Company Registration No. 00214967

DS Smith Recycling UK Limited

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

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Officers and professional advisers

Directors

C S McIntyre
W B Hicks
J S Melia
J P C Silk

Company Secretary

Z W Stone

Registered office

350 Euston Road
London
NW1 3AX
United Kingdom

Registered number

00214967

Auditor

Deloitte LLP
Statutory Auditor
Cardiff
United Kingdom

Banker

National Westminster Bank Plc
Ashton Gate
Bristol
BS3 1JA

Solicitor

Slaughter & May
One Bunhill Row
London
EC1Y 8YY

DS Smith Recycling UK Limited

Strategic report

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activities of the Company are the collecting, transporting, processing, sorting and selling of recyclable waste paper and other dry mixed recyclables.

Business review

During the year, as shown in the Company's income statement on page 12, sales were £197,284,000 (2020: £175,067,000). The Company reported a profit before income tax of £6,067,000 (2020: £517,000 loss). High demand for recycled fibre, combined with lower availability and changing waste streams due to Covid-19 drove higher prices, increasing both revenue and material costs. Strong cost control and cost reduction actions improved overall efficiency. Year-on-year labour costs were lower following headcount reductions in FY21. Operating costs were further reduced following the closure of a depot.

Exceptional items of £3,008,000 relate to restructuring activities (see note 7 of the financial statements).

The net assets of the Company, as shown in the statement of financial position on page 13, increased from £69,541,000 at 30 April 2020 to £73,879,000 at 30 April 2021, driven by profit of £4,338,000 in the year. Amounts owed by ultimate company increased by £18,197,000 following a change in payment terms and Group Treasury cash sweeping arrangements.

Key performance indicators

The main driver of the business is the number of tonnes of fibre the business sources. The business continued to develop its service offering to its suppliers and customers to close the loop on the recycling of fibre and offer fibre offtake opportunities. In the year ended 30 April 2021 the business used 1,487kt tonnes of fibre which led to an increase in revenue of 13%.

Return on sales, being operating profit before exceptional items expressed as a percentage of revenue, increased from 1.8% in 2020 to 4.7% in 2021 reflecting continued good cost control measures in the year and lower administration costs following lockdowns during the Covid-19 pandemic.

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 Strategy Development and Innovation Director (Recycling), the Group Financial Controller and the Deputy 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:

Employees

The Company employed 351 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.

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

Employees (continued)

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 customers, and internal customers: the Group's UK Paper Division. 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. In 2020/21 employees were actively encouraged to engage in local biodiversity projects with support from the DS Smith Charitable Foundation, thereby having a positive impact on the environment and engaging with local communities.

Suppliers

The Company engages with all suppliers, both internal and external, 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.

Principal risks and uncertainties

The Company's operation of collecting and processing recyclable waste paper is exposed to risks relating to changes in demand and quality requirements in the wider international fibre market. These risks are mitigated by management of quality through the business' operational network, contracting of fibre and development of domestic and international fibre offtake opportunities.

Changes in the sales price of waste paper, where possible, are passed on to the customer.

The risk that customers cannot meet their obligations constitutes a customer credit risk. This risk is mitigated by the strict application of our credit policy and regular management review of accounts that are rated as higher risk.

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.

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

W B Hicks
Director
27 January 2022

DS Smith Recycling UK Limited

Directors' report

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

Disclosures required by s416(4) which have been elevated to the Strategic report: Future developments.

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, except as noted, were as follows:

C S McIntyre

J F Behr (resigned 31 July 2020)

W B Hicks

J S Melia

J P C Silk

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.

Political contributions

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

Financial and other risk management objectives and policies

The Directors meet periodically to discuss financial and other risks. Key price risk and credit risk are discussed during periodic reviews of the business. As a business we try to match our prices with our raw material costs. Where required, hedging instruments are entered into by the Company with the ultimate parent company, DS Smith Plc. Liquidity and cash flow risks are not considered material as the Company can utilise Group Treasury to access funding from the ultimate parent company if required.

Fibre pricing

We are constantly managing the risk associated with fibre pricing by managing our mix of UK and overseas purchases and the effect of regulatory changes in China.

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.

Disabled employees,

Please refer to Section 172(1) of the Companies Act 2006 in the Strategic report for further details.

Engagement with employees and engagement with suppliers, customers and others

Please refer to Section 172(1) of the Companies Act 2006 in the Strategic report for further details.

Events after the balance sheet date

An interim dividend of £65,000,000 was paid on 29 October 2021.

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 resulted in increased demand in the FMCG and e-commerce Packaging segments which has helped sustain the Company’s sales.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the strategic report. The financial position of the Company is as shown in the statement of financial position. At 30 April 2021 the Company reported net current liabilities of £58,258,000 (2020: £42,775,000) and net assets of £73,879,000 (2020: £69,541,000) and therefore remains solvent.

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.

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 33 of the Strategic report in the Group’s 2021 annual report.

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.

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

W B Hicks

Director

27 January 2022

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 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; 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 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 Recycling UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of DS Smith Recycling UK Limited (the “Company”):

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 24.

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”.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the 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.

Independent auditor’s report to the members of DS Smith Recycling UK Limited (continued)

Other information (continued)

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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 regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor’s report to the members of DS Smith Recycling UK Limited (continued)

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

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

- Manually posted journal adjustments to revenue give rise to the potential for greater judgement and estimation. 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 performed a test of detail over the revenue postings to ensure that the revenue was correctly recorded.

- Classification and presentation of costs and income within exceptional items in the income statement is a key determinant in assessing the quality of the entity’s earnings and presents the opportunity for management bias in the presentation of results. 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 considered and challenged the appropriateness and classification of the items by testing a sample and agreeing them back to relevant supporting documentation.

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.

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

27 January 2022

DS Smith Recycling UK Limited

Income Statement

For the year ended 30 April 2021

	Notes	**Before exceptional items 2021 £'000**	**Exceptional items (note 7) 2021 £'000**	**Total 2021 £'000**	Before exceptional items 2020 £'000	Exceptional items (note 7) 2020 £'000	Total 2020 £'000
Revenue	2	**197,284**	**-**	**197,284**	175,067	-	175,067
Cost of sales		**(146,029)**	**-**	**(146,029)**	(130,733)	-	(130,733)
Gross profit		**51,255**	**-**	**51,255**	44,334	-	44,334
Distribution costs		**(29,504)**	**-**	**(29,504)**	(28,276)	-	(28,276)
Administrative expenses		**(12,445)**	**(3,008)**	**(15,453)**	(12,928)	(3,274)	(16,202)
Operating profit/ (loss)	3	**9,306**	**(3,008)**	**6,298**	3,130	(3,274)	(144)
Net finance costs	6	**(231)**	**-**	**(231)**	(373)	-	(373)
Profit/(loss) before income tax		**9,075**	**(3,008)**	**6,067**	2,757	(3,274)	(517)
Income tax (expense)/credit	8	**(2,301)**	**572**	**(1,729)**	(378)	622	244
Profit/(loss) for the financial year		**6,774**	**(2,436)**	**4,338**	2,379	(2,652)	(273)

There are no recognised gains or losses other than those detailed in the income statement, and therefore no separate statement of comprehensive income has been presented. All the results are from continuing operations.

DS Smith Recycling UK Limited

Statement of financial position

As at 30 April 2021

	Notes	2021 £'000	As restated* 2020 £'000
Assets			
Non-current assets			
Intangible assets	9	**93**	92
Property, plant and equipment	10	**10,705**	9,562
Right-of-use assets	11	**13,862**	17,628
Other receivables	14	**118,388**	98,098
Deferred tax assets	12	**197**	1,330
Total non-current assets		**143,245**	126,710
Current assets			
Inventories	13	**759**	401
Trade and other receivables	14	**8,511**	9,116
Cash and bank balances		**7,616**	5,591
Total current assets		**16,886**	15,108
Total assets		**160,131**	141,818
Liabilities			
Non-current liabilities			
Lease liabilities	11	**(11,108)**	(14,394)
Total non-current liabilities		**(11,108)**	(14,394)
Current liabilities			
Trade and other payables	15	**(66,140)**	(50,236)
Lease liabilities	11	**(3,356)**	(4,354)
Current tax liabilities		**(1,406)**	(1,655)
Provisions	16	**(4,242)**	(1,638)
Total current liabilities		**(75,144)**	(57,883)
Net current liabilities		**(58,258)**	(42,775)
Total assets less current liabilities		**84,987**	83,935
Total liabilities		**(86,252)**	(72,277)
Net assets		**73,879**	69,541
Equity			
Called-up share capital	17	**9,295**	9,295
Retained earnings	17	**64,584**	60,246
Shareholder's equity		**73,879**	69,541

*The 30 April 2020 comparative has been restated as explained in note 14

The financial statements for DS Smith Recycling UK Limited (registered number 00214967) were approved by the Board of Directors and authorised for issue on 27 January 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 Recycling UK Limited

Statement of changes in equity

For the year ended 30 April 2021

	Called-up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 May 2019	**9,295**	**60,519**	**69,814**
Loss for the year, being total comprehensive expense	-	(273)	**(273)**
At 30 April 2020	**9,295**	**60,246**	**69,541**
Profit for the year, being total comprehensive income	-	4,338	4,338
At 30 April 2021	**9,295**	**64,584**	**73,879**

1. Principal accounting policies

Basis of preparation

The financial statements of 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.

FRS 101 sets out an optional reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The principal activities of the Company are described on page 2 in the Strategic report. The address of the Company's registered office is shown on page 1. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These 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 other Group entities, including the ultimate parent Company;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- disclosures in respect of capital management;
- disclosures in respect of key management personnel;
- disclosures in respect of IAS 36 *Impairment of Assets*; and
- disclosures in respect of IFRS 15 *Revenue from Contracts with Customers*.

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 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments;* and
- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*.

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

The following new standards, amendments or interpretations have been adopted by the Company as of 1 May 2020:

- Amendments to IFRS 3 *Business Combinations*;
- Reform amendments to IAS 1 and IAS 8 *Definition of Material*; and
- Amendments to the Conceptual Framework for Financial Reporting.

The adoption of the amendments has not had a material effect on the results for the year or the financial position at the year end. Where relevant, equivalent disclosures have been made in the Group accounts.

IFRS standards and interpretations in issue but not yet effective

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

1. Principal accounting policies (continued)

Interest Rate Benchmark Reform

Benchmark interest rates such as the London Inter-bank Offered Rates (LIBOR) and other inter- bank offered rates have been prioritised for reform and replacement with Risk Free Rates (RFR) by global regulators. Reform of LIBOR rates is expected to be largely completed by the end of 2021. To prepare for this reform, the Group established an IBOR Reform project towards the end of 2020 to determine the impact of a change in benchmark rates on the Group, with particular focus on treasury, tax, accounting, systems, commercial contracts and other agreements. The Company has no hedge accounting relationships that reference LIBOR and did not adopt the Phase 1 amendments to IFRS 9, IAS 39 and IFRS 7, which provided relief from hedge accounting requirements for hedge relationships affected by IBOR reform. The Group's borrowings are substantially fixed rate. The Group has a floating-rate revolving credit facility which references, amongst others, the GBP and USD LIBOR rates. The most significant impact from IBOR reform is expected to be with regard to this facility. It is intended that the Sterling Overnight Index Average rate (SONIA) will form the basis of a replacement for GBP LIBOR and the Secured Overnight Financing Rate (SOFR) will be the replacement for USD LIBOR for GBP and USD borrowings under the revolving credit facility. These RFR indices plus a credit adjustment spread are expected to be economically equivalent to the existing currency LIBOR rates. The drafting of an amendment agreement with the banking group, as a direct consequence of rate reform, is at an advanced stage. The Group will adopt Interest Rate Benchmark reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) in the next financial year. It is not anticipated that the adoption of these standards and interpretations will have a material effect on the Company's financial statements.

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.

Revenue from the sale of goods is recognised when:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- all significant performance obligations have been met;
- the Company 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 Company; 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 Company is responsible for delivery.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised using the rate of exchange prevailing on the dates of the transaction. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

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.

Financial instruments

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.

Intangible assets

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 Company 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

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 land and buildings	10-50 years
Plant and machinery	2-25 years

The Company does not have any short leasehold properties.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

1. Principal accounting policies (continued)

Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the cost of sales line item.

1. Principal accounting policies (continued)

Leases (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

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.

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.

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 DS Smith 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.

1. Principal accounting policies (continued)

Taxation (continued)

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.

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 resulted in increased demand in the FMCG and e-commerce Packaging segments which has helped sustain the Company's sales.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the strategic report. The financial position of the Company is as shown in the statement of financial position. At 30 April 2021 the Company reported net current liabilities of £58,258,000 (2020: £42,775,000) and net assets of £73,879,000 (2020: £69,541,000) and therefore remains solvent.

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 and key sources of estimation uncertainty

In applying the Company's accounting policies, which are described above, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and 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 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 the current and future periods.

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

1. Principal accounting policies (continued)

Critical accounting judgements in applying the Company's accounting policies

There are no critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Revenue

	2021 £'000	2020 £'000
Revenue by geographical destination		
United Kingdom	**149,781**	142,703
Continental Europe	**13,469**	8,723
Rest of world	**34,034**	23,641
	197,284	175,067

All revenue is derived from the principal activity of the Company which is the sales of goods.

3. Operating profit/(loss)

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

	2021 £'000	2020 £'000
Auditor's remuneration – fees payable for the audit of the Company's financial statements	**104**	78
Depreciation of owned property, plant and equipment	**887**	918
Depreciation of right-of-use assets	**3,579**	5,149
Amortisation of intangible assets	**48**	253
Cost of inventory	**131,636**	108,419
Foreign exchange (gains)/losses	**(36)**	112
Restructuring and impairment (note 7)	**(1,013)**	3,274

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

4. Directors' emoluments

	2021 £'000	2020 £'000
Emoluments	**376**	577
Company contributions to money purchase pension schemes	**12**	12
Remuneration as executives (including pension contributions)	**388**	589

The emoluments of the highest paid Director were £197,890 (2020: £258,156) including pension contributions of £6,500 (2020: £nil). The highest paid director did not exercise any share options in the year and had no shares receivable under long-term incentive schemes.

The number of Directors for whom pension contributions have been paid by the Company during the financial year and are members of a money purchase pension scheme was 2 (2020: 2).

5. 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:		
Production	**229**	300
Management and administration	**150**	155
	379	455

	2021 £'000	2020 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**12,321**	14,358
Social security costs	**1,135**	1,392
Contributions to defined contribution pension plans (note 19)	**1,028**	1,230
	14,484	16,980

Wages and salaries include £152,582 (2020: £132,838) 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 20.

DS Smith Recycling UK Limited

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

6. Net finance costs

	2021 £'000	2020 £'000
Bank interest	**-**	181
Interest received from Group undertakings	**673**	375
Foreign exchange gains	**48**	244
Finance income	**721**	800
Bank interest	**(58)**	(1)
Interest on lease liabilities	**(805)**	(893)
Foreign exchange losses	**-**	(119)
Factoring costs	**(89)**	(160)
Finance costs	**(952)**	(1,173)
Net finance costs	**(231)**	(373)

7. Exceptional items

	2021 £'000	2020 £'000
Restructuring and impairment charge	**3,008**	3,274

Current and prior year restructuring costs are related to continuing site rationalisation. The prior year exceptional items included £1,343,000 of impairment of property, plant and equipment and right-of-use assets related to the closure of a depot.

8. Income tax (expense)/credit

	2021 £'000	2020 £'000
Current tax expense		
UK corporation tax in respect of current year	**(960)**	(138)
Adjustment in respect of prior years	**364**	565
Total current tax	**(596)**	427
Deferred tax (expense)/credit		
Origination and reversal of temporary differences	**(294)**	158
Change in tax rates	**-**	124
Adjustment in respect of prior years	**(839)**	(465)
Total deferred tax	**(1,133)**	(183)
Total income tax (expense)/credit	**(1,729)**	244

8. Income tax (expense)/credit (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/(loss) before tax	**6,067**	(517)
Income tax at the UK standard rate of corporation tax of 19% (2020: 19%)	**(1,153)**	98
Effects of:		
- Permanent differences	**(101)**	(78)
- Effect of change in corporation tax rate	**-**	124
- Adjustments in respect of prior years	**(475)**	100
Income tax (expense)/credit	**(1,729)**	244

The Finance Act 2021 included a 6% increase in the main UK corporation tax rate from 19% to 25% effective from 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 £63,000 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 tax rate.

9. Intangible assets

	Software £'000
Cost	
At 1 May 2020	1,831
Additions	53
Disposals	(13)
At 30 April 2021	1,871
Amortisation and impairment	
At 1 May 2020	(1,739)
Disposals	9
Amortisation	(48)
At 30 April 2021	(1,778)
Net book value	
At 30 April 2021	**93**
At 30 April 2020	92

Amortisation is included within administrative expenses in the income statement.

10. Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 May 2020	6,798	15,023	21,821
Additions	443	1,678	2,121
Disposals	(207)	(699)	(906)
At 30 April 2021	7,034	16,002	23,036
Accumulated depreciation and impairment			
At 1 May 2020	(5,130)	(7,129)	(12,259)
Depreciation charge for the year	(332)	(555)	(887)
Disposals	207	608	815
At 30 April 2021	(5,255)	(7,076)	(12,331)
Net book value			
At 30 April 2021	**1,779**	**8,926**	**10,705**
At 30 April 2020	1,668	7,894	9,562

11. Right-of-use assets and lease liabilities

Right-of-use assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 May 2020	12,603	9,990	22,593
Additions	-	164	164
Disposals	(697)	(2,384)	(3,081)
At 30 April 2021	**11,906**	**7,770**	**19,676**
Depreciation and impairment			
At 1 May 2020	(1,591)	(3,374)	(4,965)
Depreciation charge	(1,028)	(2,551)	(3,579)
Disposals	675	2,055	2,730
At 30 April 2021	**(1,944)**	**(3,870)**	**(5,814)**
Carrying amount			
At 30 April 2021	**9,962**	**3,900**	**13,862**
At 30 April 2020	11,012	6,616	17,628

11. Right-of-use assets and lease liabilities (continued)

Right-of-use assets (continued)

The average lease term is 4 years (2020: 4 years).

Lease liabilities

	Total £'000
At 1 May 2020	18,748
Additions	143
Disposals	(1,009)
Accretion of interest	805
Payments	(4,223)
At 30 April 2021	**14,464**
Current	3,356
Non-current	11,108
	14,464

The maturity of lease liabilities is presented below:

	2021 £'000	2020 £'000
Amounts due for settlement:		
Between one and five years	**6,306**	8,413
After five years	**4,802**	5,981
	11,108	14,394
Within one year	**3,356**	4,354
	14,464	18,748

12. Deferred tax assets

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

	Capital allowances £'000	**Total £'000**
At 1 May 2020	1,330	1,330
Charged to income statement	(1,133)	(1,133)
At 30 April 2021	**197**	**197**

Based on forecast profits of the Company, the asset is expected to be fully recovered over the next 5 years.

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

13. Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	**341**	221
Finished goods	**418**	180
	759	401

There is no material difference between the statement of financial position value of inventories and their replacement cost.

14. Trade and other receivables

	2021		2020 (as restated)	
	Non-current £'000	**Current £'000**	Non-current £'000	Current £'000
Trade receivables	**-**	**2,918**	-	1,591
Amounts owed by fellow subsidiary undertakings	**8,267**	**-**	6,174	-
Amounts owed by ultimate parent undertaking	**110,121**	**-**	91,924	-
VAT	**-**	**2,213**	-	3,341
Other receivables	**-**	**524**	-	689
Prepayments and accrued income	**-**	**2,856**	-	3,495
	118,388	**8,511**	98,098	9,116

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 £98,098,000 and an equivalent decrease in current assets.

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

- £110,121,000 on which interest is charged at 1 month LIBOR which is unsecured and with no fixed date of repayment.

15. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	**55,653**	33,959
Amounts owed to fellow subsidiary undertakings	**5,149**	12,065
Amounts owed to ultimate parent undertaking	**112**	1,304
Other payables	**263**	176
Accruals and deferred income	**4,963**	2,732
	66,140	50,236

Amounts owed to fellow subsidiary undertakings and ultimate parent undertaking are unsecured, non-interest bearing and repayable on demand.

15. Trade and other payables (continued)

The Company has set up supply chain finance programmes through third parties to support smaller suppliers, giving them earlier access to funding, and to manage the Company's working capital. These schemes allow suppliers to receive, if they choose on an invoice by invoice basis, an earlier payment whilst the Company continues to pay to the suppliers' contractual terms. Suppliers are at liberty to use them or not and these arrangements have no cost to the Company and have no effect on trade payable balances or operating cash flows.

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

16. Provisions

	Dilapidations and onerous leases £'000
At 1 May 2020	1,638
Charged to income statement	4,021
Released to income statement	(1,241)
Utilised during the year	(176)
At 30 April 2021	**4,242**

The dilapidations and onerous lease provisions relate to obligations on a number of leasehold properties which are expected to be utilised in the next 12 months.

17. Called-up share capital and reserves

	2021 £'000	2020 £'000
Authorised and allotted, called-up and fully paid:		
9,294,500 (2020: 9,294,500) ordinary shares of £1 each	**9,295**	9,295
	9,295	9,295

The Company has one class of ordinary shares which carry no right to fixed income.

Retained earnings represents accumulated profits and losses that the Company has made since incorporation, less any dividends paid in that time.

18. Contingent liabilities

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

19. Employee benefits

Defined contribution scheme

The Company 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 £1,028,015 (2020: £1,229,814).

As at 30 April 2021, contributions of £nil (2020:£nil) due in respect of the current reporting period had not been paid over to the scheme and are included in other payables.

20. 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:

(a) Two performance measures:

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

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

(b) Three performance measures:

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

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

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

The awards granted in 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.

(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.

20. Share-based payments (continued)

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

(iii) Long-term incentive plan (LTIP)

A long-term incentive plan (LTIP) 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.

Options outstanding and exercisable under share arrangements at 30 April 2021 were:

	Performance Share Plan		Deferred Share Bonus Plan	
2020/21				
	Weighted average exercise price (p)	**Options `000**	**Weighted average exercise price (p)**	**Options `000**
Exercised	**Nil**	**0**	**Nil**	**0**
At 30 April 2021	**Nil**	**16**	**Nil**	**55**

2020/21	Sharesave Plan	
	Weighted average exercise price (p)	**Options `000**
Exercised	**370.5**	**25**
At 30 April 2021	**306.9**	**293**

20. Share-based payments (continued)

Details of the share options exercised during the prior year and outstanding at 30 April 2020 are as follows:

	Performance Share Plan		Deferred Share Bonus Plan	
2019/20				
	Weighted average exercise price (p)	Options `000	Weighted average exercise price (p)	Options `000
Exercised	Nil	15	Nil	4
At 30 April 2020	Nil	76	Nil	22

2019/20	Sharesave Plan	
	Weighted average exercise price (p)	Options `000
Exercised	303.7	31
At 30 April 2020	313.8	327

21. 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 4 for details of Directors' remuneration. There were no other related party transactions.

22. Ultimate parent undertaking and controlling party

The Company's immediate parent company is DS Smith Packaging Holding BV, a company incorporated in the Netherlands.

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.

The Company does not have any subsidiary undertakings.

23. Capital commitments

The Company had the following capital commitments:

	2021 **£'000**	2020 £'000
Contracts for future capital expenditure (relating to property, plant and equipment) not provided	**867**	400

24. Subsequent events

An interim dividend of £65,000,000 was paid on 29 October 2021.