**Company Registration No. 00058614**

# DS Smith Paper Limited

## Annual report and financial statements for the year ended 30 April 2021

**DS Smith Paper Limited**

**Annual report and financial statements for the year ended 30 April 2021**

## Contents

## DS Smith Paper Limited

## Annual report and financial statements for the year ended 30 April 2021

## Officers and professional advisers

### Directors

C S McIntyre

N J Miller

W B Hicks

### Company Secretary

Z W Stone

### Registered office

350 Euston Road
London
NW1 3AX
United Kingdom

### Registered number

00058614 (England and Wales)

### 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 8YY

## DS Smith Paper Limited

## Strategic report

The Directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006**.**

### Principal activities

DS Smith Paper Limited (the 'Company') is a subsidiary of DS Smith Plc and operates as part of the DS Smith Group's ('the Group's') UK Paper and Corrugated division.

The Company's principal activities during the year were the manufacture and sale of corrugated case materials (CCM) and specialist paper grades. In addition to third party customers, the Company's customers include other companies within the Group.

### Review of business

The Company is the leading producer of CCM in the UK, which accounts for the majority of the paper it produces; CCM is converted by the Company's customers into corrugated board and boxes. The Company is also a leading European producer of plasterboard liner.

During the year, as shown in the Company's income statement on page 14, the Company recorded a profit before tax of £16,050,000 (2020: profit of £43,992,000).

Sales volumes in the year increased by 2.2% from 2020 due to an increase in sales of brown grade paper in the year largely due to a continued increase in e-commerce activity during the Covid-19 pandemic. Revenue has declined from £290,847,000 in 2020 to £281,639,000 in 2021 reflecting the lower average paper price in the year. Average PfR cost per tonne increased by 22% from the prior year resulting in a significant decrease in gross profit margin from 21.9% in 2019/20 to 12.2% in 2020/21. Costs continue to remain a focus of attention for the Company.

Exceptional items of £660,000 in the current year (2020: £2,866,000) relate to disposal of investments in subsidiary undertakings (£36,928,000), income from shares in subsidiary undertakings (£37,025,000) and ongoing restructuring (£757,000).

$CO_2$ emissions increased marginally reflecting the higher volume of production in the year.

The net assets of the Company, as shown in the statement of financial position on page 16, increased from £344,101,000 to £354,694,000, driven largely by profit of £13,773,000. Finance receivables due from the ultimate parent company, increased by £33,886,000 from 2020 to 2021 following a change in intercompany payment terms and treasury cash sweeping arrangements.

### Key performance indicators

Return on sales, being operating profit before exceptional items expressed as a percentage of revenue, decreased from 16.1% in 2020 to 5.7% in 2021 reflecting significantly lower sales prices which resulted in lower operating profit during the year.

Return on average capital employed ('ROACE') is the last 12 months' operating profit before exceptional items as a percentage of the average monthly capital employed over the previous 12 month period. Capital employed is the sum of property, plant and equipment, intangible assets, working capital, capital debtors/creditors and provisions. During the year ROACE decreased from 23.2% in 2020 to 8.6% reflecting the large drop in operating profit as described above.

### Section 172(1) of the Companies Act 2006

The Directors have regard to Section 172(1) of the Companies Act 2006 when performing their duties to promote the success of the Company for the benefit of its shareholder and the Group as a whole. The Board of Directors comprises the Divisional Chief Executive of Supply Engine, the Finance Director – Paper & Recycling and the Group Financial Controller. The Company operates as part of the Group which has as its purpose 'Redefining Packaging for a Changing World' and contributes to the Group's 3 year corporate plan which provides long-term strategic direction for the business. The Directors and management are continuously thinking about the interests of the Company's stakeholders; about the importance of maintaining the Company's reputation for high standards of business conduct; and about the environment.

The Company's key stakeholders have been identified as its employees, its customers, the communities in which the Company operates, non-governmental organisations and its suppliers. Examples of how this has been achieved are provided below:

### Section 172(1) of the Companies Act 2006 (continued)

***Employees***

The Company employed 430 people at 30 April 2021 and is committed to both the principle and achievement of equal opportunities in employment. Policies are designed to provide 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 engages its employees in a number of ways: on site through team briefings and leadership visits, which took place virtually due to Covid-19, online and in print through internal communications channels and through providing mechanisms for feedback. Quarterly Finance Calls hosted by the senior leadership team provides an opportunity for management to update finance employees on financial and other economic factors affecting the Company, and provide employees an opportunity to ask questions. The Company also has a confidential hotline known as 'Speak Up!' for employees to report concerns anonymously. In 2020/21, the Company celebrated the contribution and success of colleagues through the Group's first global recognition programme – The Smithies – to recognise and celebrate individuals and teams who go above and beyond and excel at what they do. During the year, the Company also rolled out the refreshed and simplified management standards which have been launched across the Group. There are now four core standards: managing health, safety and environment; customer focus; managing my team; and managing 'the DS Smith Way' which is the Company's continuous improvement programme. The standards are all underpinned by a foundation of governance, risk management and compliance measures.

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. Health and safety is taken very seriously and is constantly reviewed and regular training provided to all employees.

Furthermore, the Group operates a Sharesave Plan which encourages employees' involvement in the Group and Company's performance, further details can be found in the Group's 2021 annual report.

***Customers***

The Company supplies both external and internal customers. The Company works closely with all customers to continuously add value to their supply chains through product innovation and improvement, reducing waste and while also helping make progress towards a circular economy. During the Covid-19 pandemic, the Company has continued to support its customers, particularly in the FMCG sector.

***Communities and non-governmental organisations***

The Directors consult with government and industry organisations as well as non-governmental organisations such as the Ellen MacArthur Foundation on the circular economy and broader sustainability issues. At Kemsley, a wildflower meadow was planted in the year and a number of new initiatives were set up that will improve the environment for plants and animals, protect natural habitats and enhance species diversity benefiting the community as well.

***Suppliers***

The Company engages with its suppliers, which are largely internal, in connection with the Group's Now and Next sustainability strategy and their progress towards a circular economy. This strategy is supported by appropriate policies, including the Global Supplier Standard which ensures the Company's suppliers and business partners are in alignment with the Company's core values and work to high ethical standards.

***Environment***

The Company continuously monitors its impact on the environment and takes steps to reduce its impact. In 2020/21 the Group launched its Now and Next sustainability strategy, unveiling its ambitions for the coming decade. Since August 2020, steam generation at Kemsley Mill is powered by the neighbouring Wheelabrator Combined Heat and Power (CHP) plant, reducing the mill's reliance on fossil fuels which will drive a reduction of $CO_2$ emissions in the future.

# DS Smith Paper Limited

## Strategic report (continued)

### Principal risks and uncertainties

Competitive pressure in the Company's 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.

The volatility of the Company's main input costs, waste and energy, continues to be a risk, particularly given the price rises over the last year and more recently, since additional cost needs to be passed onto the customer in order to maintain margin. The Company has an active programme in place to manage its supplies and costs of waste and energy. 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 in energy.

Credit risk is seen as an increasing issue faced by the Company as our customers continue to face a competitive market. This risk is mitigated by strict application of our credit policy and regular management review of accounts that are rated as higher risk.

Group risks are discussed in the Group's annual report which does not form part of this report.

### Covid-19

The Company’s operations were affected throughout the year by the Covid-19 pandemic. However, as an essential supplier for critical supply chains in areas such as FMCG food and drink, pharmaceuticals and other essential suppliers, the Company’s sites remained fully operational throughout the period. Lockdown-induced disruption in waste collection has resulted in a volatile year in the recyclate market. Prices spiked in Q1 and then fell across the summer months before spiking again in the final quarter of the year with prices now at or near a historical high in certain core markets.

### Future developments

The continued investment in our business, together with the strong support of our customers and the momentum built over recent quarters, give us confidence for the current year and the future. We firmly believe that we exit 2020/21 stronger, further focused on the accelerated opportunities a post-Covid-19 world offers and that our customers will continue to recognise this going forward. The current year has started well. Inflationary cost pressures have also continued, in particular OCC, but also other costs such as energy, transport and labour. While there remains uncertainty in the overall economic environment, demand is strong and we expect to make good progress this year.

The Directors are confident that the longer-term business outlook is positive.

### Financial risk management objectives and policies

The Company’s operations expose it to a number of financial risks that include liquidity risk and cash flow risk. Wherever possible the Company complies with Group policies.

*Liquidity and cash flow risk*

The Company actively manages its liquidity risk by short-term debt finance with Group treasury, supported by external borrowings where appropriate, that is designed to ensure the Company has sufficient available funds for operations.

**Financial risk management objectives and policies (continued)**

*Credit risk*

The Company's credit risk is primarily attributable to its receivables held on the statement of financial position. Recoverability of these receivables is reviewed regularly against the statement of financial position of the counterparty.

*Fibre price*

The Company focuses on providing sufficient paper to support the UK Packaging division, whilst determining the optimal integration level with Recycling to balance the external effects of paper and fibre price volatility.

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

W B Hicks

Director

30 March 2022

# Directors' report

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 April 2021. Matters that have been disclosed in the strategic report include: Future developments; and Financial risk management objectives and policies.

### Dividends

The Directors have not proposed or paid a dividend for the year ended 30 April 2021 (2020: £nil).

### Directors

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

C S McIntyre

N J Miller

W B Hicks

### Secretary

Z W Stone

### Directors' and officers' indemnity

During the year and up to the date of approval of these financial statements, the ultimate parent company maintained qualifying third-party indemnity arrangements for the Directors and other officers of the Company.

### Engagement with employees and disabled employees

The Company employed 430 people at 30 April 2021 and is committed to both the principle and achievement of equal opportunities in employment. 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 engages its employees in a number of ways. These are described in the 'Employees' section of the Strategic report.

### Brexit

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

### Political contributions

No political contributions were made during the year (2020: £nil).

### Research and development

The Company recognises the importance of continuing investment in research and development. It is Company policy to develop new product specifications commensurate with customer and environmental needs. Research is also conducted into ways to improve product quality and finding more cost-efficient production methods.

An amount of £3,000 (2020: £103,000) was charged to the income statement for research costs incurred in the year.

### Going concern

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

The paper price is a key assumption in the trading forecast; however the forecast shows an increase in volumes on FY21.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is as shown in the statement of financial position on page 16. At 30 April 2021 the Company reported net current liabilities of £78,281,000 (2020: £82,514,000) and net assets of £354,694,000 (2020: £344,101,000).

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 Group. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Taking into consideration the financial performance and financial position of the Company, they continue to adopt the going concern basis in preparing the financial statements.

### Events after the balance sheet date

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

### Streamlined Energy and Carbon Reporting

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

## Directors' report (continued)

**Auditor**

Each person who is a Director at the date of approval of this report confirms that:

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

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

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 pursuant to s487 of the Companies Act 2006.

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

W B Hicks

Director

30 March 2022

## DS Smith Paper 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

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 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's report to the members of DS Smith Paper Limited

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the Company's affairs as at 30 April 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

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

# Independent Auditor’s report to the members of DS Smith Paper Limited

### Other information

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

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

We have nothing to report in this regard.

### Responsibilities of Directors

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

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

### Auditor’s responsibilities for the audit of the financial statements

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

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

### Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

## Independent Auditor’s report to the members of DS Smith Paper Limited

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

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

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

- The calculation and recognition of rebates in revenue due to the increased judgement and complexity involved in determining the appropriate rebate to be recorded. As part of the procedures to address the risk above, we tested the design and implementation of the key controls designed to mitigate the risk. We selected a sample of customer rebates recorded in the period and performed contract reviews to agree terms and clauses to management’s workings. We performed a retrospective review of the prior year customer rebates accrued at the year-end date by examining billings and payments made subsequent to the signing of the prior year financial statements.

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

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

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

## Independent Auditor's report to the members of DS Smith Paper Limited

### Report on other legal and regulatory requirements

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

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

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

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

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

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

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

We have nothing to report in respect of these matters.

#### 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

30 March 2022

**DS Smith Paper Limited**

**Income Statement**

**For the year ended 30 April 2021**

| | Notes | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| Revenue | 2 | **281,639** | 290,847 |
| Cost of sales | | **(247,314)** | (227,144) |
| **Gross profit** | | **34,325** | 63,703 |
| Distribution costs | | **(13,418)** | (12,988) |
| Administrative expenses | | **(9,821)** | (10,928) |
| Other income | 3 | **5,096** | 7,030 |
| **Operating profit before exceptional items** | 4 | **16,182** | 46,817 |
| Exceptional items | 7 | **(757)** | (2,866) |
| Disposal of investment in subsidiaries | 7 | **(36,928)** | - |
| Income from shares in subsidiaries | 7 | **37,025** | - |
| **Operating profit after exceptional items** | | **15,522** | 43,951 |
| Net finance income | 8 | **746** | 247 |
| Employment benefit net finance expense | 16 | **(218)** | (206) |
| **Net financing income** | | **528** | 41 |
| **Profit before income tax** | | **16,050** | 43,992 |
| Income tax expense | 9 | **(2,277)** | (7,760) |
| **Profit for the year** | | **13,773** | 36,232 |

All results are from continuing operations.

**DS Smith Paper Limited**

**Statement of comprehensive income**

**For the year ended 30 April 2021**

| | Notes | 2021 £'000 | 2020 £'000 |
|---|---|---|---|
| **Profit for the year** | | **13,773** | 36,232 |
| Items which will be not be reclassified subsequently to profit or loss: | | | |
| Actuarial losses on employee benefits | 16 | **(3,926)** | (9,624) |
| Income tax on actuarial losses | 9 | **746** | 2,917 |
| **Other comprehensive expense for the year, net of tax** | | **(3,180)** | (6,707) |
| **Total comprehensive income for the year** | | **10,593** | 29,525 |

# DS Smith Paper Limited

## Statement of financial position

## As at 30 April 2021

| | Notes | 2021 £'000 | As restated* 2020 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 10 | **389** | 1,148 |
| Property, plant and equipment | 11 | **188,901** | 189,256 |
| Investments in subsidiaries | 12 | **1,620** | 38,548 |
| Other receivables | 15 | **253,069** | 211,663 |
| Deferred tax assets | 13 | **5,477** | 3,090 |
| **Total non-current assets** | | **449,456** | 443,705 |
| **Current assets** | | | |
| Inventories | 14 | **16,981** | 16,938 |
| Trade and other receivables | 15 | **13,814** | 17,939 |
| Cash and cash equivalents | | **13,504** | 12,626 |
| Income tax asset | | **8,038** | 12,044 |
| **Total current assets** | | **52,337** | 59,547 |
| **Total assets** | | **501,793** | 503,252 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Employee benefits | 16 | **(15,481)** | (16,090) |
| Provisions | 17 | **(1,000)** | (1,000) |
| **Total non-current liabilities** | | **(16,481)** | (17,090) |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **(130,210)** | (138,840) |
| Provisions | 17 | **(408)** | (3,221) |
| **Total current liabilities** | | **(130,618)** | (142,061) |
| **Net current liabilities** | | **(78,281)** | (82,514) |
| **Total assets less current liabilities** | | **371,175** | 361,191 |
| **Total liabilities** | | **(147,099)** | (159,151) |
| **Net assets** | | **354,694** | 344,101 |
| **Equity** | | | |
| Called-up share capital | 19 | **196,275** | 196,275 |
| Share premium account | | **1,919** | 1,919 |
| Revaluation reserve | 20 | **8,704** | 8,704 |
| Equity reserves | 20 | **10,811** | 10,811 |
| Retained earnings | 20 | **136,985** | 126,392 |
| **Shareholders' equity** | | **354,694** | 344,101 |

*The 30 April 2020 comparative has been restated as explained in note 15

These financial statements for DS Smith Paper Limited (registered number 00058614), were approved by the Board of Directors and authorised for issue on 30 March 2022.

Signed on behalf of the Board of Directors:

W B Hicks
Director

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

## DS Smith Paper Limited

## Statement of changes in equity

## For the year ended 30 April 2021

| | Called-up share capital £'000 | Share premium £'000 | Revaluation reserve £'000 | Equity reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **At 1 May 2019** | **196,275** | **1,919** | **8,704** | **10,811** | **96,867** | **314,576** |
| Profit for the year | - | - | - | - | 36,232 | **36,232** |
| Actuarial loss on employee benefits (see note 16) | - | - | - | - | (9,624) | **(9,624)** |
| Income tax on other comprehensive expense | - | - | - | - | 2,917 | **2,917** |
| **Total comprehensive income** | - | - | - | - | 29,525 | **29,525** |
| **At 30 April 2020** | **196,275** | **1,919** | **8,704** | **10,811** | **126,392** | **344,101** |
| Profit for the year | - | - | - | - | 13,773 | **13,773** |
| Actuarial loss on employee benefits (see note 16) | - | - | - | - | (3,926) | **(3,926)** |
| Income tax on other comprehensive expense | - | - | - | - | 746 | **746** |
| **Total comprehensive income** | - | - | - | - | 10,593 | **10,593** |
| **At 30 April 2021** | **196,275** | **1,919** | **8,704** | **10,811** | **136,985** | **354,694** |

## DS Smith Paper Limited

## Notes to the financial statements for the year ended 30 April 2021

### 1. Principal accounting policies

**Basis of preparation**

The Company is a private company limited by shares and is registered in England & Wales. The address of the Company's registered office is shown on page 1. Principal activities of the Company are described in the Strategic report on page 2.

The accounts are prepared under the historical cost convention. The financial statements of the Company have been prepared on the going concern basis and in accordance with Financial Reporting Standard 102 and the UK Companies Act 2006.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of DS Smith Plc which prepares consolidated financial statements which are publicly available.

In these financial statements, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures as they are a qualifying entity:

- statement of cash flows and related notes;
- a reconciliation for number of shares outstanding;
- disclosures in respect of financial instruments including categories of financial instruments, items of income, expenses, gains or losses relating to financial instruments and exposure to and management of financial risks; 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 102 available in respect of Share-based Payments regarding Group-settled share-based payments.

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

**Revenue**

Revenue comprises the fair value of the sale of goods and services, net of value added tax and other sales taxes, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of goods is recognised when:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- all significant performance obligations have been met;
- the Group retains neither continuing managerial involvement nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the amount of revenue can be measured reliably.

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 Group is responsible for delivery.

**Foreign currencies**

The presentation currency is sterling. Transactions in foreign currencies are recorded using the rate of exchange ruling at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the rate of exchange ruling at that date.

## 1. Principal accounting policies (continued)

**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.

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

**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 can include business disposals, restructuring and optimisation, and impairments.

**Intangible assets**

Goodwill is recorded at cost less accumulated impairment losses. Goodwill is amortised on a straight-line basis over its expected useful life not exceeding 10 years, and is tested annually for impairment; or more frequently if impairment is indicated.

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

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

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

The estimated useful lives are as follows:

| | |
|---|---|
| Computer software | 3-5 years |
| Other | 3-5 years |

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | |
|---|---|
| Freehold and long-leasehold buildings | 2% to 10% per annum (straight-line) |
| Freehold land | not depreciated |
| Plant and machinery; Fixtures and fittings | 5% to 25% per annum (straight-line) |

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.

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

**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 Group has in place a stated policy for allocating the net defined benefit cost and employer contributions relating to the Scheme to participating Group entities based on the most recent available member data.

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 per the stated policy. 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 books 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. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position 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.

**Leases**

*The Company as lessee*

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

## 1. Principal accounting policies (continued)

### Inventories

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

### Financial instruments

The Company uses derivative financial instruments, currency swaps, to currency risk associated with the Company’s underlying business activities.

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

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

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; and
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Financial assets and financial liabilities are recognised in the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

### 1. Principal accounting policies (continued)

**Financial instruments (continued)**

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Finance income**

Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Going concern**

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

The financial position of the Company is as shown in the statement of financial position on page 16. At 30 April 2021 the Company reported net current liabilities of £78,281,000 (2020: £82,514,000) and net assets of £354,694,000 (2020: £344,101,000).

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

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

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

**Critical accounting judgements in applying the Company's accounting policies**

There were no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies.

**Key sources of estimation uncertainty**

In applying the Company's accounting policies, which are described above, the Directors are required to make 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 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.

## Notes to the financial statements for the year ended 30 April 2021 (continued)

### 1. Principal accounting policies (continued)

**Defined benefit pension obligations**

The cost of pension benefits is determined using actuarial valuations. This involves making assumptions about future changes in salaries, pension increases, mortality rates and discount rates. Due to the long-term nature of these plans, considerable management judgement is necessary and estimates are subject to uncertainty. Further details about the assumptions used are given in Note 16.

A 0.5% decrease in the discount rate assumption used in the actuarial valuation would increase the pension liability by approximately £23 million. A 0.5% increase in the inflation rate assumption would increase the pension liability by approximately £15 million and a 1 year increase in the life expectancy assumption would increase the pension liability by approximately £11 million.

### 2. Revenue

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| **Revenue by geographical destination:** | | |
| United Kingdom | **249,926** | 249,858 |
| Continental Europe | **29,980** | 38,550 |
| Rest of world | **1,733** | 2,439 |
| | **281,639** | 290,847 |

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| **Revenue is in respect of:** | | |
| Sale of goods | **278,827** | 287,014 |
| Provision of services | **2,812** | 3,833 |
| | **281,639** | 290,847 |

### 3. Other income

Other income comprises income from the anaerobic digestor facility and the new combined heat and power facility.

### 4. Operating profit before exceptional items

Operating profit before exceptional items is stated after charging/(crediting):

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Auditor's remuneration – fees payable for the audit of the Company's financial statements | **92** | 61 |
| Depreciation of owned property, plant and equipment (see note 11) | **15,159** | 15,226 |
| Research and development expenditure | **3** | 103 |
| Amortisation of intangible assets (see note 10) | **759** | 758 |
| Foreign exchange losses/(gains) | **130** | (88) |
| Operating lease rentals | **1,416** | 1,429 |
| Cost of inventory | **231,031** | 210,934 |

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

## 5. Directors' emoluments

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Emoluments | **1,005** | 889 |

The emoluments of the highest paid Director were £697,418 (2020: £606,774) including pension contributions of £nil (2020: £nil).

The number of Directors for which pension contributions have been paid by the Company during the financial year was nil (2020: nil) with £nil (2020: £nil) pension contributions paid in the year.

One Director (2020: One Director) exercised share options in the year totalling £164,592 (2020: £274,892) in the ultimate parent company, DS Smith Plc, which have not been included in Directors' emoluments.

## 6. Employee information

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

| | 2021 Number | 2020 Number |
|---|---|---|
| **Average number of staff by activity during the year:** | | |
| Direct production | **200** | 206 |
| Indirect production | **208** | 205 |
| Administration | **32** | 35 |
| | **440** | 446 |

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **The aggregate payroll costs of these persons were as follows:** | | |
| Wages and salaries | **26,645** | 26,310 |
| Social security costs | **2,877** | 2,722 |
| Contributions to defined contribution pension plans (note 1) | **2,361** | 2,210 |
| | **31,883** | 31,242 |

Wages and salaries include £644,791 (2020: £548,107) 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 21.

## 7. Exceptional items

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Restructuring costs | **757** | 994 |
| Disposal of investment in subsidiaries | **36,928** | - |
| Income from shares in subsidiaries | **(37,025)** | - |
| Guaranteed minimum pension equalisation | **-** | 1,872 |
| | **660** | 2,866 |

Restructuring costs relate to ongoing restructuring to rationalise operations and to achieve cost efficiency.

The disposal of investment in subsidiaries and income from shares in subsidiaries is in respect of A.A. Griggs and Company Limited and SRP New Thames Limited which were struck off in the year.

## 7. Exceptional items (continued)

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 legislation was a charge of £1,872,000 for the Company in the prior year.

## 8. Net finance income

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Interest received from Group undertakings | **1,071** | 380 |
| Bank interest | **17** | 139 |
| Other | **-** | 63 |
| **Finance income** | **1,088** | 582 |
| Other | **(146)** | - |
| Factoring costs | **(196)** | (335) |
| **Finance costs** | **(342)** | (335) |
| **Net finance income** | **746** | 247 |

## 9. Income tax expense

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| **Current tax (expense)/credit** | | |
| UK Corporation tax in respect of current year | **(4,537)** | (3,318) |
| Adjustment in respect of prior years | **(127)** | 5,679 |
| **Total current tax** | **(4,664)** | 2,361 |
| **Deferred tax credit/(expense)** | | |
| Origination and reversal of temporary differences | **1,369** | (5,350) |
| Change in tax rates | **-** | (393) |
| Adjustment in respect of prior years | **1,018** | (4,378) |
| **Total deferred tax** | **2,387** | (10,121) |
| **Total income tax expense** | **(2,277)** | (7,760) |
| | | |
| Tax on profit before exceptional items | **(2,277)** | (7,949) |
| Tax credit on exceptional items | **-** | 189 |
| **Total income tax expense** | **(2,277)** | (7,760) |

| **Tax on other comprehensive income and equity** | **2021 £000** | 2020 £'000 |
|---|---|---|
| Tax on actuarial loss | **746** | 1,828 |
| Impact of change in tax rate | **-** | 1,089 |
| **Total tax credit included in other comprehensive income and equity** | **746** | 2,917 |

### 9. Income tax expense (continued)

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

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Profit before tax** | **16,050** | 43,992 |
| Income tax at the UK standard rate of corporation tax of 19% (2020: 19%) | **(3,050)** | (8,358) |
| - Permanent differences | **(118)** | (310) |
| - Effect of change in corporation tax rate | **-** | (393) |
| - Adjustments in respect of prior years | **891** | 1,301 |
| **Income tax expense** | **(2,277)** | (7,760) |

The Finance Act 2021 included a 6% increase in the main UK corporation tax rate from 19% to 25% effective 1 April 2023, which was substantially enacted on 10 June 2021. As these changes had not been substantially enacted at the balance sheet date, the deferred tax balances as at 30 April 2021 continue to be measured at a rate of 19% (2020: 19%). If the 25% tax rate had been used at the balance sheet date, the deferred tax asset would have been £1,700,700 higher.

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 the tax rate.

### 10. Intangible assets

| | Goodwill £'000 | Software £'000 | Other £'000 | Carbon credits £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 May 2020 | 13,557 | 3,762 | 557 | 1,485 | **19,361** |
| Reclassification | - | (2,030) | 2,030 | - | **-** |
| **At 30 April 2021** | 13,557 | 1,732 | 2,587 | 1,485 | **19,361** |
| **Amortisation and impairment** | | | | | |
| At 1 May 2020 | (13,557) | (2,614) | (557) | (1,485) | **(18,213)** |
| Reclassification | - | 1,229 | (1,229) | - | **-** |
| Amortisation | - | (118) | (641) | - | **(759)** |
| **At 30 April 2021** | (13,557) | (1,503) | (2,427) | (1,485) | **(18,972)** |
| **Net book value** | | | | | |
| **At 30 April 2021** | **-** | **229** | **160** | **-** | **389** |
| At 30 April 2020 | - | 1,148 | - | - | 1,148 |

Amortisation for the year is shown within administrative expenses. 'Other' includes capitalised development projects.

### 11. Property, plant and equipment

| | Freehold land and buildings £'000 | Long leasehold land and buildings £'000 | Plant and machinery £'000 | Fixtures and fittings £'000 | Under const-ruction £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 May 2020 | 86,618 | 5,506 | 389,403 | 1,748 | 16,584 | 499,859 |
| Additions | - | - | - | 18 | 15,053 | 15,071 |
| Disposals | (334) | - | (4,159) | (18) | - | (4,511) |
| Transfers | 1,768 | - | 15,662 | 968 | (18,398) | - |
| **At 30 April 2021** | 88,052 | 5,506 | 400,906 | 2,716 | 13,239 | 510,419 |
| **Accumulated depreciation** | | | | | | |
| At 1 May 2020 | (41,350) | (5,506) | (263,616) | (131) | - | (310,603) |
| Disposals | 334 | - | 3,910 | - | - | 4,244 |
| Charge for the year | (1,625) | - | (13,408) | (126) | - | (15,159) |
| **At 30 April 2021** | (42,641) | (5,506) | (273,114) | (257) | - | (321,518) |
| **Net book value** | | | | | | |
| **At 30 April 2021** | **45,411** | **-** | **127,792** | **2,459** | **13,239** | **188,901** |
| At 30 April 2020 | 45,268 | - | 125,787 | 1,617 | 16,584 | 189,256 |

### 12. Investments in subsidiaries

| | Shares in subsidiary undertakings £'000 |
|---|---|
| **Cost** | |
| At 1 May 2020 and at 30 April 2021 | 42,320 |
| Disposals | (36,928) |
| At 30 April 2021 | 5,392 |
| **Provision for impairment** | |
| At 1 May 2020 and 30 April 2021 | (3,772) |
| **Net book value** | |
| **At 30 April 2021** | **1,620** |
| At 30 April 2020 | 38,548 |

Disposals during the year relate to SRP New Thames Limited and A.A. Griggs and Company Limited. The Company's interests in subsidiary undertakings are as follows. The registered address of all of the companies listed below is 350 Euston Road, London, NW1 3AX.

| Name of Company | Nature of business | Country of Incorporation | Share Class | Percentage of share capital held |
|---|---|---|---|---|
| DS Smith Logistics Limited | Logistics business | England and Wales | Ordinary | 100% |
| | | | Non-cumulative preference | 100% |
| Grovehurst Energy Limited | Non-Trading | England and Wales | Ordinary | 100% |
| St Regis Kemsley Limited | Dormant | England and Wales | Ordinary | 100% |

### 13. Deferred tax

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

| | **Capital allowances £'000** | **Employee benefits including pensions £'000** | **Tax losses £'000** | **Total £'000** |
|---|---|---|---|---|
| At 1 May 2020 | 34 | 3,056 | - | 3,090 |
| Credited/(charged) to income statement | 1,275 | (116) | 1,228 | 2,387 |
| **At 30 April 2021** | **1,309** | **2,940** | **1,228** | **5,477** |

Based on forecast profits of the Company, the asset is expected to be fully recovered over the foreseeable future. None of the deferred tax balances have an expiry date.

### 14. Inventories

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Raw materials and consumables | **8,363** | 7,866 |
| Finished goods | **8,618** | 9,072 |
| | **16,981** | 16,938 |

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions at 30 April 2021 were £3.8m (30 April 2020: £3.2m).

### 15. Trade and other receivables

| | **2021** | | 2020 (as restated) | |
|---|---|---|---|---|
| | **Non-current £'000** | Current £'000 | Non-current £'000 | Current £'000 |
| Trade receivables | **-** | **6,532** | - | 7,906 |
| Amounts owed by fellow subsidiary undertakings | **104,675** | **-** | 97,155 | - |
| Amounts owed by ultimate parent company | **148,394** | **-** | 114,508 | - |
| Other receivables | **-** | **1,962** | - | 1,349 |
| Prepayments | **-** | **3,432** | - | 5,936 |
| Accrued income | **-** | **1,888** | - | 2,748 |
| | **253,069** | **13,814** | 211,663 | 17,939 |

Amounts owed by fellow subsidiary undertakings were previously presented as current assets as these amounts had no specified repayment terms attached and therefore it was assumed these balances were receivable on demand. However, there was no expectation that these amounts would be repaid within 12 months, being the entity's normal operating cycle, and therefore did not meet the criteria to be classified as current assets and have been reclassified to non-current assets. The impact on the 30 April 2020 statement of financial position of the above is an increase in non-current assets by £211,663,000 and an equivalent decrease in current assets.

Interest is charged on the amounts owed by ultimate parent company as follows:

£148,394,000 on which interest is charged at 1 month LIBOR which is unsecured and with no fixed date of repayment. No interest was charged on the remaining balance.

No interest was charged on amounts owed by fellow subsidiary undertakings in the year.

## 16. Employee benefits

### Defined benefit scheme

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

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

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

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

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Present value of funded obligations | **(1,188,736)** | (1,169,207) |
| Fair value of Scheme assets | **1,120,094** | 1,097,829 |
| Total deficit, net | **(68,642)** | (71,378) |
| Allocated to other participating employers | **53,161** | 55,288 |
| **Company's share of deficit, net** | **(15,481)** | (16,090) |

Reconciliation of scheme assets and liabilities:

| | **Assets £'000** | **Liabilities £'000** | **Total £'000** |
|---|---|---|---|
| At 1 May 2020 | **295,973** | **(312,063)** | **(16,090)** |
| Employment benefit net finance expense | | | (218) |
| GMP equalisation | | | (88) |
| Employer contributions | | | 4,841 |
| Actuarial losses – financial assumptions | | | (14,157) |
| Actuarial losses - demographic | | | (936) |
| Actuarial gains - experience | | | 3,276 |
| Actuarial gains – Scheme assets | | | 7,891 |
| **Company's share of deficit, net** | | | **(15,481)** |

An analysis of the Scheme assets is provided below:

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

## 16. Employee benefits (continued)

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

Principal actuarial assumptions for the Scheme are as follows:

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

For the Group Scheme at 30 April 2021, 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 2020 the mortality base table used was SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

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

### Sensitivity analysis

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 | **(23)** |
| 0.5% increase in inflation | **(15)** |
| 1 year increase in life expectance | **(11)** |

## 16. Employee benefits (continued)

### Defined contribution scheme

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

The amount recognised as an expense for the defined contribution scheme in the year, relating to current year contributions, was £2,361,000 (2020: £2,210,000). Included within accruals are £nil (2020: £nil) in respect of amounts owing related to the defined contribution scheme.

## 17. Provisions

| | **Landfill £'000** | **Carbon credit £'000** | **Restructuring £'000** | **Total £'000** |
|---|---|---|---|---|
| At 1 May 2020 | 1,196 | 2,624 | 401 | **4,221** |
| Charged to income statement | 300 | - | 338 | **638** |
| Utilised during the year | (88) | (2,624) | (739) | **(3,451)** |
| **At 30 April 2021** | 1,408 | - | - | **1,408** |

| | **Landfill £'000** | Total £'000 |
|---|---|---|
| Non-current | **1,000** | 1,000 |
| Current | **408** | 408 |
| | **1,408** | 1,408 |

The landfill provision relates to the ongoing costs of maintaining landfill sites. The landfill provision will be utilised over the next 25 years. The carbon credit provision is in respect of the liability for C02 emissions in excess of the C02 allowance and is expected to be utilised in the next year. The restructuring provision relates to ongoing restructuring to rationalise operations and to achieve cost efficiency and is expected to be utilised in the next year

## 18. Trade and other payables

| | **2021 £'000** | 2020 £'000 |
|---|---|---|
| Trade payables | **56,707** | 50,765 |
| Amounts owed to Group undertakings | **49,930** | 66,481 |
| Amounts owed to ultimate parent company | **7,320** | 3,956 |
| Other taxes and social security | **5,645** | 9,250 |
| Other creditors | **2,061** | 2,261 |
| Accruals | **8,547** | 6,127 |
| | **130,210** | 138,840 |

There is no interest charged on the amounts owed to Group undertakings which are unsecured and repayable on demand.

## 19. Share capital

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| **Authorised and allotted, called-up and fully paid:** | | |
| 250,500,000 (2020: 250,500,000) ordinary shares of £0.50 each | **125,250** | 125,250 |
| 1,370,400 (2020: 1,370,400) 'A' ordinary shares of £0.50 each | **685** | 685 |
| 340,000 (2020: 340,000) 6% cumulative preference shares of £1 each | **340** | 340 |
| 70,000,000 (2020: 70,000,000) 'A' preference shares of £1 each | **70,000** | 70,000 |
| | **196,275** | 196,275 |

**Preference shares**

The 6% cumulative preference shares of £1 each are not redeemable and the dividends are at the option of the Directors.

Holders of the 6% cumulative preference shares shall have the right on winding-up to receive, in priority to any other class of shares, the amounts paid up on such shares together with a sum equal to the arrears or deficiency of fixed dividend thereon.

**"A" Preference shares**

The "A" preference shares shall be entitled as follows:

(a) On a return of capital on liquidation, the assets of the Company available for distribution among the members, shall be applied in repaying to the holders of the "A" preference shares the amounts paid up on such shares, plus any accrued dividends. The "A" preference shares shall rank, on a return of capital on liquidation, in priority to any other shares for the time being in issue; and

(b) Dividends shall accrue on the "A" preference shares at 10 per cent, per annum, fixed rate; the declaration and payment shall be at the absolute discretion of the Company.

The company has 2 classes of ordinary shares which carries no right to fixed income.

## 20. Reserves

The revaluation reserve represents the cumulative effect of the revaluation of plant and machinery in prior years.

The equity reserve represents the equity component of the convertible debt issued in 2008 and converted to 'A' Preference shares in March 2010.

Retained earnings comprise cumulative profit or losses, net of dividends paid.

## 21. 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 2021, the guarantees outstanding amounted to £350,000 (2020: £350,000).

The Company has outstanding duty deferment account guarantees totalling £350,000 (2020: £350,000).

### 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:

i. the Company's total shareholder return (TSR) compared to the constituents of the Industrial Goods and Services Supersector within the FTSE 250;

ii. average adjusted earnings per share (EPS); and

iii. average adjusted return on average capital employed (ROACE).

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

i. 50% of each award based on a TSR component;

ii. 25% of each award based on average adjusted EPS; and

iii. 25% of each award based on average adjusted ROACE.

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

i. 33.3% of each award based on a TSR component;

ii. 33.3% of each award based on average adjusted EPS; and

iii. 33.3% of each award based on average adjusted ROACE.

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

(a) Two performance measures:

i. 50% of each award based on average adjusted EPS; and

ii. 50% of each award based on average adjusted ROACE.

(b) Three performance measures:

i. 33.3% of each award based on a TSR component;

ii. 33.3% of each award based on average adjusted EPS; and

iii. 33.3% of each award based on average adjusted ROACE.

Awards made in 2020 are subject to either two performance measures, or to three performance measures:

(c) Two performance measures:

iii. 50% of each award based on adjusted EPS; and

iv. 50% of each award based on adjusted ROACE.

(d) Three performance measures:

iv. 33.3% of each award based on a TSR component;

v. 33.3% of each award based on adjusted EPS; and

vi. 33.3% of each award based on adjusted ROACE.

The awards granted in 2013, 2014, 2016 and 2017 have vested but have not yet been fully exercised. The awards granted in 2012 and 2015 have vested and have been fully exercised.

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

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

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

The 2012, 2014, 2015, 2016 and 2017 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. The last award under this Plan was the 2016/17 award granted in July 2016.

#### (iv) International Sharesave Plan

An international Sharesave Plan was introduced in January 2014 with further invitations being made in January 2016, January 2017, January 2018, January 2019.and February 2021. All employees of the Company and participating subsidiaries were eligible to participate in this Plan or an HMRC approved UK Sharesave Plan. Options are granted to participants who have contracted to save up to a maximum of £250 (or local currency equivalent) across all open invitations per month over a period of three years, at a discount of up to 20% to the average closing mid-market price of a DS Smith Plc ordinary share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this Plan. The provisions of this Plan are subject to minor country specific variances.
In France, the option price is discounted by up to 20% of the 20-day average up to the day before grant date. A standard US Stock Purchase Plan, which received shareholder approval at the 2014 AGM, was also introduced in January 2014 and subsequent invitations were made in 2016, 2017, 2018, 2019 and 2021. US employees of the Group are eligible to participate in this Plan. Options are granted to participants who have contracted to save up to the local currency equivalent of £250 per month over a period of two years at a discount of up to 15% to the average closing mid-market price of a DS Smith Plc ordinary share on the day before grant. Options cannot normally be exercised until a minimum of two years has elapsed.

Details of the share options exercised during the year and outstanding at 30 April 2021 are as follows:

| **2020/21** | **Performance Share Plan** | | **Deferred Share Bonus Plan** | |
|---|---|---|---|---|
| | **Weighted average exercise price (p)** | **Options `000** | **Weighted average exercise price (p)** | **Options `000** |
| Exercised | **Nil** | **42** | **Nil** | **18** |
| **At 30 April 2021** | **Nil** | **580** | **Nil** | **358** |

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

| **2020/21** | **Long-term Incentive Plan** | | **Sharesave Plan** | |
|---|---|---|---|---|
| | **Weighted average exercise price (p)** | **Options £'000** | **Weighted average exercise price (p)** | **Options £'000** |
| Exercised | **Nil** | **-** | **370.5** | **90** |
| **At 30 April 2021** | **Nil** | **-** | **306.9** | **966** |

Details of the share options exercised during the prior year and outstanding at 30 April 2020 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** | **44** | **Nil** | **34** |
| **At 30 April 2020** | **Nil** | **432** | **Nil** | **110** |

| **2019/20** | **Long-term Incentive Plan** | | **Sharesave Plan** | |
|---|---|---|---|---|
| | **Weighted average exercise price (p)** | **Options £'000** | **Weighted average exercise price (p)** | **Options '000** |
| Exercised | **Nil** | **18** | **303.7** | **49** |
| **At 30 April 2020** | **Nil** | **-** | **313.8** | **993** |

### 23. Capital commitments and other commitments

The Company had the following capital commitments:

| | **2021** **£'000** | 2020 £'000 |
|---|---|---|
| Contracts for future capital expenditure not provided | **2,094** | 6,641 |

### 24. Related party transactions

See note 5 for details of Directors' emoluments. The Company has taken the exemption available under Section 33 of FRS 102 from disclosing related party transactions entered into between two or more members of the Group, provided that the fellow Group entities are wholly-owned by the Group.

### 25. Ultimate parent undertaking and controlling party

The Company's immediate parent company is DS Smith Holdings 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 350 Euston Road, London, NW1 3AX which is the registered address.

### 26. Subsequent events

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