

**Company Registration No. 00053913**

**DS Smith Corrugated Packaging Limited**

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

**DS Smith Corrugated Packaging Limited**  
**Annual report and financial statements for the year ended 30 April 2020**

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# **DS Smith Corrugated Packaging Limited**

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

### **Officers and professional advisers**

#### **Directors**

W B Hicks

P J Brown

R H Newman

S Rossi

#### **Company Secretary**

Z W Stone

#### **Registered Office**

350 Euston Road

London

NW1 3AX

United Kingdom

#### **Registered Number**

00053913

#### **Auditor**

Deloitte LLP

Statutory Auditor

5 Callaghan Square

Cardiff

CF10 5BT

#### **Banker**

National Westminster Bank Plc

1 Princes Street

London

EC2R 8AQ

# **DS Smith Corrugated Packaging Limited**

## **Strategic report**

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

### **Business review and principal activities**

The Company's principal activities are the production of packaging materials, including corrugated packaging and the provision of packaging services. The business operations are located throughout the UK.

The results for the year show a profit before income tax of £10,732,000 (2019: £8,237,000), and net assets of £104,846,000 (2019: £95,496,000). The business has overall seen an increase in demand from customers. This increase in demand particularly relates to e-commerce customers due to high street shops being closed or customers avoiding shops to maintain social distancing. In addition, sales to other FMCG customers have been robust as closures to restaurants have resulted in higher demand for food and drink in supermarkets. These factors mean that the UK business is trading at levels significantly ahead of prior year. Given the recent economic uncertainty the Directors are satisfied with the underlying performance of the business during the year.

The Company is a subsidiary of DS Smith Plc and operates as part of the DS Smith Group ('the Group'). The Group manages its operations on a divisional basis. On this basis the Company's Directors believe that the disclosure of performance indicators for the Company, with the exception of those disclosed in the key performance indicators paragraph below, are not necessary for an understanding of the development, performance or position of the business. Further key performance indicators can be found in the Group's annual report.

### **S172(1) of the Companies Act 2006**

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

#### *Employee Engagement*

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

## **DS Smith Corrugated Packaging Limited**

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

#### **S172(1) of the Companies Act 2006 (continued)**

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

We employ around 352 people in the Company. We engage people in a number of ways: on site through team briefings and leadership visits, online and in print through newsletters and providing mechanisms for feedback through our employee works councils, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice. By giving all employees a voice, we create the opportunity to improve their work experience and feel pride in working for DS Smith. We also have a confidential hotline known as 'Speak Up!' for employees to report concerns where they do not wish to go through their line manager. On a more formal basis, our European Works Council (EWC) brings together employee representatives from the different European countries where we operate and provides a forum for information sharing and consultation. The EWC Executive meets with senior management regularly and the full EWC meets with the Group Chief Executive and Group Operating Committee members twice a year.

An example of our partnership approach has been the co-creation of an employee charter setting out our shared values and principles on issues that matter to our people. Furthermore, the Group operates a Sharesave Plan which encourages employees' involvement in the Group and Company's performance. Further details of this Plan can be found in note 26 of the 2020 Group accounts.

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

The Directors aim to promote the success of the Company, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves management thinking about the interests of the Company's stakeholders, including our people, our customers, local communities, non-governmental organisations and our suppliers; about the importance of maintaining our reputation for high standards of business conduct; and about the environment. Engagement with customers is the lifeblood of our business, and takes place via the sales, marketing and innovation teams. We encourage customers to visit our design and innovation hubs, known as PackRight Centres and Impact Centres, where we can share insight and develop value-adding packaging solutions to support their business objectives.

##### *The environment and communities*

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

##### *Our suppliers*

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

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

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

# DS Smith Corrugated Packaging Limited

## Strategic report (continued)

### Future developments

The external commercial environment is expected to remain challenging during the next financial year. The business has structured its operations to address the commercial challenge and continue to meet its customers' needs and expectations. The Covid-19 pandemic remains a challenge and the Directors will continue to monitor the impact the pandemic will have on its stakeholders. The Company 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 Company's ability to continue to perform well in the future.

Brexit could have an adverse impact on consumer disposable income and therefore growth of the Company. Regular meetings and discussions on Brexit are held within the Group at Board level and adequate plans are in place to mitigate any adverse impacts.

The external commercial environment is expected to remain competitive during 2020/21. However, the Directors are confident that the business outlook is positive.

### Key performance indicators ('KPIs')

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

	2020	2019	Definition, method of calculation and analysis
Return on sales (RoS) (%)	<b>15.5%</b>	11.3%	RoS is the ratio of earnings before interest, taxation, adjusting items, and discontinued operations to sales expressed as a percentage.
Return on capital employed (ROCE) (%)	<b>10.5%</b>	8.8%	ROCE is the ratio of earnings before interest, taxation, adjusting items, and discontinued operations to net assets expressed as a percentage.

The Company has been performing well in a competitive market environment.

The ROCE and ROS has increased as a result of government restrictions in response to Covid-19, the business has overall seen an increase in demand from customers. This increase in demand particularly relates to e-commerce customers due to high street shops being closed or customers avoiding shops to maintain social distancing. In addition, sales to other FMCG customers have been robust as closures to restaurants have resulted in higher demand for food and drink in supermarkets. These factors mean that the UK business is trading at levels significantly ahead of prior year.

### Principal risks and uncertainties

#### *Energy price risk*

Due to its energy-intensive operations, the Company is exposed to risks relating to changes in the price of energy, particularly gas and electricity. A proportion of energy prices is hedged at Group level, but when the energy price is not hedged, price changes in the energy market have a direct impact on the Company's operating result.

#### *Paper price risk*

An element of the Company's operations convert paper into corrugated packaging. The Company is exposed to risks relating to changes in the price of paper, as additional cost needs to be passed onto the customer in order to maintain margins. The Company has an active programme in place to manage its supplies and costs of CCM (corrugated container material) paper. Additionally, the Company is very active in implementing productivity improvements and other cost reduction programmes to counter the financial impact of this risk and to protect the margin from inflationary increases, particularly ongoing labour cost and other significant input cost increases, for example energy.

## **DS Smith Corrugated Packaging Limited**

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

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

##### *Brexit*

While the Company's supply chain is largely based in the UK and therefore sheltered from any adverse effects of Brexit, Brexit could have an adverse impact on consumer disposable income and therefore growth of the Company. Regular meetings and discussions on Brexit are held within the Group at Board level and adequate plans are in place to mitigate any adverse impacts.

#### **Financial risk management objectives and policies**

The Company's operations expose it to a variety of financial risks that include the effects of changes in energy price, paper price, credit risk, liquidity risk, interest rate risk and foreign exchange risk.

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

##### *Credit risk*

The risk that customers cannot meet their obligations constitutes a customer credit risk. The Company runs credit checks on customers where information about customers' financial position is obtained from various credit rating companies. Counterparty credit risk of financial institutions holding cash on deposit is considered by Group treasury prior to making deposits.

##### *Liquidity 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.

##### *Interest rate risk*

The Company has interest-bearing liabilities held with fellow subsidiaries. The Group treasury function is responsible for identifying and managing interest rate exposure.

##### *Foreign exchange risk*

The Company is exposed to foreign currency exchange rate fluctuations between sterling and the euro and the US dollar.

##### *Covid -19*

The Covid-19 pandemic has resulted in the shutdown of economies across the world, resulting in job losses and business failures and a global recession, including the UK. The Directors primary focus has been the health and wellbeing of the Company's employees. Secondly, the Directors have focused on maintaining an uninterrupted supply to the Company's customers, the majority of whom are FMCG companies which are essential in the food supply chain. As such, the Company's packaging sites have generally been classified as essential operations and all sites have remained operational throughout the pandemic to date. New ways of working have been implemented to reflect the latest guidance on safe operations and changes in demand. In response to the pandemic the Company has undertaken measures to reinforce the Company's financial position and ongoing performance through conserving cash and managing costs. Capital expenditure will be reduced and all non-essential expenditure deferred.

## **DS Smith Corrugated Packaging Limited**

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

#### **Going concern**

The Company's business activities, financial performance and position and factors likely to affect it in the future are set out in the business review and principal activities paragraph of this report, and within the consolidated financial statements of DS Smith Plc. The current economic conditions mean there are inherent future uncertainties that may impact the business. The main risks are described in the principal risks and uncertainties paragraphs above. The Company has a positive cash balance and is in a net current asset position and the Directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Covid-19 pandemic resulted in the slowdown of economies across the world. In the UK there has been an increase in unemployment and the lockdown and resultant slowdown of the economy has led to a recession. The outlook remains challenging, especially for the automotive and industrial sectors which have seen a decline in demand during the pandemic. However, as a result of government restrictions in response to Covid-19, the business has overall seen an increase in demand from customers. This increase in demand particularly relates to e-commerce customers due to high street shops being closed or customers avoiding shops to maintain social distancing. In addition, sales to other FMCG customers have been robust as closures to restaurants have resulted in higher demand for food and drink in supermarkets. This has led to an increase in sales volumes and while the decline in paper prices has led to a year-on-year decrease in profit, the Company is forecast to remain profitable and therefore the pandemic is considered a low risk to the Company's ability to continue as a going concern.

As a result the Directors have made enquiries and considered the Company's financial and operational resources and have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements for the year ended 30 April 2020. For these reasons, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Company has access to considerable financial resources from across the DS Smith Group and has received a letter of support from DS Smith Group confirming that if required, support will be provided for a minimum period of 12 months from the approval of the financial statements for the year ending 30 April 2020.

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

W B Hicks  
Director  
3 December 2020



## **DS Smith Corrugated Packaging Limited**

### **Directors' report**

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 April 2020.

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

- Financial risk management objectives and policies;
- Future developments

### **Dividends**

The Directors have not proposed or paid a dividend for the year ended 30 April 2020 (2019: £nil). There have been no dividends proposed after year end.

### **Directors**

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

P J Brown

S Rossi

W B Hicks

R H Newman

### **Company Secretary**

Z W Stone

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

During the year, DS Smith Plc maintained liability insurance for the Directors and Officers of DS Smith Corrugated Packaging Limited and its parent company. Neither the insurance nor the indemnity provides cover where a Director acts fraudulently or dishonestly. The Company has not made qualifying third-party indemnity provisions for the benefit of the Group's Directors during the year.

### **Political contributions**

No political contributions were made during the year (2019: £nil).

### **Auditor**

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

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

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

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

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

W B Hicks

Director

3 December 2020

## **DS Smith Corrugated Packaging Limited**

### **Directors' responsibilities statement**

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

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

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

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

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

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

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

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

### **Opinion**

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

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 27.

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

### **Basis for opinion**

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

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

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

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

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

We have nothing to report in respect of these matters.

### **Other information**

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

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

We have nothing to report in respect of these matters.

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

### **Responsibilities of directors**

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

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

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

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

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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

### **Use of our report**

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

David Hedditch (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, United Kingdom

3 December 2020

## DS Smith Corrugated Packaging Limited

### Income statement

For the year ended 30 April 2020

		Total	Before adjusting items	Adjusting items (note 8)	Total
	Note	2020 £'000	2019 £'000	2019 £'000	2019 £'000
Continuing operations					
Revenue	3	71,101	74,395	-	74,395
Cost of sales		(44,335)	(50,925)	-	(50,925)
<b>Gross profit</b>		<b>26,766</b>	23,470	-	23,470
Distribution costs		(4,808)	(4,064)	-	(4,064)
Administrative expenses		(10,990)	(11,356)	-	(11,356)
Other operating income		41	372	-	372
<b>Operating profit</b>	4	<b>11,009</b>	8,422	-	8,422
Profit on disposal of property, plant and equipment		-	55	-	55
Finance income	7	247	432	-	432
Finance costs	7	(524)	(672)	-	(672)
<b>Net financing costs</b>		<b>(277)</b>	(240)	-	(240)
<b>Profit before income tax</b>		<b>10,732</b>	8,237	-	8,237
Income tax expense	9	(1,382)	(1,708)	-	(1,708)
<b>Profit for the year from continuing operations</b>		<b>9,350</b>	6,529	-	6,529
<b>Profit for the year from discontinued operations net of tax</b>	20	-	414	22,484	22,898
<b>Profit for the year</b>		<b>9,350</b>	6,943	22,484	29,427

There are no recognised income or expenses other than those detailed in the income statement, and therefore no separate statement of comprehensive income has been presented in the current or prior year.

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

	<b>Note</b>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	<b>166</b>	214
Property, plant and equipment	11	<b>19,605</b>	19,300
Right of use assets	12	<b>1,175</b>	-
Deferred tax assets	18	<b>1,225</b>	1,830
<b>Total non-current assets</b>		<b>22,171</b>	21,344
<b>Current assets</b>			
Inventories	13	<b>2,453</b>	2,924
Trade and other receivables	14	<b>148,733</b>	137,155
Cash and cash equivalents		<b>2,777</b>	7,373
<b>Total current assets</b>		<b>153,963</b>	147,452
<b>Total assets</b>		<b>176,134</b>	168,796
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other payables	15	<b>(12,265)</b>	(11,682)
Lease obligations	17	<b>(571)</b>	-
<b>Total non-current liabilities</b>		<b>(12,836)</b>	(11,682)
<b>Current liabilities</b>			
Trade and other payables	15	<b>(56,712)</b>	(59,098)
Income tax liabilities		<b>(1,065)</b>	(2,491)
Provisions	16	<b>(45)</b>	(29)
Lease obligations	17	<b>(630)</b>	-
<b>Total current liabilities</b>		<b>(58,452)</b>	(61,618)
<b>Total liabilities</b>		<b>(71,288)</b>	(73,300)
<b>Net current assets</b>		<b>95,511</b>	85,834
<b>Total assets less current liabilities</b>		<b>117,682</b>	107,178
<b>Net assets</b>		<b>104,846</b>	95,496
<b>Equity</b>			
Called-up share capital	19	<b>19,737</b>	19,737
Share premium account		<b>79,343</b>	79,343
Revaluation reserve		<b>44</b>	44
Retained earnings		<b>5,722</b>	(3,628)
<b>Shareholder's equity</b>		<b>104,846</b>	95,496

The financial statements for DS Smith Corrugated Packaging Limited (registered number 00053913) were approved by the Board of Directors and authorised for issue on 3 December 2020.

Signed on behalf of the Board of Directors:

W B Hicks  
Director

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

**DS Smith Corrugated Packaging Limited**  
**Statement of changes in equity**  
**For the year ended 30 April 2020**

	<b>Called- up share capital £'000</b>	<b>Share premium £'000</b>	<b>Revaluation reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
At 1 May 2018	<b>19,737</b>	<b>79,343</b>	<b>44</b>	<b>(33,055)</b>	<b>66,069</b>
Profit for the year	-	-	-	29,427	<b>29,427</b>
<b>Total comprehensive income</b>	-	-	-	29,427	<b>29,427</b>
<b>Other changes in equity in the year</b>	-	-	-	-	-
<b>At 30 April 2019</b>	<b>19,737</b>	<b>79,343</b>	<b>44</b>	<b>(3,628)</b>	<b>95,496</b>
Profit for the year	-	-	-	9,350	<b>9,350</b>
<b>Total comprehensive income</b>	-	-	-	9,350	<b>9,350</b>
<b>At 30 April 2020</b>	<b>19,737</b>	<b>79,343</b>	<b>44</b>	<b>5,722</b>	<b>104,846</b>



# DS Smith Corrugated Packaging Limited

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

### 1. Principal accounting policies

#### Basis of preparation

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

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

The Company is a private Company limited by shares and is registered in the United Kingdom, under the Companies Act 2006. The address of the Company's registered office is shown on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements are prepared under the historical cost convention.

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

- statement of cash flows and related notes;
- disclosures in respect of capital management;
- disclosures in respect of transactions with other members of the Group, including the ultimate parent company;
- the effects of new but not yet effective IFRSs;
- disclosure in respect of revenue from contracts with customers;
- disclosure requirements in respect of leases; and
- disclosures in respect of key management personnel.

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

- IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments*.
- IFRS 13 Fair Value Measurement and the disclosures required by
- IFRS 7 Financial Instruments.

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

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

- IFRS 16 Leases;
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments;

#### IFRS 16 Leases

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

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

## **DS Smith Corrugated Packaging Limited**

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

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

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

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

IFRS 16 prescribes a single lessee accounting model that requires the recognition of a right-of-use asset and corresponding liability for all leases with terms over 12 months, unless the underlying asset is of low value. The liability is initially measured as the present value of future lease payments for the lease term.

The right-of-use asset is calculated as the lease liability adjusted by the amount of any prepaid or accrued lease payments. Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. Depreciation of right-of-use assets and interest on the corresponding lease liabilities are recognised in the income statement over the lease term. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

On transition, all right-of-use assets were measured at an amount equal to the lease liability.

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

- The Company has not reassessed whether transition date contracts are or contain a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 May 2019;
- IFRS 16 has not been applied to low value assets or leases of less than 12 months in total, which will continue to be expensed to profit and loss on a straight-line basis over the lease term;
- The Company has placed reliance on previous assessments as to whether or not leases are onerous. Any onerous lease provisions were adjusted against the carrying value of the corresponding right-of-use asset on transition;
- Hindsight has been applied in determining the lease term where options to extend or terminate exist;
- For leases classified as finance leases under IAS 17, the previous carrying amount of the lease asset and liability under IAS 17 was taken as the carrying amount of the right-of-use asset and corresponding lease liability; and
- The Company applied a single discount rate to portfolios of leases with reasonably similar characteristics.

For leases classified as finance leases under IAS 17, the previous carrying amount of the lease asset and liability under IAS 17 was taken as the carrying amount of the right-of-use asset and corresponding lease liability.

## **DS Smith Corrugated Packaging Limited**

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

#### **Leases**

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

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

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

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

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

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

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

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

#### **Revenue**

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

Revenue from the sale of goods is recognised when:

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

This is typically when either the goods are loaded onto the collection vehicle if the buyer is collecting them, or when the goods are unloaded at the delivery address if the Company is responsible for delivery.

#### **Foreign currencies**

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

# DS Smith Corrugated Packaging Limited

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

### 1. Principal accounting policies (continued)

#### Intangible assets

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

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

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

The estimated useful lives are as follows:

Intellectual property, licences and customer-related	Up to 20 years
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#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, to leave the estimated residual values. Major components are accounted for separately (or in the case of leased assets, the lease period, if shorter). Land and assets under construction are not depreciated.

The estimated useful lives are as follows:

Freehold buildings	10-50 years
Plant and machinery, fixtures and fittings (including IT hardware)	2-25 years

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

#### Employee benefits

##### *Defined contribution schemes*

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

#### Provisions

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

#### Inventories

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

#### Guarantees

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

# **DS Smith Corrugated Packaging Limited**

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

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

#### **Taxation**

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

Deferred tax is provided for using the 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.

#### **Government grants**

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

#### **Financial instruments**

The Company uses derivative financial instruments to manage currency risks associated with the Company's underlying business activities.

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

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

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

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

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

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

## **DS Smith Corrugated Packaging Limited**

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

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

##### **Reserves**

The hedging reserve comprises the gains and losses on the movements in the Company's FX hedges. The revaluation reserve has arisen on the revaluation of assets in prior years, and is being released to the income statement over a pre-determined period. The accumulated loss comprises the cumulative net earnings of the Company, that have not been paid out as dividends.

##### **Going concern**

The Company's business activities, financial performance and position and factors likely to affect it in the future are set out in the business review and principal activities paragraph of this report, and within the consolidated financial statements of DS Smith Plc. The current economic conditions mean there are inherent future uncertainties that may impact the business. The main risks are described in the principal risks and uncertainties outlined in the strategic report on page 4. The Company has a positive cash balance and is in a net current asset position and the Directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Covid-19 pandemic resulted in the slowdown of economies across the world. In the UK there has been an increase in unemployment and the lockdown and resultant slowdown of the economy has led to a recession. The outlook remains challenging, especially for the automotive and industrial sectors which have seen a decline in demand during the pandemic. However, as a result of government restrictions in response to Covid-19, the business has overall seen an increase in demand from customers. This increase in demand particularly relates to e-commerce customers due to high street shops being closed or customers avoiding shops to maintain social distancing. In addition, sales to other FMCG customers have been robust as closures to restaurants have resulted in higher demand for food and drink in supermarkets. This has led to an increase in sales volumes and while the decline in paper prices has led to a year-on-year decrease in profit, the Company is forecast to remain profitable and therefore the pandemic is considered a low risk to the Company's ability to continue as a going concern.

As a result the Directors have made enquiries and considered the Company's financial and operational resources and have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements for the year ended 30 April 2020. For these reasons, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

##### **Adjusting items**

Items of income or expenditure that are significant by their nature, size or incidence, and for which separate presentation would assist in the understanding of the trading and financial results of the Group, are classified and disclosed as adjusting items.

Such items include business disposals.

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

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

There were no critical judgements 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 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 key sources of estimation uncertainty.

## DS Smith Corrugated Packaging Limited

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

#### 3. Revenue

	2020 £'000	2019 £'000
<b>Revenue by geographical destination</b>		
United Kingdom	67,231	69,994
Continental Europe	3,779	3,722
Rest of World	91	679
	<b>71,101</b>	74,395

All revenue is derived from the principal activities of the Company.

#### 4. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
<b>Continuing operations</b>		
Auditor's remuneration – fees payable for the audit of the Company's financial statements	51	34
Depreciation of owned property, plant and equipment	985	885
Depreciation of Right of use assets	825	-
Hire of plant and machinery – rentals payable under operating leases	-	210
Hire of other assets – rentals payable under operating leases	-	168
Amortisation of intangible assets	48	39
Inventory charged to income statement	47,915	57,224
Foreign exchange (gains)/losses	2	(4)
Research and development costs	2	-
Profit on disposal of property, plant and equipment	-	(55)
Government grant	87	-

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

#### Government grants

Government grants relate to the furlough claims made in relation to the furlough job retention scheme.

#### 5. Directors' emoluments

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

## DS Smith Corrugated Packaging Limited

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

#### 6. Employee information

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

<b>Continuing operations</b>	<b>2020 Number</b>	2019 Number
<b>Average number of staff (full-time equivalent) by activity during the year:</b>		
Production	<b>230</b>	171
Selling and distribution	<b>82</b>	67
Management and administration	<b>40</b>	30
	<b>352</b>	268
	<b>2020 £'000</b>	2019 £'000
<b>The aggregate payroll costs of these persons were as follows:</b>		
Wages and salaries	<b>7,359</b>	7,823
Social security costs	<b>664</b>	701
Contributions to defined contribution pension plans (note 22)	<b>752</b>	710
Redundancy costs	<b>2</b>	194
	<b>8,777</b>	9,428

Redundancy costs relate to redundancies made in the ordinary course of business.

#### 7. Finance income and costs

<b>Continuing operations</b>	<b>2020 £'000</b>	2019 £'000
Bank interest	<b>234</b>	432
Factoring interest receivable	<b>13</b>	-
<b>Finance income</b>	<b>247</b>	432
Interest on loans from Group undertakings	<b>(434)</b>	(574)
Interest on Right of use assets	<b>(82)</b>	-
Other interest	<b>(8)</b>	-
Factoring interest payable	-	(98)
<b>Finance costs</b>	<b>(524)</b>	(672)

#### 8. Adjusting items

	<b>2020 £'000</b>	2019 £'000
Gain on disposal of the Foams products business and assets	-	22,613
	-	22,613

The other adjusting items in the prior year related the sale of the foam products business for £29,327,000 with a resultant gain of £22,613,000.



## DS Smith Corrugated Packaging Limited

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

#### 9. Income tax expense

Continuing operations	2020 £'000	2019 £'000
<b>Current tax expense</b>		
UK corporation tax in respect of current year	(1,945)	(1,547)
Adjustment in respect of prior years	1,168	12
<b>Total current tax</b>	<b>(777)</b>	<b>(1,535)</b>
<b>Deferred tax credit/(expense)</b>		
Origination and reversal of temporary differences	211	529
Change in tax rate	107	-
Adjustment in respect of prior years	(923)	(702)
<b>Total deferred tax</b>	<b>(605)</b>	<b>(173)</b>
<b>Total income tax expense in the income statement from continuing operations</b>	<b>(1,382)</b>	<b>(1,708)</b>
<b>Total income tax expense in the income statement from discontinued operations</b>	-	(226)
<b>Total Charge</b>	<b>(1,382)</b>	<b>(1,934)</b>

The difference between the actual tax charge and the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%) is as follows:

	2020 £'000	2019 £'000
Profit before income tax on continuing operations	10,732	8,237
Profit before income tax on discontinued operations	-	23,124
<b>Profit before tax total</b>	<b>10,732</b>	<b>31,361</b>
Income tax at the UK standard rate of corporation tax of 19.00% (2018: 19.00%)	(2,039)	(5,959)
Effects of:		
- Expenses not deductible for tax purposes	311	297
- Permanent differences	(6)	4,480
- Effect of change in corporation tax rate	107	(62)
- Adjustments in respect of prior years	245	(690)
<b>Income tax expense</b>	<b>(1,382)</b>	<b>(1,934)</b>

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

## DS Smith Corrugated Packaging Limited

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

#### 10. Intangible assets

	Licences £'000	Total £'000
<b>Cost</b>		
At 1 May 2019	549	549
Reclassification	80	80
<b>At 30 April 2020</b>	<b>629</b>	<b>629</b>
<b>Amortisation and impairment</b>		
At 1 May 2019	(335)	(335)
Amortisation	(48)	(48)
Reclassification	(80)	(80)
<b>At 30 April 2020</b>	<b>(463)</b>	<b>(463)</b>
<b>Net book value</b>		
<b>At 30 April 2020</b>	<b>166</b>	<b>166</b>
At 30 April 2019	214	214

#### 11. Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
<b>Cost</b>					
At 1 May 2019	37,411	119,356	7,483	4,544	168,794
Additions	-	90	-	1,200	1,290
Reclassification	-	4,703	-	(4,703)	-
Disposals	-	(5)	-	-	(5)
<b>At 30 April 2020</b>	<b>37,411</b>	<b>124,144</b>	<b>7,483</b>	<b>1,041</b>	<b>170,079</b>
<b>Accumulated depreciation</b>					
At 1 May 2019	(30,679)	(113,473)	(5,342)	-	(149,494)
Charge for the year	(180)	(600)	(205)	-	(985)
Disposals	-	5	-	-	5
<b>At 30 April 2020</b>	<b>(30,859)</b>	<b>(114,068)</b>	<b>(5,547)</b>	<b>-</b>	<b>(150,474)</b>
<b>Net book value</b>					
<b>At 30 April 2020</b>	<b>6,552</b>	<b>10,076</b>	<b>1,936</b>	<b>1,041</b>	<b>19,605</b>
At 30 April 2019	6,732	5,883	2,141	4,544	19,300

The net book value of freehold land and buildings includes £4,410,000 (2019: £4,410,000) of depreciable assets.

## DS Smith Corrugated Packaging Limited

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

#### 12. Right of use assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 May 2019	-	-	-	-
Recognised on adoption of IFRS 16	1,532	606	24	2,162
Additions	-	54	-	54
Disposals	(304)	(72)	(1)	(377)
<b>At 30 April 2020</b>	<b>1,228</b>	<b>588</b>	<b>23</b>	<b>1,839</b>
<b>Accumulated depreciation</b>				
At 1 May 2019	-	-	-	-
Charge for the year	(575)	(242)	(8)	(825)
Disposals	121	39	1	161
<b>At 30 April 2020</b>	<b>(454)</b>	<b>(203)</b>	<b>(7)</b>	<b>(664)</b>
<b>Net book value</b>				
<b>At 30 April 2020</b>	<b>774</b>	<b>385</b>	<b>16</b>	<b>1,175</b>
At 30 April 2019	-	-	-	-

The Company leases several assets including buildings and plant. The average lease term is 4 years.

<b>Amounts recognised in profit and loss</b>	<b>2020 £'000</b>
Depreciation expense on right of use assets	<b>825</b>
Interest expense on lease liabilities	<b>82</b>

#### 13. Inventories

	<b>2020 £'000</b>	2019 £'000
Raw materials and consumables	<b>773</b>	1,091
Work in progress	<b>35</b>	75
Finished goods	<b>1,645</b>	1,758
	<b>2,453</b>	2,924

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions at 30 April 2020 were £554,000 (2019: £164,000). £183,000 was charged to the income statement during the year (2019: £29,000).

#### 14. Trade and other receivables

	<b>2020 Current £'000</b>	2019 Current £'000
Trade receivables	<b>3,873</b>	7,810
Amounts owed by Group undertakings	<b>143,354</b>	126,984
Other receivables	<b>78</b>	3
Prepayments and accrued income	<b>1,428</b>	2,358
	<b>148,733</b>	137,155

No interest was charged on amounts owed by Group undertakings, which have no fixed repayment date.

## DS Smith Corrugated Packaging Limited

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

#### 15. Trade and other payables

	2020		2019	
	Non-current £'000	Current £'000	Non-current £'000	Current £'000
Trade payables	-	5,115	-	6,573
Amounts owed to Group undertakings	12,118	49,255	11,535	48,354
Other taxes and social security	-	1,227	-	611
Preference shares	147	-	147	-
Other creditors	-	359	-	1,995
Accruals and deferred income	-	756	-	1,565
	<b>12,265</b>	<b>56,712</b>	11,682	59,098

Interest is charged on the amounts owed to Group undertakings as follows:

- £12,118,000 is interest-bearing at 12-month LIBOR plus 4%, with a loan maturity date of 29 July 2022.
- No interest was charged on all other amounts owed to Group undertakings, which have no fixed repayment date.

7.5% Cumulative preference shares of £1 have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemptions.

#### 16. Provisions

	Dilapidations and onerous leases £'000	Restructuring £'000	Total £'000
At 1 May 2019	29	-	29
Charged to income statement	16	175	191
Utilised during the year	-	(175)	(175)
<b>At 30 April 2020</b>	<b>45</b>	<b>-</b>	<b>45</b>

The dilapidations and onerous lease provisions relate to obligations on a number of leasehold properties. The restructuring provisions relate primarily to redundancy costs across the Company's trading divisions.

#### 17. Lease obligations

The carrying amounts of lease liabilities and the movements during the year are as follows:

	Total £'000
At 1 May 2019	-
Recognised on adoption of IFRS 16	2,162
Additions	54
Accretion of interest	82
Payments	(1,097)
<b>At 30 April 2020</b>	<b>1,201</b>
<b>Current</b>	630
<b>Non-Current</b>	571
	<b>1,201</b>

## DS Smith Corrugated Packaging Limited

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

#### 17. Lease obligations (continued)

##### Maturity of lease liabilities

	1 year or less £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Total £'000
At 30 April 2020	630	240	331	-	1,201

#### 18. Deferred tax

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

	Depreciation in excess of capital allowances £'000
At 1 May 2019	1,830
Charged to income statement	(605)
<b>At 30 April 2020</b>	<b>1,225</b>

#### 19. Called-up share capital

	2020 £'000	2019 £'000
<b>Allotted, called-up and fully paid:</b>		
19,737,772 (2019: 19,737,772) ordinary shares of £1 each	<b>19,737</b>	19,737

#### 20. Discontinued operations

On 21 September 2018 the Company sold the foam products business for £29,327,000 with a resultant gain of £22,613,000.

The Foams products business has been classified as discontinued operations as disclosed in the note below.

	2020 £'000	2019 £'000
Revenue	-	12,945
Operating costs	-	(12,445)
<b>Operating profit</b>	-	500
Net finance income	-	11
<b>Gain on disposal of discontinued operation</b>	-	22,613
<b>Profit before income tax</b>	-	23,124
Income tax	-	(226)
<b>Profit for the year from discontinued operations</b>	-	22,898

## DS Smith Corrugated Packaging Limited

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

#### 21. Contingent liabilities

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

#### 22. Employee benefits

##### Defined contribution scheme

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

The amount recognised as an expense for the defined contribution scheme in the year, relating to current period contributions, was £752,000 (2019: £710,000).

#### 23. Related parties

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

#### 24. Adoption of IFRS 16 Leases

As detailed in note 1, the Company adopted IFRS 16 on 1 May 2019 using the modified retrospective approach.

On implementation of IFRS 16, the Company recognised right-of-use assets of £2,162,000 and corresponding lease liabilities of £2,162,000. There was no impact on the Company's opening equity as a result of adopting IFRS 16. The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 May 2019 is 4.9%.

The following table reconciles the difference between the operating lease commitments under IAS 17 at 30 April 2019 and the lease liability recognised on adoption of IFRS 16 on 1 May 2019:

	<b>Total £'000</b>
Non-cancellable operating lease rentals reported as at 30 April 2019	1,326
Additional commitments recognised in final implementation	989
Impact of discounting liability under IFRS 16	(153)
<b>Lease liability recognised on transition to IFRS 16 at 1 May 2019</b>	<b>2,162</b>

At 30 April 2020, the right-of-use assets were £1,175,000, with a corresponding lease liability of £1,201,000.

The impact of IFRS 16 on the income statement was:

	<b>Year ended 30 April 2020 £'000</b>
Operating lease rentals	865
Depreciation	(825)
<b>Operating profit</b>	<b>40</b>
Finance costs	(82)
<b>Profit before tax</b>	<b>(42)</b>

## DS Smith Corrugated Packaging Limited

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

#### 25. Capital commitments and other commitments

The Company had the following capital commitments:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Contracts for future capital expenditure not provided	-	-

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

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Within one year	-	660
Between two and five years	-	514
Over five years	-	152
	-	1,326

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

The Company's immediate parent company is DS Smith Display Holding 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 office address.

The Company does not have any subsidiary undertakings.

#### 27. Subsequent events

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