Registered number: 00058614

DS SMITH PAPER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

COMPANY INFORMATION

Directors	E M Ciechan (appointed 1 May 2022) W B Hicks B J Jennings (appointed 4 August 2022)
Company secretary	Z W Stone
Registered number	00058614
Registered office	350 Euston Road London United Kingdom NW1 3AX
Independent auditor	Deloitte LLP 5 Callaghan Square Cardiff United Kingdom CF10 5BT
Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8AQ United Kingdom
Solicitors	Slaughter and May One Bunhill Row London EC1Y 8YY United Kingdom

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2022

Introduction

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 Holdings Limited 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. 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.

Review of business

During the year the Company reported revenue of £435,401,000, an increase of 55% from 2020/21 (£281,639,000). While production and sales volumes were marginally lower than the prior year (down 0.7% and 2.9% respectively), the Company benefitted from significantly higher selling prices, especially for CCM with an average price increase of 65% from 2020/21, and plasterboard with an average price increase of 39% from 2020/21. However, the Company also faced significantly higher PfR and energy costs in the year which restrained the increase in gross profit margin from 12.2% in 2020/21 to 15.3% in 2021/22. The Company faced higher distribution costs which increased by 27% in the year to £17,075,000 (2020/21: £13,418,000). Operating profit increased by 182% from £15,522,000 in 2020/21 to £43,726,000 in 2021/22 which included £15,863,000 other income in respect of the new combined heat and power facility (2020/21: £5,096,000).

Net finance income increased from £528,000 in 2020/21 to £1,199,000 in 2021/22 largely due to interest income from ultimate parent undertaking reflecting a significantly higher working capital loan receivable. Profit for the year increased from £13,773,000 in 2020/21 to £35,166,000 in 2021/22.

The net assets of the Company as shown in the statement of financial position on page 15, increased from £354,694,000 at 30 April 2021 to £399,824,000 at 30 April 2022 reflecting the profit of £35,166,000 (2020/21: £13,773,000) and an actuarial gain on employee benefits of £12,679,000 (2020/21: actuarial loss £3,926,000).

Principal risks and uncertainties

Competitive pressure in the Company's core markets remains 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, both internal and external, 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, 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.

Future developments

The Company's principal activities during the year were the manufacture and sale of corrugated case materials (CCM) and specialist paper grades. The Directors expect that this will remain the case in the future and that the general level of activity for the Company will remain consistent with 2022.

There continues to be global uncertainty within the macroeconomic environment as a result of the Russian invasion of Ukraine and rising inflation, particularly following significant increases in energy costs. Raw material and other input costs also remain high. However, these are mitigated by effective supplier arrangements, long-term hedging arrangements and rising packaging prices. The Company has demonstrated resilience throughout the Covid-19 pandemic and customer demand remains strong. The Company continues to carefully manage its cost base and is confident for the year ahead, expecting a further substantial improvement in performance.

Financial key performance indicators

Return on sales, being operating profit before adjusting items expressed as a percentage of revenue, increased from 5.7% in 2020/21 to 10.0% in 2021/22 reflecting the significantly higher increase in average selling prices versus the increase in cost of sales.

Return on average capital employed (‘ROACE’) is the last 12 months’ operating profit before adjusting 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 increased from 8.2% in 2021 to 26.4% in 2022 reflecting the higher operating profit and a large increase in average trade payables.

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.

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.

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

The Board (comprising the Managing Director (Paper), the Finance Director (Paper) and the Group Financial Controller) aims to promote the success of the Company for the benefit of its shareholder and the wider Group as a whole, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves the Board and management considering in detail and discussing the interests of the Company's and Group's stakeholders including our customers, our people, our investors, our suppliers, local communities and non-government organisations; the importance of maintaining our reputation for high standards of business conduct; and the environment. Examples of how this has been achieved are provided below:

Employees

The Company employed 467 people at 30 April 2022. We provide development opportunities for all and recognition of personal development, regardless of gender, ethnicity, age, sexual orientation, disability or religion. We encourage feedback and have mechanisms through our employee works councils, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice. We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values (Be caring, Be challenging, Be responsive, Be trusted and Be tenacious). In 2021/22 we conducted an engagement survey to understand what is working and areas to improve; to listen, respond and act. We continued celebrating the contribution and success of employees with our second Smithies awards event held virtually. We provided managers with a set of tools to drive high levels of health and safety and wellbeing engagement. We continued to develop our leadership pipeline from early talent through to mid and senior leadership. We provided more opportunities for employees to develop by offering new ways of accessing learning. We accelerated our diversity and inclusion ambition by increasing diverse senior leadership hires, continuing to raise awareness and activating employee resource groups. We implemented functional talent meetings with diversity data to support career coaching and accelerated development of diverse talents. Engaged employees who work proactively in identifying and eliminating risks are driving a resilient and interdependent health and safety culture. We consistently see that when employee engagement increases, the number of accidents decreases.

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.

Customers

The Company continues to supply both external customers and internal customers, principally the Group's UK Packaging Division which comprised c. 46 % of the Company's revenue in 2021/22. The Company forms an integral part of the Group's UK supply chain which has largely fast moving consumer goods (FMCG) companies as its customers. These customers are increasingly concerned about sustainability, both in terms of recyclable packaging materials and reducing overall lifecycle impact, including optimisation in the supply chain. We work closely with customers to ensure we play our part in helping the Group's customers achieve their sustainability targets.

Communities and non-governmental organisations

We engage in detailed consultations with government on the topics of recycling and reuse, extended producer responsibility and the decarbonisation of heat. We participate in industry organisations across the UK to combine our influence. We take a leadership role with relevant non-government organisations, such as our global partnership with the Ellen MacArthur Foundation. We are engaging with leading ESG organisations such as the Science Based Targets initiative to set meaningful and ambitious goals around our carbon emissions.

Suppliers

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

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 CO2 emissions in the future.

This report was approved by the board on 2 November 2022 and signed on its behalf.

W B Hicks
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2022

The Directors present their report and the financial statements for the year ended 30 April 2022.

Matters that have been disclosed in the Strategic report include: future developments; engagement with suppliers, customers and others; and Financial risk management objectives and policies.

Results and dividends

The profit for the year, after taxation, amounted to £35,166,000 *(2021 - £13,773,000)*.

The Directors have not proposed or paid a dividend for the year ended 30 April 2022 (2021: £nil). There have been no dividends proposed after year-end up-to-the date of authorising the 30th April 2022 financial statements.

Directors

The directors who served during the year and up to the date of signing were:

W B Hicks
C S McIntyre (resigned 29 April 2022)
N J Miller (resigned 30 April 2022)
E M Ciechan (appointed 1 May 2022)
B J Jennings (appointed 4 August 2022)

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 420 people at 30 April 2022 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.

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 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 15. At 30 April 2022 the Company reported net current liabilities of £101,267,000 (2021: £65,277,000) and net assets of £399,824,000 (2021: net assets £354,694,000).

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 and has received a legally binding letter of support from DS Smith Plc that it will, as required, continue to support the Company to repay its liabilities as they fall due for a period of no less than 12 months from the approval of these financial statements. 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.

Research and development activities

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 £2,000 (2021: £3,000 charged) was credited to the income statement for research costs incurred in the year.

Disclosure of information to Auditor

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

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

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

Post balance sheet events

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

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 2022 annual report.

Auditor

At the 2022 AGM of DS Smith Plc, the Company's ultimate parent company, Ernst & Young LLP (EY) were appointed as external auditor to the Group. Accordingly Deloitte LLP will not be seeking reappointment as auditor of the Company at the conclusion of their current term of office. There are no circumstances connected with the resignation of Deloitte LLP as external auditor which should be brought to the attention of the stakeholders of the Company.

This report was approved by the board on 2 November 2022 and signed on its behalf.

W B Hicks
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2022

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

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

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 and other information included in Directors' Reports 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 2022 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:
- income statement;
- statement of comprehensive income;
- the statement of financial position;
- statement of changes in equity; and
- the related notes 1 to 32.

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 going concern

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

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

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

Other information

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

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 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 and internal audit 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 the 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 specialists such as tax, valuations, pensions, IT, forensic and industry specialists 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 PAPER LIMITED

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

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

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and 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

Opinion 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 Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Stategic report and Directors’ report has 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 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.

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

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

5 Callaghan Square
Cardiff
CF10 5BT
Date: 2 November 2022

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2022

	Note	2022 £000	2021 £000
Turnover	4	**435,401**	*281,639*
Cost of sales		**(368,835)**	**(247,314)**
Gross profit		**66,566**	*34,325*
Distribution costs		**(17,075)**	*(13,418)*
Administrative expenses		**(21,628)**	*(9,821)*
Other operating income	5	**15,863**	*5,096*
Adjusting items	13	**-**	*(660)*
Operating profit	6	**43,726**	*15,522*
Interest receivable	10	**2,008**	*1,088*
Interest payable and similar expenses	11	**(809)**	*(560)*
Profit before tax		**44,925**	*16,050*
Income tax expense	12	**(9,759)**	*(2,277)*
Profit for the financial year		**35,166**	*13,773*

The results from the current and prior year and from continuing operations.

The notes on pages 18 to 44 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2022

	Note	2022 £000	2021 £000
Profit for the financial year		**35,166**	*13,773*
Other comprehensive income/(loss)			
Actuarial gain/(loss) on defined benefit schemes	25	**12,679**	*(3,926)*
Income tax on actuarial (gains)/losses	25	**(2,715)**	*746*
Other comprehensive income/(loss) for the year		**9,964**	*(3,180)*
Total comprehensive income for the year		**45,130**	*10,593*

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2022

	Note	2022 £'000	2021* £'000
Assets			
Non-current assets			
Intangible assets	14	**110**	389
Property, plant and equipment	15	**189,120**	188,901
Investment in subsidiaries	16	**1,620**	1,620
Loan receivables	18	**319,176**	240,065
Employee benefits	26	**1,877**	-
Deferred taxation asset		**-**	5,477
		511,903	436,452
Current assets			
Inventories	17	**24,736**	16,981
Trade and other receivables	18	**89,071**	41,788
Cash at bank and in hand	19	**19,877**	13,504
		133,684	72,273
Total assets		**645,587**	508,725
Liabilities			
Non-current liabilities			
Trade and other payables	21	**-**	(15,481)
Deferred taxation liability	22	**(9,812)**	-
Provisions	23	**(1,000)**	(1,000)
		(10,812)	(16,481)
Current liabilities			
Trade and other payables	20	**(223,614)**	(137,142)
Provisions	23	**(11,337)**	(408)
		(234,951)	(137,550)
Total liabilities		**(245,763)**	(154,031)
Net current liabilities		**(101,267)**	(65,277)
Total assets less current liabilities		**410,636**	371,175
Net assets		**399,824**	354,694
Capital and reserves			
Called-up share capital	24	**196,275**	196,275
Share premium account		**1,919**	1,919
Revaluation reserve	25	**8,704**	8,704
Equity reserves	25	**10,811**	10,811
Retained earnings	25	**182,115**	136,985
		399,824	354,694

*The 2021 comparative has been restated as explained in note 18 and 20.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 November 2022.

W B Hicks

Director

The notes on pages 18 to 44 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 May 2021	196,275	1,919	8,704	10,811	136,985	354,694
Comprehensive income for the year						
Profit for the year	-	-	-	-	35,166	35,166
Actuarial gains on pension scheme	-	-	-	-	12,679	12,679
Income tax on other comprehensive income	-	-	-	-	(2,715)	(2,715)
Other comprehensive income for the year	-	-	-	-	9,964	9,964
Total comprehensive income for the year	-	-	-	-	45,130	45,130
At 30 April 2022	196,275	1,919	8,704	10,811	182,115	399,824

The notes on pages 18 to 44 form part of these financial statements.

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

	Called up share capital	Share premium account	Revaluation reserve	Equity reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 May 2020	196,275	1,919	8,704	10,811	126,392	344,101
Comprehensive income for the year						
Profit for the year	-	-	-	-	13,773	13,773
Actuarial losses on pension scheme	-	-	-	-	(3,926)	(3,926)
Income tax on other comprehensive expense	-	-	-	-	746	746
Other comprehensive income for the year	-	-	-	-	(3,180)	(3,180)
Total comprehensive income for the year	-	-	-	-	10,593	10,593
At 30 April 2021	196,275	1,919	8,704	10,811	136,985	354,694

The notes on pages 18 to 44 form part of these financial statements.

1. General information

DS Smith Paper Limited ("the Company") is a private company limited by shares and incorporated in the United Kingdom and registered in England and Wales whose shares are not publicly traded. The registered office is 350 Euston Road, London, NW1 3AX.

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 subsidary of DS Smith Plc which prepares consolidated financial statements which are publicaly available.

The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 1.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of DS Smith Plc as at 30 April 2022 and these financial statements may be obtained from 350 Euston Road, London, NW1 3AX.

2. Accounting policies (continued)

2.3 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 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 and 17. At 30 April 2022 the Company reported net current liabilities of £101,267,000 (2021: £65,277,000) and net assets of £399,824,000 (2021: net assets £354,694,000).

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 and has received a legally binding letter of support from DS Smith Plc that it will, as required, continue to support the Company to repay its liabilities as they fall due for a period of no less than 12 months from the approval of these financial statements. 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.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2. Accounting policies (continued)

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

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.

2. Accounting policies (continued)

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.12 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.

2. Accounting policies (continued)

2.13 Current and deferred taxation

Income tax on the profit or loss for the year comprises current 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

For the year ended 30 April 2021 and prior years the Group policy is, for the tax charge during the year, the ultimate parent company DS Smith Plc pays the tax charged on behalf of the entity and the balance is stated as payable balance to Plc and in case of tax credit balance, 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.

For the year ended 30 April 2022 and onwards, DS Smith Group entities will no longer receive payment for current year tax losses surrendered or make payment for group relief claimed at the rate of tax prevailing in the year. However where an entity has negative reserves and losses which will be surrendered to other members of the DS Smith Group, the claimant company will need to make payment for those tax losses at the rate of tax prevailing in the year.

Deferred tax is provided for using the statement of financial position 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.

2.14 Adjusting items

Adjusting items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.15 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2. Accounting policies (continued)

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Freehold property	- 2% to 10% per annum (straight-line)
Long-term leasehold property	- 2% to 10% per annum (straight-line)
Plant and machinery	- 5% to 25% per annum (straight-line)
Fixtures and fittings	- 5% to 25% per annum (straight-line)

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

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

2.17 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2. Accounting policies (continued)

2.18 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Income Statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If inventories is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.20 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.22 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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

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 the application of the Company's accounting policies, which are described in note 2, 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 current and future periods.

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.

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 longterm 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 26. A 0.5% decrease in the discount rate assumption used in the actuarial valuation would increase the pension liability by approximately £20 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 £10 million.

4. Turnover

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	390,668	249,925
Rest of Europe	43,035	29,980
Rest of world	1,698	1,734
	435,401	281,639

The Company's revenue was generated by the sale of good £427,323,000 (2021: £278,827,000) and the sale of services £8,078,000 (2021: £2,812,000).

5. Other operating income

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

6. Operating profit

The operating profit is stated after (crediting)/charging:

	2022 £000	2021 £000
Research & development charged as an expense	(2)	3
Foreign exchange (gain)/loss	(615)	130
Other operating lease rentals	1,542	1,416
Depreciation of owned property, plant and equipment (note 15)	16,184	15,159
Amortisation of intangible assets (note 14)	361	759
Cost of inventory	351,291	231,031

7. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual financial statements	86	92

8. Employees

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

	2022 £000	*2021 £000*
Wages and salaries	**27,303**	*26,645*
Social security costs	**2,899**	*2,877*
Cost of defined contribution scheme	**2,465**	*2,361*
	32,667	*31,883*

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

	2022 No.	*2021 No.*
Direct production	**193**	*200*
Indirect production	**201**	*208*
Administration	**76**	*76*
	470	*484*

9. Directors' remuneration

	2022 £000	*2021 £000*
Directors' emoluments	**1,297**	*1,005*
	1,297	*1,005*

The highest paid Director received remuneration of £945,000 *(2021 - £697,000)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL *(2021 - £NIL)*.

Two Directors (2021: One Director) exercised share options in the year totalling £369,384 (2021: £164,592) in the ultimate parent company, DS Smith Plc, which have not been included in Directors' emoluments.

10. Interest receivable

	2022 £000	2021 £000
Interest receivable from group companies	2,008	1,071
Other interest receivable	-	17
	2,008	1,088

11. Interest payable and similar expenses

	2022 £000	2021 £000
Bank interest payable	233	146
Employment benefit net finance expense	259	218
Factoring costs	317	196
	809	560

12. Income tax expense

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	-	4,537
Adjustments in respect of prior years	(2,815)	127
	(2,815)	4,664
Total current tax	(2,815)	4,664
Deferred tax		
Origination and reversal of timing differences	8,715	(1,369)
Changes to tax rates	(34)	-
Adjustment in respect of prior years	3,893	(1,018)
Total deferred tax	12,574	(2,387)
Taxation on profit on ordinary activities	9,759	2,277

12. Income tax expense (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - lower than)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)*. The differences are explained below:

	2022 £000	*2021 £000*
Profit on ordinary activities before tax	**44,925**	*16,050*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**8,536**	*3,050*
Effects of:		
Permanent differences	**373**	*118*
Effect of change in corporation tax rate	**2,058**	*-*
Adjustments in respect of prior years	**1,078**	*(891)*
Group relief	**(2,286)**	*-*
Total tax charge for the year	**9,759**	*2,277*

Factors that may affect future tax charges

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

	2022 £000	*2021 £000*
Tax on other comprehensive income and equity		
Tax on actuarial (gain)/loss	**(2,715)**	*746*
Total tax (charge)/credit included in other comprehensive income and equity	**(2,715)**	*746*

13. Adjusting items

	2022 £000	*2021 £000*
Restructuring	-	*757*
Disposal of investments in subsidaries	-	*36,928*
Income from shares in subsidaries	-	*(37,025)*
	-	*660*

Restructuring costs in the prior year relate to ongoing restructuring to rationalise operations and to achieve cost efficiency.

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

14. Intangible assets

	Other intangibles £000	Carbon credits £000	Computer software £000	Goodwill £000	Total £000
Cost					
At 1 May 2021	2,587	1,485	1,732	13,557	19,361
Reclassification	82	-	-	-	82
At 30 April 2022	2,669	1,485	1,732	13,557	19,443
Amortisation					
At 1 May 2021	2,427	1,485	1,503	13,557	18,972
Charge for the year on owned assets	242	-	119	-	361
At 30 April 2022	2,669	1,485	1,622	13,557	19,333
Net book value					
At 30 April 2022	-	-	110	-	110
At 30 April 2021	*160*	*-*	*229*	*-*	*389*

15. Property, plant and equipment

	Freehold property £000	Long-term leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000
Cost or valuation					
At 1 May 2021	**88,052**	**5,506**	**400,907**	**2,716**	**13,239**
Additions	**-**	**-**	**258**	**-**	**16,241**
Reclassification	**-**	**-**	**(82)**	**-**	**-**
Disposals	**(207)**	**-**	**(5,095)**	**(103)**	**-**
Transfers between classes	**1,422**	**-**	**19,026**	**940**	**(21,388)**
At 30 April 2022	**89,267**	**5,506**	**415,014**	**3,553**	**8,092**
Depreciation					
At 1 May 2021	**42,641**	**5,506**	**273,115**	**257**	**-**
Charge for the year on owned assets	**1,777**	**-**	**14,200**	**207**	**-**
Disposals	**(207)**	**-**	**(5,081)**	**(103)**	**-**
At 30 April 2022	**44,211**	**5,506**	**282,234**	**361**	**-**
Net book value					
At 30 April 2022	**45,056**	**-**	**132,780**	**3,192**	**8,092**
At 30 April 2021	*45,411*	*-*	*127,792*	*2,459*	*13,239*

15. Property, plant and equipment (continued)

	Total £000
Cost or valuation	
At 1 May 2021	**510,420**
Additions	**16,499**
Reclassification	**(82)**
Disposals	**(5,405)**
Transfers between classes	**-**
At 30 April 2022	**521,432**
Depreciation	
At 1 May 2021	**321,519**
Charge for the year on owned assets	**16,184**
Disposals	**(5,391)**
At 30 April 2022	**332,312**
Net book value	
At 30 April 2022	**189,120**
At 30 April 2021	*188,901*

16. Investment in subsidaries

	Investments in subsidiary companies £000
Cost or valuation	
At 1 May 2021	**1,620**
At 30 April 2022	**1,620**

16. Investment in subsidaries (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
DS Smith Logistics Limited	350 Euston Road, London, NW1 3AX	Ordinary and Non-cumulative preference	100%
St Regis Kemsley Limited	350 Euston Road, London, NW1 3AX	Ordinary	100%
Grovehurst Energy Limited	350 Euston Road, London, NW1 3AX	Ordinary	100%

17. Inventories

	2022 **£000**	*2021* *£000*
Raw materials and consumables	**9,545**	*8,364*
Finished goods and goods for resale	**15,191**	*8,617*
	24,736	*16,981*

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions as at 30 April 2022 were £3.3m (30 April 2021: £3.8m)

18. Trade and other receivables

	2022 **£000**	*As restated* *2021* *£000*
Non-current		
Amounts owed by group undertakings	**319,176**	*240,065*
	319,176	*240,065*

18. Trade and other receivables (continued)

Amounts owed to group undertaking in the prior year previously included debit balance of £6,932,000. These have been reclassed to non-current amounts owed by group undertakings.

The amounts are not expected to be settled in the next 12 months.

Interest was charged on amounts owed by group undertakings of £244,300,000 at 1 month LIBOR. No interest was charged on the remaining balances. All amounts owed by group undertakings have no fixed date of repayment and are unsecured.

Following the discontinuation of LIBOR as an interest rate benchmark, from the 1st January 2022 risk free rates will be applied to intercompany loans within the DS Smith Group that are impacted by the reform. To ensure the economics of the transactions are consistent before and after the transition a credit adjustment spread will be applied to the risk free rates.

		As restated
	2022	*2021*
	£000	*£000*
Current		
Trade debtors	**12,829**	*6,532*
Amounts owed by group undertakings	**38,154**	*19,936*
Other debtors	**2,728**	*1,963*
Prepayments	**3,035**	*3,431*
Accrued income	**11,721**	*1,888*
Income tax receivable from group undertakings	**20,604**	*8,038*
	89,071	*41,788*

Non-current amounts owed by group undertakings previously included balances of £19,936,000 which were expected to be repaid within 12 months, being the entity's normal operating cycle. These therefore did not meet the criteria to be classified as non-current assets and have been reclassified to current assets.

19. Cash at bank and in hand

	2022	*2021*
	£000	*£000*
Cash at bank and in hand	**19,877**	*13,504*
	19,877	*13,504*

20. Trade and other payables - current

		As restated
	2022	*2021*
Current	**£000**	*£000*
Trade creditors	**128,238**	*56,707*
Amounts owed to group undertakings	**71,609**	*64,182*
Other taxation and social security	**4,263**	*5,645*
Other creditors	**2,338**	*2,061*
Accruals and deferred income	**17,166**	*8,547*
	223,614	*137,142*

No interest was charged on amounts owed to group undertakings which are unsecured and repayable on demand. Amounts owed to group undertakings in the prior year previously included debit balances of £6,932,000. These have been reclassed to non-current amounts owed by group undertakings.

21. Trade and other payables – non-current

	2022	*2021*
	£000	*£000*
Employee benefits (see note 26)	**-**	*15,481*
	-	*15,481*

22. Deferred taxation liability

	2022
	£000
At beginning of year	**5,477**
Charged to profit or loss	**(12,574)**
Charged to other comprehensive income	**(2,715)**
At end of year	**(9,812)**

22. Deferred taxation liability (continued)

The deferred taxation balance is made up as follows:

	2022 **£000**	*2021* *£000*
Accelerated capital allowances	**(9,342)**	*1,309*
Tax losses carried forward	**-**	*1,228*
Employee benefits including pensions	**(470)**	*2,940*
	(9,812)	*5,477*

23. Provisions

	Non-current Landfill £000	Current Restructuring £000	Current Carbon credits £000	Current Landfill £000	Total £000
At 1 May 2021	1,000	-	-	408	1,408
Charged to profit or loss	-	925	9,671	466	11,062
Utilised in year	-	-	-	(133)	(133)
At 30 April 2022	1,000	925	9,671	741	12,337

24. Called-up share capital

	2022 **£000**	*2021* *£000*
Allotted, called up and fully paid		
250,500,000 *(2021 - 250,500,000)* ordinary shares of £0.50 each	**125,250**	*125,250*
1,370,400 *(2021 - 1,370,400)* 'A' ordinary shares of £0.50 each	**685**	*685*
340,000 *(2021 - 340,000)* 6% cumulative preference shares shares of £1.00 each	**340**	*340*
70,000,000 *(2021 - 70,000,000)* ‘A’ preference shares shares of £1.00 each	**70,000**	*70,000*
	196,275	*196,275*

24. Called-up share capital (continued)

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.

25. Reserves

Revaluation reserve

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

Equity reserves

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

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

26. Employee benefits

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 2022 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2022.

	2022	2021
	£000	£000
Present value of funded obligations	(1,055,810)	(1,188,736)
Fair value of Scheme assets	1,057,462	1,120,094
Total IAS 19 deficit, net	1,652	(68,642)
Allocated to other participating employers	225	53,161
Company's share of FRS 102 surplus/(deficit), net	1,877	(15,481)

Reconciliation of Scheme assets and liabilities:

	Assets	Liabilities	Total
	£000	£000	£000
At 1 May 2021	279,487	(294,968)	(15,481)
Employment benefit net finance expense	-	-	(259)
Contribution of fellow Group entity	-	-	4,938
Actuarial gains – financial assumptions	-	-	27,405
Actuarial gains - demographic	-	-	500
Actuarial losses - experience	-	-	(953)
Actuarial losses – Scheme assets	-	-	(14,273)
Company's share of FRS 102 surplus, net at 30 April 2022	-	-	1,877

A breakdown of the Scheme assets is provided below:

	2022	2021
	£000	£000
Equities/multi-strategy	85,407	-
Debt instruments	586,662	526,156
Derivatives	315,244	464,912
Cash and cash equivalents	17,305	6,433

26. Employee benefits (continued)

Other	**52,844**	*122,593*
	1,057,462	*1,120,094*

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 2022 under the plan was £20 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:

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

For the Group Scheme at 30 April 2022, the mortality base table used is SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. At 30 April 2021 the mortality base table used was SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

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

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.

26. Employee benefits (continued)

	Increase in pension liability
	£m
0.5% decrease in discount rate	**(20)**
0.5% increase in inflation	**(15)**
1 year increase in life expectance	**(10)**

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 year contributions was £2,465,124 (2021: £2,361,000).

27. 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 made in 2016 are subject to three performance measures:

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

Awards made from 2017 are subject to either two performance measures or to three performance measures:

(a) Two performance measures:

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

(b) Three performance measures:

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

The awards granted in 2016 and 2017 have vested but have not yet been fully exercised.

27. 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.

(iii) International Sharesave Plan

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

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

	Performance Share Plan		Deferred Share Bonus Plan	
	Weighted average exercise price (p)	Options '000	Weighted average exercise price (p)	Options '000
Exercised	Nil	-	Nil	406
At 30 April 2022	Nil	412	Nil	30

	Sharesave Plan	
	Weighted average exercise price (p)	Options '000
Exercised	370.5	1,064
At 30 April 2022	308.8	3,499

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

	Performance Share Plan	Deferred Share Bonus Plan

27. Share based payments (continued)

	Weighted average exercise price	Options	Weighted average exercise price	Options
	(p)	'000	(p)	'000
Exercised	Nil	42	Nil	18
At 30 April 2021	Nil	580	Nil	358

	Sharesave Plan	
	Weighted average exercise price	Options
	(p)	'000
Exercised	370.5	90
At 30 April 2021	306.9	966

28. Capital commitments and other commitments

The Company had the following capital commitments:

	2022 **£000**	*2021* *£000*
Capital commitments	**9,971**	*2,094*
	9,971	*2,094*

29. 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.

30. Related party transactions

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.

31. Post balance sheet events

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

32. 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.