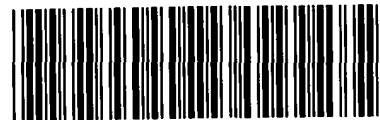


DS SMITH (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

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DS SMITH (UK) LIMITED

COMPANY INFORMATION

Directors	W B Hicks Z W Stone
Company secretary	Z W Stone
Registered number	00501594
Registered office	350 Euston Road London United Kingdom NW1 3AX
Independent auditor	Deloitte LLP 1 New Street Square London United Kingdom EC4A 3HQ

DS SMITH (UK) LIMITED

CONTENTS

	Page(s)
Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 22

DS SMITH (UK) LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2021**

Introduction

The Directors present their strategic report for the year ended 30 April 2021.

Business review

The principal activity of the Company is to act as an investment holding company within the DS Smith Group ('the Group'). The Directors are not aware, at the date of this report, of any likely significant changes in the Company's activities in the forthcoming financial year.

The Company is a wholly owned subsidiary of DS Smith Holdings Limited and operates as part of the Group. The Group manages its operations on a Group basis. On this basis the Company's Directors believe that the disclosure of further performance indicators for the Company is not necessary for an understanding of the development, performance or position of the business. Key performance indicators can be found in the Group's annual report, which can be obtained from the address provided in note 17.

Key performance indicators

Given the nature of the business of the Company as a holding company, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of the overall DS Smith Group is discussed within DS Smith Group PLC's annual report which does not form part of this report.

Principal risks and uncertainties

As the Company's main purpose is to act as an investment holding company, the financial risks that the Company is exposed to are limited.

Where applicable, the Company follows the Group policy on financial risk management. The Company's financial risk management is centralised to capitalise on economies of scale and synergy effects and to minimise operational risks.

Liquidity risk

The Company actively manages its liquidity risk by short-term debt finance with the Group Treasury function, supported by external borrowings where appropriate, 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, all of which are inter-group. Recoverability of these receivables is reviewed regularly against the statement of financial position of the counterparty.

Brexit

The UK left the EU in January 2020 and the transition period ended on 31 December 2020. Product for the Group's UK customers is largely manufactured within the UK and materials sourced within the UK, and as such the Group 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 2021, the business have planned, in collaboration with key trading partners, and accordingly the overall impact on the Group has not been material. The Company does not trade, but for the reasons described the impact on the Company's related parties has not been material.

DS SMITH (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2021**

Covid-19

The Group'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 Group's sites remained fully operational and continued to trade throughout the period. Changes were made to operating processes and practices to ensure the Group could respond to the specific local government requirements in each country in which it operates.

The Company's risk is low, as it does not trade. There is a risk that the Company's related party's business performance may be adversely impacted by the Covid-19 pandemic resulting in an impairment of amounts due from Group undertakings. However, the Directors consider that this risk is minimal, as the Group has continued to trade. For a further explanation of how the Directors have considered the impact of Covid-19 on the current and forecast position and performance of the Group, refer to pages 50 to 51 in the Group's 2020/21 Annual Report available at the Group's website at: <https://www.dssmith.com/investors/results-and-presentations>.

Directors' statement of compliance with duty to promote the success of the Company

The Directors have regard to section 172(1) of the Companies Act when performing their duties to promote the success of the Company, paying due regard to likely consequences of decisions in the long-term and the interests of its stakeholders, which are internal. As the Company is an investment holding company, it does not have any direct employees, customers or suppliers. The Company operates as part of the Group which has as its purpose 'Redefining Packaging for a Changing World'. Both the Company and Group complies with the principles of good corporate governance with policies in place to support this commitment. The Group's stakeholders include its employees, customers, the communities in which it operates and its impact on the environment. During the year the Directors of the Group received relevant information to help them understand the interest and views of these key stakeholder groups when making decisions and the potential impact decisions could have on each group. Information included reports regarding financial and operational performance, non-financial key performance indicators (including accident frequency rate, CO2 equivalent emissions and on-time and in-full deliveries), business risk, responsible business matters and the results of stakeholder engagement exercises. For more details on how the Group has regard to the interests of its employees, the impact its actions have on the communities in which the Group operate and the environment, maintaining high standards of business conduct, and acting fairly at all times, refer to the Group's annual report which can be obtained from the address in note 17.

This report was approved by the board on 20 December 2021 and signed on its behalf.



W B Hicks
Director

DS SMITH (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2021**

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

Results and dividends

The loss for the year, after taxation, amounted to £3,463,000 (2020: loss £1,109,000).

The Company received a dividend for the year ended 30 April 2021 of £nil (2020: £nil). The Company paid a dividend for the year ended 30 April 2021 of £12,009,000 (2020: £nil). There have been no dividends proposed after year end.

Directors

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

W B Hicks
Z W Stone

Political contributions

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

Future developments

The Covid-19 pandemic remains a challenge and the Directors will continue to monitor all aspects of the business, from people, operations and the consequential financial implications and take appropriate actions in response. The Group has already taken actions to conserve cash and manage costs and will continue to do so. Given how well the people and operations have performed during the peak of the pandemic, the Directors are confident in the Group's ability to continue to perform well in the future. The principal activity of the Company is to act as an investment holding company for the Group that is principally party to intra-group transactions. 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 2021. The Directors do not see that the Covid-19 pandemic will have a direct impact on the position and performance of the entity and whilst recognising that there may be some indirect impact in the future as a consequence of the impact on the wider Group.

Going concern

The Company is in loss and has net assets of £297,434,000 (2020: £312,906,000). At period end the company has net current liabilities of £24,849,000 (2020: £24,827,000). It has access to considerable financial resources from across the DS Smith Group and has received a legally binding letter of support from DS Smith plc that it will, as required, continue to support this 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.

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.

DS SMITH (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2021

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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Post balance sheet events

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

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 December 2021 and signed on its behalf.



W B Hicks
Director

DS SMITH (UK).LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2021**

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

DS SMITH (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH (UK) LIMITED

Opinion

In our opinion the financial statements of DS Smith (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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- statement of changes in equity; and
- the related notes 1 to 17.

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"/Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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.

DS SMITH (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH (UK) LIMITED

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 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

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

DS SMITH (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH (UK) LIMITED

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, reviewing internal audit reports, reviewing correspondence with HMRC and licensing authorities.

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the 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 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.

DS SMITH (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH (UK) LIMITED

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.



Stephen Turner (Senior Statutory Auditor)

for and on behalf of

Deloitte LLP

1 New Street Square
London
United Kingdom
EC4A 3HQ
20 December 2021

DS SMITH (UK) LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2021**

	Note	2021 £000	2020 £000
Administrative expenses		(19)	-
Other operating charges	4	(3,476)	-
Operating (loss)/profit		(3,495)	-
Loss on sale of investments		-	(732)
Interest receivable and similar income	7	35	-
Interest payable and expenses	8	-	(465)
Loss before taxation		(3,460)	(1,197)
Tax on loss	9	(3)	88
Loss for the financial year		(3,463)	(1,109)

There were no recognised gains and losses for 2021 or 2020 other than those included in the income statement. Therefore no separate statement of comprehensive income has been presented in the current or prior year.

The notes on pages 13 to 22 form part of these financial statements.

DS SMITH (UK) LIMITED
REGISTERED NUMBER: 00501594

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2021

		2021 £000	*As restated 2020 £000
Non-current assets	Note		
Fixed asset investments	11	176,858	176,858
Debtors: amounts falling due more than one year	12	145,425	160,875
		<u>322,283</u>	<u>337,733</u>
Current assets			
Debtors: amounts falling due within one year	12	38	19
		<u>38</u>	<u>19</u>
Creditors: amounts falling due within one year	13	(24,887)	(24,846)
Net current liabilities		<u>(24,849)</u>	<u>(24,827)</u>
Total assets less current liabilities		<u>297,434</u>	<u>312,906</u>
Net assets		<u><u>297,434</u></u>	<u><u>312,906</u></u>
Capital and reserves			
Share Capital	14	128,297	128,297
Share premium account		-	200,858
Capital redemption reserve		12	12
Profit and loss account		169,125	(16,261)
		<u>297,434</u>	<u>312,906</u>

*The 30 April 2020 comparative has been restated as explained in note 12.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2021.


W B Hicks
 Director

The notes on pages 13 to 22 form part of these financial statements.

DS SMITH (UK) LIMITED

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

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 May 2019	128,297	200,858	12	(15,152)	314,015
Comprehensive expense for the year					
Loss for the year	-	-	-	(1,109)	(1,109)
Total comprehensive income for the year	-	-	-	(1,109)	(1,109)
At 30 April 2020	128,297	200,858	12	(16,261)	312,906
Comprehensive income for the year					
Loss for the year	-	-	-	(3,463)	(3,463)
Total comprehensive income for the year	-	-	-	(3,463)	(3,463)
Dividends: Equity capital	-	-	-	(12,009)	(12,009)
Capital reduction	-	(200,858)	-	200,858	-
Total transactions with owners	-	(200,858)	-	188,849	(12,009)
At 30 April 2021	128,297	-	12	169,125	297,434

The notes on pages 13 to 22 form part of these financial statements.

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

1. General information

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

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 Republic of Ireland 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).

The following principal accounting policies have been applied:

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 2021 and these financial statements may be obtained from 350 Euston Road, London, NW1 3AX..

2.3 Exemption from preparing consolidated financial statements

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

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

2. Accounting policies (continued)

2.4 Going concern

The Company is in loss and has net assets of £297,434,000 (2020: £312,906,000). At period end the company has net current liabilities of £24,849,000 (2020: £24,827,000). It has access to considerable financial resources from across the DS Smith Group and has received a legally binding letter of support from DS Smith Plc that it will, as required, continue to support this 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.

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.

2.5 Interest income

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

2.6 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.

2.7 Taxation

Income tax on the profit or loss for the year comprises current 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, 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.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

2. Accounting policies (continued)

2.11 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

2. Accounting policies (continued)

2.12 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives, including separately embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification, this is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

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

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

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

In the opinion of the Directors, there are no critical judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying accounting policies.

Investments in subsidiaries

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

4. Other operating charges

Other operating charges relates to a write off of an intercompany balance with the Company's subsidiary. The amount written off is £3,476,000 (2020: £NIL)

5. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>8</u>	<u>7</u>

The Auditor's remuneration of £7,500 (2020: £6,500) for the statutory audit of the Company's financial statements for the current year has been borne and not recharged by another Group undertaking. There was no non-audit remuneration paid in the current or prior year.

6. Information regarding Directors and employees

The Directors are remunerated by other Group companies and no specific recharge is made in respect of their services to this Company in the current or preceding year.

The Company had no employees during the current and preceding year.

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

7. Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from group companies	35	-
	<u>35</u>	<u>-</u>

8. Interest payable and expenses

	2021 £000	2020 £000
Loans from group undertakings	-	465
	<u>-</u>	<u>465</u>

9. Tax on loss

	2021 £000	2020 £000
Corporation tax		
Current tax on loss for the year	3	(88)
	<u>3</u>	<u>(88)</u>
Total current tax	<u>3</u>	<u>(88)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>3</u>	<u>(88)</u>

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

9. Tax on loss (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: *lower than*) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	(3,460)	(1,197)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(657)	(227)
Effects of:		
Non-taxable income	-	(720)
Permanent differences	660	859
Total tax charge/(credit) for the year	3	(88)

Factors that may affect future tax charges

The Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021. 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%).

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.

10. Dividends

	2021 £000	2020 £000
Equity dividend	12,009	-
	12,009	-

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

11. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 May 2020	176,858
At 30 April 2021	<u>176,858</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
DS Smith Packaging Limited	350 Euston Road, London, NW1 3AX	Ordinary	100%
Priory Packaging Limited	350 Euston Road, London, NW1 3AX	Ordinary	100%

12. Debtors

	2021 £000	<i>As restated</i> 2020 £000
Amounts falling due after one year		
Amounts owed by group undertakings	145,425	160,875
	<u>145,425</u>	<u>160,875</u>
	2021 £000	<i>As restated</i> 2020 £000
Amounts falling due within one year		
VAT receivable	23	19
Tax recoverable	15	-
	<u>38</u>	<u>19</u>

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

12. Debtors (continued)

During the year an adjustment to interest was required as a result of over accruing in previous years. No interest was charged on the amount owed by fellow subsidiary undertaking, amounts owed by subsidiary undertakings and amount owed by ultimate parent company. All these balances have no repayment date, are repayable on demand and are unsecured.

Amounts owed by group 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. The impact on the 30 April 2020 statement of financial position is an increase to non-current assets of £160,875,000 and an equivalent decrease in current assets

13. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Amounts owed to group undertakings	24,887	24,846
	<u>24,887</u>	<u>24,846</u>

Interest of £nil was charged on the amount owed to ultimate parent company as follows:

- £23,710,466 at 1.5% over LIBOR.

The amount owed to the ultimate parent company is unsecured.

14. Share capital

	2021 £000	2020 £000
Authorised		
145,000,000 (2020: 145,000,000) Ordinary shares of £1.00 each	145,000	145,000
5,000,000 (2020: 5,000,000) Cumulative preference shares of £1.00 each	5,000	5,000
	<u>150,000</u>	<u>150,000</u>
Allotted, called up and fully paid		
128,297,395 (2020: 128,297,395) Ordinary shares of £1.00 each	<u>128,297</u>	<u>128,297</u>

DS SMITH (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

15. Related party transactions

Under FRS 102 section 33, the Company is exempt from the requirement to disclose related party transactions with DS Smith Plc and its associated undertakings on the grounds that it is a wholly owned subsidiary undertaking of DS Smith Plc.

16. Post balance sheet events

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

17. 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, at the registered office address of DS Smith Plc at 350 Euston Road, London, NW1 3AX.