits						**(86)**
Total liabilities						**(5,652)**
Capital expenditure		**102**	**200**	**101**	**28**	**431**

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

Notes to the consolidated financial statements (continued)

2. Segment reporting continued

Year ended 30 April 2021	Note	Northern Europe £m	Southern Europe £m	Eastern Europe £m	North America £m	Total continuing operations £m
External revenue		2,370	2,156	909	541	5,976
Adjusted EBITDA[1]		257	333	119	97	806
Depreciation		(119)	(110)	(41)	(34)	(304)
Adjusted operating profit[1]		138	223	78	63	502
Unallocated items:						
Amortisation	10					(142)
Adjusting items in operating profit	4					(49)
Total operating profit (continuing operations)						311
Unallocated items:						
Net financing costs						(85)
Share of profit of equity accounted investment, net of tax						5
Profit before income tax						231
Income tax expense						(49)
Profit for the year (continuing operations)						182

Analysis of total assets and total liabilities					
Segment assets	2,079	3,344	1,015	1,204	7,642
Unallocated items:					
Equity accounted investment and other investments					51
Derivative financial instruments					115
Cash and cash equivalents					813
Tax					78
Assets classified as held for sale					1
Total assets					8,700
Segment liabilities	(1,028)	(743)	(223)	(117)	(2,111)
Unallocated items:					
Borrowings, overdrafts and interest payable					(2,419)
Derivative financial instruments					(56)
Tax					(404)
Employee benefits					(175)
Total liabilities					(5,165)
Capital expenditure	93	147	56	35	331

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

2. Segment reporting continued

Geographical areas

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

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

3. Operating profit

Continuing operations	**2022 £m**	2021 £m
Operating costs		
Cost of sales	**3,914**	2,816
Other production costs	**1,211**	1,190
Distribution	**530**	482
Administrative expenses	**1,007**	1,030
	6,662	5,518

During the year, the Group received Nil (2020/21:£5.1m) of government support linked to the Covid-19 pandemic. Nil (2020/21: £2.4m) was repaid to the UK government in the year. In the current year there was no resulting income from Covid-19 related support programmes (2020/21: £2.7m) which has been netted off in operating costs . There are no unfulfilled conditions or contingencies attached to these grants.

Details of adjusting items included in operating profit are set out in note 4.

Operating profit is stated after charging/(crediting) the following:

Continuing operations	**2022 £m**	2021 £m
Depreciation of owned assets	**220**	230
Depreciation of right-of-use assets	**70**	74
Amortisation of intangible assets	**138**	142
(Profit)/loss on sale of non-current assets	**(1)**	2
Research and development	**8**	8

Notes to the consolidated financial statements (continued)

3. Operating profit continued

Auditor's remuneration	2022 UK £m	2022 Overseas £m	2022 Total £m	2021 UK £m	2021 Overseas £m	2021 Total £m
Fees payable for audit of the Company's annual financial statements	**0.5**	**-**	**0.5**	0.3	–	0.3
Fees payable for audit of the Company's subsidiaries, pursuant to legislation	**1.1**	**2.9**	**4.0**	0.9	2.9	3.8
Total audit fees	**1.6**	**2.9**	**4.5**	1.2	2.9	4.1
Fees payable to the Company's Auditor and their associates for other services:						
Corporate finance services	**0.1**	**-**	**0.1**	0.1	–	0.1
Audit related assurance services	**0.3**	**0.1**	**0.4**	0.2	0.1	0.3
Total non-audit fees	**0.4**	**0.1**	**0.5**	0.3	0.1	0.4
Total Auditor's remuneration	**2.0**	**3.0**	**5.0**	1.5	3.0	4.5

Non-audit fees in 2021/22 and 2020/21 primarily include reporting and accounting services in respect of the Euro medium-term note ("EMTN") issues in the year and audit-related fees for the review of the interim results.

A description of the work of the Audit Committee is set out in the governance section and includes an explanation of how the external Auditor's objectivity and independence are safeguarded when non-audit services are provided by the external Auditor.

4. Adjusting items

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

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

4. Adjusting items continued

2021/22

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

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

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

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

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

2020/21

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

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

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

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

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

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

The adjusting tax item of £5m includes a net decrease in the State Aid provision of £2m primarily in relation to the estimate of interest on overdue tax following agreement reached with HM Revenue & Customs ("HMRC") (see note 7) and the release of a US tax provision of £3m relating to the Plastics business that is no longer due.

Notes to the consolidated financial statements (continued)

5. Finance income and costs

Continuing operations	2022 £m	2021 £m
Interest income from financial assets	**(1)**	(1)
Finance income	**(1)**	(1)
Interest on borrowings and overdrafts	**47**	55
Interest on lease liabilities	**11**	12
Other	**10**	9
Finance costs before adjusting items	**68**	76
Finance costs adjusting items (note 4)	**2**	7
Finance costs	**70**	83

6. Staff costs

Continuing operations	2022 £m	2021 £m
Wages and salaries	**1,101**	1,085
Social security costs	**214**	213
Contributions to defined contribution pension plans	**51**	51
Service costs for defined benefit schemes (note 25)	**5**	5
Share-based payment expense (note 26)	**10**	9
Staff costs	**1,381**	1,363

Average number of employees	2022 Number	2021 Number
Northern Europe	**10,905**	10,995
Southern Europe	**8,889**	8,923
Eastern Europe	**7,677**	7,366
North America	**1,787**	1,847
Rest of the World	**598**	178
Average number of employees	**29,856**	29,309

7. Income tax expense

	2022 £m	2021 £m
Current tax expense		
Current year	**(128)**	(61)
Adjustment in respect of prior years	**4**	(3)
	(124)	(64)
Deferred tax (charge)/ credit		
Origination and reversal of temporary differences	**(2)**	(28)
Change in tax rates	**12**	-
Recognition of previously unrecognised deferred tax assets	**5**	18
Adjustment in respect of prior years	**9**	9
	24	(1)
Total income tax expense before adjusting items	**(100)**	(65)
Adjusting tax items (note 4)	**-**	5
Current tax credit on adjusting items (note 4)	**2**	11
Total income tax expense in the income statement from continuing operations	**(98)**	(49)
Total income tax expense in the income statement from discontinued operations (note 30(b))	**-**	9
Total income tax expense in the income statement - total Group	**(98)**	(40)

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

7. Income tax expense continued

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

	2022 £m	2021 £m
Profit before income tax on continuing operations	**378**	231
Profit before income tax on discontinued operations (note 30(b))	**–**	3
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Profit before tax and share of profit of equity accounted investments, net of tax	**371**	229
Income tax at the domestic corporation tax rate of 19% (2020/21: 19%)	**(71)**	(44)
Effect of additional taxes and tax rates in overseas jurisdictions	**(40)**	(23)
Additional items deductible for tax purposes	**5**	16
Non-deductible expenses	**(20)**	(22)
Non-taxable gain on disposal of business	**2**	–
Recognition of previously unrecognised deferred tax assets	**5**	27
Deferred tax not recognised	**(4)**	(5)
Adjustment in respect of prior years[1]	**13**	11
Effect of change in corporation tax rates	**12**	–
Income tax expense – total Group	**(98)**	(40)

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

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

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

Uncertain tax positions

The Group operates in a complex multinational tax environment and is subject to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally relate to pricing of cross-border transactions and a limited number of specific transaction related tax risks.

The assessment of uncertain tax positions is based on management's expectation of the likely outcome of settlements with tax authorities or litigation. The quantification of the risks at any one point in time, especially with respect to transfer pricing, requires a degree of judgement and estimation by management.

Within the consolidated balance sheet at 30 April 2022 are current tax liabilities of £143m (30 April 2021: £133m) which include a provision of £118m (30 April 2021: £116m) relating to uncertain tax positions. It is possible that amounts paid will be different from the amounts provided and the Group estimates the range of reasonably possible outcomes relating to uncertain tax positions to be from £33m to £200m.

There are tax audits being conducted by the tax authorities in a number of countries. Whilst there is inherent uncertainty regarding the timing of the resolution of these tax audits and the final tax liabilities to be assessed, the Group does not expect there to be a material change in the provision for uncertain tax positions in the next 12 months.

Following the EU Commission's decision in April 2019, which concluded that up until 31 December 2018, the UK Controlled Foreign Company legislation partially represented State Aid, the Group recognised a provision in the year ended 30 April 2019 through adjusting items for the maximum potential exposure of £33m. During the prior year, the Group received a charging notice from HMRC under The Taxation (Post Transition Period) Bill for the full exposure. After the offset of deferred tax assets the cash tax liability was reduced to £18m (including interest), which was paid in May 2021.

The Group also filed an application with the General Court of the European Court of Justice for the EU Commission's decision to be annulled. The Group's application was stayed behind the UK lead cases and on 8th June 2022, the General Court released its judgement which dismissed these appeals . The Group will continue to monitor any future developments in this regard.

Included within the current tax liabilities is an amount of £15m (30 April 2021: £9m) relating to interest and penalties on uncertain tax positions.

Notes to the consolidated financial statements (continued)

7. Income tax expense continued

Tax on other comprehensive income and equity

	Gross 2022 £m	Tax credit/ (charge) 2022 £m	Net 2022 £m	Gross 2021 £m	Tax credit/ (charge) 2021 £m	Net 2021 £m
Actuarial gain/(loss) on employee benefits	**68**	**(14)**	**54**	(5)	(5)	(10)
Equity interest at FVTOCI – change in fair value	**-**	**-**	**-**	(3)	–	(3)
Foreign currency translation differences	**(40)**	**-**	**(40)**	(95)	–	(95)
Reclassification from translation reserve to income statement arising on divestment	**(3)**	**-**	**(3)**	–	–	–
Movements in cash flow hedges	**712**	**(163)**	**549**	112	(20)	92
Movement in net investment hedge	**28**	**1**	**29**	(2)	(1)	(3)
Other comprehensive income/(expense) for the year	**765**	**(176)**	**589**	7	(26)	(19)
Issue of share capital	**7**	**-**	**7**	3	–	3
Employee share trust	**(21)**	**-**	**(21)**	(2)	–	(2)
Share-based payment expense	**10**	**-**	**10**	9	1	10
Dividends paid to Group shareholders	**(166)**	**-**	**(166)**	–	–	–
Transactions with non-controlling interests	**-**	**-**	**-**	(2)	–	(2)
Other comprehensive income /(expense) and changes in equity	**595**	**(176)**	**419**	15	(25)	(10)

The realisation of underlying reserves is conducted in such a way to ensure there is no material tax consequence.

8. Earnings per share

Basic earnings per share from continuing operations

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

Diluted earnings per share from continuing operations

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

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

	2022		2021	
	Basic pence per share	Diluted pence per share	Basic pence per share	Diluted pence per share
Earnings per share from continuing operations	**20.4p**	**20.3p**	13.3p	13.2p
Earnings per share from discontinued operations (note 30(b))	**-**	**-**	0.9p	0.9p
Earnings per share from continuing and discontinued operations	**20.4p**	**20.3p**	14.2p	14.1p

8. Earnings per share continued

Adjusted earnings per share from continuing operations

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

Further detail about the use of non-GAAP performance measures, including details of why amortisation is excluded, is given in note 32.

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

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

9. Dividends proposed and paid

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

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

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

The 2020/21 interim dividend of 4.0p per share and the final 20/21 dividend of 8.1p per share were paid during the year.

Notes to the consolidated financial statements (continued)

10. Intangible assets

	Goodwill £m	Software £m	Intellectual property £m	Customer related £m	Other £m	Total £m
Cost						
At 1 May 2021	2,199	180	19	1,310	31	3,739
Divestments	–	(5)	–	–	–	(5)
Additions	–	3	2	–	27	32
Disposals	–	(4)	–	–	(10)	(14)
Reclassification	–	1	1	–	17	19
Transfers	–	10	–	–	(10)	–
Currency translation	11	(3)	(1)	(9)	–	(2)
At 30 April 2022	**2,210**	**182**	**21**	**1,301**	**55**	**3,769**
Amortisation and impairment						
At 1 May 2021	(17)	(102)	(12)	(599)	(14)	(744)
Divestments	–	5	–	–	–	5
Amortisation	–	(16)	(1)	(110)	(11)	(138)
Disposals	–	4	–	–	–	4
Reclassification	–	1	–	–	–	1
Currency translation	–	2	1	6	–	9
At 30 April 2022	**(17)**	**(106)**	**(12)**	**(703)**	**(25)**	**(863)**
Carrying amount						
At 1 May 2021	2,182	78	7	711	17	2,995
At 30 April 2022	**2,193**	**76**	**9**	**598**	**30**	**2,906**

	Goodwill £m	Software £m	Intellectual property £m	Customer related £m	Other £m	Total £m
Cost						
At 1 May 2020	2,263	169	20	1,338	37	3,827
Divestments	–	(1)	–	–	–	(1)
Additions	–	9	1	–	5	15
Disposals	–	(12)	(2)	–	(2)	(16)
Transfers	–	9	–	–	(9)	–
Reclassification	–	6	–	–	–	6
Currency translation	(64)	–	–	(28)	–	(92)
At 30 April 2021	2,199	180	19	1,310	31	3,739
Amortisation and impairment						
At 1 May 2020	(17)	(92)	(12)	(495)	(14)	(630)
Divestments	–	1	–	–	–	1
Amortisation	–	(23)	(2)	(115)	(2)	(142)
Disposals	–	12	2	–	2	16
Currency translation	–	–	–	11	–	11
At 30 April 2021	(17)	(102)	(12)	(599)	(14)	(744)
Carrying amount						
At 1 May 2020	2,246	77	8	843	23	3,197
At 30 April 2021	2,182	78	7	711	17	2,995

Included within customer related intangibles at 30 April 2022 are amounts purchased as part of the acquisitions of Europac (carrying amount £361m, remaining amortisation period 12 years) and Interstate Resources (carrying amount £147m, remaining amortisation period five years).

10. Intangible assets continued

Goodwill

The CGUs identified below represent the lowest level at which goodwill is monitored for impairment indicators and internal management purposes, and are not larger than the operating segments determined in accordance with IFRS 8 *Operating Segments*. The carrying values of goodwill are split between the CGU groups as follows:

	2022 £m	2021 £m
Northern Europe	**394**	402
Southern Europe	**1,017**	1,053
Eastern Europe	**154**	159
North America	**628**	568
Total goodwill	**2,193**	2,182

Goodwill impairment tests – key assumptions and methodology

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations.

Impairment tests were conducted over the segmental structures, with no indicators of impairment noted in the year ended 30 April 2022, as the recoverable amount of the groups of CGUs, based upon value-in-use calculations, exceeded the carrying amounts.

The calculations of value-in-use are inherently judgemental and require management to make a series of estimates and assumptions. The key assumptions in the value-in-use calculations are:

- the cash flow forecasts have been derived from the most recent budget presented to the Board for the year ending 30 April 2023. The cash flows utilised are based upon forecast sales volumes and product mix, anticipated movements in paper prices and input costs and known changes and expectations of current market conditions, taking into account the cyclical nature of the business;
- the sales volume and price assumptions underlying the cash flow forecasts are the Directors' estimates of likely future changes based upon historic performance and the current economic outlooks for the economies in which the Group operates. These are viewed as the key operating assumptions as they determine the Directors' approach to margin and cost maintenance;
- the cash flow forecasts for capital expenditure are based upon past experience and include the replacement capital expenditure required to generate the terminal cash flows;
- cash flows beyond the year ending 30 April 2023 reflect the long-term growth rate specific to each of the CGUs. Where a CGU consists of multiple countries, country-specific rates are incorporated into a weighted average rate for that region. The rates applied are based upon external sources such as the International Monetary Fund's World Economic Outlook Database; and
- the pre-tax adjusted discount rate is derived from the basis of the Group's weighted average cost of capital ('WACC') of 9.5% (2020/21: 9.5%) plus a blended country risk premium for each CGU. The discount rate is a function of the cost of debt and equity. The cost of equity is largely based upon the risk-free rate for 10-year government bond yields for the European countries in which the Group operates (79% weighting), 30-year UK gilts (10% weighting) and 30-year US treasury yields (11%), adjusted for the relevant country market risk premium, ranging from 4.9% to 16.8%, which reflects the increased risk of investing in country specific equities and the relative volatilities of the equity of the Group compared to the market. This Group rate has been adjusted for the risks inherent in the countries in which the CGUs operate that are not reflected in the cash flow projections.

Notes to the consolidated financial statements (continued)

10. Intangible assets continued

Key assumptions by CGU	Northern Europe	Southern Europe	Eastern Europe	North America
Long-term growth rate at 30 April 2022	**1.5%**	**1.5%**	**3.2%**	**2.3%**
Long-term growth rate at 30 April 2021	1.4%	1.2%	2.9%	2.0%
Discount rate at 30 April 2022	**10.1%**	**11.7%**	**12.3%**	**10.0%**
Discount rate at 30 April 2021	8.8%	10.3%	10.4%	8.7%

Goodwill impairment tests – sensitivities

The value-in-use is based upon anticipated discounted future cash flows. At 30 April 2022, the impairment tests concluded that there was headroom across all CGUs. Whilst the Directors believe the assumptions used are realistic, it is possible that a reduction in the headroom would occur if any of the above key assumptions were adversely changed. Factors which could cause an impairment are:

- significant and prolonged underperformance relative to the forecast; and
- deteriorations in the economies in which the Group operates.

To support their assertions, the Directors have conducted sensitivity analyses to determine the impact that would result from the above situations. Key sensitivities tested included reduction or delays in future growth and increased discount rates. In these cases, if future estimates of economic improvements were delayed, or if the estimated discount rates applied to the cash flows were increased by 0.5%, there would still be adequate headroom to support the carrying value of the assets. Based on this analysis, the Directors believe that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of CGUs to exceed their recoverable amounts, although the headroom would decrease. Therefore, at 30 April 2022, no impairment charge is required against the carrying value of goodwill.

11. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
At 1 May 2021	1,066	3,337	95	201	4,699
Divestments	(19)	(138)	(3)	–	(160)
Additions	23	69	2	300	394
Disposals	(10)	(100)	(4)	–	(114)
Reclassification	1	12	–	(9)	4
Transfers	18	163	9	(190)	–
Currency translation	(36)	(83)	(6)	(5)	(130)
At 30 April 2022	**1,043**	**3,260**	**93**	**297**	**4,693**
Depreciation and impairment					
At 1 May 2021	(222)	(1,383)	(44)	–	(1,649)
Divestments	16	105	2	–	123
Depreciation charge	(35)	(176)	(9)	–	(220)
Disposals	6	94	3	–	103
Currency translation	17	56	5	–	78
At 30 April 2022	**(218)**	**(1,304)**	**(43)**	**–**	**(1,565)**
Carrying amount					
At 1 May 2021	844	1,954	51	201	3,050
At 30 April 2022	**825**	**1,956**	**50**	**297**	**3,128**

11. Property, plant and equipment continued

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
At 1 May 2020	1,055	3,278	87	190	4,610
Divestments	(3)	(29)	(2)	–	(34)
Additions	10	67	4	209	290
Disposals	(7)	(77)	(3)	–	(87)
Transfers	23	159	7	(189)	–
Reclassification	(2)	7	3	(5)	3
Transfer from assets held for sale	–	3	–	–	3
Currency translation	(10)	(71)	(1)	(4)	(86)
At 30 April 2021	1,066	3,337	95	201	4,699
Depreciation and impairment					
At 1 May 2020	(200)	(1,331)	(37)	–	(1,568)
Divestments	2	20	1	–	23
Depreciation charge	(32)	(189)	(9)	–	(230)
Transfers	(1)	3	(2)	–	–
Disposals	3	72	3	–	78
Reclassification	1	1	–	–	2
Currency translation	5	41	–	–	46
At 30 April 2021	(222)	(1,383)	(44)	–	(1,649)
Carrying amount					
At 1 May 2020	855	1,947	50	190	3,042
At 30 April 2021	844	1,954	51	201	3,050

Assets under construction mainly relate to production machines and site improvements being constructed, the most significant of these being at the greenfield sites in Italy and Poland..

Notes to the consolidated financial statements (continued)

12. Right-of-use assets and lease liabilities

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 May 2021	177	187	1	365
Divestments	–	(1)	–	(1)
Additions	17	34	–	51
Disposals	(9)	(22)	–	(31)
Reclassification	–	(4)	–	(4)
Currency translation	1	(5)	–	(4)
At 30 April 2022	**186**	**189**	**1**	**376**
Depreciation and impairment				
At 1 May 2021	(52)	(87)	–	(139)
Depreciation charge	(30)	(40)	–	(70)
Disposals	9	19	–	28
Reclassification	–	1	–	1
Currency translation	1	2	–	3
At 30 April 2022	**(72)**	**(105)**	**–**	**(177)**
Carrying amount				
At 1 May 2021	125	100	1	226
At 30 April 2022	**114**	**84**	**1**	**199**

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Total £m
Cost				
At 1 May 2020	174	169	2	345
Divestments	(3)	–	–	(3)
Additions	17	34	–	51
Disposals	(6)	(16)	–	(22)
Reclassification	–	–	(1)	(1)
Currency translation	(5)	–	–	(5)
At 30 April 2021	177	187	1	365
Depreciation and impairment				
At 1 May 2020	(28)	(61)	–	(89)
Depreciation charge	(31)	(43)	–	(74)
Disposals	6	16	–	22
Reclassification	–	1	–	1
Currency translation	1	–	–	1
At 30 April 2021	(52)	(87)	–	(139)
Carrying amount				
At 1 May 2020	146	108	2	256
At 30 April 2021	125	100	1	226

12. Right-of-use assets and lease liabilities continued

Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2022 £m	2021 £m
At beginning of the year	**230**	255
Divestments	**(1)**	(3)
Additions	**51**	51
Accretion of interest	**11**	12
Payments	**(84)**	(85)
Early termination	**(3)**	1
Currency translation	**(1)**	(1)
At end of the year	**203**	230
Current	**63**	71
Non-current	**140**	159
	203	230

The Group has maintained full operational status throughout the Covid-19 pandemic and as a result of this there has been no requirement for the Group to enter into any alternative relationships with regard to its lease population.

The maturity analysis of lease liabilities is presented in note 20.

13. Equity accounted investments

	2022 £m	2021 £m
At beginning of the year	**38**	35
Dividends	**(1)**	(1)
Share of profit of equity accounted investments, net of tax	**7**	5
Currency translation	**2**	(1)
Impairment of associate (note 4)	**(29)**	–
At end of the year	**17**	38

Principal equity accounted investments

	Nature of business	Principal country of operation	Ownership interest 2022	Ownership interest 2021
PrJSC 'Rubezhnoye Cardboard and Package Mill'	Paper and packaging	Ukraine	**49.6%**	49.6%
Philcorr LLC	Packaging	USA	**40.0%**	40.0%
Philcorr Vineland LLC	Packaging	USA	**40.0%**	40.0%
Cartonajes Santander, S.L.	Packaging	Spain	**39.6%**	39.6%
Cartonajes Cantabria S.L.	Packaging	Spain	**39.6%**	39.6%
Euskocarton, S.L.	Packaging	Spain	**39.6%**	39.6%
Industria Cartonera Asturiana S.L.	Packaging	Spain	**39.6%**	39.6%

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

All the above associates are accounted for using the equity method because the Group has the ability to exercise significant influence over the investments due to the Group's equity holdings and board representation.

Notes to the consolidated financial statements (continued)

13. Equity accounted investments continued

Summary of financial information of associates

The financial information below is for the Group's associates on a 100% basis for the year ended 30 April.

	2022 £m	2021 £m
Current assets	**15**	52
Non-current assets	**13**	79
Current liabilities	**(10)**	(19)
Non-current liabilities	**(6)**	(11)
Revenue	**77**	174
Profit after tax	**12**	20
Other comprehensive income	**–**	16

14. Other investments

	2022 £m	2021 £m
Other investments	**13**	10
Restricted cash	**3**	3
	16	13

15. Inventories

	2022 £m	2021 £m
Raw materials and consumables	**419**	325
Work in progress	**27**	22
Finished goods	**257**	190
	703	537

Inventory provisions at 30 April 2022 were £51m (30 April 2021: £50m).

Inventories of £3,102m were recognised as an expense during the year ended 30 April 2022 (2020/ 21: £2,307m) and included within cost of sales.

16. Trade and other receivables

	2022		2021	
	Non-current £m	Current £m	Non-current £m	Current £m
Trade receivables	**–**	**1,023**	–	677
Loss allowance	**–**	**(30)**	–	(31)
Prepayments and accrued income	**–**	**82**	–	65
Other deposits	**–**	**30**	–	29
Other receivables	**–**	**124**	1	78
	–	**1,229**	1	818

Other receivables comprise various items including indirect tax receivable, employee advances and interest receivable.

The Group has sold without recourse certain trade receivables and on realisation the receivable is de-recognised and proceeds are presented within operating cash flows. Other deposits relate to these arrangements. Sold trade receivables under these arrangements amounted to £381m (2020/21:£407m).

16. Trade and other receivables continued

	Total £m	Current (not past due) £m	Of which past due: 1 month or less £m	1-3 months £m	3-6 months £m	6-12 months £m	More than 12 months £m
At 30 April 2022							
Gross trade receivables	**1,023**	**967**	**16**	**11**	**3**	**3**	**23**
Weighted average loss rate	**2.9%**	**0.4%**	**6.3%**	**9.1%**	**33%**	**33%**	**96%**
Loss allowance	**(30)**	**(4)**	**(1)**	**(1)**	**(1)**	**(1)**	**(22)**
At 30 April 2021							
Gross trade receivables	677	629	8	8	2	2	28
Weighted average loss rate	–	0.6%	13%	–	–	50%	89%
Loss allowance	(31)	(4)	(1)	–	–	(1)	(25)

Movement in loss allowance

	2022 £m	2021 £m
At beginning of the year	**(31)**	(36)
Amounts written off	**–**	8
Net remeasurement of loss allowance	**–**	(3)
Currency translation	**1**	–
At end of the year	**(30)**	(31)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diverse. The majority of customers are credit insured and the Group has a history of low levels of losses in respect of trade receivables.

The loss allowance represents the Group's expected credit losses on trade receivables as defined under IFRS 9 *Financial Instruments*. The expected credit losses are estimated using a provision matrix by grouping trade receivables based on shared credit risk characteristics and the days past due. Expected loss rates are calculated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions (including the impact of Covid-19) and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The accounting impact of credit insurance is not considered integral to the consideration of the carrying value of the trade receivables.

17. Trade and other payables

	2022 Non-current £m	2022 Current £m	2021 Non-current £m	2021 Current £m
Trade payables	**–**	**1,922**	–	1,273
Interest payable	**–**	**23**	–	24
Other non-trade payables and accrued expenses	**37**	**558**	15	537
	37	**2,503**	15	1,834

In accordance with government initiatives to allow suppliers to receive payments earlier than contractual payment terms, the Group has set up supply chain finance programmes through third parties, all of which are established and well capitalised financial institutions. The objectives for the scheme are to support smaller suppliers, if they choose, on an invoice by invoice basis, an earlier payment from the financial institution whilst the group continue to pay the financial institution to the suppliers contractual terms giving them earlier access to funding, and to manage the Group's working capital. These schemes allow suppliers to receive, if they choose, on an invoice by invoice basis, an earlier payment whilst the Group continues to pay to the suppliers' contractual terms. Suppliers are at liberty to use them or not and these arrangements have no cost to the Group and have no effect on trade payable balances or operating cash flows. The Group does not participate in any rebates, does not receive any fees from the providers nor does it provide any discounts or incentives for the suppliers to utilise these facilities. Additionally, they are not used to create payment terms which are abnormal, atypical or extend statutory payment terms in the countries the Group operates in and no adjustments are made by Standard and Poor's in their assessment of Group adjusted net debt.

The Group assesses the supply chain finance programmes to ascertain whether liabilities to suppliers who have chosen to access an earlier payment under the scheme continue to meet the definition of trade payables, or should be reclassified as borrowings. The Group has concluded that the Group's liability to the supplier remains unchanged for all such programmes and, as such, these balances remain in trade payables and the cash flows associated with these programmes remain within operating cash flows.

Notes to the consolidated financial statements (continued)

17. Trade and other payables continued

Within non-trade payables and accrued expenses is the redemption liability of £99m at 30 April 2022 (30 April 2021: £105m) arising on the acquisition of Interstate Resources and relating to a put option held by the seller, as detailed further in note 30(a).

The liability for the final stake at 30 April 2022 is recorded at the discounted fair value of the estimated redemption amount, applying a discount rate of 9%, based on the multiple based formula using the forecast results of the Interstate Resources business, as specified in the contract, with a floor of the original purchase price.

18. Net debt

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

	Note	At 30 April 2021 £m	Continuing operations cash flow £m	Acquisitions and divestments £m	Foreign exchange, fair value and non-cash movements £m	**At 30 April 2022 £m**
Cash and cash equivalents		813	15	–	(9)	**819**
Overdrafts		(94)	20	–	1	**(73)**
Net cash and cash equivalents	19	719	35	–	(8)	**746**
Other investments – restricted cash	14	3	–	–	–	**3**
Other deposits		29	2	–	(1)	**30**
Borrowings – after one year		(2,066)	3	–	672	**(1,391)**
Borrowings – within one year		(235)	192	–	(638)	**(681)**
Lease liabilities	12	(230)	73	1	(47)	**(203)**
Derivative financial instruments						
Assets		–	(4)	–	16	**12**
Liabilities		(15)	39	–	(24)	**-**
		(2,514)	305	1	(22)	**(2,230)**
Net debt – reported basis		(1,795)	340	1	(30)	**(1,484)**
IFRS 16 lease liabilities		227				**201**
Net debt excluding IFRS 16 liabilities		(1,568)				**(1,283)**

Net debt is a non-GAAP measure not defined by IFRS. While the Group has included lease liabilities after transition to IFRS 16 *Leases* within total lease liabilities (in addition to arrangements previously classified as finance leases under IAS 17), IFRS 16 liabilities are currently excluded from the definition of net debt as set out in the Group's banking covenant requirements.

Further detail on the use of non-GAAP measures and a reconciliation showing the calculation of adjusted net debt, as defined in the Group's banking covenants, is included in note 32.

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

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

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

19. Cash and cash equivalents

	2022 £m	2021 £m
Bank balances	**469**	378
Short-term deposits	**350**	435
Cash and cash equivalents (consolidated statement of financial position)	**819**	813
Bank overdrafts	**(73)**	(94)
Net cash and cash equivalents (consolidated statement of cash flows)	**746**	719

20. Borrowings

	2022			2021		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Bank and other loans[1]	**(4)**	**(2)**	**(6)**	(32)	–	(32)
Commercial paper	**(37)**	**-**	**(37)**	(43)	–	(43)
Medium-term notes and other fixed-term debt						
€150m term loan 0.6% coupon July 2021	**-**	**-**	**-**	(130)	–	(130)
$268m USD private placement 4.65% weighted average coupon August 2021-2022[2]	**(213)**	**-**	**(213)**	(22)	(193)	(215)
€500m medium-term note 2.25% coupon September 2022	**(420)**	**-**	**(420)**	–	(433)	(433)
€750m medium-term note 1.38% coupon July 2024	**-**	**(625)**	**(625)**	–	(650)	(650)
€27.6m term loan 1.4% coupon September 2025	**(7)**	**(16)**	**(23)**	(8)	(27)	(35)
€600m medium-term note 0.85% coupon September 2026	**-**	**(499)**	**(499)**	–	(515)	(515)
£250m medium-term note 2.88% coupon July 2029	**-**	**(249)**	**(249)**	–	(248)	(248)
	(681)	**(1,391)**	**(2,072)**	(235)	(2,066)	(2,301)

1. Drawings under bank loans.
2. Swapped to fixed rate £103m and fixed rate €120m using cross-currency swaps.

Borrowings are unsecured and measured at amortised cost. There have been no breaches of covenants during the year ended 30 April 2022 in relation to the above borrowings.

Of the total borrowing facilities available to the Group, the undrawn committed facilities available at 30 April were as follows:

	2022 £m	2021 £m
Expiring between two and five years	**1,450**	1,452
Expiring after five years	**-**	–
	1,450	1,452

The £1,450m of undrawn facilities consist of the revolving credit facilities.

The repayment profile of the Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts, is as follows:

2022	**1 year or less £m**	**1-2 years £m**	**2-5 years £m**	**More than 5 years £m**	**Total £m**
Borrowings					
Fixed rate	**(680)**	**(7)**	**(1,136)**	**(248)**	**(2,071)**
Floating rate	**(1)**	**-**	**-**	**-**	**(1)**
Total borrowings	**(681)**	**(7)**	**(1,136)**	**(248)**	**(2,072)**

2021	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Borrowings					
Fixed rate	(204)	(631)	(664)	(770)	(2,269)
Floating rate	(31)	(1)	–	–	(32)
Total borrowings	(235)	(632)	(664)	(770)	(2,301)

Notes to the consolidated financial statements (continued)

20. Borrowings continued

The Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts are denominated in the following currencies:

	2022				
	Sterling £m	**Euro £m**	**US dollar £m**	**Other £m**	**Total £m**
Borrowings					
Fixed rate	**(200)**	**(1,643)**	**(227)**	**(1)**	**(2,071)**
Floating rate	**–**	**(1)**	**–**	**–**	**(1)**
	(200)	**(1,644)**	**(227)**	**(1)**	**(2,072)**
Net cash and cash equivalents (including bank overdrafts)					
Floating rate	**90**	**474**	**56**	**126**	**746**
Net borrowings at 30 April 2022	**(110)**	**(1,170)**	**(171)**	**125**	**(1,326)**

	2021				
	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
Borrowings					
Fixed rate	(353)	(1,694)	(222)	–	(2,269)
Floating rate	–	(32)	–	–	(32)
	(353)	(1,726)	(222)	–	(2,301)
Net cash and cash equivalents (including bank overdrafts)					
Floating rate	288	315	20	96	719
Net borrowings at 30 April 2021	(65)	(1,411)	(202)	96	(1,582)

At 30 April 2022, 79% of the Group's borrowings, after taking into account the effect of cross-currency swaps and forward foreign exchange contracts, were denominated in euros in order to hedge the underlying assets of the Group's European operations (30 April 2021: 75%). Interest rates on floating rate borrowings are based on EURIBOR or, where applicable local currency base rates.

Maturity of lease liabilities

	1 year or less £m	**1-2 years £m**	**2-5 years £m**	**More than 5 years £m**	**Total £m**
At 30 April 2021	(71)	(51)	(73)	(35)	(230)
At 30 April 2022	**(63)**	**(46)**	**(61)**	**(33)**	**(203)**

Denomination of lease liabilities

	Sterling £m	**Euro £m**	**US dollar £m**	**Other £m**	**Total £m**
At 30 April 2021	(49)	(114)	(36)	(31)	(230)
At 30 April 2022	**(42)**	**(101)**	**(38)**	**(22)**	**(203)**

20. Borrowings continued

Changes in liabilities arising from financing activities

	At 1 May 2021 £m	Financing cash flows £m	Acquisitions and divestments £m	New leases £m	Movements in fair value £m	Other £m	At 30 Apr 2022 £m
Bank and other loans, including commercial paper	(75)	36	–	–	–	(4)	**(43)**
Medium-term notes and other fixed-term debt	(2,226)	159	–	–	–	38	**(2,029)**
Lease liabilities	(230)	73	1	(51)	–	4	**(203)**
Derivative financial instruments related to hedging of financial liabilities (note 18)							
Assets	–	(4)	–	–	16	–	**12**
Liabilities	(15)	39	–	–	(24)	–	**-**
Total liabilities from financing activities	**(2,546)**	**303**	**1**	**(51)**	**(8)**	**38**	**(2,263)**

	At 1 May 2020 £m	Financing cash flows £m	Acquisitions and divestments £m	New leases £m	Movements in fair value £m	Other £m	At 30 Apr 2021 £m
Bank and other loans, including commercial paper	(35)	(42)	–	–	–	2	(75)
Medium-term notes and other fixed-term debt	(2,363)	98	–	–	–	39	(2,226)
Lease liabilities	(255)	73	3	(51)	–	–	(230)
Derivative financial instruments related to hedging of financial liabilities (note 18)							
Assets	13	(8)	–	–	(5)	–	–
Liabilities	(2)	24	–	–	(37)	–	(15)
Total liabilities from financing activities	(2,642)	145	3	(51)	(42)	41	(2,546)

Other changes include foreign exchange movements and amortisation of capitalised borrowing costs.

Financing cash flows consist of the net amount of proceeds from borrowings, repayment of borrowings, repayment of lease obligations and proceeds from settlement of derivative financial instruments in the consolidated statement of cash flows. Payments in respect of, and proceeds from settlement of derivative financial instruments in the consolidated statement of cash flows relate solely to derivative financial instruments used to hedge the Group's borrowings and net assets of foreign operations. Operating cash flows include settlement of commodity derivatives.

Notes to the consolidated financial statements (continued)

21. Financial instruments

The Group's activities expose the Group to a number of key risks which have the potential to affect its ability to achieve its business objectives. A summary of the Group's key financial risks and the policies and objectives in place to manage these risks is set out in the financial review and principal risk sections of the Strategic Report.

The derivative financial instruments set out in this note have been entered into in line with the Group's risk management objectives. The Group's treasury policy prohibits entering into speculative transactions.

(a) Carrying amounts and fair values of financial assets and liabilities

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

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

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

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

The Group's financial assets and financial liabilities are categorised within the fair value hierarchy that reflects the significance of the inputs used in making the assessments. The majority of the Group's financial instruments are Level 2 financial instruments in accordance with the fair value hierarchy, meaning although the instruments are not traded in an active market, inputs to fair value are observable for the asset and liability, either directly (i.e. quoted market prices) or indirectly (i.e. derived from prices). The Group's medium-term notes are Level 1 financial instruments, as the notes are listed on the Luxembourg Stock Exchange. Other investments and the redemption liability arising on the acquisition of Interstate Resources (within trade and other payables) are Level 3 financial instruments. The fair value of other investments is derived from fair value calculations based on their cash flows, and details of the valuation of the redemption liability are provided in note 17.

21. Financial instruments continued

(b) Derivative financial instruments

The Group enters into derivative financial instruments, primarily foreign exchange and commodity contracts, to manage the risks associated with the Group's underlying business activities and the financing of these activities. Derivatives designated as effective hedging instruments are carried at their fair value.

The assets and liabilities of the Group at 30 April in respect of derivative financial instruments are as follows:

	Assets		Liabilities		Net	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Derivatives held to:						
Manage the currency exposures on business activities, borrowings and net investments	**12**	–	**–**	(15)	**12**	(15)
Derivative financial instruments included in net debt	**12**	–	**–**	(15)	**12**	(15)
Derivatives held to hedge future transactions:						
Forward foreign exchange contracts	**1**	–	**–**	–	**1**	–
Energy and carbon certificate costs	**798**	115	**(84)**	(41)	**714**	74
Total derivative financial instruments	**811**	115	**(84)**	(56)	**727**	59
Current	**316**	80	**(56)**	(41)	**260**	39
Non-current	**495**	35	**(28)**	(15)	**467**	20
	811	115	**(84)**	(56)	**727**	59

(c) Cash flow and net investment hedges

(i) Hedge reserves

Set out below is the reconciliation of each component in the hedging reserve:

	Commodity risk £m	Foreign exchange risk £m	Total £m
Balance at 1 May 2020	(26)	(13)	(39)
Gain/(loss) on designated cash flow hedges:			
Cross-currency swaps	–	(20)	(20)
Commodity contracts	123	–	123
Loss/(gain) reclassified from equity to the income statement:			
Cross-currency swaps	–	27	27
Commodity contracts	(18)	–	(18)
Deferred tax	(20)	–	(20)
At 30 April 2021	**59**	**(6)**	**53**
Gain/(loss) on designated cash flow hedges:			
Cross-currency swaps	–	20	20
Commodity contracts	1,049	–	1,049
Loss/(gain) reclassified from equity to the income statement:			
Cross-currency swaps	–	(20)	(20)
Commodity contracts	(337)	–	(337)
Reclassification between reserves	–	7	7
Deferred tax	(162)	(1)	(163)
At 30 April 2022	**609**	**–**	**609**

Notes to the consolidated financial statements (continued)

21. Financial instruments continued

(c) Cash flow and net investment hedges continued

(i) Hedge reserves continued

The amounts reclassified to the income statement from the cash flow hedging reserve during the year are reflected in the following items in the income statement:

	2022 £m	2021 £m
Operating costs	**(337)**	(18)
Finance costs	**(20)**	27
Total pre-tax loss/(gain) reclassified from equity to the income statement during the year	**(357)**	9

There was £nil recognised ineffectiveness during the year ended 30 April 2022 (2020/21: £nil) in relation to the cross-currency swaps.

(ii) Hedges of net investments in foreign operations

The Group utilises foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts as hedges of long-term investments in foreign subsidiaries. The pre-tax gain on the hedges recognised in equity during the year was £28m (2020/21: loss of £2m). This £28m is matched by a similar gain in equity on the retranslation of the hedged foreign subsidiary net assets resulting in a net gain of £nil (2020/21: net gain of £nil) treated as hedge ineffectiveness in the income statement.

(d) Risk identification and risk management

(i) Capital management

The Group defines its managed capital as the sum of equity, as presented in the consolidated statement of financial position, and net debt (note 18).

	2022 £m	2021 £m
Net debt	**1,484**	1,795
Total equity	**4,234**	3,535
Managed capital	**5,718**	5,330

There were no significant events leading to the change in managed capital levels during the year. The changes in the Group's funding were the repayment of private placement borrowings of €30m in August 2021, repayment of a €150m term loan in July 2021 and a €12m part-repayment of a term loan according to a quarterly payment schedule.

Managed capital is different from capital employed (defined as property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale). Managed capital relates to our sources of funding, whereas adjusted return on average capital employed is our measure of the level of return being generated by the asset base.

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

The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed, as described elsewhere in this note. The Group's treasury strategy is controlled through the Balance Sheet Committee which meets every two months and includes the Group Finance Director, the Group General Counsel and Company Secretary, the Group Financial Controller and the Corporate Finance Director. The Group Treasury function operates in accordance with policies and procedures approved by the Board and is controlled by the Corporate Finance Director. The function arranges funding for the Group, provides a service to operations and implements strategies for financial risk management.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of a change in market prices. The Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices.

Interest rate risk

The Group is exposed to interest rate risk as borrowings are arranged at fixed interest rates, exposing it to fair value risk, and at floating interest rates, exposing it to future cash flow risk. The risk is managed by maintaining a mix of fixed and floating rate borrowings. The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

21. Financial instruments continued

(d) Risk identification and risk management continued

(ii) Market risk continued

Interest rate sensitivity

At 30 April 2022, 100% of the Group's borrowings were at fixed rates of interest (30 April 2021: 99%). The sensitivity analysis below shows the impact on profit of a 100 basis points rise in market interest rates (representing management's assessment of the reasonably possible change in interest rates) in all currencies in which the Group had variable-rate borrowings at 30 April 2022.

To calculate the impact on the income statement for the year, the interest rates on all variable-rate external borrowings and cash deposits have been increased by 100 basis points, and the resulting increase in the net interest charge has been adjusted for the effect of the Group's interest rate derivatives. The impact on equity is equal to the impact on profit.

The results are presented before non-controlling interests and tax.

	2022 £m	2021 £m
Impact on profit of increase in market interest rates of 100 basis points	**–**	–

Foreign exchange risk

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in sterling, was as follows:

	2022		2021	
	EUR £m	USD £m	EUR £m	USD £m
Trade receivables	**782**	**71**	504	54
Trade payables	**(1,614)**	**(179)**	(1,177)	(174)
Net borrowings[1]	**(1,171)**	**(170)**	(1,411)	(202)

1. After taking into account the effect of cross-currency swaps and forward foreign exchange contracts.

Foreign exchange risk on investments

The Group is exposed to foreign exchange risk arising from net investments in Group entities, the functional currencies of which differ from the Group's presentational currency, sterling. The Group partly hedges this exposure through borrowings denominated in foreign currencies and through cross-currency swaps and forward foreign exchange contracts.

Gains and losses arising from hedges of net investments are recognised in equity.

Foreign exchange risk on borrowings

The Group is exposed to foreign exchange risk on borrowings denominated in foreign currencies. The Group hedges some of this exposure through cross-currency swaps designated as cash flow hedges.

Foreign exchange risk on transactions

Foreign currency transaction risk arises where a business unit makes product sales or purchases in a currency other than its functional currency. Part of this risk is hedged using forward foreign exchange contracts which are designated as cash flow hedges.

The Group only designates the forward rate of foreign currency forwards in hedge relationships.

For the hedges of highly probable forecast sales and purchases, as the critical terms (i.e. the notional amount, life and underlying terms) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying exchange rates.

The Group's main currency exposures are to the euro and US dollar. The following significant exchange rates applied during the year:

	2022		2021	
	Average	Closing	Average	Closing
Euro	**1.179**	**1.192**	1.122	1.151
US dollar	**1.359**	**1.256**	1.320	1.391

Notes to the consolidated financial statements (continued)

21. Financial instruments continued

(d) Risk identification and risk management continued

(ii) Market risk continued

Foreign exchange risk on transactions continued

The following sensitivity analysis shows the impact on the Group's results of a 10% strengthening and weakening in the sterling exchange rate against all other currencies representing management's assessment of the reasonably possible change in foreign exchange rates. The analysis is restricted to financial instruments denominated in a foreign currency and excludes the impact of financial instruments designated as net investment hedges.

Net investment hedges are excluded as the impact of the foreign exchange movements on these are offset by equal and opposite movements in the hedged items.

The results are presented before non-controlling interests and tax.

	2022		2021	
	Impact on profit £m	Impact on total equity £m	Impact on profit £m	Impact on total equity £m
10% strengthening of sterling	-	62	-	42
10% weakening of sterling	-	(76)	-	(51)

Commodity risk

The Group's main commodity exposures are to changes in gas and electricity prices. The Group also hedges its exposure to fluctuations in the cost of carbon emission certificates. This commodity price risk is managed by a combination of physical supply agreements and derivative instruments. At 30 April 2022, gains of £609m net of tax (2020/21: gains of £59m) are deferred in equity in respect of cash flow hedges in accordance with IAS 39. Any gains or losses deferred in equity will be reclassified to the income statement in the period in which the hedged item also affects the income statement, which will occur within three years.

The following table details the Group's sensitivity to a 10% increase in these prices, which is management's assessment of the reasonably possible change, on average, over any given year. A decrease of 10% in these prices would produce an opposite effect on equity. As all of the Group's commodity financial instruments achieve hedge accounting under IAS 39, there is no impact on profit for either year.

The results are presented before non-controlling interests and tax.

	2022		2021	
	Impact on profit £m	Impact on total equity £m	Impact on profit £m	Impact on total equity £m
10% increase in electricity prices	-	4	-	3
10% increase in gas prices	-	103	-	22
10% increase in carbon certificate prices	-	8	-	7

(iii) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due, causing financial loss to the Group. In the current economic environment, the Group has placed increased emphasis on the management of credit risk. The carrying amount of financial assets at 30 April 2022 was £2,875m and is analysed in note 21(a). This represents the maximum credit risk exposure.

Credit risk on financial instruments held with financial institutions is assessed and managed by reference to the long-term credit ratings assigned to that counterparty by Standard & Poor's and Moody's credit rating agencies. The short-term deposits are placed with seven financial institutions with a minimum Standard & Poor's credit rating of BBB. Amounts deposited with counterparties are subject to limits based on their credit ratings. There are no significant concentrations of credit risk.

See note 16 for information on credit risk with respect to trade receivables.

21. Financial instruments continued

(d) Risk identification and risk management continued

(iv) Liquidity risk

Liquidity risk is the risk that the Group, although solvent, will have difficulty in meeting its obligations associated with its financial liabilities as they fall due.

The Group manages its liquidity risk by maintaining a sufficient level of undrawn committed borrowing facilities. At 30 April 2022, the Group had £1,450m of undrawn committed borrowing facilities (30 April 2021: £1,452m), which comprises the revolving credit facilities. The Group mitigates its refinancing risk by raising its debt requirements from a number of different sources with a range of maturities.

The following table is an analysis of the undiscounted contractual maturities of non-derivative financial liabilities.

		Contractual repayments		
At 30 April 2022	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Non-derivative financial liabilities				
Trade and other payables	**2,540**	**2,503**	**37**	**–**
Bank and other loans	**6**	**4**	**2**	**–**
Commercial paper	**37**	**37**	**–**	**–**
Medium-term notes and other fixed-term debt	**2,039**	**640**	**1,149**	**250**
Lease liabilities	**241**	**66**	**122**	**53**
Bank overdrafts	**73**	**73**	**–**	**–**
Interest payments on borrowings	**121**	**35**	**64**	**22**
Total non-derivative financial liabilities	**5,057**	**3,358**	**1,374**	**325**

		Contractual repayments		
At 30 April 2021	Total £m	1 year or less £m	1-5 years £m	More than 5 years £m
Non-derivative financial liabilities				
Trade and other payables	1,849	1,834	15	–
Bank and other loans	36	32	4	–
Commercial paper	43	43	–	–
Medium-term notes and other fixed-term debt	2,236	160	1,305	771
Lease liabilities	276	74	144	58
Bank overdrafts	94	94	–	–
Interest payments on borrowings	157	39	85	33
Total non-derivative financial liabilities	4,691	2,276	1,553	862

Refer to note 29 for a summary of the Group's capital commitments.

Notes to the consolidated financial statements (continued)

21. Financial instruments continued

(d) Risk identification and risk management continued

(iv) Liquidity risk continued

The following table is an analysis of the undiscounted contractual maturities of derivative financial liabilities. Where the payable and receivable legs of these derivatives are denominated in foreign currencies, the contractual payments or receipts have been calculated based on exchange rates prevailing at the respective year ends. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Where applicable, interest and foreign exchange rates prevailing at the reporting date are assumed to remain constant over the future contractual maturities.

	Contractual payments/(receipts)			
At 30 April 2022	**Total £m**	**1 year or less £m**	**1-5 years £m**	**More than 5 years £m**
Derivative financial liabilities				
Energy derivatives	**84**	**56**	**28**	**-**
Cross-currency swaps and forward foreign exchange contracts:				
Payments	**22**	**22**	**-**	**-**
Receipts	**(22)**	**(22)**	**-**	**-**
Total derivative financial liabilities	**84**	**56**	**28**	**-**

	Contractual payments/(receipts)			
At 30 April 2021	Total £m	1 year or less £m	1-5 years £m	More than 5 years £m
Derivative financial liabilities				
Energy derivatives	41	39	2	–
Cross-currency swaps and forward foreign exchange contracts:				
Payments	583	269	314	–
Receipts	(573)	(269)	(304)	–
Total derivative financial liabilities	51	39	12	–

22. Deferred tax assets and liabilities

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Tax losses		Other[1]		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At beginning of the year	**(331)**	(352)	**45**	50	**62**	65	**(10)**	9	**(234)**	(228)
Credit/(charge) for the year:										
– continuing	**30**	11	**(3)**	(1)	**(4)**	(12)	**1**	1	**24**	(1)
– discontinued	**–**	–	**–**	–	**–**	9	**–**	–	**–**	9
Recognised directly in equity	**–**	–	**(14)**	(4)	**–**	–	**(163)**	(20)	**(177)**	(24)
Currency translation	**(1)**	10	**(1)**	–	**–**	–	**–**	–	**(2)**	10
At end of the year	**(302)**	(331)	**27**	45	**58**	62	**(172)**	(10)	**(389)**	(234)

1. Includes deferred tax liabilities on derivative financial instruments of £174m (30 April 2021: £11m).

At 30 April 2022, deferred tax assets and liabilities were recognised for all taxable temporary differences:

- except where the deferred tax liability arises on goodwill;
- except on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of temporary differences can be controlled by the Group and it is probable that temporary differences will not reverse in the foreseeable future.

At 30 April 2022, no deferred tax liability has been recognised in respect of temporary differences relating to unremitted earnings of subsidiaries and associates because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The amount of the associated temporary differences at 30 April 2022 was £2,031m (30 April 2021: £1,927m).

As commented in note 7, Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021. Accordingly, the rate applied to UK deferred tax assets and liabilities expected to reverse after 1 April 2023 is 25% (2020: 19%).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 £m	2021 £m
Deferred tax liabilities	**(396)**	(271)
Deferred tax assets	**7**	37
Net deferred tax	**(389)**	(234)

The deferred tax asset in respect of tax losses at 30 April 2022 includes an asset in the UK of £24m (30 April 2021: £19m). The asset has been recognised based on the Group's forecast of net interest income that will arise in the UK from the financing of previous acquisitions. The asset is expected to be fully recovered over the foreseeable future.

The deferred tax asset in respect of tax losses at 30 April 2022 includes an asset in France of £10m (30 April 2021: £14m). The asset in France is expected to be fully recovered over the next few years.

The deferred tax asset of £11m at 30 April 2021 in respect of tax losses in Luxembourg has fully reversed in the year since the tax losses have been used to offset taxable interest income.

In addition to the tax losses above, the Group has tax losses at 30 April 2022 of £42m (30 April 2021: £49m). for which no deferred tax assets have been recognised. These losses include £24m (30 April 2021:£8m) which do not expire and £18m (30 April 2021: £20m) which expire between 2027 and 2029 under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

Notes to the consolidated financial statements (continued)

23. Provisions

	Restructuring £m	Other £m	Total £m
At 1 May 2021	7	49	56
Divestments	–	(2)	(2)
Charged to income	11	29	40
Credited to income	–	(21)	(21)
Utilised	(11)	(7)	(18)
At 30 April 2022	**7**	**48**	**55**
Non-current	–	7	7
Current	7	41	48
At 30 April 2022	**7**	**48**	**55**

The restructuring provision includes amounts associated with the site closures and restructuring costs described in note 4.

The Group was one of a number of companies operating in the paper packaging industry that was subject to a decision (currently the subject of appeal) by the Italian Competition Authority concerning anti-competitive behaviour in Italy (the "Decision"). Given its position as leniency applicant, the Group was not fined. The Group is subject to a number of claims (both actual and threatened) for compensation in respect of the Decision, which the Group intends to defend robustly. Given the early stage of these claims, the ongoing appeal process, the Group's intention to defend all claims robustly and having applied the tests in IAS37, no provision has been recognised and instead this item has been disclosed as a contingent liability.

Other provisions relate to environmental and restoration liabilities, carbon emission obligations, indemnities and estimated liabilities arising from actual and potential litigation and disputes. The timing of the utilisation of these provisions is uncertain, except where the associated costs are contractual, in which case the provision is utilised over the time period specified in the contract.

24. Capital and reserves

Share capital

	Number of shares			
	2022 millions	2021 millions	**2022 £m**	2021 £m
Ordinary equity shares of 10 pence each:				
Issued, allotted, called up and fully paid	**1,376**	1,373	**137**	137

During the year ended 30 April 2022 2,694,364 of ordinary shares were issued as a result of exercises of employee share options.

The net movements in share capital and share premium are disclosed in the consolidated statement of changes in equity.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises 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.

Share premium

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The Group operates a General Employee Benefit Trust, which acquires shares in the Company that can be used to satisfy the requirements of the Performance Share Plans. At 30 April 2022, the Trust held 2.4m shares (30 April 2021: 1.2m shares). The market value of the shares at 30 April 2022 was £7.8m (30 April 2021: £5.2m). Dividends receivable on the shares owned by the Trust have been waived.

24. Capital and reserves continued

Non-controlling interests

The Group has a put option in relation to a subsidiary with a non-controlling interest. The Group records a liability at the net present value of the expected future payments, with a corresponding entry against non-controlling interests in respect of the non-controlling shareholders' put option, measured at fair value. At the end of each period, the valuation of the liability is reassessed with any changes recorded within finance costs through the income statement and then transferred out of retained earnings into non-controlling interests.

Retained earnings

Retained earnings includes a merger relief reserve related to the shares issued in consideration to the sellers of EcoPack/EcoPaper in 2017/18. The closing balance of this reserve is £32m.

25. Employee benefits

	Total		UK		Overseas	
Balance sheet	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Present value of post-retirement obligations	**(1,189)**	(1,345)	**(1,056)**	(1,189)	**(133)**	(156)
Fair value of plan assets						
Equities/multi-strategy	**100**	14	**85**	–	**15**	14
Debt instruments	**612**	553	**587**	526	**25**	27
Derivatives	**315**	465	**315**	465	**-**	–
Real estate	**1**	1	**-**	–	**1**	1
Cash and cash equivalents	**17**	7	**17**	7	**-**	–
Other	**68**	138	**53**	122	**15**	16
	1,113	1,178	**1,057**	1,120	**56**	58
Net post-retirement plan (deficit)/surplus	**(76)**	(167)	**1**	(69)	**(77)**	(98)
Other employee benefit liabilities	**(10)**	(8)	**-**	–	**(10)**	(8)
Total employee benefit (deficit)/surplus	**(86)**	(175)	**1**	(69)	**(87)**	(106)
Related deferred tax asset	**21**	40	**-**	13	**21**	27
Net employee benefit (deficit)/surplus	**(65)**	(135)	**1**	(56)	**(66)**	(79)

Employee benefit schemes

At 30 April 2022, the Group operated a number of employee benefit arrangements for the benefit of its employees throughout the world. The plans are provided through both defined benefit and defined contribution arrangements and their legal status and control vary depending on the conditions and practices in the countries concerned.

Pension scheme trustees and representatives of the Group work with those managing the employee benefit arrangements to monitor the effects on the arrangements of changes in financial markets and the impact of uncertainty in assumptions, and to develop strategies that could mitigate the risks to which these employee benefit schemes expose the Group.

Notes to the consolidated financial statements (continued)

25. Employee benefits continued

UK schemes

The DS Smith Group Pension Scheme (the 'Group Scheme') is a UK funded final salary defined benefit scheme providing pensions and lump sum benefits to members and dependants. The Group 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 Group Scheme, if earlier). The Group 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 Group Scheme is governed by a Trustee Company (DS Smith Pension Trustees Limited), which is comprised of a Board of Trustee Directors (the 'Trustee Board') and is independent of the Group. The Trustee Board is responsible for managing the operation, funding and investment strategy of the Group Scheme.

UK legislation requires the Trustee Board to carry out actuarial funding valuations at least every three years and to target full funding over an appropriate period of time, taking into account the current circumstances of the Group Scheme and the Group on a basis that prudently reflects the risks to which the Group Scheme is exposed (the 'Technical Provisions' basis). The most recent funding valuation was carried out as at 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 2022 under the plan was £20m. 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 (the 'LTFT'), in addition to the statutory funding requirement, the purpose of which is to achieve material additional security for the Group Scheme's members. The objective of the LTFT is for the Group Scheme to be funded by 30 April 2035 to a level that does not expect to rely on future contributions from the Group. The LTFT comprises actuarial assumptions to assess whether any additional contributions above the deficit recovery contributions are required, and an investment strategy approach to be followed for de-risking the scheme's assets. In recent valuations, the secondary funding assessment has concluded that the deficit recovery plan contributions are sufficient and no additional contributions from the Group under the LTFT are required.

In order to manage risk, the Group Scheme's investment strategy is designed to closely align movements in the Group Scheme's assets to that of its liabilities, whilst maintaining an appropriate level of expected return. To help the Trustee Board to monitor, review and assess investment matters, the Investment and Funding Committee (the 'IFC'), which consists of representatives from the Trustee Board and the Group, meets on a quarterly basis throughout the year.

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

The Group Scheme deficit recovery plan agreed with the Trustee Board is considered a minimum funding requirement as described in IFRIC 14 *IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The Group has an unconditional right to a return of any surplus in a run-off scenario scenario and has therefore recognised the IAS 19 accounting surplus on the Group's balance sheet at 30 April 2022.

The assets in the Group Scheme (apart from the cash held) are nearly all Level 2 instruments under the fair value hierarchy. All Level 2 assets are held in daily traded pooled funds for which daily bid prices are available, and the valuation process for these assets involves minimal judgement and is agreed by reference to independent third parties. The Group Scheme does not hold any investment in DS Smith securities.

The largest defined contribution arrangement operated by the Group is in the UK. The UK defined contribution scheme is a trust-based arrangement offering members a range of investments. All assets are held independently from the Group. The Group also operates a small unfunded arrangement in the UK.

25. Employee benefits continued

Overseas schemes

The countries where the Group operates the most significant defined benefit post-retirement arrangements are:

- France – various mandatory retirement indemnities, post-retirement medical plans and jubilee arrangements (benefits paid to employees after completion of a certain number of years of service), the majority of which are determined by the applicable Collective Bargaining Agreement;
- Belgium – liabilities with respect to non-contributory defined benefit and cash balance retirement plans, as well as unfunded jubilee arrangements. The defined benefit plan is closed to new employees, although active members continue to accrue benefits;
- Switzerland – a contributory defined benefit pension scheme providing pensions and lump sum benefits to members and dependants;
- Italy – mandatory end-of-service lump sum benefits in respect of pre-2007 service;
- Portugal – defined benefit pensions plan with a fund that guarantees a payment of a pension supplement to all retired employees and pensioners who were receiving pension benefit from the fund on 13 July 2007; and
- Germany – jubilee arrangements and non-contributory defined benefit pension schemes.

In general, local trustees or similar bodies manage the post-retirement and medical plans in accordance with local regulations.

Overseas schemes expose the Group to risks such as longevity risk, currency risk, inflation risk, interest rate risk, investment risk, life expectancy risk and healthcare cost risk. Actions taken by the local regulator, or changes to legislation, could result in stronger local funding requirements for pension schemes, which could affect the Group's future cash flow.

Movements in the liability for employee benefit plans' obligations recognised in the consolidated statement of financial position

	2022 £m	2021 £m
Schemes' liabilities at beginning of the year	**(1,353)**	(1,363)
Divestments	**1**	–
Interest cost	**(26)**	(20)
Service cost recognised in the consolidated income statement	**(5)**	(5)
Member contributions	**(1)**	(1)
Settlement/curtailment	**–**	13
Pension payments	**50**	50
Unfunded benefits paid	**6**	10
Actuarial gain/(losses) – financial assumptions	**121**	(47)
Actuarial gains – experience	**6**	13
Actuarial losses – demographic	**(2)**	(5)
Currency translation	**4**	2
Schemes' liabilities at end of the year	**(1,199)**	(1,353)

Notes to the consolidated financial statements (continued)

25. Employee benefits continued

Movements in the fair value of employee benefit plans' assets recognised in the consolidated statement of financial position

	2022 £m	2021 £m
Schemes' assets at beginning of the year	**1,178**	1,164
Employer contributions	**21**	20
Member contributions	**1**	1
Interest income	**23**	18
Actuarial (losses)/ gains	**(57)**	34
Pension payments	**(51)**	(50)
Currency translation	**(2)**	(1)
Assets utilised in scheme settlement/curtailment	**-**	(8)
Schemes' assets at end of the year	**1,113**	1,178

Durations and expected payment profile

The following table provides information on the distribution of the timing of expected benefit payments for the Group Scheme:

At 30 April 2022	Within 5 years £m	6 to 10 years £m	11 to 20 years £m	21 to 30 years £m	31 to 40 years £m	41 to 50 years £m	Over 50 years £m
Projected benefit payments	**219**	**245**	**468**	**340**	**189**	**64**	**11**

The weighted average duration for the Group Scheme is 14 years.

The Group made agreed contributions of £20m to fund the UK Group Scheme in 2021/22 (2020/21: £19m). The Group's current best estimate of contributions expected to be made to the Group Scheme in the year ending 30 April 2023 will be approximately £20m. A charge over four UK Packaging properties has been made as security for the unfunded arrangement in the UK, the liability for which totals £6m.

Significant actuarial assumptions

Principal actuarial assumptions for the Group Scheme are as follows:

	2022	2021
Discount rate for scheme liabilities	**3.1%**	2.0%
Inflation	**3.2%**	2.7%
Pre-retirement pension increases	**2.5%**	2.2%
Future pension increases for pre 30 April 2005 service	**3.1%**	2.7%
Future pension increases for post 30 April 2005 service	**2.2%**	2.0%

For overseas arrangements, the weighted average actuarial assumptions are at an average discount rate of 2.0% (30 April 2021: 1.0%) and an inflation rate of 2.9% (30 April 2021: 1.7%).

25. Employee benefits continued

During the prior year, the UKSA's publication on the future of the RPI assumption base had the effect of lowering the RPI assumption by 1% per annum in the short term and the post-2030 assumption is that the RPI/CPI gap falls to zero. Assumptions regarding future mortality experience are set based on actuarial advice and in accordance with the relevant standard mortality tables in each country. For the Group Scheme at 30 April, the mortality base table used is 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. At 30 April 2021 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 UK Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

	2022		2021	
	Male	Female	Male	Female
Life expectancy at age 65				
Member currently aged 65	**21.3**	**23.5**	21.2	23.4
Member currently aged 45	**22.3**	**25.1**	22.2	25.0

Sensitivity analysis

The sensitivity of the liabilities in the Group 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	**(79)**
0.5% increase in inflation	**(59)**
Pre-retirement pension increases	**(21)**
0.5% CPI 5% on pre 30 April 2005 service	**(41)**
0.5% CPI 2.5% on post 30 April 2005 service	**(4)**
1 year increase in life expectancy	**(40)**

Expense recognised in the consolidated income statement

	Total	
	2022 £m	2021 £m
Post-retirement benefits current service cost	**(5)**	(5)
Total service cost	**(5)**	(5)
Net interest cost on net pension liability	**(2)**	(2)
Pension Protection Fund levy	**(1)**	(1)
Employment benefit net finance expense	**(3)**	(3)
Total expense recognised in the consolidated income statement	**(8)**	(8)

Items recognised in other comprehensive income

	2022 £m	2021 £m
Remeasurement of defined benefit obligation	**125**	(39)
Return on plan assets excluding amounts included in employment benefit net finance expense	**(57)**	34
Total gains/(losses) recognised in other comprehensive income	**68**	(5)

Notes to the consolidated financial statements (continued)

26. Share-based payment expense

The Group's share-based payment arrangements are as follows:

(i) A 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 made in 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 from 2017 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 in 2016 and 2017 have vested but have not yet been fully exercised.

(ii) A Deferred Share Bonus Plan (DSBP) 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.

(iii) An international Sharesave Plan was introduced in January 2014 with further invitations being made in subsequent years. 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 (or local currency equivalent) 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. The provisions of this Plan are subject to minor country specific variances. In France, the option price is discounted by up to 20% of the 20-day average up to the day before grant date. A standard US Stock Purchase Plan, was introduced in January 2014 with further invitations in subsequent years.
US employees of the Group are eligible to participate in this Plan. Options are granted to participants who have contracted to save up to the local currency equivalent of £250 per month over a period of two years at a discount of up to 15% to the higher of the mid-market average price on the day before invitation and the mid-market average on the day before grant of a DS Smith Plc ordinary share. Options cannot normally be exercised until a minimum of two years has elapsed.

26. Share-based payment expense continued

Further details of the awards described in (i), (ii), and (iii) are set out in the Remuneration Committee report.

Options outstanding and exercisable under share arrangements at 30 April 2022 were:

	Options outstanding				Options exercisable	
	Number of shares	Option price range (p)	Weighted average remaining contract life (years)	Weighted average exercise price (p)	Number exercisable	Weighted average exercise price (p)
Performance Share Plan	8,965,026	Nil	1.4	Nil	79,306	Nil
Deferred Share Bonus Plan	1,346,196	Nil	1.1	Nil	86,221	Nil
Sharesave Plan	12,964,878	269.0 – 412.0	1.1	308.8	5,320,903	290.0

The effect on earnings per share of potentially dilutive shares issuable under share-based payment arrangements is shown in note 8.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Performance Share Plan		Deferred Share Bonus Plan		Sharesave plan	
2022	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)
At 1 May 2021	Nil	8,878	Nil	4,669	317.4	15,538
Granted	Nil	2,849	Nil	645	316.0	2,756
Exercised	Nil	(537)	Nil	(3,641)	370.5	(808)
Lapsed	Nil	(2,225)	Nil	(327)	331.7	(4,521)
At 30 April 2022	**Nil**	**8,965**	**Nil**	**1,346**	**308.8**	**12,965**
Exercisable at 30 April 2022	**Nil**	**79**	**Nil**	**86**	**290.0**	**5,321**

	Performance Share Plan		Deferred Share Bonus plan		Sharesave plan	
2021	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)
At 1 May 2020	Nil	7,634	Nil	1,790	313.8	10,593
Granted	Nil	3,757	Nil	3,267	325.0	4,972
Exercised	Nil	(525)	Nil	(151)	370.5	(808)
Lapsed	Nil	(2,040)	Nil	(243)	331.8	(4,490)
At 30 April 2021	Nil	8,826	Nil	4,663	306.9	10,267
Exercisable at 30 April 2021	Nil	610	Nil	303	411.6	878

The average share price of the Company during the financial year was 390.9 pence (2020/21: 337.7 pence).

The fair value of awards granted in the period relates to the PSP and DSBP schemes.

The fair value of the PSP award granted during the year, determined using the stochastic (Monte Carlo) valuation model, was £11m. The significant inputs into the model were: a share price of 409.6p for the PSP at the grant date; the exercise prices shown above; an expected volatility of the share price of 35.4%; the scheme life disclosed above; a risk-free interest rate of -0.15% and an expected dividend yield of 0.94%. The volatility of share price returns is calculated over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant.

The total charge for the year relating to share-based payments recognised as personnel expenses was £10m (2020/21: £9m).

Notes to the consolidated financial statements (continued)

27. Cash generated from operations

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

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

	2022 £m	2021 £m
Profit for the year	**280**	182
Income tax expense	**98**	49
Share of profit of equity accounted investments, net of tax	**(7)**	(5)
Net financing costs	**72**	85
Amortisation of intangible assets; acquisitions and divestments	**136**	147
Pre-tax integration costs and other adjusting items	**37**	44
Adjusted operating profit	**616**	502
Depreciation	**290**	304
Adjusted EBITDA	**906**	806
Working capital movement	**215**	173
Change in provisions	**–**	(9)
Change in employee benefits	**(21)**	(32)
Other	**(8)**	5
Cash generated from operations before adjusting cash items	**1,092**	943
Capital expenditure	**(431)**	(331)
Proceeds from sale of property, plant and equipment and other investments	**16**	8
Tax paid	**(96)**	(66)
Net interest paid	**(62)**	(68)
Free cash flow	**519**	486
Cash outflow for adjusting items	**(13)**	(48)
Dividends paid	**(166)**	–
Acquisition of subsidiary businesses, net of cash and cash equivalents	**(23)**	(90)
Divestment of subsidiary businesses, net of cash and cash equivalents	**35**	16
Other	**(19)**	2
Net cash flow	**333**	366
Proceeds from issue of share capital	**7**	3
Borrowings and lease liabilities divested	**1**	3
Net movement on debt	**341**	372
Foreign exchange, fair value and other non-cash movements (note 18)	**(30)**	(56)
Net debt movement – continuing operations	**311**	316
Net debt movement – discontinued operation (note 30(b))	**–**	(10)
Opening net debt	**(1,795)**	(2,101)
Closing net debt – reported basis	**(1,484)**	(1,795)

Adjusted operating profit, adjusted EBITDA, free cash flow, and net debt are non-GAAP measures not defined by IFRS. Further detail on the use of non-GAAP measures is included in note 32.

Notes to the consolidated financial statements (continued)

29. Capital commitments and contingencies

At 30 April 2022, the Group had committed to incur capital expenditure of £186m (30 April 2021 £61m) relating primarily to the new Greenfield sites in Italy and Poland.

The Group is not subject to material litigation, but has a number of contingent liabilities that arise in the ordinary course of business on behalf of trading subsidiaries including, inter alia, intellectual property disputes and regulatory enquiries in areas such as health and safety, environmental, and anti-trust. No losses are anticipated to arise on these contingent liabilities.

30. Acquisitions and divestments

(a) 2021/22

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

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

2020/21

On 26 June 2020, the purchase of a further 10% stake in Interstate Resources was completed after the exercise of a portion of the put option held by the sellers. Of the £106m consideration, £82m was paid in cash, with, by agreement, the remainder deferred to October 2022. The final 10% stake remains subject to the put option. As a substantial shareholder of the Group, the seller met the definition of a related party (note 17).

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

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

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

(b) Plastics division

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

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

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

Consolidated income statement – discontinued operations

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

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

30. Acquisitions and divestments continued

Basic earnings per share from discontinued operations

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

Diluted earnings per share from discontinued operations

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

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

Adjusted earnings per share from discontinued operations

Further detail about the use of non-GAAP performance measures is given in note 32.

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

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

Cash flows used in discontinued operations

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

(c) Other 2021/22 acquisitions and divestments

The Group incurred acquisition related costs of £1m (2020/21: £2m), primarily related to professional advisory, legal and consultancy fees and contractual deferred consideration payments on prior year acquisitions.

Notes to the consolidated financial statements (continued)

31. Related parties

Identity of related parties

In the normal course of business, the Group undertakes a wide variety of transactions between its subsidiaries and equity accounted investments.

The key management personnel of the Company comprise the Chair, Executive Directors and Non-Executive Directors. The compensation of key management personnel can be found in the single total figure remuneration table in the Remuneration Committee report. Certain key management personnel also participate in the Group's share-based incentive programme (note 26). Included within the share-based payment expense, and detailed in the Remuneration Committee report, is a charge of £1m (2020/21: £1m) relating to key management personnel.

Transactions with pension trustees are disclosed in note 25.

Other related party transactions

	2022 £m	2021 £m
Sales to equity accounted investees	**21**	16
Sales to other investees	**-**	6
Purchases from equity accounted investees	**25**	18
Purchases from other investees	**-**	5

32. Non-GAAP performance measures

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

The principal adjustments to financial information are made to exclude the effects of adjusting items (refer to note 4) and amortisation.

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

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

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

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

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

32. Non-GAAP performance measures continued

Key non-GAAP performance measures

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

Adjusted operating profit

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

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

Operating profit before adjusting items

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

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

Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is adjusted operating profit excluding depreciation. A reconciliation from adjusted operating profit to adjusted EBITDA is provided in note 28.

Adjusted earnings per share

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

A reconciliation between basic and adjusted earnings per share is provided in note 8.

Return on sales

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

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

Adjusted return on average capital employed (ROACE)

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

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

Notes to the consolidated financial statements (continued)

32. Non-GAAP performance measures continued

Net debt and net debt/EBITDA

Net debt is the measure by which the Group assesses its level of overall indebtedness within its financial position. The components of net debt as they reconcile to the primary financial statements and notes to the accounts are disclosed in note 18.

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

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

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

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

	2022 £m	2021 £m
Net debt – reported basis (see note 18)	**1,484**	1,795
IFRS 16 lease liabilities (see note 18)	**(201)**	(227)
Adjustment to average rate	**13**	38
Net debt – adjusted basis	**1,296**	1,606
Adjusted EBITDA – last 12 months' reported basis (continuing operations)	**906**	806
Adjust to IAS 17 basis	**(78)**	(82)
Acquisition and divestment effects	**(7)**	2
Adjusted EBITDA – banking covenant basis	**821**	726
Net debt/EBITDA	**1.6x**	2.2x

Free cash flow

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

A reconciliation from Adjusted EBITDA to free cash flow is set out in note 28.

Cash conversion

Cash conversion is free cash flow, as defined above, adjusted to exclude tax, net interest, growth capital expenditure and pension payments as a percentage of adjusted operating profit and can be derived directly from note 28, other than growth capital expenditure, which is capital expenditure necessary for the development or expansion of the business as follows:

	2022 £m	2021 £m
Growth capital expenditure	**176**	100
Non-growth capital expenditure	**255**	231
Total capital expenditure (note 28)	**431**	331
Free cash flow (note 28)	**519**	486
Tax paid (note 28)	**96**	66
Net interest paid (note 28)	**62**	68
Growth capital expenditure	**176**	100
Change in employee benefits (note 28)	**21**	32
Adjusted free cash flow	**874**	752
Adjusted operating profit	**616**	502
Cash conversion	**142%**	150%

32. Non-GAAP performance measures continued

Average working capital to sales

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

	2022 £m	2021 £m
Inventories (note 15)	**703**	537
Trade and other receivables	**1,189**	786
Trade and other payables	**(2,372)**	(1,669)
Inter-month movements and exclusion of capital and acquisition and divestment related items	**241**	236
Last 12 months' average working capital	**(239)**	(110)
Last 12 months' revenue	**7,241**	5,976
Average working capital to sales	**(3.3%)**	(1.8%)

Constant currency and organic growth

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

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

Dividend cover

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

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

Notes to the consolidated financial statements (continued)

33. DS Smith Group companies

The Group's ultimate parent Company is DS Smith Plc.

Group companies are grouped by the countries in which they are incorporated or registered. Unless otherwise noted, the undertakings below are wholly-owned and consolidated by DS Smith and the share capital held comprises ordinary or common shares which are held by Group subsidiaries. Principal companies are identified in **orange**.

Fully owned subsidiaries	Notes
Argentina	
Total Marketing Support Argentina SA	AR1
Australia	
Total Marketing Support Pacific Pty Ltd	AU1
Austria	
DS Smith Austria Holdings GmbH	AT1
DS Smith Packaging Austria Beteiligungsverwaltungs GmbH	AT1
DS Smith Packaging Austria GmbH	AT2
DS Smith Packaging South East GmbH	AT1
Belgium	
DS Smith Packaging Belgium N.V.	BE1
DS Smith Packaging Marketing N.V.	BE2
Bolivia	
Total MarketingSupport Bolivia S.A.	BO1
Bosnia & Herzegovina	
DS Smith Packaging BH d.o.o. Sarajevo	BA1
DS Smith Recycling Bosnia d.o.o.	BA2
Brazil	
Total Marketing Support Brazil Ltda	BR1
Bulgaria	
DS Smith Bulgaria S.A.	BG1
Canada	
TMS Canada 360 Inc.	CA1
Chile	
Total Marketing Support Chile SpA	CL1
China	
DS Smith Shanghai Trading Ltd	CN1
TMS Shanghai Trading Ltd	CN2
Colombia	
Total Marketing Support Colombia S A S	CO1
Croatia	
Bilokalnik-IPA d.d.	e, HR1
DS Smith Belišće Croatia d.o.o.	HR2
DS Smith Unijapapir Croatia d.o.o.	HR3
Czech Republic	
DS Smith Packaging Czech Republic s.r.o.	CZ1
DS Smith Triss s.r.o.	CZ2
Denmark	
DS Smith Packaging Denmark A/S	DK1
Ecuador	
Total Marketing Support Ecuador TM-EC C.L.	EC1
Egypt	
TMS Egypt LLC	EG1
Estonia	
DS Smith Packaging Estonia AS	EE1
Finland	
DS Smith Packaging Baltic Holding Oy	FI1
DS Smith Packaging Finland Oy	FI1
DS Smith Packaging Pakkausjaloste Oy	FI2
Eastpac Oy	FI1
France	
DS Smith France	FR1
DS Smith Hêtre Blanc	FR2
DS Smith Packaging Ales	FR3
DS Smith Packaging Anjou	FR2
DS Smith Packaging Atlantique	FR2
DS Smith Packaging Bretagne	FR4
DS Smith Packaging C.E.R.A.	FR5
DS Smith Packaging Consumer	FR2
DS Smith Packaging Contoire-Hamel	FR6
DS Smith Packaging Display and Services	FR2
DS Smith Packaging DPF	FR7
DS Smith Packaging Durtal	FR8
DS Smith Packaging Fegersheim	FR9
DS Smith Packaging France	FR2
DS Smith Packaging Kaypac	FR10
DS Smith Packaging Larousse	FR11
DS Smith Packaging Mehun-CIM	FR12
DS Smith Packaging Nord Est	FR1
DS Smith Packaging Premium	FR13
DS Smith Packaging Savoie	FR14
DS Smith Packaging Seine Normandie	FR15
DS Smith Packaging Sud Est	FR16
DS Smith Packaging Sud Ouest	FR13
DS Smith Packaging Systems	FR17
DS Smith Packaging Velin	FR18
DS Smith Packaging Vervins	FR2
DS Smith Paper Coullons	FR19
DS Smith Paper Kaysersberg	FR20
DS Smith Paper Rouen	FR15
DS Smith Recycling France	FR21
Rowlandson France	FR1
Tecnicartón France	FR22
Germany	
Bretschneider Verpackungen GmbH	h, DE2
Delta Packaging Services GmbH	DE6
DS Smith Packaging Arenshausen Mivepa GmbH	DE3
DS Smith Packaging Arnstadt GmbH	DE1
DS Smith Packaging Beteiligungen GmbH	DE8
DS Smith Packaging Deutschland Stiftung	DE5
DS Smith Packaging Deutschland Stiftung & Co KG	DE8
DS Smith Paper Deutschland GmbH	DE7
DS Smith Recycling Deutschland GmbH	DE4
DS Smith Stange B.V. & Co. KG	DE8
DS Smith Transport Services GmbH	DE7
Greece	
DS Smith Cretan Hellas S.A.	GR1
DS Smith Hellas S.A.	GR2
Guatemala	
TMS Global Guatemala, Sociedad Anonima	GT1
Honduras	
Total Marketing Support Honduras, S.A.	HN1
Hong Kong	
The Less Packaging Company (Asia) Limited	HK1
Hungary	
DS Smith Packaging Hungary Kft.	HU2
Merpas Hungary Kft.	i, HU1
India	
The Less Packaging Company (India) Private Limited	IN1
Total Marketing Support India Private Limited	IN2
Indonesia	
PT Total Marketing Support Indonesia	ID1
Ireland	
DS Smith Ireland Treasury Designated Activity Company	IR1
DS Smith Recycling Ireland Limited	IR2
Italy	
DS Smith Holding Italia SpA	IT3
DS Smith Packaging Italia SpA	IT3
DS Smith Paper Italia Srl	IT3
DS Smith Recycling Italia Srl	IT2
Toscana Ondulati SpA	IT1
Japan	
Total Marketing Support Japan Ltd	JP1
Kazakhstan	
Total Marketing Support Kazakhstan L.L.P.	KZ1
Latvia	
SIA DS Smith Packaging Latvia	LV1
Lithuania	
UAB DS Smith Packaging Lithuania	LT1
Luxembourg	
DS Smith (Luxembourg) S.à r.l.	LU1
DS Smith Perch Luxembourg S.à r.l.	LU1
DS Smith Re S.A.	LU1
Malaysia	
Total Marketing Support (360) Malaysia Sdn. Bhd.	MY1

33. DS Smith Group companies continued

Fully owned subsidiaries continued	Notes
Mexico	
Total Marketing Support 360 Mexico S.A de C.V	MX1
Morocco	
Tecnicartón Tánger S.a.r.l. AU	MA1
Netherlands	
David S. Smith (Netherlands) B.V.	NL2
DS Smith (Holdings) B.V.	ER
DS Smith Baars B.V.	DE8
DS Smith De Hoop Holding B.V.	NL2
DS Smith Finance B.V.	NL2
DS Smith Hellas Netherlands B.V.	NL2
DS Smith Italy B.V.	ER
DS Smith Packaging Almelo B.V.	NL1
DS Smith Packaging Barneveld B.V.	NL3
DS Smith Packaging Belita B.V.	NL2
DS Smith Packaging Holding B.V.	NL2
DS Smith Packaging International B.V.	NL2
DS Smith Packaging Netherlands B.V.	NL2
DS Smith Packaging Tilburg B.V.	NL5
DS Smith Recycling Benelux B.V.	NL2
DS Smith Recycling Holding B.V.	NL2
DS Smith Salm B.V.	NL2
DS Smith Toppositie B.V.	NL2
Nicaragua	
Total Marketing Support Nicaragua, Sociedad Anonima	NI1
Nigeria	
Total Marketing Support 360 Nigeria Limited	NG1
North Macedonia	
DS Smith AD Skopje	f, MK1
Pakistan	
TMS Pakistan (Private) Limited	PK1
Philippines	
Total Marketing Support Philippines, Inc	PH1
Poland	
DS Smith Packaging sp. z o.o.	PL1
DS Smith Polska sp. z o.o.	PL1
Portugal	
DS Smith Displays P&I, S.A.	PT3
DS Smith Energia Viana, S.A.	PT8
DS Smith Packaging Portugal, S.A.	PT4
DS Smith Paper Viana, S.A.	PT8
DS Smith Portugal, SGPS, S.A.	PT8
DS Smith Recycling Portugal, S.A.	PT9
Lepe – Empresa Portuguesa de Embalagens, S.A.	PT2
Nova DS Smith Embalagem, S.A.	PT7
Tecnicartón Portugal Unipessoal Lda	PT1

	Notes
Romania	
DS Smith Packaging Ghimbav S.R.L.	c, RO1
DS Smith Packaging Romania S.R.L.	RO3
DS Smith Paper Zarnesti. S.R.L.	b, RO2
Russia	
Total Marketing Support Moscow	RU1
Serbia	
DS Smith Inos Papir Servis d.o.o.	RS1
DS Smith Packaging d.o.o. Kruševac	RS2
Papir Servis DP d.o.o.	RS4
Slovakia	
DS Smith Packaging Slovakia s.r.o.	SK1
DS Smith Turpak Obaly a.s.	d, SK2
Slovenia	
DS Smith Slovenija d.o.o.	SI1
South Africa	
TMS 360 SA (PTY) Ltd	ZA1
Spain	
Bertako S.L.U.	ES1
DS Smith Andorra S.A.	ES3
DS Smith Business Services S.L.U.	ES3
DS Smith Packaging Cartogal S.A.	ES10
DS Smith Packaging Dicesa S.A.	g, ES5
DS Smith Packaging Galicia S.A.	ES11
DS Smith Packaging Holding S.L.U.	ES3
DS Smith Packaging Lucena, S.L.	ES7
DS Smith Packaging Madrid S.L.	ES3
DS Smith Packaging Penedes S.A.U.	ES5
DS Smith Recycling Spain S.A.	ES2
DS Smith Spain, S.A.	ES4
Industria Cartonera Asturiana, S.A.	ES12
Tecnicartón, S.L.	ES8
Sweden	
DS Smith Packaging Sweden AB	SE1
DS Smith Packaging Sweden Holding AB	SE1
Switzerland	
DS Smith Packaging Switzerland AG	CH1
Turkey	
DS Smith Ambalaj A.Ş.	TR1
Total Marketing Support Turkey Baskı Yönetimi Hizmetleri A.Ş.	TR2
Ukraine	
Total Marketing Support Ukraine	UA1
United Arab Emirates	
Total Marketing Support Middle East DMCC	AE1
UK	
Abbey Corrugated Limited	ER
Ashton Corrugated	ER
Ashton Corrugated (Southern) Limited	ER
Avonbank Paper Disposal Limited	ER
Biber Paper Converting Limited	ER
Calara Holding Limited	ER
Conew Limited	ER

	Notes
Corrugated Products Limited	ER
David S. Smith Nominees Limited	ER
D.W. Plastics (UK) Limited	ER
DS Smith (UK) Limited	ER
DS Smith America (UK) LLP	ER
DS Smith Business Services Limited	ER
The DS Smith Charitable Foundation	ER
DS Smith Corrugated Packaging Limited	ER
DS Smith Display Holding Limited	ER
DS Smith Dormant Five Limited	ER
DS Smith Euro Finance Limited	ER
DS Smith Europe Limited	ER
DS Smith Finco Limited	a, ER
DS Smith Haddox Limited	ER
DS Smith Holdings Limited	a, ER
DS Smith International Limited	ER
DS Smith Italy Limited	ER
DS Smith Logistics Limited	ER
DS Smith Packaging Limited	ER
DS Smith Paper Limited	ER
DS Smith Pension Trustees Limited	ER
DS Smith Perch Limited	ER
DS Smith Recycling UK Limited	ER
DS Smith Roma Limited	ER
DS Smith Sudbrook Limited	ER
DS Smith Supplementary Life Cover Scheme Limited	ER
DS Smith Ukraine Limited	ER
DSS Eastern Europe Limited	ER
DSS Poznan Limited	ER
DSSH No. 1 Limited	ER
Grovehurst Energy Limited	ER
JDS Holding	ER
Miljoint Limited	ER
Multigraphics Holdings Limited	ER
Multigraphics Limited	ER
Multigraphics Services Limited	ER
Priory Packaging Limited	ER
Reed & Smith Limited	ER
St. Regis International Limited	ER
St. Regis Kemsley Limited	ER
St. Regis Paper Company Limited	ER
The Brand Compliance Company Limited	ER
The Less Packaging Company Limited	ER
TheBannerPeople.Com Limited	ER
TMS Global UK Limited	ER
Total Marketing Support Global Limited	ER
Total Marketing Support Limited	ER
Treforest Mill plc	ER
TRM Packaging Limited	ER
United Shopper Marketing Limited	ER
W. Rowlandson & Company Limited	ER
Waddington & Duval Limited	ER

Notes to the consolidated financial statements (continued)

33. DS Smith Group companies continued

Fully owned subsidiaries continued	Notes
USA	
Carolina Graphic Services LLC	US1
Cedarpak LLC	US3
CEMT Holdings Group LLC	US4
Corrugated Container Corporation	US13
Corrugated Container Corporation of Shenandoah Valley	US14
Corrugated Container Corporation of Tennessee	US15
Corrugated Supply, LLC	US4
Corrugated Supply, L.P.	US4
DS Smith Creative Solutions Inc.	US16
DS Smith Holdings, Inc.	US3
DS Smith Management Resources, Inc.	g,US3
DS Smith North America Recycling, LLC	US3
DS Smith North America Shared Services,LLC	US3
DS Smith Packaging-Holly Springs, LLC	US18
DS Smith Packaging-Lebanon, LLC	US17
DS Smith Packaging-Stream, LLC	US3
Evergreen Community Power LLC	US3
Interstate Container Columbia LLC	US6
Interstate Container New Castle LLC	US7
Interstate Container Reading LLC	US8
Interstate Corrpack LLC	US5
Interstate Holding, Inc.	US3
Interstate Mechanical Packaging LLC	US6
Interstate Paper LLC	US9
Interstate Realty Hialeah LLC	US3
Interstate Resources, Inc.	US3
Interstate Southern Packaging LLC	US10
Newport Timber LLC	US9
Phoenix Technology Holdings USA, Inc.	US3
RB Lumber Company LLC	US9
RFC Container LLC	US4
SouthCorr L.L.C.	US11
St. George Timberland Holdings, Inc.	US3
TMS America LLC	US19
United Corrstack LLC	US12
Uruguay	
Kozery S.A.	UY1

Associate entities	Notes
Austria	
ARO Holding GmbH	t,AT3
Croatia	
Hrvatski Radio Vapovština d.o.o.	q,HR4
Denmark	
Farusa Emballage AS	s,DK2
Italy	
Bertolin Imballaggi S.r.l.	o,IT4
Netherlands	
Stort Doonweg B.V.	i, NL4
Portugal	
Companhia Termica Do Serrado A.c.e.	m, PT5
Iberian Forest Fund - Fundo Especial de Investimento Imobiliario Florestal Fechado	l,PT6
Cartocer - Fabrica de Caixas de Cartao das Lezirias, Lda	n,PT10
Floresta Atlantica - Sociedade Gestora de Fundos de Investimento Imobiliario, S.A.	r,PT6
Serbia	
Papir Pet d.o.o.	i, RS3
Spain	
Cartonajes Cantabria, S.L.	l, ES6
Cartonajes Santander, S.L.	l, ES6
Euskocarton, S.L.	l, ES6
Cartonajes Mimo, S.L.	q, ES9
Logistica Integral de Packaging Zaragoza, S.A.	p,ES13
Ukraine	
Private Joint Stock Company "Rubizhanskiy Kartonno-Tarniy Kombinat"	j, UA2
USA	
Philcorr LLC	k, US2
PhilCorr Vineland LLC	k, US2

Ownership interest at 30 April 2022	
a	Directly held by DS Smith Plc
b	99.927% ownership interest
c	99.285% ownership interest
d	98.89% ownership interest
e	97.39% ownership interest
f	81.39% ownership interest
g	80% ownership interest
h	51% ownership interest
i	50% ownership interest
j	49.597% ownership interest
k	40% ownership interest
l	39.58% ownership interest
m	30% ownership interest
n	18% ownership interest
o	13.58% ownership interest
p	12.2% ownership interest
q	12% ownership interest
r	11.89% ownership interest
s	10% ownership interest
t	6.69% ownership interest

33. DS Smith Group companies continued

Registered offices

ER	350 Euston Road, London, NW1 3AX, UK
AR1	Avenida Eduardo Madero 1020, 5th floor, Office "B", The City of Buenos Aires, Argentina
AU1	Vistra Australia Pty Ltd, Suite 902 Level 9, 146 Arthur Street, North Sydney NSW 2060, Australia
AT1	Friedrichstraße 10, 1010, Wien, Austria
AT2	Heidestrasse 15, 2433 Margarethen am Moos, Austria
AT3	Brucknerstrasse 8, 1041 Wien, Austria
BE1	New Orleansstraat 100, 9000 Gent, Belgium
BE2	Leonardo da Vincilaan 2, Corporate Village – Gebouw Gent 1831 Machelen-Diegem, Belgium
BO1	Santa Cruz de la Sierra – Calle Dr. Mariano Zambrana No 700 UV: S/N MZNO: S/N Zona: Oeste, Bolivia
BA1	Igmanska bb, Sarajevo, Vogošća, Bosnia and Herzegovina
BA2	Jovana Dučića br 25 A, Banja Luka, Bosnia and Herzegovina
BR1	Avenida Paulista no. 807, conjunto 810, Bela Vista, Cidade de Sao Paulo, Estado de Sao Paulo, CEP 01311-100, Brazil
BG1	Glavinitsa, 4400 Pazardzhik, Bulgaria
CA1	215-1673 Carling Avenue, Ottowa ON K2A 1C4, Canada
CL1	Santa Beatriz, 111. Of 1104. Providencia, Santiago de Chile, Chile
CN1	Room 05C, 3/F, No. 2 Building, Hongqiao Vanke Center, 988 Shenchang Road, Minhang district, 201107, Shanghai, China
CN2	R919, 9/F, No. 1788 West Nan Jin Rd, Jing An District, Shanghai, 200040, China
CO1	Calle 72 , 10-07 Oficina 401, Edificio Liberty Seguros, Bogotá, Colombia
HR1	Dravska ulica 19, Koprivnica (Grad Koprivnica), Croatia
HR2	Vijenac Salamona Henricha Gutmanna 30, Belišće, Croatia
HR3	Lastovska 5, Zagreb, Croatia
HR4	Kralja Petra Krešimira IV br. 1., Valpovo, Croatia
CZ1	Teplická 109, Martiněves, 405 02 Jílové , Czech Republic
CZ2	Zirovnicka 3124, 10600 Praha 10, Czech Republic
DK1	Åstrupvej 30, 8500 Grenaa, Denmark
DK2	Bygmarken 14, 3520 Farum, Denmark
EC1	Av. Republica de El Salvador N36-140, Edif. Mansion Blanca, Quito, PBX:4007828, Ecuador
EG1	Nile City Towers, North Tower, 22nd Floor, Cornish El Nil, Cairo, 11624, Egypt
EE1	Pae 24, 11415 Tallinn, Estonia
FI1	PL 426, 33101 Tampere, Finland
FI2	Virranniementie 3, 70420 Kuopio, Finland
FR1	11 route Industrielle, F-68320, Kunheim, France
FR2	1 Terrasse Bellini, 92800, Puteaux, France
FR3	345 Impasse de Saint-Alban Avenue de Croupillac, 30100 Ales, France
FR4	Zone Industrielle de Kevoasdoue, 29270, Carhaix, France
FR5	6-8 Boulevard Monge, 69330, Meyzieu, Lyon, France
FR6	570 Rue Nationale Contoire Hamel, 80500 Trois- Rivieres, France
FR7	350 Zone Artisanale des Trois Fontaines, 38140 Rives, France
FR8	Z.a Lafontaine, 49430 Durtal, France
FR9	146 Route de Lyon, 67640, Fegersheim, France
FR10	Zone Industrielle, Voiveselles Croisette, 88800, B.P. 37, Vittel, France
FR11	Rue de la Deviniere, B.P. 7, 45510 FR, Tigy, France
FR12	Route de Marmagne, 18500, Mehun sur Yevre, France
FR13	Zone Industrielle de Châteaubernard, 16100, Cognac, France
FR14	Avenue Robert Franck, 73110, La Rochette, France
FR15	Rue Desire Granet, 76800 St. Etienne du Rouvray, France
FR16	Zone Industrielle du Pré de la Barre, 38440, St-Jean de Bournay, France
FR17	12 rue Gay Lussac ZI Dijon Chenove, 21300, Chenove, France
FR18	Zone Industrielle de la Plaine, 88510 Eloyes, France
FR19	Usine de La Fosse, B.P. No 8, 45720, Coullons, France
FR20	77 Route de Lapoutroie, 68240, Kaysersberg, France
FR21	2 Rue Paul Cezanne, 93360, Neuilly Plaisance, France
FR22	27 Rue du Tennis, 25110, Baume les Dames, France
DE1	Bierweg 11, 99310 Arnstadt, Germany
DE2	Bretschneiderstr. 5, D-08309 Eibenstock, Germany
DE3	Hauptstrasse 80, 37318 Arenshausen, Germany
DE4	Kufsteiner Strasse 27, 83064 Raubling, Germany
DE5	Rollnerstrasse 14, D-90408 Nürnberg, Germany
DE6	Siemensstrasse 8, 50259 Pulheim, Germany
DE7	Weichertstrasse 7, D-63741 Aschaffenburg, Germany
DE8	Zum Fliegerhorst 1312 – 1318, 63526 Erlensee, Germany
GR1	PO Box 90, GR-72200 Ierapetra, Kriti, Greece
GR2	PO Box 1010, 57022 Sindos Industrial Area, Thessaloniki, Greece
GT1	15 Calle 1-04 Zona 10, Centrica Plaza, Torre I, Oficina 301, Guatemala, 01010, Guatemala
HN1	Avenida La Paz, No. 2702, Tegucigalpa, M.D.C., PO Box 2735, Honduras
HK1	Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
HU1	Váci út 1-3., "A" Tower, 6th floor, 1062 Budapest, Hungary
HU2	Záhony u. 7, HU-1031 Budapest, Hungary
IN1	A-5/30, Basement, Behind Oriental Bank of Commerce, Paschim Vihar, New Delhi, 110063 , India
IN2	G-56 Green Park (main), New Delhi – 110016, India
ID1	Tempo Scan Tower Lantai 32, Jalan H.r. Rasuna Said Kav 3-4, Kel. Kuningan Timur, Kec.Setiabudi, Kota Adm. Jakarta Selatan, Prov. DKI Jakarta, Indonesia
IR1	10 Ely Place, Dublin 2, D02 HR98, Ireland
IR2	25/28 North Wall Quay, Dublin 1, Ireland
IT1	Capannori (Lu) Via del Fanuccio, 126 Cap, 55014 Frazione Marlia, Italy
IT2	Strada Lanzo 237, cap 10148, Torino (TO), Italy
IT3	Via Torri Bianche, n. 24, 20871 Vimercate (MB), Italy
IT4	Via Puisle 37, CAP 38051 Borgo Valsugana (TN), Italy
JP1	Oak Minami-Azabu Building 2F, 3-19-23 Minami-Azabu, Minato-ku, Tokyo, 106-0047, Japan
KZ1	Abay Ave. 52, 8 floor, 802-6 office "Innova Tower" BC, 050008, Almaty, Kazakhstan
LV1	Hospitāļu iela 23-102, Rīga LV-1013, Latvia
LT1	Savanoriu ave. 183, 02300 Vilnius, Lithuania
LU1	8-10 Avenue de la Gare, L-1610 Luxembourg
MY1	Unit C-12-4, Level 12, Block C, Megan Avenue II, No. 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Wilayah Persekutuan, Malaysia
MX1	AV. Presidente Masarik, 29 Interior 14, OF 10, Polanco V Section, Miguel Hidalgo, 11560, Mexico
MA1	Tanger, Zone Franche d'Exportation, ILot 11, Lot 5, Morocco
NL1	Bedrijvenpark Twente 90, NL-7602 KD Almelo, Netherlands
NL2	Coldenhovenseweg 130, 6961 EH, Eerbeek, Netherlands
NL3	Hermesweg 2, 3771 ND, Barneveld, Netherlands
NL4	Kanaalweg 8 A, 6961 LW, Eerbeek, Netherlands
NL5	Wegastraat 2, 5015 BS, Tilburg, Netherlands
NI1	Car Building, 3rd Floor, Highway to Masaya, Managua, Nicaragua
NG1	3, Ijora – Causeway, Ijora, Lagos, Nigeria
MK1	Str. 1632 no. 1, Skopje 1000, North Macedonia
PK1	H. No. 193, SQ Margalla Road, SCHS, E-11/2. Islamabad Capital Territory (I.C.T.) 44000. Pakistan
PH1	24/F Philam Life Tower, 8767 Paseo de Roxas Avenue, Bel-Air, City of Makati, Fourth District, NCR, 1226, Philippines

Notes to the consolidated financial statements (continued)

33. DS Smith Group companies continued

Registered offices continued

PL1	Komitetu Obrony Robotników 45D, 02-146 Warsaw, Poland
PT1	Águeda (Aveiro), Raso de Paredes 3754-209, Portugal
PT2	Av. Jose Gregorio 114, 2430-275 Marinha Grande, Portugal
PT3	Edificio Opcao Actual, Parque Industrial de Oliveirinha, 3430-414 Carregal do Sal, Portugal
PT4	Rua Mestra Cecília do Simão, n.º 378 , 3885-593 Esmoriz, Ovar, Portugal
PT5	Lugar do Espido, Via Norte, Distrito: Porto Concelho: Maia Freguesia: Cidade da Maia, 4470 177 MAIA, Portugal
PT6	Rua Abranches Ferrao, n.o 10, 7o G, 1600-001, Lisboa, Portugal
PT7	Rua do Monte Grande, n. o3,, 4485-255 Guilhabreu, Portugal
PT8	Estrada 23 de Fevereiro, 372, 4905-261, Deocriste, Portugal
PT9	Rua Pedro Jose Ferreira, 329/335, 4420-612, Gondomar, Portugal
PT10	Lezirias, Sao Lourenco do Bairro, 3780 Anadia, Portugal
RO1	No. 46 Fagarasului Street, Ghimbav, Brasov County, Romania
RO2	No. 18, 13 Decembrie Street, Zarnesti, Brasov County, Romania
RO3	Calea Torontalului, DN6 kM. 7, Timisoara, Romania
RU1	Building 2, Floor 7, Room 21 , Skakovaya st. 17, 125040, Moscow, Russian Federation
RS1	11000 Beograd, Milorada Jovanovića 14, Serbia
RS2	Kruševac, Balkanska 72, Serbia
RS3	44 Bulevar Vojvode Stepe, Novi Sad, Serbia
RS4	37000 Krusevac, Balkanska 72, Serbia
SK1	Námestie baníkov 8/31, 048 01 Roznava, Slovakia
SK2	Robotnícka 1, Martin, 036 80, Slovakia
SI1	Cesta prvih borcev 51, 8280 Brestanica, Slovenia
ZA1	Central Office Park No 4, 257 Jean Avenue, Centurion, Gauteng, 0157, South Africa
ES1	Polígono Industrial Areta nº 1, parcela 348, calle Altzutzate, nº 46, 31620 Huarte, Navarra, Spain
ES2	Avenida el Norte de Castilla, 20, 47008 Valladolid (Valladolid), Spain
ES3	Avd. Del Sol 13, Torrejón de Ardoz, 28850 – Madrid, Spain
ES4	Carretera A-62, Burgos a Portugal, 34210, Duenas (Palencia), Spain
ES5	Carretera B.P. 2151 confluencia carretera C15, Sant Pere de Riudevitlles, 08776, Barcelona, Spain
ES6	Poligono Industrial Heras, 239-242, 39792, Medio Cudeyo, Spain
ES7	Carretera Nacional 331 (Carretera de Malaga), Km.66,28, 14900, Lucena (Cordoba), Spain
ES8	Parque Industrial Juan Carlos I, C/ Canal Crespo, 13 Almussafes 46440 (Valencia), Spain
ES9	Calle Pitagoras no 2., Polgono Industrial San Marcos, Getafe (Madrid), Spain
ES10	Polígono Industrial A Tomada, parcela 28-33, A Pobra do Caramiñal , 15949 A Coruña, Spain
ES11	Polígono Industrial O Pousadoiro 4, Parcela 1, 36617 Vilagarcía de Arousa, Pontevedra (Galicia), Spain
ES12	Poligono Industrial San Claudio, 33191, Oviedo, Spain
ES13	Barrio de la Cartuja Baja , A-68. Pol. Empresariu, m. Calle Ajedrea 8., Zaragoza (50720), Spain
SE1	Box 504, 331 25 Varnamo, Sweden
CH1	Industriestrasse 11, 4665 Oftringen, Switzerland
TR1	Araptepe Selimpaşa Mah. 5007. Sk. No. 4 Silivri, Istanbul, Turkey
TR2	Goztepe Merdivenkoy Mah. Bora Sk. No.1 Nida Kule Is Merkezi, Kat 7, Kadikoy, Istanbul, 34732, Turkey
UA1	4-5 Floors, 25B,Sagaydachnogo str., Kiev, 04070, Ukraine
UA2	67 Mendeleev str., Rubizhne, Lugansk Region, 93006, Ukraine
AE1	Unit No: I5-PF-39, Detached Retail I5, Plot No: JLT-PH1-RET-I5, Jumeirah Lakes Towers, Dubai, United Arab Emirates
US1	4328 Federal Drive, STE 105, Greensboro, NC 27410, United States
US2	2317 Almond Road, Route 55 Industrial Park, Vineland, NJ 08360, United States
US3	600 Peachtree Street , Suite 4200, Atlanta GA 30308, United States
US4	2066 South East Avenue, Vineland, NJ 08360, United States
US5	903 Woods Road, Cambridge, MD 21613, United States
US6	128 Crews Drive, Columbia, SC 29210, United States
US7	792 Commerce Avenue, New Castle, PA 16101, United States
US8	100 Grace Street, Reading, PA 19611, United States
US9	2366 Interstate Paper Road, Riceboro, GA 31323, United States
US10	120 T Elmer Cox Road Greeneville, TN 37743, United States
US11	3021 Taylor Drive, Asheboro, NC 27203, United States
US12	720 Laurel Street, Reading PA 19602, United States
US13	6405 Commonwealth Drive SW, Roanoke, Virginia, 24018, United States
US14	100 Development Ln., Winchester VA 22602, United States
US15	128 Corrugated Ln, Piney Flats TN 37686, United States
US16	70 Outwater Ln., Floor 4, Garfield, NJ 07026, United States
US17	800 Edwards Drive, Lebanon IN 46052, United States
US18	301 Thomas Mill Road, Holly Springs NC 27540, United States
US19	340 W. Butterfield Road, Suite 2A, Elmhurst IL 60126, United States
UY1	Plaza Independencia 811 PB, Montevideo, Uruguay

34. Subsequent events

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

Parent Company statement of financial position

At 30 April 2022

	Note	2022 £m	2021 Restated[1] £m
Assets			
Non-current assets			
Intangible assets	3	**41**	34
Property, plant and equipment and right-of-use assets	4	**7**	7
Investments in subsidiaries	5	**4,625**	4,577
Deferred tax assets	10	**-**	30
Other receivables	6	**5,466**	5,194
Derivative financial instruments	12	**483**	35
Total non-current assets		**10,622**	9,877
Current assets			
Trade and other receivables	6	**72**	189
Cash and cash equivalents	7	**414**	437
Derivative financial instruments	12	**316**	80
Total current assets		**802**	706
Total assets		**11,424**	10,583
Liabilities			
Non-current liabilities			
Borrowings	9	**(1,389)**	(2,062)
Employee benefits	13	**(3)**	(30)
Deferred tax liabilities	10	**(133)**	-
Other payables	8	**(26)**	(18)
Lease liabilities	11	**(3)**	(4)
Provisions		**(1)**	(5)
Derivative financial instruments	12	**(28)**	(15)
Total non-current liabilities		**(1,583)**	(2,134)
Current liabilities			
Borrowings	9	**(687)**	(65)
Trade and other payables	8	**(4,584)**	(4,244)
Income tax liabilities		**(1)**	-
Lease liabilities	11	**(1)**	(1)
Derivative financial instruments	12	**(57)**	(41)
Total current liabilities		**(5,330)**	(4,351)
Total liabilities		**(6,913)**	(6,485)
Net assets		**4,511**	4,098
Equity			
Issued capital	14	**137**	137
Share premium account	14	**2,248**	2,241
Reserves	14	**2,126**	1,720
Shareholders' equity		**4,511**	4,098

1. Certain amounts due to and receivable from subsidiaries have been restated in the prior year to reflect current year treatment. Consequently, some balances receivable from or owed to subsidiaries that were previously reported net are now reported gross.

The Company made a profit for the year of £16m (2020/21: profit of £258m including the recognition of intra-group dividends).

Approved by the Board of Directors of DS Smith Plc (company registered number 1377658) on 20 June 2022 and signed on its behalf by:

M W Roberts
Director

A R T Marsh
Director

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

Parent Company statement of changes in equity

At 30 April 2022

	Share capital £m	Share premium £m	Hedging reserve £m	Own shares £m	Merger relief reserve £m	Retained earnings £m	Total equity £m
At 1 May 2020	**137**	**2,238**	**(39)**	**(3)**	**32**	**1,378**	**3,743**
Profit for the year	–	–	–	–	–	258	258
Actuarial loss on employee benefits	–	–	–	–	–	(6)	(6)
Cash flow hedges fair value changes	–	–	103	–	–	–	103
Reclassification from cash flow hedge reserve to income statement	–	–	9	–	–	–	9
Income tax on other comprehensive income	–	–	(20)	–	–	–	(20)
Total comprehensive income	**–**	**–**	**92**	**–**	**–**	**252**	**344**
Issue of share capital	–	3	–	–	–	–	3
Employee share trust	–	–	–	–	–	(2)	(2)
Share-based payment expense (net of tax)	–	–	–	–	–	10	10
Other changes in equity in the year	**–**	**3**	–	–	–	**8**	**11**
At 30 April 2021	**137**	**2,241**	**53**	**(3)**	**32**	**1,638**	**4,098**
Profit for the year	–	–	–	–	–	16	16
Actuarial gain on employee benefits	–	–	–	–	–	20	20
Cash flow hedges fair value changes	–	–	1,070	–	–	–	1,070
Reclassification from cash flow hedge reserve to income statement	–	–	(357)	–	–	–	(357)
Income tax on other comprehensive income	–	–	(163)	–	–	(3)	(166)
Total comprehensive income	**–**	**–**	**550**	**–**	**–**	**33**	**583**
Issue of share capital	–	7	–	–	–	–	7
Employee share trust	–	–	–	(6)	–	(15)	(21)
Share-based payment expense (net of tax)	–	–	–	–	–	10	10
Dividends paid	–	–	–	–	–	(166)	(166)
Other changes in equity in the year	**–**	**7**	**–**	**(6)**	**–**	**(171)**	**(170)**
At 30 April 2022	**137**	**2,248**	**603**	**(9)**	**32**	**1,500**	**4,511**

Notes to the parent Company financial statements

1. Principal accounting policies

(a) Basis of preparation

These financial statements of DS Smith Plc (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.

The accounts are prepared under the historical cost convention with the exception of certain financial instruments and employee benefit plans that are stated at their fair value and share-based payments that are stated at their grant date fair value.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement or statement of comprehensive income.

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;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- 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:

- IAS 24 *Related Party Disclosure* in respect of transactions entered with wholly-owned subsidiaries;
- IFRS 2 *Share-based Payment* in respect of Group settled share-based payments; and
- IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments*.

The Company adopted the following new accounting standards, amendments or interpretations as of 1 May 2021:

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

The adoption of the standards, interpretations and amendments has not had a material effect on the results for the year.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(b) Foreign currencies

The Company's financial statements are presented in sterling, which is the Company's functional currency and presentation currency. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the date of the transaction, and retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken to the income statement.

(c) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each item, which range between three and five years.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Estimated useful lives of plant and equipment are between two and 30 years, and for leasehold improvements are over the period of the lease.

(e) 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.

The interest rate implicit in the lease is used to discount lease payments, or, if that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group 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 months or less duration.

When the Company enters into a back-to-back lease arrangement on behalf of a subsidiary, corresponding lease receivables are recognised.

Notes to the parent Company financial statements (continued)

1. Principal accounting policies continued

(f) Investments in subsidiaries

Investments in subsidiaries are valued at cost less provisions for impairment.

Impairment testing is performed annually for investment in subsidiaries by comparing the carrying amount of each investment with the relevant subsidiary's consolidated balance sheet. Where the net assets are lower than the investment value, a discounted cash flow is utilised to calculate the present value of the investment to confirm whether any impairment is required.

(g) Deferred taxation

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.

(h) Employee benefits

(i) Defined benefit schemes

The Company is the sponsoring employer for a UK funded, defined benefit scheme, the DS Smith Group Pension scheme (the 'Group Scheme').

The Group has in place a stated policy for allocating the net defined benefit cost relating to the Group 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 Group scheme, allocated per the stated policy. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

(ii) Share-based payment transactions

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. 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. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each reporting date, the Company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. Where applicable, the fair value of employee services received by subsidiary undertakings within the DS Smith Plc Group in exchange for options granted by the Company is recognised as an expense in the financial statements of the subsidiary by means of a recharge from the Company.

(i) Shares held by employee share trust

The cost of shares held in the employee share trust is deducted from equity. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to retained earnings.

(j) Financial instruments

The Company uses derivative financial instruments, primarily currency and commodity swaps, to manage interest rate, currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not, undertake any speculative activity in these instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk. Any gains or losses arising from the hedging instruments are offset against the hedged items.

For the purpose of hedge accounting, hedges are classified as cash flow hedges due to hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

(k) Dividend income

Dividend income from subsidiary undertakings is recognised in the income statement when paid.

(l) Accounting judgements and key sources of estimation uncertainty

Employee benefits

IAS 19 *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 any of the above calculations, 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. See note 25 of the Group's accounts for additional information.

2. Employee information

The average number of employees employed by the Company during the year was 344 (2020/21: 278).

	2022 £m	2021 £m
Wages and salaries	**36**	31
Social security costs	**4**	3
Pension costs	**2**	2
Total	**42**	36

Note 26 to the consolidated financial statements sets out the disclosure information required for the Company's share-based payments.

3. Intangible assets

	Software £m	Other intangibles £m	Carbon Credits £m	Intangible assets under construction £m	Total £m
Cost					
At 1 May 2021	72	7	–	6	85
Additions	–	–	14	7	21
Reclassifications	3	2	–	(5)	–
At 30 April 2022	**75**	**9**	**14**	**8**	**106**
Amortisation					
At 1 May 2021	(51)	–	–	–	(51)
Amortisation charge	(14)	–	–	–	(14)
At 30 April 2022	**(65)**	**–**	**–**	**–**	**(65)**
Carrying amount					
At 1 May 2021	21	7	–	6	34
At 30 April 2022	**10**	**9**	**14**	**8**	**41**

4. Property, plant and equipment and right-of-use assets

	Right-of-use assets £m	Leasehold improvements £m	Plant and equipment £m	Assets under construction £m	Total property, plant and equipment £m
Cost					
At 1 May 2021	6	3	2	1	12
Additions	–	–	–	1	1
Reclassification	–	–	1	(1)	–
At 30 April 2022	**6**	**3**	**3**	**1**	**13**
Depreciation					
At 1 May 2021	(2)	(1)	(2)	–	(5)
Depreciation charge	–	(1)	–	–	(1)
At 30 April 2022	**(2)**	**(2)**	**(2)**	**–**	**(6)**
Carrying amount					
At 1 May 2021	4	2	–	1	7
At 30 April 2022	**4**	**1**	**1**	**1**	**7**

Right-of-use assets relate to land and buildings.

Notes to the parent Company financial statements (continued)

5. Investments in subsidiaries

	Shares in Group undertakings £m
At 1 May 2021	4,577
Additions	48
At 30 April 2022	**4,625**

The Company's principal trading subsidiary undertakings at 30 April 2022 are shown in note 33 to the consolidated financial statements.

6. Trade and other receivables

	2022		2021 – Restated	
	Non-current £m	**Current £m**	Non-current £m	Current £m
Amounts owed by subsidiary undertakings	**5,466**	**44**	5,194	176
Other receivables	**–**	**9**	–	1
Prepayments and accrued income	**–**	**19**	–	12
	5,466	**72**	5,194	189

Following an analysis of the terms of the intercompany agreements, prior year amounts owed by subsidiaries have been restated, with £530m reclassified from current to non-current receivables as there was no expectation that the assets would be realised within 12 months. Furthermore, current amounts owed by subsidiaries has been increased by £169m, being amounts that were previously offset against amounts owed to subsidiaries.

When measuring the potential impairment of receivables from subsidiary undertakings, forward looking information based on assumptions for the future movement of different economic drivers are considered.

7. Cash and cash equivalents

	2022 £m	2021 £m
Bank balances	**67**	8
Short-term deposits	**347**	429
	414	437

8. Trade and other payables

	2022		2021 – Restated	
	Non-current £m	**Current £m**	Non-current £m	Current £m
Trade payables	**–**	**10**	–	15
Amounts owed to subsidiary undertakings	**26**	**4,490**	18	4,185
Other tax and social security payables	**–**	**11**	–	10
Non-trade payables, accruals and deferred income	**–**	**73**	–	34
	26	**4,584**	18	4,244

Following an analysis of the terms of the intercompany agreements, prior year amounts owed to subsidiary undertakings have been restated, with £3,852m reclassified from non-current to current payables as there was no legal right to defer repayment by 12 months. Furthermore, current amounts owed to subsidiaries has been increased by £169m, being amounts that were previously offset against amounts owed by subsidiaries.

Non-current amounts owed to subsidiaries are subject to interest at rates based on EURIBOR or where applicable, forward looking base rates and are repayable between 2023 and 2026.

9. Borrowings

	2022 Non-current £m	2022 Current £m	2021 Non-current £m	2021 Current £m
Bank loans and overdrafts	**-**	**47**	–	35
Medium-term notes and other fixed-term debt	**1,389**	**640**	2,062	30
	1,389	**687**	2,062	65

Disclosures in respect of the Group's borrowings are provided in note 20 to the consolidated financial statements.

10. Deferred tax assets and liabilities

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Tax losses		Derivative financial instruments		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At beginning of the year	**6**	4	**12**	11	**23**	26	**(11)**	9	**30**	50
Credit/(charge) for the year	**4**	2	**(2)**	1	**1**	(3)	**-**	–	**3**	–
Recognised directly in equity	**-**	–	**(3)**	–	**-**	–	**(163)**	(20)	**(166)**	(20)
At end of the year	**10**	6	**7**	12	**24**	23	**(174)**	(11)	**(133)**	30

Notes to the parent Company financial statements (continued)

11. Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2022 £m	2021 £m
Cost		
At beginning of the year	**5**	18
Disposals	**-**	(12)
Payments	**(1)**	(1)
At end of the year	**4**	5
Current	**1**	1
Non-current	**3**	4
	4	5

Maturity of lease liabilities

	1 year or less £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
At 30 April 2021	(1)	(1)	(2)	(1)	(5)
At 30 April 2022	**(1)**	**(1)**	**(1)**	**(1)**	**(4)**

12. Derivative financial instruments

The assets and liabilities of the Company at 30 April in respect of derivative financial instruments are as follows:

	Assets		Liabilities		Net	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Derivatives held to:						
Manage the currency exposures on business activities, borrowings and net investments	**12**	–	**-**	(15)	**12**	(15)
Derivative financial instruments included in net debt	**12**	–	**-**	(15)	**12**	(15)
Derivatives held to hedge future transactions:						
Forward foreign exchange contracts	**1**	–	**-**	–	**1**	–
Energy and carbon certificate costs	**786**	115	**(85)**	(41)	**701**	74
Total derivative financial instruments	**799**	115	**(85)**	(56)	**714**	59
Current	**316**	80	**(57)**	(41)	**259**	39
Non-current	**483**	35	**(28)**	(15)	**455**	20
	799	115	**(85)**	(56)	**714**	59

Disclosures in respect of the Group's derivative financial instruments are provided in note 21 to the consolidated financial statements.

13. Employee benefits

The Company participates in all of the Group's UK pension schemes. The accounting valuation is consistent with the Group valuation, as described in note 25 to the consolidated financial statements, where full disclosures relating to these schemes are given.

	2022 £m	2021 £m
Present value of funded obligations	**(1,050)**	(1,182)
Present value of unfunded obligations	**(6)**	(7)
Fair value of scheme assets	**1,057**	1,120
Total IAS 19 surplus, net	**1**	(69)
Allocated to other participating employers	**(4)**	39
Company's share of IAS 19 deficit, net	**(3)**	(30)

14. Share capital and reserves

Details of the Company's share capital and merger relief reserve are provided in note 24 to the consolidated financial statements. Movements in shareholders' equity are shown in the parent Company statement of changes in equity.

The closing merger relief reserve of £32m relates to the shares issued in consideration to the sellers of EcoPack/EcoPaper.

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The Group operates a General Employee Benefit Trust, which acquires shares in the Company that can be used to satisfy the requirements of the Performance Share Plan. At 30 April 2022, the Trust held 2.4m shares (30 April 2021: 1.2m shares). The market value of the shares at 30 April 2022 was £7.8m (30 April 2021 £5.2m). Dividends receivable on the shares owned by the Trust have been waived.

As at 30 April 2022, the Company had distributable reserves of £1,491m (30 April 2021: £1,688m).

15. Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the 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. At 30 April 2022, these guarantees amounted to £4.9m (30 April 2021: £5.5m).

16. Related party disclosure

The Company has identified the Directors of the Company, its key management personnel and the UK pension scheme as related parties. Details of the relevant relationships with these related parties are disclosed in the Remuneration Committee report, and note 31 to the consolidated financial statements respectively.

17. Auditor's remuneration

Auditor's remuneration in respect of the Company is detailed in note 3 to the consolidated financial statements.

Five-year financial summary

Unaudited

Continuing operations	2018 £m	2019 £m	2020 £m	2021 £m	**2022 £m**
Revenue	5,518	6,171	6,043	5,976	**7,241**
Operating profit[1]	492	631	660	502	**616**
Amortisation	(90)	(114)	(143)	(142)	**(138)**
Share of profit of equity-accounted investments before adjusting items, net of tax	5	9	7	5	**7**
Net financing costs before adjusting items	(62)	(71)	(87)	(78)	**(70)**
Profit before taxation and adjusting items	345	455	437	287	**415**
Acquisitions and divestments	(28)	(32)	(4)	(5)	**2**
Other adjusting items	(57)	(73)	(65)	(51)	**(39)**
Profit before income tax	260	350	368	231	**378**

	2018	2019	2020	2021	**2022**
Adjusted earnings per share[1]	30.7p	33.3p	33.2p	24.2p	**30.7p**
Dividends per share	14.4p	16.2p	n/a	12.1p	**15.0p**

	2018	2019	2020	2021	**2022**
Return on sales[2]	8.9%	10.2%	10.9%	8.4%	**8.5%**
Adjusted return on average capital employed[1,2,3]	13.7%	13.6%	10.6%	8.2%	**10.8%**

1. Before amortisation and adjusting items.
2. Adjusted return on average capital employed is defined as operating profit before amortisation and adjusting items divided by average capital employed.
3. Average capital employed is the average monthly capital employed for the last 12 months. Capital employed is made up of property, plant and equipment, right-of-use assets, goodwill and intangible assets, working capital, capital debtors/creditors, provisions, biological assets and assets/liabilities held for sale. Assets and liabilities relating to discontinued operations are excluded. The definition of capital employed is different from the definition of managed capital as defined in note 21 to the consolidated financial statements, which consists of equity as presented in the consolidated statement of financial position, plus net debt.