

**Company Registration No. 00630681**

**DS Smith Packaging Limited**

**Annual report and financial statements  
for the year ended 30 April 2020**

# **DS Smith Packaging Limited**

## **Annual report and financial statements for the year ended 30 April 2020**

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## **DS Smith Packaging Limited**

### **Annual report and financial statements for the year ended 30 April 2020**

#### **Officers and professional advisers**

##### **Directors**

M Chiron  
S Rossi  
P J Brown  
W B Hicks  
R H Newman

##### **Company Secretary**

Z W Stone

##### **Registered Office**

350 Euston Road  
London  
NW1 3AX  
United Kingdom

##### **Registered Number**

00630681

##### **Auditor**

Deloitte LLP  
Statutory Auditor  
Cardiff  
United Kingdom

##### **Banker**

National Westminster Bank Plc  
1 Princes Street  
London  
EC2R 8AQ

##### **Solicitor**

Slaughter and May  
One Bunhill Row  
London  
EC1Y 8Y

# DS Smith Packaging Limited

## Strategic report

The Directors present their strategic report for the year ended 30 April 2020.

### Principal activities

DS Smith Packaging Limited (the 'Company') is principally engaged in the manufacture of fibre-based packaging converted from corrugated case material ('CCM') into corrugated board and boxes. Production amounts to 1.3 billion square metres per annum at 23 factories (2019: 1.3 billion square metres per annum at 24 factories) located throughout the UK. Approximately 71% of sales go into the fast-moving consumer goods sector ('FMCG'), predominantly food and beverage, with the remainder being principally for the consumer durables and industrial sectors. The Directors are not aware of any likely major changes in the Company's activities in the next year.

### Business review

The profit after taxation for the year amounted to £20,942,000 (2019 loss: £7,133,000). No dividends were paid during the year (2019: £nil). Net assets in the year increased by £11,494,000 to £36,630,000 (2019: £25,136,000).

The 2020 profit before exceptional items of £23,467,000 (2019: loss before exceptional items of £951,000) is considered satisfactory. The Company has also continued to be active in implementing productivity improvements and other cost reduction programmes to counter the impact of adverse input cost movements. Within this financial year, the Company increased market share on a platform of service and innovation. Its emphasis on the FMCG sector and higher value-added products assisted performance significantly. Key investments have been made to increase the Company's capability to support the growth in demand for shelf-ready packaging and to improve print quality.

#### Key performance indicators ('KPIs')

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

	2020	2019	Definition, method of calculation and analysis
Return on Sales (RoS) (%)	6.2%	(0.2%)	RoS is the ratio of earnings before interest, taxation, exceptional items, and discontinued operations to sales expressed as a percentage.
Gross Profit (%)	29.5%	21.4%	Gross Profit % is the ratio of revenue less cost of sales before exceptional items to sales expressed as a percentage.
Total LTAs	4.0	5.0	Lost Time Accidents(LTA): Number of accidents resulting in lost time of one shift or more
AFR	0.8	1.0	Accident Frequency Rate(AFR): Number of LTAs per million hours worked.

The Company is operating in a competitive market environment. Gross profit percentage and return on sales percentage have increased because of the focus on continuing to improve the profitability of the business through productivity improvements; good customer service, measured using orders delivered on-time and in full (OTIF), which has improved this year; and also by improving quality measured by defective parts per million (DPPM), which has also improved this year. The Company and the Group have a clear focus on making sure that we don't harm our employees. The reduction in lost time accidents and accident frequency rate are the result of this focus. One of the key focus areas is LOTOTO, which stands for 'Lock out, tag out, try out', and the company continues to invest in safety at sites including barriers and mezzanine floors to help protect our workforce.

### Exceptional items

During the financial year a number of exceptional costs, predominantly relating to redundancy were incurred as part of restructuring and amounted to £2,525,000. See Note 8 for details.

## **DS Smith Packaging Limited**

### **Strategic report (continued)**

#### **Future prospects**

The current year is going well so far, with progress from 2019/20 continuing into the new financial year. Our business model is resilient, built on our consistent fast moving consumer goods (FMCG) and e-commerce customer base. In the short-term, however, the impact of Covid-19 on the economies in which we operate is likely to impact volumes to industrial customers and add to operating costs. With the current economic uncertainty, we continue to focus on our employees, our customers, our communities and on the efficiency and cash generation of our business and stopping non-essential expenditure. In the medium-term, the growth drivers of e-commerce and sustainability are as strong as ever. The Covid-19 crisis is also expected to accelerate a number of the structural drivers for corrugated packaging and our scale and innovation led customer offering positions us well and gives us confidence for the future.

As part of the DS Smith Group, we have considered and planned for the potential impact of Brexit on our business. The UK left the EU at the start of this calendar year and the transition period is expected to end on 1 January 2021. Product for UK customers is largely manufactured within the UK and materials sourced within the UK, and as such we do not expect a substantial disruption in the event of an orderly transition to new trading arrangements between the UK and EU. In the event of a disorderly transition, there could be short-term consequences, for example, disruption to haulage costs, but we would anticipate this effect to be relatively contained. Discussions and planning have taken place with key trading partners to mitigate against potential disruption to the supply chain.

Although economic conditions remain uncertain, our innovation-led offering and the scale of our business means that we are confident about further growth and sustainable returns in the years ahead.

In addition, it is planned that the company will be further strengthened by hiving up the assets of its 100% owned subsidiary, TRM Packaging Limited (see note 26, subsequent events for more details)

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

The Directors have regard to the matters set out in Section 172(1) of the Companies Act 2006 when performing their duties under Section 172 to promote the success of the Company. They meet periodically at a Regional and/or Group level to discuss these matters. When making decisions, the Directors pay due regard to: the likely consequences of decisions in the long-term; the interests of stakeholders, the interests of the company's employees, the impact actions have on the communities in which we operate and the environment; maintaining high standards of business conduct; and acting fairly at all times. Our key stakeholders include our employees, customers, the communities in which we operate and our impact on the environment. During the year the Directors received relevant information to help them understand the interest and views of these key stakeholder groups when making decisions and the potential impact decisions could have on each group. Information included reports regarding financial and operational performance, non-financial key performance indicators, (including accident frequency rate, CO2 equivalent emissions and on-time and in-full deliveries), risk, responsible business matters and the results of specific stakeholder engagement exercises.

#### *Employee Engagement*

The Company is fully committed to ensuring that sufficient emphasis is placed on employee involvement and communication through a variety of methods, and continues to keep employees informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the wider Group. The Company is committed to both the principle and achievement of equal opportunities in employment and policies are designed to provide such equality irrespective of sex, creed, ethnic origin, nationality, sexual orientation, age or disability. Dependent upon their skills and abilities, the Company applies the same criteria to disabled persons as it does to other employees whether in selection, promotion or training. If any employee becomes disabled during employment with the Company, every effort is made to find suitable continuing employment. The Company fully recognises its responsibilities and continues to promote all aspects of health and safety in the interests of its employees and members of the public.

We employ around 2,895 people in the Company. We engage people in a number of ways: on site through team briefings and leadership visits, online and in print through newsletters and providing mechanisms for feedback through our employee works councils, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice. By giving all employees a voice, we create the opportunity to improve their work experience and feel pride in working for DS Smith. We also have a confidential hotline known as 'Speak Up!' for employees to report concerns where they do not wish to go through their line manager. On a more formal basis, our European Works Council (EWC) brings

## **DS Smith Packaging Limited**

### **Strategic report (continued)**

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

##### *Employee Engagement (continued)*

together employee representatives from the different European countries where we operate and provides a forum for information sharing and consultation. The EWC Executive meets with senior management regularly and the full EWC meets with the Group Chief Executive and Group Operating Committee members twice a year. An example of our partnership approach has been the co-creation of an employee charter setting out our shared values and principles on issues that matter to our people. Furthermore, the Group operates a Sharesave Plan which encourages employees' involvement in the Group and Company's performance. Further details of this Plan can be found in note 26 of the 2020 Group accounts.

##### *Engagement with suppliers, customers and others in a business relationship with the company*

The Directors aim to promote the success of the Company, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves management thinking about the interests of the Company's stakeholders, including our people, our customers, local communities, non-governmental organisations and our suppliers; about the importance of maintaining our reputation for high standards of business conduct; and about the environment.

Engagement with customers is the lifeblood of our business, and takes place via the sales, marketing and innovation teams. We encourage customers to visit our design and innovation hubs, known as PackRight Centres and Impact Centres, where we can share insight and develop value-adding packaging solutions to support their business objectives.

##### *The environment and communities*

DS Smith engages with those communities it touches, ranging from local initiatives such as sponsoring local educational projects, to larger initiatives such as donations by our Charitable Foundation to environmental and education focused charities. The Group's Sustainability policies align the management of sustainability across the organisation and these are periodically reviewed and updated, with action plans communicated to the heads of each business unit. This ensures that environmental and sustainability-related risks and opportunities are appropriately managed.

##### *Our suppliers*

We engage with suppliers to enforce our established supplier standards and supplier code of conduct, which set out our ways of working, including for example, in relation to our obligations under anti-modern slavery laws.

#### **Streamlined Energy and Carbon Reporting**

The Company is included in the Group reporting of the ultimate parent company which has provided its consolidated CO2 emissions and energy consumption on page 34 of the Strategic report in the Group's 2020 annual report.

#### **Principal risks and uncertainties**

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

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

Consideration of the risk of a disorderly Brexit is included in Future prospects above.

The risks associated with the Covid-19 pandemic have been assessed by the Company's ultimate parent company, DS Smith Plc, who have treated Covid-19 as a trigger event that affects many existing risks or creates a heightened awareness of new/emerging risk. The Group strategy team has been working with Group functions and divisions to produce new 'what if' scenarios of what a post Covid-19 future might

## **DS Smith Packaging Limited**

### **Strategic report (continued)**

#### **Principal risks and uncertainties (continued)**

look like for DS Smith, our customers and suppliers; these scenarios are informing our ongoing evaluation of a new range of emerging risks.

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

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, including the effects to date of Covid-19. The financial position of the Company is as shown in the statement of financial position on page 14.

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

The Company has access to considerable financial resources from across the DS Smith Group. The company generated a profit of £20,942,000 in the year (2019: loss of £7,133,000) however, is in a net current liability position and has received a letter support from DS Smith Group confirming that if required, support will be provided for a minimum period of 12 months from the approval of the financial statements for the year ending 30 April 2020. The Directors have considered the ability of DS Smith Group to provide this support and are satisfied that DS Smith Group has the financial resources to provide that support. In addition, the Directors have made enquiries, looked at forecasts and considered the Company's financial and operational resources and have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements for the year ended 30 April 2020. The Directors have also considered the going concern position of the Company in light of the Covid-19 pandemic. Given the strong performance in the period post year end to date, the judgement is that Covid-19 has not significantly impacted the performance of the Company to date. For these reasons, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors and signed on behalf of the Board:

R H Newman  
Director

28 October 2020

## **DS Smith Packaging Limited**

### **Directors' report**

The Directors' present their Annual Report and the audited financial statements of the Company for the year ended 30 April 2020.

#### **Dividends**

The Directors have not proposed or paid a dividend for the year ended 30 April 2020 (2019: £nil).

#### **Directors**

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

S Rossi  
P J Brown  
W B Hicks  
R H Newman  
M Chiron

#### **Directors' and officers' liability insurance**

During the year and up to the date of approval of these financial statements, the ultimate parent company maintained liability insurance for the Directors and other Officers of the Company. It has also entered into qualifying third-party indemnity arrangements for the benefit of all its Directors, in a form and scope which comply with the requirements of the Companies Act 2006. These indemnities were in force throughout the year and up to the date of this annual report.

#### **Statement of Corporate Governance arrangements**

For the year ended 30 April 2020, new corporate governance reporting requirements apply to the Company. The Companies (Miscellaneous Reporting) Regulations 2018 require the Company to disclose its corporate governance arrangements, stating:

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

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

#### **Principle 1 – Purpose and leadership**

The Company, as part of the DS Smith Group of companies (the "Group"), has as its purpose the Group purpose (the "Purpose") of "*Redefining Packaging for a Changing World.*" It has continued to make good progress in realising the Purpose.

The Company complies with the principles of good corporate governance and, as a company within the Group, there are policies in place to support this commitment. These policies cover Modern Slavery, Code of Conduct, Anti-Corruption, 'Speak Up', Group Tax Strategy, Compliance Framework, Gifts & Hospitality and Board Diversity and Inclusion. Details of each of these policies can be found on the Group website at [www.dssmith.com/investors/corporate-governance](http://www.dssmith.com/investors/corporate-governance) .

In addition, the Company adheres to Group policies on sustainability, which includes policies on the environment and health and safety. Full details can be found at [www.dssmith.com/sustainability](http://www.dssmith.com/sustainability).

The Company's strategy is set at Group level and the Company, within that overall strategy, has its responsibility for implementing its section of the Corporate Plan.



## **DS Smith Packaging Limited**

### **Directors' report (continued)**

#### **Statement of Corporate Governance arrangements (continued)**

##### **Principle 2 – Board Composition**

The Company is led by a Board of Directors, which consists of five Directors with wide experience of the industry in which the Company operates. The Company does not have a designated Chair. The Directors have a mix of operational and financial experience and knowledge to ensure the Company performs effectively in achieving the Company's Purpose and goals. However, it is acknowledged that there is a lack of diversity on the Board. The Board is committed to developing greater inclusion and diversity at all levels, including senior levels, of the Company. This will happen through the initiatives being developed and led by the ultimate parent company including: having an employee charter; a Diversity and Inclusion forum which works with employee forum groups; talent attraction, development and agile working practices to improve the representation of women at all levels.

The Board is committed to the ongoing development of its members. Evaluation of the Directors is undertaken as part of a policy of Group-wide performance development reviews. Managers are subject to additional assessment against four management standards: Health Safety and Environment, Customer Focus, The DS Smith Way and Team Management.

##### **Principle 3 – Director Responsibilities**

The Board's key area of focus in the year under review was to act in a way that would be most likely to promote the success of the company for the benefit of its members. In doing so, the Board considered the likely long-term consequence of any decision, the interests of the Company's employees, the need to foster good relationships with suppliers and customers, the impact of the Company's operations on the community and the environment, the requirement to maintain a reputation for high standards of business conduct and to act fairly between members of the Company.

The Board of the Company has not established any committees.

Within the parameters set by the Corporate Plan, the Board monitors the Company's performance and balances the interests of the Company's various stakeholders. To this end, it relies on information supplied to it by Group systems.

##### **Principle 4 – Opportunity and Risk**

The opportunities and risks faced by the Company are detailed in the Strategic Report in the sections entitled *Future prospects* and *Principal risks and uncertainties* which form part of the Company's Annual Report and Financial Statements.

##### **Principle 5 – Remuneration**

The primary policy objective is to set remuneration at a level that secures and retains good quality senior managers, who can deliver on the Company's Purpose and its goals. As a Group company, remuneration policy is set at Group level by the ultimate parent company, DS Smith Plc, which has established a committee of non-executive Directors for this purpose. Information on Group remuneration policies are detailed in the Annual Report of DS Smith Group Plc ([dssmith.com/investors/annual-reports](https://dssmith.com/investors/annual-reports)).

##### **Principle 6 – Stakeholder relationships and engagement**

The Company's stakeholders include its workforce, customers, suppliers and community groups. The Company considers itself a responsible employer, with a diverse and engaged workforce. The Company engages with its people in a number of ways, including on site through team briefings and leadership visits and through newsletters and employee surveys.

In line with Group policy, engagement with customers is a key focus and it is achieved via the sales, marketing and innovation teams at both Company and wider Group level. The Company is committed to sharing its insight and developing value-added packaging solutions to support the business objectives of its customers.

The Company, in line with Group policy, engages with suppliers to enforce established supplier standards and the supplier code of conduct, which sets out how the Company works, including obligations under anti-modern slavery laws.

## **DS Smith Packaging Limited**

### **Directors' report (continued)**

#### **Statement of Corporate Governance arrangements (continued)**

##### **Principle 6 – Stakeholder relationships and engagement (continued)**

The Company is part of the Group community programme, which has as its core themes improving the environment and inspiring the next generation. The Company is a responsible neighbour and has completed community projects linked to those themes at all its sites with more than 50 employees.

The Company has committed to put sustainability at the heart of its operations in order to minimise the environmental impact of its activities. Initiatives designed to minimise the Company's impact on the environment include reducing and recycling manufacturing waste and investment in equipment designed to improve energy efficiency, thereby reducing CO<sub>2</sub>e. The Company is also committed to developing innovative solutions to packaging recyclability. The Company adheres to Group policies on sustainability and full details can be found at [www.dssmith.com/company/sustainability](http://www.dssmith.com/company/sustainability). The Group receives regular updates on our broader sustainability performance, most recently discussing progress against our long-term sustainability targets, our carbon emissions reduction ambitions, our role in protecting global forestry and the positive role we can play in society's replacing of problem plastics.

##### **Financial risk management**

The Directors meet periodically to discuss financial and other risks. Key price risk and credit risk are discussed during periodic reviews of the business. Where required, hedging instruments are entered into by the Company with the ultimate parent company, DS Smith Plc. Competitive pressure, input costs and credit risk are discussed in the Strategic report. Consideration of the risk of a disorderly Brexit has been disclosed in the Strategic report on page 3.

##### **Future prospects**

Future prospects have been disclosed in the Strategic report on page 3.

##### **Auditor**

As at the date of approval of this Directors' Report, each of the Directors of the Company confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Company's Auditors are aware of that information.

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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be reappointed as Auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:

R H Newman

Director

28 October 2020

## **DS Smith Packaging Limited**

### **Directors' responsibilities statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **Independent auditor's report to the members of DS Smith Packaging Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of DS Smith Packaging Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 30 April 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement
- the statement of comprehensive income/(expense);
- the statement of financial position;
- the statement of changes in equity; and
- the related Notes 1 to 26.

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

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

## **Independent auditor's report to the members of DS Smith Packaging Limited (continued)**

### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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

David Hedditch (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Cardiff, United Kingdom  
28 October 2020

## DS Smith Packaging Limited

### Income statement

Year ended 30 April 2020

		Before exceptional items	Exceptional items (Note 8)	Total	Before exceptional items	Exceptional items (Note 8)	Total
	Note	2020 £'000	2020 £'000	2020 £'000	2019 £'000	2019 £'000	2019 £'000
Revenue	3	569,123	-	569,123	582,289	-	582,289
Cost of sales		(401,268)	(2,525)	(403,793)	(457,485)	(115)	(457,600)
<b>Gross profit/(loss)</b>		<b>167,855</b>	<b>(2,525)</b>	<b>165,330</b>	124,804	(115)	124,689
Distribution costs		(48,461)	-	(48,461)	(39,384)	-	(39,384)
Administrative expenses		(84,126)	-	(84,126)	(84,078)	-	(84,078)
Guaranteed minimum pension equalisation	8	-	-	-	-	(2,677)	(2,677)
<b>Operating profit/(loss)</b>	4	<b>35,268</b>	<b>(2,525)</b>	<b>32,743</b>	1,342	(2,792)	(1,450)
(Loss)/profit on disposal of property, plant and equipment		(43)	-	(43)	82	-	82
Income from shares in group undertakings	8	-	-	-	-	5,880	5,880
Impairment of investments	8	-	-	-	-	(9,270)	(9,270)
Finance income	7	30	-	30	7	-	7
Finance costs	7	(3,526)	-	(3,526)	(3,130)	-	(3,130)
Employment benefit net finance (expense)/income	21	(293)	-	(293)	90	-	90
<b>Net financing costs</b>		<b>(3,789)</b>	-	<b>(3,789)</b>	(3,033)	-	(3,033)
<b>Profit/(loss) before income tax</b>		<b>31,436</b>	<b>(2,525)</b>	<b>28,911</b>	(1,609)	(6,182)	(7,791)
Income tax (charge)/ credit	9	(7,969)	-	(7,969)	658	-	658
<b>Profit/(loss) for the financial year</b>		<b>23,467</b>	<b>(2,525)</b>	<b>20,942</b>	(951)	(6,182)	(7,133)

The results shown above are from continuing operations.

**DS Smith Packaging Limited**  
**Statement of comprehensive income/(expense)**  
**Year ended 30 April 2020**

	<b>Note</b>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Profit/(loss) for the year</b>		<b>20,942</b>	(7,133)
Items which will not be reclassified subsequently to profit or loss:			
Actuarial losses on employee benefits	21	<b>(13,728)</b>	(19,661)
Income tax credit on other comprehensive expense	9, 18	<b>4,280</b>	3,342
		<b>(9,448)</b>	(16,319)
Items which may be reclassified subsequently to profit or loss:			
Movement in hedging reserve	19	-	39
		-	39
<b>Other comprehensive expense for the year, net of tax</b>		<b>(9,448)</b>	(16,280)
<b>Total comprehensive income/(expense) for the year</b>		<b>11,494</b>	(23,413)

**DS Smith Packaging Limited**  
**Statement of financial position**  
**As at 30 April 2020**

	<b>Note</b>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	10	<b>(50)</b>	(62)
Intangible assets	10	<b>8,228</b>	10,554
Property, plant and equipment	11	<b>185,239</b>	192,418
Right of use assets	12	<b>13,927</b>	-
Investments in subsidiaries	13	<b>28,184</b>	28,184
Deferred tax assets	18	<b>11,728</b>	13,605
Other receivables	15	<b>22,257</b>	34,433
<b>Total non-current assets</b>		<b>269,513</b>	279,132
<b>Current assets</b>			
Inventories	14	<b>33,141</b>	34,899
Trade and other receivables	15	<b>56,304</b>	73,376
Cash and cash equivalents		<b>81,442</b>	43,026
<b>Total current assets</b>		<b>170,887</b>	151,301
<b>Total assets</b>		<b>440,400</b>	430,433
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefits	21	<b>(23,468)</b>	(16,208)
Other payables	16	<b>(123,537)</b>	(154,708)
<b>Total non-current liabilities</b>		<b>(147,005)</b>	(170,916)
<b>Current liabilities</b>			
Trade & other payables	16	<b>(255,414)</b>	(234,179)
Bank overdraft		<b>(865)</b>	-
Provisions	17	<b>(486)</b>	(202)
<b>Total current liabilities</b>		<b>(256,765)</b>	(234,381)
<b>Total liabilities</b>		<b>(403,770)</b>	(405,297)
<b>Total assets less current liabilities</b>		<b>183,635</b>	196,052
<b>Net assets</b>		<b>36,630</b>	25,136
<b>Equity</b>			
Called up share capital	19	<b>180</b>	180
Hedging reserve	19	<b>(13)</b>	(13)
Retained earnings		<b>36,463</b>	24,969
<b>Shareholder's equity</b>		<b>36,630</b>	25,136

These financial statements for DS Smith Packaging Limited (registered number 00630681), were approved by the Board of Directors and authorised for issue on 28 October 2020.

Signed on behalf of the Board of Directors:

R H Newman  
Director

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



**DS Smith Packaging Limited**  
**Statement of changes in equity**  
**Year ended 30 April 2020**

	Note	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 1 May 2018</b>		180	(52)	43,862	<b>43,990</b>
(Loss) for the year		-	-	(7,133)	<b>(7,133)</b>
Actuarial loss on employee benefits	21	-	-	(19,661)	<b>(19,661)</b>
Income tax on other comprehensive expense	18	-	-	3,342	<b>3,342</b>
Movement in hedging reserve	19	-	39	-	<b>39</b>
<b>Total comprehensive expense</b>		-	39	(23,452)	<b>(23,413)</b>
Forgiveness of loans owed to Group companies		-	-	4,559	<b>4,559</b>
<b>Transactions with owners recognised directly in equity</b>		-	-	4,559	<b>4,559</b>
<b>At 30 April 2019</b>		<b>180</b>	<b>(13)</b>	<b>24,969</b>	<b>25,136</b>
<b>At 1 May 2019</b>					
Profit for the year		-	-	20,942	<b>20,942</b>
Actuarial loss on employee benefits	21	-	-	(13,728)	<b>(13,728)</b>
Income tax on other comprehensive expense	18	-	-	4,280	<b>4,280</b>
<b>Total comprehensive income</b>		-	-	11,494	<b>11,494</b>
<b>At 30 April 2020</b>		<b>180</b>	<b>(13)</b>	<b>36,463</b>	<b>36,630</b>

## **DS Smith Packaging Limited**

### **Notes to the financial statements for the year ended 30 April 2020**

#### **1. Principal accounting policies**

##### **Basis of preparation**

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

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

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of DS Smith Plc. The group accounts of DS Smith Plc are available to the public and can be obtained as set out in Note 25.

The financial statements are prepared under the historical cost convention.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- statement of cash flows and related Notes;
- disclosures in respect of transactions with wholly-owned subsidiaries, and group and parent entities;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of key management personnel.

As the Group financial statements include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share-based Payments* in respect of Group settled share-based payments; and
- IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments*.

##### **New accounting standards adopted**

The following new accounting standards, amendments or interpretations have been adopted by the company as of 1 May 2019

###### *IFRS 16 Leases*

The company adopted IFRS 16 on 1 May 2019 using the modified retrospective approach and practical expedients available. As per the specific transitional arrangements in the standard, comparative information has not been restated and all adjustments were made in the opening balance sheet as at 1 May 2019. As such, results for the year ended 30 April 2019 continue to be reported under the previous lease accounting standard, IAS 17 Leases.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the previous lease guidance including IAS 17 Leases and the related interpretations for accounting periods beginning on or after 1 January 2019.

IFRS 16 prescribes a single lessee accounting model that requires the recognition of a right-of-use asset and corresponding liability for all leases with terms over 12 months, unless the underlying asset is of low value. The liability is initially measured as the present value of future lease payments for the lease term. Depreciation of right-of-use assets and interest on the corresponding lease liabilities are recognised in the income statement over the lease term. In the cash flow statement, the total amount of cash paid is separated into a principal portion (within financing activities) and an interest portion (within operating activities). In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Company has applied the following practical expedients in adopting IFRS 16:

- The Company has not reassessed whether transition date contracts are or contain a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 May 2019;

## **DS Smith Packaging Limited**

### **Notes to the financial statements for the year ended 30 April 2020**

#### **1. Principal accounting policies (continued)**

##### **New accounting standards adopted (continued)**

###### *IFRS 16 Leases (continued)*

- IFRS 16 has not been applied to low value assets or leases of less than 12 months in total, which will continue to be expensed to profit and loss on a straight-line basis over the lease term;
- The Company has placed reliance on previous assessments as to whether or not leases are onerous. Any onerous lease provisions were adjusted against the carrying value of the corresponding right-of-use asset on transition;
- On transition, all right-of-use assets were measured at an amount equal to the lease liability;
- Hindsight has been applied in determining the lease term where options to extend or terminate exist;
- For leases classified as finance leases under IAS 17, the previous carrying amount of the lease asset and liability under IAS 17 was taken as the carrying amount of the right-of-use asset and corresponding lease liability; and
- The Company applied a single discount rate to portfolios of leases with reasonably similar characteristics.

On implementation of IFRS 16 there was a material increase in lease liabilities, along with a corresponding increase in right-of-use assets. Notes 12 and 16 detail the impact on the Company's financial statements and Key Performance Indicators of the adoption of IFRS 16.

##### **IFRS 9 Financial instruments**

IFRS 9 has replaced IAS 39 *Financial instruments: Recognition and measurement* and concerns the classification, measurement, and de-recognition of financial assets and financial liabilities, introduces the expected credit loss model for the assessment of impairment of financial assets, introduces new classification measurement rules for financial assets affecting the Company's other investments previously classified as available for sale and held at fair value, and changes the hedge accounting requirements.

The Company has adopted the simplified approach to provide for losses on receivables within the scope of IFRS 9. The impact of applying the expected credit loss model has been concluded not to be material considering the quality and short-term nature of the Company's trade receivables. As the impact of adopting IFRS 9 is not material the Company has not restated the prior periods on adoption of IFRS 9.

The adoption of these standards, amendments and interpretations have 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.

##### **Revenue**

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

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

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

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

##### **Supplier rebates**

The Company receives income from its suppliers, mainly in the form of volume based rebates and early settlement discounts. These are recognised as a reduction in operating costs in the year to which they

## **DS Smith Packaging Limited**

### **Notes to the financial statements for the year ended 30 April 2020**

#### **1. Principal accounting policies (continued)**

##### **Supplier rebates (continued)**

relate. At the period end the Company is sometimes required to estimate supplier income from annual agreements for volume rebates.

##### **Foreign currencies**

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

##### **Government grants**

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

The company utilised the VAT deferral scheme in the year see note 16.

##### **Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised only if all of the following conditions are met:

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

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

##### **Exceptional 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 Company, are classified and disclosed as exceptional items.

Such items include business disposals, restructuring and optimisation, acquisition related and integration costs, impairments, and adjustments relating to historical items.

##### **Intangible assets**

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

Where negative goodwill arises, it is included separately in the statement of financial position and is credited to the income statement in the periods expected to benefit.

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

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

The estimated useful lives are as follows:

Computer software	3-5 years
Negative goodwill	20 years

## **DS Smith Packaging Limited**

### **Notes to the financial statements for the year ended 30 April 2020**

#### **1. Principal accounting policies (continued)**

##### **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, to leave the estimated residual values. Major components 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, fixtures and fittings (including IT hardware)	2-30 years
Motor vehicles	3-5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of freehold or leasehold land and buildings is charged to the income statement as appropriate.

##### **Customer contributions to fixed asset purchases**

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

##### **Investments in subsidiaries**

Investments in subsidiary undertakings are valued at cost less provisions for impairment.

##### **Employee benefits**

###### *Defined contribution schemes*

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

###### *Defined benefit schemes*

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

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

###### *Share-based payment transactions*

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

##### **Provisions**

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

## **DS Smith Packaging Limited**

### **Notes to the financial statements for the year ended 30 April 2020**

#### **1. Principal accounting policies (continued)**

##### **Leases**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

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

Lease liabilities are recorded at the present value of lease payments, which include:

- Fixed lease payments;
- Variable payments that depend on an index or rate, initially measured using the commencement date index or rate;
- Any amounts expected to be payable under residual value guarantees; and
- The exercise price of purchase options, if it is reasonably certain they will be exercised.

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

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

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

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

##### **Inventories**

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

##### **Guarantees**

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

##### **Taxation**

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

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

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

## **DS Smith Packaging Limited**

### **Notes to the financial statements for the year ended 30 April 2020**

#### **1. Principal accounting policies (continued)**

##### **Financial assets and liabilities**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price and, where applicable, are subsequently measured at amortised cost. Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### **Financial income and expenses**

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

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, including the effects to date of Covid-19. The financial position of the Company is as shown in the statement of financial position on page 14.

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

The Company has access to considerable financial resources from across the DS Smith Group. The company generated a profit of £20,942,000 (2019: loss of £7,133,000) in the year however, is in a net current liability position and has received a letter support from DS Smith Group confirming that if required, support will be provided for a minimum period of 12 months from the approval of the financial statements for the year ending 30 April 2020. The Directors have considered the ability of DS Smith Group to provide this support and are satisfied that DS Smith Group has the financial resources to provide that support. In addition, the Directors have made enquiries, looked at forecasts and considered the Company's financial and operational resources and have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements for the year ended 30 April 2020. The Directors have also considered the going concern position of the Company in light of the Covid-19 pandemic. Given the strong performance in the period post year end to date, the judgement is that Covid-19 has not significantly impacted the performance of the Company to date. For these reasons, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

#### **2. Critical accounting judgements and key sources of estimation uncertainty**

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

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

##### **Critical accounting judgements**

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

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Key source of estimation uncertainty

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

IAS19 employee benefits requires the company to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in relation to the discount rate used, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. However, the pension liability is not highly sensitive to changes in the discount rate. It is therefore considered unlikely that a change in the discount rate would materially impact the relevant accounting values. See note 21 for additional information.

#### 3. Revenue

	2020 £'000	2019 £'000
<b>Revenue by geographical destination</b>		
United Kingdom	<b>539,411</b>	561,910
Continental Europe	<b>29,707</b>	20,323
Other countries	<b>5</b>	56
	<b>569,123</b>	582,289

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

#### 4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2020 £'000	2019 £'000
Auditor's remuneration – fees payable for the audit of the Company's financial statements	<b>145</b>	133
Depreciation of owned property, plant and equipment	<b>14,361</b>	13,715
Depreciation of right-of-use assets	<b>6,544</b>	-
Hire of plant and machinery – rentals payable under operating leases	-	2,724
Hire of other assets – rentals payable under operating leases	-	1,355
Cost of inventories recognised in the period	<b>387,244</b>	445,926
Research and development expenditure	<b>9</b>	14
Net foreign exchange losses/(gain)	<b>107</b>	(65)
Amortisation of intangible assets	<b>2,992</b>	2,628
Government grants receivable	<b>(29)</b>	(40)

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



## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 5. Directors' emoluments

	2020 £'000	2019 £'000
Salary	199	346
Bonus	52	147
Other benefits	12	19
Pension	20	13
<b>Total remuneration as executives</b>	<b>283</b>	<b>525</b>

The emoluments of the highest paid Director were £283,000 (2019: £295,000) including pension contributions of £20,000 (2019: £10,000) and the accrued pension entitlement was nil (2019: nil).

The number of Directors for whom pension contributions have been paid by the Company during the financial year was 1 (2019: 2).

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

#### 6. Employee information

The average monthly number of staff (including Directors) employed by the Company during the financial year was:

	2020 Number	2019 Number
<b>Average number of staff (full time equivalent) by activity during the year:</b>		
Production	2,288	2,419
Selling and distribution	393	400
Management and administration	214	239
	<b>2,895</b>	<b>3,058</b>

	2020 £'000	2019 £'000
<b>The aggregate payroll costs of these persons were as follows:</b>		
Wages and salaries	100,013	102,116
Social security costs	10,534	10,376
Contributions to defined contribution pension plans (Note 21)	8,924	7,405
	<b>119,471</b>	<b>119,897</b>

In addition to wages and salaries there is a charge of £1,043,000 (2019: £920,000) in administration expenses in respect of share options granted by the ultimate parent company during the financial year. The Company's management participates in the performance share plan of the Parent Company. For further details see Note 22.

Aggregate payroll costs include Government grants receivable of £313,000 (2019:nil) in respect of the coronavirus job retention scheme.

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 7. Finance income and costs

	2020 £'000	2019 £'000
Bank interest	30	7
<b>Finance income</b>	<b>30</b>	<b>7</b>
Interest on loans from group undertakings	(415)	(1,049)
Factoring interest payable	(1,626)	(1,638)
Foreign exchange losses	(183)	(28)
Bank interest	(539)	(415)
Interest on lease liabilities	(763)	-
<b>Finance costs</b>	<b>(3,526)</b>	<b>(3,130)</b>

#### 8. Exceptional items

	2020 £'000	2019 £'000
Restructuring costs	(2,525)	(115)
Guaranteed minimum pension equalisation	-	(2,677)
Income from shares in group undertakings	-	5,880
Impairment of investment in subsidiaries	-	(9,270)
<b>Exceptional costs &amp; credits - pre tax</b>	<b>(2,525)</b>	<b>(6,182)</b>

##### Restructuring Costs

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

##### Guaranteed minimum pension equalisation

On 26 October 2018, the High Court issued a judgment with respect to the equalisation between men and women of guaranteed minimum pension (GMP) benefits accrued between 1990 and 1997, in order to comply with sex discrimination legislation. The impact of this judgment to the Company was a charge of nil (2019: £2,677,000).

##### Investment in subsidiaries

In 2019, following changes in the statutory structure of certain of the Company's subsidiary undertakings, the Company received a dividend of £5,880,000 and impaired its investments in certain subsidiary undertakings by £9,270,000. There was no equivalent transaction in 2020. Refer Note 13 for further details.

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 9. Income tax (charge)/credit

<b>Continuing operations</b>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Current tax (charge)/credit</b>		
UK corporation tax in respect of current year	<b>(7,630)</b>	(1,530)
Adjustment in respect of prior years	<b>5,818</b>	256
<b>Total current tax</b>	<b>(1,812)</b>	(1,274)
<b>Deferred tax credit/(charge)</b>		
Origination and reversal of temporary differences	<b>1,941</b>	1,919
Impact of change in tax rate	<b>(916)</b>	-
Adjustment in respect of prior years	<b>(7,182)</b>	13
<b>Total deferred tax</b>	<b>(6,157)</b>	1,932
<b>Total income tax (charge)/credit in the income statement from continuing operations</b>	<b>(7,969)</b>	658
	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Tax on other comprehensive income</b>		
Tax on actuarial loss	<b>2,608</b>	3,342
Impact of change in tax rate	<b>1,672</b>	-
<b>Total tax income included in other comprehensive income</b>	<b>4,280</b>	3,342

The difference between the actual tax charge and the standard rate of corporation tax in the UK of 19% (2019: 19%) is as follows:

	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Profit/(loss) before tax</b>	<b>28,911</b>	(7,791)
Tax at the UK standard rate of Corporation tax of 19% (2019: 19%)	<b>(5,493)</b>	1,480
Effects of:		
- Permanent differences	<b>(196)</b>	(865)
- Change in corporation tax rate	<b>(916)</b>	(226)
- Adjustments in respect of prior years	<b>(1,364)</b>	269
<b>Income tax (charge)/credit</b>	<b>(7,969)</b>	658

In future years, the tax charge will be affected by the extent to which any capital gains can either be rolled over or sheltered by capital losses within the Group as well as subsequently enacted changes in tax rate. The Finance Act 2020 included a 2% increase in the main UK corporation tax rate to 19% from 1 April 2020, which was substantially enacted on 17 March 2020. As announced in the March 2020 Budget, the reduction in the UK corporation tax rate to 17% will now not occur. Accordingly, the rate applied to UK deferred tax assets and liabilities is 19% (2019: 17%).

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 10. Intangible assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 May 2019	(246)	20,607	20,361
Additions	-	411	411
Disposals	-	(20)	(20)
Transfers	-	267	267
<b>At 30 April 2020</b>	<b>(246)</b>	<b>21,265</b>	<b>21,019</b>
<b>Amortisation and impairment</b>			
At 1 May 2019	184	(10,053)	(9,869)
Disposals	-	20	20
Amortisation credit/(charge)	12	(3,004)	(2,992)
<b>At 30 April 2020</b>	<b>196</b>	<b>(13,037)</b>	<b>(12,841)</b>
<b>Net book value</b>			
<b>At 30 April 2020</b>	<b>(50)</b>	<b>8,228</b>	<b>8,178</b>
At 30 April 2019	(62)	10,554	10,492

#### 11. Property, plant and equipment

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Under construction £'000	Total £'000
<b>Cost</b>					
At 1 May 2019	84,086	492	326,445	4,501	415,524
Additions	-	-	655	7,370	8,025
Transfers	-	-	-	(267)	(267)
Other reclassification	(820)	-	8,576	(7,756)	-
Disposals	-	-	(8,047)	(11)	(8,058)
<b>At 30 April 2020</b>	<b>83,266</b>	<b>492</b>	<b>327,629</b>	<b>3,837</b>	<b>415,224</b>
<b>Accumulated depreciation</b>					
At 1 May 2019	(27,516)	(248)	(195,342)	-	(223,106)
Charge for the year	(1,575)	(73)	(12,713)	-	(14,361)
Other reclassification	389	-	(389)	-	-
Disposals	-	-	7,482	-	7,482
<b>At 30 April 2020</b>	<b>(28,702)</b>	<b>(321)</b>	<b>(200,962)</b>	<b>-</b>	<b>(229,985)</b>
<b>Net book value</b>					
<b>At 30 April 2020</b>	<b>54,564</b>	<b>171</b>	<b>126,667</b>	<b>3,837</b>	<b>185,239</b>
At 30 April 2019	56,570	244	131,103	4,501	192,418

The gross book value of freehold land and buildings includes £68,020,000 (2019: £67,863,000) of depreciable assets.

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 12. Right of use assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 1 May 2019	-	-	-
Recognised on adoption of IFRS16	9,384	8,364	17,748
Additions	1,221	2,233	3,454
Disposals	(781)	(505)	(1,286)
<b>At 30 April 2020</b>	<b>9,824</b>	<b>10,092</b>	<b>19,916</b>
<b>Depreciation</b>			
At 1 May 2019	-	-	-
Disposals	207	348	555
Depreciation charge	(2,828)	(3,716)	(6,544)
<b>At 30 April 2020</b>	<b>(2,621)</b>	<b>(3,368)</b>	<b>(5,989)</b>
<b>Carrying amount</b>			
<b>At 30 April 2020</b>	<b>7,203</b>	<b>6,724</b>	<b>13,927</b>
At 30 April 2019	-	-	-

#### 13. Investments in subsidiaries

	Shares in subsidiary undertakings £'000
<b>Cost and net book value</b>	
At 1 May 2019	28,184
<b>At 30 April 2020</b>	<b>28,184</b>

The Company's interests in subsidiary undertakings are:

Name of Company	Nature of business	Country of incorporation	Share class	Percentage of share capital held
Multigraphics Holdings Limited	Holding Company	United Kingdom	Ordinary	100%
Multigraphics Limited*	Dormant	United Kingdom	Ordinary	100%
Multigraphics Services Limited*	Dormant	United Kingdom	Ordinary	100%
TheBannerPeople.Com Limited*	Dormant	United Kingdom	Ordinary	100%
TRM Packaging Limited	Trading	United Kingdom	Ordinary	100%
DS Smith Shanghai Trading Limited	Trading	China	Ordinary	100%

\* Held indirectly through Multigraphics Holdings Limited

Registered office address for all United Kingdom businesses: 350 Euston Road, London, England NW1 3AX.

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

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 14. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	16,864	17,695
Work in progress	2,862	3,347
Finished goods	13,415	13,857
	<b>33,141</b>	34,899

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions at 30 April 2020 were £2,561,000 (2019: £2,334,000).

#### 15. Trade and other receivables

	2020		2019	
	Non-current £'000	Current £'000	Non-current £'000	Current £'000
Trade receivables	-	28,467	-	45,548
Amounts owed by parent undertaking	19,195	3,072	114	179
Amount owed by group subsidiaries	3,062	9,758	34,319	7,497
Other receivables	-	7,215	-	7,232
Prepayments	-	6,091	-	11,162
Accrued income	-	1,701	-	1,758
	<b>22,257</b>	<b>56,304</b>	34,433	73,376

Interest is charged on a working capital loan of £2,157,220 to Group undertakings at 12 months LIBOR, with a loan maturity date of 29 April 2021. Non-current assets owed by Group and Parent undertakings are non-interest bearing and are payable on demand, but are not expected to be settled within 12 months of the signing date.

#### 16. Trade and other payables

	2020		2019	
	Non-current £'000	Current £'000	Non-current £'000	Current £'000
Trade payables	-	43,625	-	39,150
Amounts owed to parent undertakings	115,321	28,305	27,449	36,111
Amounts owed to group subsidiaries	-	154,928	127,147	135,711
Other taxes and social security	-	10,609	-	1,919
Lease liabilities	8,129	6,160	-	-
Other creditors	-	1,984	5	1,612
Accruals and deferred income	87	9,803	107	19,676
	<b>123,537</b>	<b>255,414</b>	154,708	234,179

Other non-current liabilities owed to Group and parent undertakings are non-interest bearing and are payable on demand, but are not expected to be settled within 12 months of the signing date.

Of the £8,129,000 (2019:nil) right of use assets lease obligation which is non-current, £539,000 (2019:nil) is due in 5 years or more.

Other taxes and social security includes £9,933,000 of VAT (2019:nil) which has been deferred for payment as part of the Government payment deferral scheme.

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 17. Provisions

	Restructuring £'000	Total £'000
At 1 May 2019	202	202
Charged to the income statement	2,524	2,524
Utilised during the year	(2,240)	(2,240)
<b>At 30 April 2020</b>	<b>486</b>	<b>486</b>

The outstanding provisions primarily relate to restructuring and redundancy costs. The provision is expected to be utilised during the first quarter of the next financial year.

#### 18. Deferred tax

The following are the major deferred tax assets recognised by the Company and movements during the prior and current reporting period.

	Depreciation in excess of capital allowances £'000	Employee benefits including pensions £'000	Total £'000
At 1 May 2018	8,224	107	8,331
Credited/(charged) to income statement	2,626	(694)	1,932
Charged to other comprehensive income	-	3,342	3,342
<b>At 30 April 2019</b>	<b>10,850</b>	<b>2,755</b>	<b>13,605</b>
At 1 May 2019	10,850	2,755	13,605
Credited/(charged) to income statement	(3,580)	(2,577)	(6,157)
Charged to other comprehensive income	-	4,280	4,280
<b>At 30 April 2020</b>	<b>7,270</b>	<b>4,458</b>	<b>11,728</b>

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.

#### 19. Called up share capital and reserves

	2020 £'000	2019 £'000
<b>Allotted, called-up and fully paid:</b>		
179,998 (2019: 179,998) ordinary shares of £1 each	180	180
	<b>180</b>	<b>180</b>

Authorised share capital is 180,000 shares.

#### 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.

#### Capital contributions

Capital contributions of £4,559,000 (2019: £4,559,000) are included within the Retained earnings equity reserve.

#### 20. Contingent liabilities

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

The Company has provided unsecured guarantees to third parties in the ordinary course of business. At 30 April 2020, the guarantees outstanding amounted to £nil (2019: £nil).

The Company has outstanding duty deferment account guarantees totalling £20,000 (2019: £20,000).

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 21. Employee benefits

##### Defined benefit scheme

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

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

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

The Group has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. The consolidated financial statements for the year to 30 April 2020 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2020.

	<b>2020</b> <b>£'000</b>	2019 £'000
Present value of funded obligations	<b>(1,169,207)</b>	(1,086,117)
Fair value of scheme assets	<b>1,097,829</b>	1,035,855
Total IAS 19 deficit, net	<b>(71,378)</b>	(50,262)
Allocated to other participating employers	<b>47,910</b>	34,054
<b>Company's share of IAS 19 deficit, net</b>	<b>(23,468)</b>	(16,208)

Reconciliation of scheme assets and liabilities:

	<b>Assets</b> <b>£'000</b>	<b>Liabilities</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
At 1 May 2019	369,481	(385,689)	(16,208)
Employment benefit net finance expense	8,720	(9,013)	(293)
Contribution by fellow Group entity	6,761	-	6,761
Actuarial gains/(losses)	15,103	(28,831)	(13,728)
Benefits paid	(9,390)	9,390	-
<b>Company's share of IAS 19 deficit, net</b>	<b>390,675</b>	<b>(414,143)</b>	<b>(23,468)</b>

Principal actuarial assumptions for the Scheme are as follows:

	<b>2020</b> <b>%</b>	2019 %
Discount rate for scheme liabilities	<b>1.6</b>	2.4
Inflation rate	<b>1.8</b>	2.1
Pre-retirement pension increases	<b>1.8</b>	2.1
Future pension increases for pre 30 April 2005 service	<b>1.9</b>	2.2
Future pension increases for post 30 April 2005 service	<b>1.5</b>	1.6



## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 21. Employee benefits (continued)

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 2020, 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 2019 the mortality base table used was SAPS 2 (year of birth), with CMI 2018 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

	2020 Male	2020 Female	2019 Male	2019 Female
<b>Life expectancy at age 65</b>				
Member currently aged 65	21.2	23.4	20.5	22.6
Member currently aged 45	22.3	25.0	21.4	24.2

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

	Increase in pension liability £m
0.5% decrease in discount rate	(103)
0.5% increase in inflation rate	(66)
One year increase in life expectancy	(47)

#### Defined contribution scheme

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

The amount recognised as an expense for the defined contribution scheme in the year, relating to current period contributions was £8,924,000 (2019: £7,405,000). The amount payable at 30 April 2020 was £nil (30 April 2019: £nil).

#### 22. Share-based payments

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

##### (i) Performance Share Plan (PSP)

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

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

Awards between 2013 and 2014 are subject to three performance measures:

- 50% of each award based on a TSR component;
- 25% of each award based on average adjusted EPS; and
- 25% of each award based on average adjusted ROACE.

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 22. Share-based payments (continued)

Awards made between 2015 and 2016 are subject to three performance measures:

- i. 33.3% of each award based on a TSR component;
- ii. 33.3% of each award based on average adjusted EPS; and
- iii. 33.3% of each award based on average adjusted ROACE.

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

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

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

#### (ii) Deferred Share Bonus Plan (DSBP)

This plan is operated for Executive Directors and, from 2012/13, for senior executives. Shares awarded under the Plan will vest automatically if the Director or senior executive is still employed by the Company three years after the grant of the award.

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

#### (iii) Long-Term Incentive Plan (LTIP)

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

#### (iv) Sharesave Plan

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

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

2019/20	Performance Share Plan		Deferred Share Bonus Plan	
	Weighted average exercise price (p)	Options '000	Weighted average exercise price (p)	Options '000
Exercised	Nil	23	Nil	-
<b>At 30 April 2020</b>	<b>Nil</b>	<b>291</b>	<b>Nil</b>	<b>26</b>

## DS Smith Packaging Limited

### Notes to the financial statements for the year ended 30 April 2020

#### 22. Share-based payments (continued)

2019/20	Long-term Incentive Plan		Sharesave Plan	
	Weighted average exercise price (p)	Options '000	Weighted average exercise price (p)	Options '000
Exercised	Nil	89	303.7	219
<b>At 30 April 2020</b>	<b>Nil</b>	<b>-</b>	<b>313.8</b>	<b>4,057</b>

#### 23. Capital commitments and other commitments

The Company had the following capital commitments:

	2020 £'000	2019 £'000
Contracts for future capital expenditure not provided	-	369

The above contracts reflect committed orders for capital which are in place at the balance sheet date.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Within one year	-	6,181
Between two and five years	-	10,796
Over five years	-	1,194
	-	18,171

#### 24. Related parties

The Company has taken the exemption available under FRS 101 from disclosing related party transactions entered into between two or more members of the DS Smith Group, provided that the fellow group entities are wholly owned by the Group. See Note 5 for details of Directors' remuneration. There were no other related party transactions.

#### 25. Ultimate parent undertaking and controlling party

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

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

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

#### 26. Subsequent events

The assets of TRM Packaging Limited, a subsidiary company of DS Smith Packaging Limited, were hived up as at 1 May 2020. The net asset value of the assets and liabilities hived up was £14,075,320. This is a non-adjusting event as the hive up occurred post year end and therefore there is no impact on the year end balance sheet.