
DS SMITH PACKAGING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

DS SMITH PACKAGING LIMITED

COMPANY INFORMATION

Directors	M Chiron W B Hicks S Rossi T P Slater A P Stern (appointed 9 January 2023)
Company secretary	Z W Stone
Registered number	00630681
Registered office	Level 3 1 Paddington Square London W2 1DL
Independent auditor	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX
Bankers	Citibank Citigroup Centre 33 Canada Square London E14 5LB

DS SMITH PACKAGING LIMITED

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DS SMITH PACKAGING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Introduction

The Directors present their strategic report for the year ended 30 April 2023.

Principal activities and future developments

DS Smith Packaging Limited (the 'Company') is principally engaged in the manufacture of fibre-based packaging converted from Corrugated Case Material ('CCM') into corrugated board and boxes. The key sectors serviced by the Company are the fast-moving consumer goods sector ('FMCG'), e-commerce, consumer durables, and industrial sectors. The Directors are not aware of any likely major changes in the Company's activities in the next year.

Business review

The loss after taxation for the year amounted to £24,101,000 (2022: loss £28,462,000). No dividends were paid during the year (2022: £nil). Net assets in the year decreased by £40,918,000 to £12,258,000 (2022: £53,176,000).

The performance of the Company has been adversely affected by the challenging macroeconomic environment in which it operates. Weaker end-consumer demand has been a challenge as a result of macroeconomic pressures in the Company's primary market in the United Kingdom. Despite these pressures, the Company has grown revenue by 9.2% which has been derived through an attractive product offering to our customers, and the recovery of paper costs through contractual indexation mechanisms. External paper indices have continued to move upwards during the first half of the year ended 30 April 2023, causing a continued and sustained increase in the main input cost, CCM. Prices began to fall in the second half of the year. The Company has contracts with key customers which permits it to pass on these higher paper costs however there can be a delay in passing on the higher paper costs through the indexation mechanisms. The sustained nature of the paper increases have meant that the recovery of the costs through the aforementioned mechanisms has continued to lag throughout the year ending 30 April 2023.

Inflationary cost pressures experienced in the market have been mitigated through significant risk management, alongside a forward-looking procurement approach and long-standing, strong supplier relationships. The Company has an active programme of productivity improvements and cost optimisation initiatives to counter the financial impact of these pressures.

Financial key performance indicators

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

<u>Financial KPIs</u>	<u>2023</u>	<u>2022</u>	<u>Definition and method of calculation</u>
Return on Sales (RoS) %	-1.6%	-3.0%	RoS is the ratio of earnings before interest, taxation, adjusting items, and discontinued operations to sales expressed as a percentage.
Gross Profit %	20.1%	18.7%	Gross Profit % is the ratio of revenue less cost of sales before adjusting items to sales expressed as a percentage.
Total Lost Time Accidents ("LTAs")	3.0	6.0	Number of accidents resulting in lost time of one shift or more.
Accident Frequency Ratio ("AFR")	0.5	1.0	Number of LTAs per million hours worked.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Financial key performance indicators (continued)

Whilst Return on Sales and Gross Profit have improved year-on-year, they are not yet at the levels seen prior to the steep increase in paper costs and high inflation rates. The indexation mechanisms in key contracts will continue to enable the Company to recover these higher paper costs, however there is often a delay in passing on the higher paper costs through the indexation mechanisms. The Directors are satisfied that the Company will successfully be able to navigate through this period of increased cost and return to profitability in the near future.

During 2022/23 the Company reaffirmed Vision Zero; our health and safety (H&S) strategy which underpins our safety culture to empower our employees to act proactively to identify and eliminate risks. The Company aspires to ensure Zero Harm to our people, contractors, visitors and anyone else affected by our activities. Therefore despite the significant improvement in LTAs, and the resulting AFR, during the year ended 30 April 2023, our ambition of zero harm means there is still improvement to be made. A root cause analysis is undertaken after all LTAs to establish the cause and implement changes to avoid repetition. Employees are encouraged to report all safety concerns and they are empowered to make changes to the processes at site to ensure that accidents are minimised.

Adjusting items

The Company has not recognised any adjusting items in the year ended 30 April 2023. Redundancy costs of £591,000 were recognised in the comparative period.

Future prospects

The Company's principal activity during the year was the manufacture of fibre-based packaging. 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.

The Directors are confident that the future prospects of the Company are positive, although it continues to

operate in a challenging macroeconomic environment. The Company's strong customer relationships in the resilient FMGC sector and a strong pipeline of orders give the Directors confidence for the future.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

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

The Board (comprising the Divisional CEO - Packaging, Divisional Finance Director - Packaging, Group

Financial Controller, Sales, Marketing & Innovation Director - Packaging, and Regional Finance Director - North Europe) aims to promote the success of the Company for the benefit of its shareholder, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves the Board and management considering in detail and discussing the interests of the Company's and Group's stakeholders; the importance of maintaining our reputation for high standards of business conduct; and the impact of the Company's operations on the community and environment. Examples of how this is put into practice are given below and in the statement of corporate governance arrangements.

Our key stakeholders include our customers, our people, our investors, our suppliers, the communities in which we operate and non-governmental organisations. The Company is also a participating employer in a UK defined benefit pension scheme of which its ultimate parent, DS Smith Plc, is the sponsoring employer.

Employee engagement

The Company employed 3,357 people as at 30 April 2023. Our people are interested in a company they can

be proud of and a strong supportive culture in which they feel safe, recognised, included and fairly rewarded and in which they can fulfil their potential. We provide development opportunities for all and recognition of personal development, regardless of gender, ethnicity, age or religion. We encourage feedback and have mechanisms through our employee forums, biennial employee survey and more regular pulse surveys, which inform our action plans. We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values (Be caring, Be challenging, Be trusted, Be responsive, and Be tenacious).

During 2022/23 we saw the reaffirmation of our health and safety (H&S) Vision Zero, which underpins our safety culture across the Company to empower our employees to act proactively to identify and eliminate risks. We continue to make significant progress; the overall number of employee accidents and accident frequency rate have reduced as shown in the Key Performance Indicators on page 1. In 2023/24 we will continue striving towards our Vision Zero ambition and ensure our health and safety culture is reinforced across our site network.

The Group launched a global wellbeing survey this year to understand local initiatives and activities against our wellbeing framework. The survey confirmed every site has an active programme with examples such as physical and mental health support, phased retirement programmes, site risk assessments for employees with a disability and workplace assessments. In 2023/24 the Group will launch a wellbeing week to promote activities that will help every employee with their wellbeing.

During 2022/23 leaders ran listening sessions with their teams to explore the results from the October 2021 employee survey. Actions were taken to address feedback on topics such as communication, health and safety, customer focus, work organisation and inclusion. To assess the impact of the engagement survey actions and pilot an improved approach to listening, we ran a series of targeted pulse surveys between January and March 2023. The Group's recognition programme, The Smithies, helps to engage employees by celebrating what they do. We have monthly local awards, and an annual online global awards ceremony celebrating finalists and winners across seven categories. In 2023/24, we will continue to engage our people and plan to build on the success of the pilot to run targeted pulse surveys more frequently, to give opportunities for our employees to provide regular feedback and drive action.

Developing our future leaders is key to our growth ambition. We continue to partner with Said Business School for leadership development through the Aspire Programme. We have expanded the developmental support given to first line managers built on the foundation of the First Line Manager (FLM) programme with all our people managers provided with access to these development paths. To support talent earlier in their career, a new development centre was piloted to help individuals better understand their potential. In 2023/24 we will continue to focus on the development of our people through our early career and leadership programmes.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Employee engagement (continued)

We are committed to increasing the diversity of our workforce to better reflect the communities in which we operate. Together, we are building an inclusive environment where everyone can realise their potential and thrive. We are proud to support four Employee Resource Groups: the LGBTQ+ and allies network, the Culture and ethnic diversity network, the Gender diversity network, and the Disability and allies network. Colleagues working in our sites receive regular updates via posters and through manager briefings. Our Equal Opportunities & Anti-Discrimination policy is being embedded through training and awareness campaigns. During 2022/23 we focused on developing diverse candidate shortlists which, across all UK entities of which the Company is one, has resulted in a 2.2 per cent increase in the percentage of female hires. We are in the process of reviewing specific people processes and have recently asked for feedback on the onboarding experience. We also plan to work with our Employee Resource Groups to agree the mechanisms that will help accelerate the development of underrepresented groups, including sponsorship, reverse mentoring and targeted development.

As part of the inclusive environment that the Company fosters, the Company gives full and fair consideration to suitable applications for employment from disabled persons, making reasonable adjustments in the hiring process to ensure fairness and equity in the selection process. For existing employees who develop a disability the Company will make all reasonable adjustments to support their continued employment, in their same job or, if this is not practicable, make every effort to find suitable alternative employment and to provide relevant training and career development opportunity.

Fostering of business relations with suppliers, customers and others

Customers

We are fortunate to work with some of the world's most iconic brands, primarily in the FMCG, industrial and e-commerce industries. Our priority to our customers is to provide quality, sustainable packaging solutions that address the challenges of a fast-changing world. Our customers share our passion for sustainability; we support them meeting their own sustainability targets in terms of recyclable packaging materials, reducing overall lifecycle impact, and optimising the supply chain. As a Group, DS Smith has an ambition to replace one billion units of problem plastics by 2025 and our customers are working collaboratively with us on a number of campaigns targeted towards realising this ambition.

We optimise packaging to fit the unique supply chains of our customers, using no more material than necessary. The optimisation focuses on innovation in design to reduce complexity in logistics and lessen downstream greenhouse gas ("GHG") emissions. Individually small improvements to dimensions, shape and materials that can multiply over thousands of units result in a lower environmental impact and financial savings for our customers.

We continue to see strong approval of our Circular Design Metrics from our customers. We have developed the methodology for analysing supply chain data from our customers and improved the tracking of design projects that more precisely specify packaging to a customer's unique supply chain.

The metrics are supported by our Circular Design Principles, utilised by our expert design community of designers. This ensures that supply chain conditions are integrated into the design process, resulting in leaner packaging that maintains properties such as strength, resilience and recyclability.

Suppliers

The procurement function has first-line responsibility for relationships with suppliers. We engage with all our suppliers, internal and external, to enforce our established supplier standards and Global Supplier Standard, which set out our ways of working, including for example, in relation to our obligations under anti-modern slavery laws.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Impact of the Company's operations on the community and environment

Leading in sustainability and care for the environment is core to our Purpose and is one of our four strategic goals. We support the Group in engaging in detailed consultations with government on the topics of recycling and reuse, extended producer responsibility and the decarbonisation of heat. We also participate in industry organisations in the UK to combine our influence. We also engage with the communities in which we operate, for example, through our Community Programme themes of circular economy education and biodiversity.

The DS Smith Group remains committed to reducing its Scope 1,2 and 3 Green House Gas emissions by 46 per cent by 2030, compared to 2019 and to reach Net Zero GHG emissions by 2050. The Company monitors its impact on the environment and is working to ensure it contributes to achieving these ambitious Group targets.

In 2022/23, the DS Smith Group refreshed our Now & Next Sustainability Strategy, ensuring that it is fit for our dramatically changed world and that it enables us to leverage our resources in the areas that matter the most to our stakeholders, responding to the commercial opportunity of the circular economy. We maintained the popular

'Now' and 'Next' concept to prioritise action on the challenges facing the world today, whilst keeping an eye on the future. The Company also actively plays its role in contributing to the progress on the Group's Now and Next Sustainability Strategy, such as our target to manufacture 100 per cent recyclable or reusable packaging.

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 63 of the Strategic report in the Group's 2023 Annual Report.

Task Force on Climate-related Financial Disclosures (TCFD)

The Company is included in the Group reporting of the ultimate parent company, which has provided its Task Force on Climate-related Financial Disclosures (TCFD) report on pages 52-63 of the Strategic report in the Group's 2023 Annual Report.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023

Principal risks and uncertainties

Macroeconomic impacts are one of the key principal risks facing the Company. The ongoing war following Russia's invasion of Ukraine, and the conflict in the Middle East, continue to cause uncertainty at a geopolitical level and the thoughts of the Directors and employees of the Company remain with all those that are suffering as a result. Political and economic factors, such as rising interest rates and weakening major economies, impact the level of end-consumer spend and customer demand for the Company's packaging products. This risk is managed through the Company's secure supply chain and a customer offering focussed on innovative sustainable packaging solutions which remains compelling to our resilient customer base of FMCG multi-national companies.

Volatile commodity pricing for the Company's main input cost, CCM, can cause a short-term challenge to capture appropriate returns by aligning raw material costs to packaging sales revenues. All significant contracts have indexation mechanisms to mitigate this risk, albeit there can be a delay between the purchase of paper and the recovery through indexation.

Inflation rates have risen sharply during the course of the financial year. An agreement has been reached with the unions that represent our workforce to address labour inflation, and our Procurement team continue to work with suppliers to manage inflationary pressures in our other input costs.

Credit risk is an issue faced by the Company. This risk is mitigated by the strict application of our credit policy, regular management review of accounts that are rated as higher risk and use of credit insurance.

The Company has transactions in foreign currencies which are then translated into the presentation currency (sterling) for the purposes of the financial statements. The Group treasury function enters into arrangements such as foreign exchange contracts in order to manage the risk arising upon currency translation.

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

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A P Stern

Director

Date: 17 April 2024

DS SMITH PACKAGING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2023**

The Directors present their report and the financial statements for the year ended 30 April 2023.

Under s414C(11) of the Act, the Directors may include in the strategic report such of the matters otherwise required by regulations made under s416(4) to be disclosed in the Directors' report as the Directors consider they are of strategic importance to the Company. The following disclosures required by s416(4) have been presented in the strategic report:

- Future developments
- Engagement with employees
- Engagement with suppliers, customers and others
- Energy and carbon reporting

Results and dividends

The loss for the year, after taxation, amounted to £24,101,000 (2022 - loss £28,462,000).

The Directors have not proposed or paid a dividend for the year ended 30 April 2023 (2022: £nil). There have been no dividends proposed after year end up to the date of authorising the 30 April 2023 financial statements.

Directors

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

M Chiron
W B Hicks
S Rossi
T P Slater
A P Stern (appointed 9 January 2023)

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Directors' and officers' liability insurance

During the year and up to the date of approval of these financial statements, the ultimate parent company maintained liability insurance for the Directors and other Officers of the Company. The ultimate parent company has also entered into qualifying third-party indemnity arrangements for the benefit of the Directors of the Company.

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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Statement of corporate governance arrangements

The Companies (Miscellaneous Reporting) Regulations 2018 require the Company to disclose its corporate governance arrangements, stating:

- which corporate governance code, if any, the company has applied in the financial year;
- how the company has applied any corporate governance code;
- if the company departed from any corporate governance code, the respects in which it did so and why; or if the company has not applied any corporate governance code, to explain the reasons for that decision

The Company's ultimate parent company is DS Smith Plc, which, as a company listed on the London Stock Exchange, has applied the main principles of good governance included in the 2018 UK Corporate Governance Code. In reviewing the Company's own corporate governance arrangements, the Company has used the Wates Corporate Governance Principles ("Principles") for Large Private Companies ("Code") as the framework for its disclosure. Set out below is a summary of its corporate governance arrangements in respect to each of the Principles included in the Code:

Principle 1 - Purpose and leadership

The Directors' decisions are taken in the context of the DS Smith corporate purpose of 'Redefining Packaging for a Changing World' (our "Purpose") and the vision and values of the Group, together with the strategic priorities for the Company.

We deliver our Purpose through our four strategic goals:

- To delight our customers;
- To realise the potential of our people;
- To lead the way in sustainability; and
- At a Group level, to double our size and profitability.

These four strategic goals are underpinned by our five values:

- Be caring
- Be challenging
- Be trusted
- Be responsive
- Be tenacious

The Directors set a strong cultural tone from the top, for example, by engaging with a wide range of employees through townhall meetings, internal communications and physical site visits. Townhall meetings enable effective communication to a wide audience to engage them around our strategic goals and examples of specific projects and initiatives designed to achieve those goals and realise our Purpose. They also provide a forum for updates on matters such as health and safety performance, which is one of the key priorities of the Directors. These messages are reinforced by physical site visits by the Directors and senior management, to demonstrate leadership in action and drive our culture and vision of zero harm.

Examples of engagement with our customers and other stakeholders in relation to our four strategic goals, as well as examples of how we are delivering on our Purpose, are set out in the s172(1) statement.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Statement of corporate governance arrangements (continued)

Principle 1 - Purpose and leadership (continued)

The Directors are also responsible for setting the tone from the top in relation to compliance and business conduct. During the year, a communications campaign was launched across the Group to further embed compliance. Stefano Rossi sponsored the competition law phase of the campaign, through video, email and intranet content. There is a Code of Conduct in place for the Group and the Company, which lays the foundation for a number of other policies covering topics such as anti-bribery and anti-corruption, anti-slavery and human trafficking, commercial agents, competition law, corporate criminal offence, document retention, equal opportunities and anti-discrimination, gifts and hospitality, health and safety, procure to pay, sustainability, personal data protection and 'Speak Up!'. New policies were introduced during the year on confidential information and conflicts of interest, to supplement those elements of the Code of Conduct. Further detail on these policies is set out in the Group's 2023 Annual Report, particularly on pages 66 to 68. The Board is supported by the governance, legal and internal audit functions, and the Compliance Committee in supporting a culture of compliance, aligned to our values.

Principle 2 - Board Composition

The Company is led by a Board of Directors, which consists of five Directors with wide experience of the industry in which the Company operates. In terms of Board structure, the Directors are all executive directors and bring a combination of operational, financial, and sales, marketing and innovation expertise. They receive updates from, and between them engage with, all of the key stakeholder groups of the Company. For example, as Sales, Marketing and Innovation Director for Packaging, Marc Chiron has frequent interactions with our customers, and receives detailed information about other customer interactions via his team members.

The Board's effectiveness is also enhanced by the understanding the Directors bring from their other responsibilities in the DS Smith Packaging division and the Group. For example, Stefano Rossi is also a member of the Group Operations Committee. Evaluation of the Directors is undertaken during annual performance development reviews.

When we think about diversity, we recognise that diversity can take many forms, including diversity of gender and of socioeconomic and ethnic backgrounds, and diversity of cognitive and personal strengths, as well as the diversity of life experience and the role of intersectionality, where different characteristics overlap. We also recognise that diversity at Board level and throughout the Company is a valuable strength, bringing with it a range of perspectives. Although there is international diversity on the Board, it is acknowledged that more needs to be done to improve the ethnic mix and that there continues to be a lack of gender diversity on the Board. Stefano Rossi continues to sponsor the diversity and inclusion forum with members from across the Group and the Company. The Board is committed to ensuring that all have an equal chance of developing their careers within our business. See the employee engagement statement for more details on our diversity and inclusion initiatives this year.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Statement of corporate governance arrangements (continued)

Principle 3 - Director Responsibilities

As is normal for large companies, the Directors delegate authority for day-to-day management of the Company to a management team. There are no formal board committees. There are clearly defined processes and policies in place for delegated decision-making, reporting, and escalation to the Directors of key decisions and matters for approval. These are supported by the governance and internal audit functions who assist the Directors in upholding good corporate governance practices.

The Directors receive regular information on health and safety, our people, financial and operational performance, customer service levels, progress on our sustainability strategy, stakeholder initiatives, and other relevant matters. Standardised KPIs and regular reporting formats are used to ensure that information is provided on a timely basis and in a consistent manner.

By way of example, in relation to sustainability, we track KPIs in line with the Group's Now and Next Sustainability Strategy as we strive to help our customers remove one billion pieces of problem plastics across the Group by 2025. Our customers approve of corrugated packaging as a renewable alternative to plastic that, when recycled, prevents waste from entering landfills and oceans, reducing the impact on marine life and the natural world.

Principle 4 - Opportunity and Risk

The opportunities and risks faced by the Company are detailed in the Strategic Report in the sections entitled Future prospects and Principal risks and uncertainties, which form part of the Company's Annual Report and Financial Statements. See also the summary of potential risks and opportunities for the wider Group on pages 42 to 49 of the Group's 2023 Annual Report.

The primary annual strategic and financial planning activity is the Corporate Plan process, which covers a period of three successive financial years. This process assesses potential risks and opportunities and is used to develop the strategic direction of the Company and the wider DS Smith Group. The engagement with the Company's employees, customers and other stakeholders described above are key to the process of identifying and seizing opportunities for the Company. For example, innovation is at the heart of our response to consumer trends, and this autumn, we will launch our flagship Global R&D and Innovation Centre for ideation, design, testing, piloting and collaboration in Redditch, UK. Elements of this facility take inspiration from the car industry and deploy robotics to install and test pilot product and service innovations, so that customers can visualise how we can meet consumer demand for sustainable solutions, help them transition to the circular economy, and drive their sustainability agenda.

The Directors are supported by the governance, internal audit, risk & insurance and legal functions in implementing internal control systems to identify and mitigate potential risks facing the Company. The Company operates within the framework of the Group's risk policy, further details of which are set out on pages 42 to 49 of the Group's 2023 Annual Report. We also work closely with other companies across the wider DS Smith Packaging division and Group to identify and pursue opportunities and to identify and mitigate potential risks.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

Statement of corporate governance arrangements (continued)

Principle 5 - Remuneration

In line with the wider Group, and as part of good practice for any reputable company, we apply the following baseline principles when setting reward across the organisation:

- Meets legal and regulatory requirements
- Simple and clear to understand
- Affordable and sustainable
- Is competitive in the market on a total reward basis to enable DS Smith to attract and retain the right level of talent

The overarching remuneration policy for the Group is set by a committee of non-executive Directors formed by the board of the ultimate parent company, DS Smith Plc, for this purpose. The purpose of the Remuneration Committee is to develop a reward package that supports our vision and strategy as a Group and to ensure the rewards are performance-based and encourage long-term shareholder value creation. Further information is set out in the Group's 2023 Annual Report, in particular the Remuneration Committee Report on pages 92 to 118.

Principle 6 - Stakeholder relationships and engagement

The Company's key stakeholders include its workforce, customers, suppliers, investors, community groups and the environment. This is reflected in three of the four strategic goals by which we deliver our Purpose:

- to delight our customers;
- to realise the potential of our people; and
- to lead the way in sustainability.

Customers are the lifeblood of our business and we have multiple touchpoints with them every day across our business. Our sales, marketing and innovation function, management, and Directors all engage with our customers to achieve our Purpose of 'Redefining Packaging for a Changing World'.

Similarly, there is frequent dialogue and engagement with the Company's workforce. During the year, leaders ran listening sessions with their teams to explore the results from the October 2021 employee survey. Actions were taken to address feedback across a range of topics. To assess the impact of the engagement survey actions and pilot an improved approach to listening, we ran a series of targeted pulse surveys between January and March 2023 and a further survey in August 2023. The Directors and management work with the internal communications team to engage our workforce through numerous different communication channels, as well as face-to-face engagement via meetings and physical site visits. Employees are actively invited to provide feedback, make suggestions and raise concerns both informally and via well-established forums or procedures, such as the European Works Council and the UK employee forums.

Further detail in relation to Principle 6 is set out in the section 172(1) statement, the employee engagement statement and the statement on the fostering of business relations.

Research and development activities

The Company recognises the importance of continuing investment in research and development. It is Company policy to develop new product specifications commensurate with customer and environmental needs. Research is also conducted into ways to improve product quality and finding more cost-efficient production methods. Accordingly, the majority of R&D costs are the cost of our Innovation, Research and Development colleagues. Costs linked to Innovation, Research and Development amounted to £1,446,000 (2022: £11,000).

DS SMITH PACKAGING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2023

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 Section 418 of the Companies Act 2006.

Post balance sheet events

The sale of the Aylesford site was completed on 22 September 2023. Accordingly the site has been recognised as an asset held for sale at 30 April 2023. The Company also entered into consultation regarding the potential closure of a Sheetfeeding site in Louth. Please refer to Note 30 for further information.

Going concern

The financial statements have been prepared using the going concern basis of accounting. In making their assessment on the appropriateness of using the going concern basis, the Directors have considered any material uncertainties relating to events or conditions that may cast significant doubt upon the continuing use of the going concern basis of accounting in future periods. The Directors have considered a period of 12 months from the date the financial statements are expected to be authorised for issue.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company is as shown in the statement of financial position on page 22. At 30 April 2023 the Company reported net current liabilities of £276,599,000 (2022: £268,736,000) and net assets of £12,258,000 (2022: £53,176,000).

The financial statements have been prepared using the going concern basis of accounting. The Company has been issued a support letter from its ultimate parent company, DS Smith Plc, confirming ongoing financial support in meeting liabilities as they fall due for a period of at least 12 months from the day of approval of the accounts. DS Smith plc has undertaken its own assessment of going concern, which it has confirmed and this is disclosed on page 12 of the DS Smith plc Half Year Report for the period ended 31 October 2023. The Directors are satisfied that no events took place after the release of the DS Smith plc Half Year Results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of at least 12 months from the day of approval of the accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements.

Auditor

The auditor, Ernst & Young LLP, were appointed as external auditor to the Company in 2023 and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DS SMITH PACKAGING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023**

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

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A P Stern
Director
Date: 17 April 2024

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023**

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Opinion

We have audited the financial statements of DS Smith Packaging Limited (the "Company") for the year ended 30 April 2023 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 April 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 FRC's Ethical Standard as applied to other entities of public interests 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's forecasting and going concern assessment process, including obtaining the directors' going concern assessment, cash flow forecast and other related calculations for the going concern period which covers a period of 12 months from when the financial statements are authorised for issue.
- Assessing the ability of the company's ultimate parent (DS Smith Plc) to provide financial support as and when needed by the company within the going concern period of 12 months from when the financial statements are authorised for issue by reviewing the parent's going concern assessment, including plausible downside scenarios, and the availability of funds to support the company's requirements within the going concern assessment period.

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 the period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

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 this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

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.

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

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and Companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, employees, data protection, and anti-bribery and corruption.
- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas. We also understood the controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes and correspondence with relevant authorities, where applicable, and inquiries of company and DS Smith PLC group management and those charged with governance, legal counsel, and internal audit. Based on procedures performed, we have not identified any actual or possible instances of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

DS SMITH PACKAGING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH PACKAGING 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.

Sarah Pocock (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP

The Paragon
Counterslip
Bristol
BS1 6BX
17 April 2024

DS SMITH PACKAGING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2023**

		Before adjusting items 2023 £000	Adjusting items 2023 £000	Total 2023 £000	Before adjusting items 2022 £000	Adjusting items 2022 £000	Total 2022 £000
	Note						
Turnover	4	761,679	-	761,679	697,705	-	697,705
Cost of sales		(608,365)	-	(608,365)	(567,088)	(591)	(567,679)
Gross profit		153,314	-	153,314	130,617	(591)	130,026
Distribution costs		(67,210)	-	(67,210)	(63,672)	-	(63,672)
Administrative expenses		(98,164)	-	(98,164)	(87,552)	-	(87,552)
Operating loss	5	(12,060)	-	(12,060)	(20,607)	(591)	(21,198)
Loss on disposal of fixed assets		(55)	-	(55)	(38)	-	(38)
Amounts written off investments	15	(3,217)	-	(3,217)	-	-	-
Interest receivable and similar income	8	952	-	952	784	-	784
Interest payable and similar expenses	9	(4,483)	-	(4,483)	(1,846)	-	(1,846)
Other finance income/(expense)	10	197	-	197	(368)	-	(368)
Loss before tax		(18,666)	-	(18,666)	(22,075)	(591)	(22,666)
Tax on loss	12	(5,435)	-	(5,435)	(5,796)	-	(5,796)
Loss for the financial year		(24,101)	-	(24,101)	(27,871)	(591)	(28,462)

The notes on pages 25 to 55 form part of these financial statements.

DS SMITH PACKAGING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023**

	Note	2023 £000	As restated* 2022 £000
Loss for the financial year		(24,101)	(28,462)
Other comprehensive income			
Actuarial (loss)/gain on defined benefit schemes	26	(1,572)	18,011
Movement on deferred tax relating to pension gains/(losses)	22	393	(3,839)
(Loss)/gain on designated cash flow hedges		(11,903)	18,071
Deferred tax on designated cash flows	22	5,213	(4,518)
Reclassification from cash flow hedge reserve to income statement		(8,948)	-
Other comprehensive (loss)/income for the year		(16,817)	27,725
Total comprehensive loss for the year		(40,918)	(737)

The notes on pages 25 to 55 form part of these financial statements.

* 30 April 2022 comparative has been restated as explained in Note 2.

DS SMITH PACKAGING LIMITED
REGISTERED NUMBER: 00630681

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023

	Note	2023 £000	As restated* 2022 £000
Non-current assets			
Goodwill	16	12,791	12,791
Intangible assets	13	4,925	4,661
Property, plant and equipment	14	221,367	212,065
Investments	15	-	3,217
Trade and other receivables: more than one year	18	70,143	108,743
Pension asset	26	7,830	2,063
		<u>317,056</u>	<u>343,540</u>
Current assets			
Fixed assets held for sale	30	4,650	-
Inventories	17	40,227	46,833
Trade and other receivables: within one year	18	151,779	104,136
Cash at bank		14,677	3,213
		<u>211,333</u>	<u>154,182</u>
Trade and other payables: amounts falling due within one year	19	(487,932)	(422,918)
		<u>(276,599)</u>	<u>(268,736)</u>
Net current liabilities			
		<u>(276,599)</u>	<u>(268,736)</u>
Total assets less current liabilities			
		<u>40,457</u>	<u>74,804</u>
Trade and other payables: amounts falling due after more than one year	20	(16,771)	(11,344)
Provisions for liabilities			
Deferred tax	22	(9,483)	(9,654)
Provisions	21	(1,945)	(630)
		<u>(11,428)</u>	<u>(10,284)</u>
Net assets			
		<u>12,258</u>	<u>53,176</u>
Capital and reserves			
Called up share capital	24	180	180
Other reserves		(199)	15,439
Profit and loss account		12,277	37,557
		<u>12,258</u>	<u>53,176</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DS SMITH PACKAGING LIMITED
REGISTERED NUMBER: 00630681

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 APRIL 2023

.....
A P Stern
Director
Date: 17 April 2024

The notes on pages 25 to 55 form part of these financial statements.

* 30 April 2022 comparative has been restated as explained in Note 2.

DS SMITH PACKAGING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2023**

	Called up share capital £000	Hedging reserves £000	Profit and loss account £000	Total equity £000
At 1 May 2021 (as restated*)	180	1,886	51,847	53,913
Comprehensive income for the year				
Loss for the year	-	-	(28,462)	(28,462)
Actuarial gains on pension scheme	-	-	18,011	18,011
Deferred tax on designated cash flow hedges	-	(4,518)	-	(4,518)
Deferred tax movements	-	-	(3,839)	(3,839)
Gain on designated cash flow hedges	-	18,071	-	18,071
Other comprehensive income for the year	-	13,553	14,172	27,725
Total comprehensive income for the year	-	13,553	(14,290)	(737)
At 1 May 2022 (as restated*)	180	15,439	37,557	53,176
Comprehensive income for the year				
Loss for the year	-	-	(24,101)	(24,101)
Actuarial losses on pension scheme	-	-	(1,572)	(1,572)
Deferred tax on designated cash flow hedges	-	5,213	-	5,213
Deferred tax movements	-	-	393	393
Loss on designated cash flow hedges	-	(11,903)	-	(11,903)
Reclassification from cash flow hedge to income statement	-	(8,948)	-	(8,948)
Other comprehensive income for the year	-	(15,638)	(1,179)	(16,817)
Total comprehensive income for the year	-	(15,638)	(25,280)	(40,918)
At 30 April 2023	180	(199)	12,277	12,258

The notes on pages 25 to 55 form part of these financial statements.

* 30 April 2022 comparative has been restated as explained in Note 2.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies

1.1 Basis of preparation of financial statements

DS Smith Packaging Limited (the Company) is a private company limited by shares and was incorporated in the United Kingdom and registered in England. The registered address is Level 3, 1 Paddington Square, London, W2 1DL, United Kingdom. The principal activities of the Company are detailed in the Strategic report.

These financial statements of the Company have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the UK Companies Act 2006.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of DS Smith Plc. The group accounts of DS Smith Plc are available to the public and can be obtained as set out in Note 29.

The financial statements are prepared under the historical cost convention unless otherwise stated within the accounting policies, such as share-based payments.

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:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirement in paragraph 39 of IAS 1 to present comparative information in respect of paragraph 73 (3) of IAS 16 and paragraph 118(e) of IAS 38;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements of IFRS 2 Share-based Payments in respect of Group settled share-based payments;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the disclosures required by IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; and
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

The Company adopted the following new accounting standards, amendments or interpretations as of 1 May 2022:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37); and
- Annual Improvements to IFRS Standards 2018-2020.

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

1.2 Prior period restatement

Where a prior period restatement is required, the Company discloses the nature of the prior period restatement and the monetary amount to correct the prior period (see Note 2).

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.3 Revenue

The Company is in the business of providing corrugated packaging solutions. It has concluded that it is the principal in its revenue arrangements.

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 contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and the fulfilment of the related performance obligations.

The transaction price is the contractual price with the customer adjusted for rebates and discounts.

Rebates and discounts are estimated using customer contracts, historical data and experiences with customers. Revenue is recognised to the extent that it is highly probable that a significant reversal will not occur. Returns from customers are negligible. No element of financing is deemed present as typical sales contracts with customers are usually shorter than 12 months.

A receivable is recognised when the goods are delivered, or services provided at a point in time, that consideration is unconditional because only the passage of time is required before the payment is due. 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.

1.4 Foreign currency translation

The Company's financial statements are presented in sterling which is the Company's functional currency and presentational currency. 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. Exchange differences arising on translation are taken to the income statement.

1.5 Supplier rebates

The Company receives income from its suppliers, mainly in the form of volume based rebates and early settlement discounts. These are recognised as a reduction in operating costs in the year to which they relate. At the period end the Company is sometimes required to estimate supplier income from annual agreements for volume rebates.

1.6 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.7 Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1.8 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill of £12,791,000 is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 required acquired goodwill to be reduced by provisions for amortisation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable.

1.9 Computer software

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.

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

The estimated useful life of computer software is 3 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.10 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Major components are accounted for separately. Land is not depreciated.

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

The estimated useful lives are as follows:

- Freehold and long leasehold properties: 10-50 Years
- Plant and equipment, fixtures and fittings (including IT hardware and motor vehicles): 2-30 Years

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

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

Assets under construction are not subject to depreciation until completion. The cost of a self-constructed asset is measured by directly attributable costs including direct materials, direct labour costs and unavoidable costs that are directly attributable to the construction activity. Once the asset under construction is ready for use or sale then it is reclassified into its appropriate asset category and depreciation shall commence.

1.11 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.12 Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the asset, or

disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets

and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets,

deferred tax assets and employee benefit assets, which continue to be measured in accordance with

the Group's accounting policies. Impairment losses on initial classification as held for sale and

subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not

recognised in excess of any cumulative impairment loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.13 Pensions

Defined contribution schemes

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

Defined benefit schemes

The Company is an employer participating in a UK funded, defined benefit scheme, the DS Smith Group Pension scheme (the 'Scheme') of which the ultimate parent, DS Smith Plc, is the sponsoring employer.

The DS Smith Group ('the Group') has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. Accordingly, both the Company's

statement of financial position and income statement reflect the Company's share of the net defined benefit surplus/liability and net defined benefit cost in respect of the Scheme, allocated based on the

subsidiaries' share of the headcount in the Scheme. Actuarial gains and losses are recognised

immediately in the statement of comprehensive income. The Group maintains a Schedule of Contributions as detailed in Note 26.

1.14 Share based payments

The ultimate parent company, DS Smith Plc, operates an equity-settled, share-based compensation plan covering certain employees of the Company. The fair value of these employee services received by the Company in exchange for the grant of the options is recognised as an expense in the Company's accounting records by means of a recharge from the ultimate parent company. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. At each reporting date the Company revises its estimates of the numbers of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement.

1.15 Provisions for liabilities

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.16 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.

1.17 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.

1.18 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.19 Current and deferred 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

DS Smith Group entities do not receive payment for current year tax losses surrendered or make payment for group relief claimed at the rate of tax prevailing in the year. However, where an entity has negative reserves and losses which will be surrendered to other members of the DS Smith Group, the claimant company will need to make payment for those tax losses at the rate of tax prevailing in the year.

Deferred tax is provided for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.20 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.21 Derivative financial instruments

The Company uses commodity derivative financial instruments transacted with its ultimate parent company to manage commodity risks associated with the Company's underlying business activities. The Company does not undertake any speculative activity with derivative financial instruments.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company has elected to apply cash flow hedge accounting. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement in the same period during which the hedged transaction affects profit or loss, such as when a forecast purchase of energy occurs.

If the hedging instrument expires, is sold or terminated, the hedged transaction ceases to be highly probable or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement.

1.22 Financial income and expenses

Finance income and expenses are recognised on financial assets and liabilities respectively to the extent they are receivable to the Company or payment is due to a counterparty.

1.23 Going concern

The financial statements have been prepared using the going concern basis of accounting. In making their assessment on the appropriateness of using the going concern basis, the Directors have considered any material uncertainties relating to events or conditions that may cast significant doubt upon the continuing use of the going concern basis of accounting in future periods. The Directors have considered a period of 12 months from the date the financial statements are expected to be authorised for issue.

The Company's business activities, together with the factors likely to affect the future development, performance and position are set out in the Strategic Report. The financial position of the Company is shown in the Statement of Financial Position on page 22.

The financial statements have been prepared using the going concern basis of accounting. The Company has been issued a support letter from its ultimate parent company, DS Smith Plc, confirming ongoing financial support in meeting liabilities as they fall due for a period of at least 12 months from the day of approval of the accounts. DS Smith plc has undertaken its own assessment of going concern, which it has confirmed and this is disclosed on page 12 of the DS Smith plc Half Year Report for the period ended 31 October 2023. The Directors are satisfied that no events took place after the release of the DS Smith plc Half Year Results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of at least 12 months from the day of approval of the accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

1. Accounting policies (continued)

1.24 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased and there is sufficient evidence to demonstrate that losses will not recur in the future.

1.25 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 company, are classified and disclosed as adjusting items. Such items include business disposals, restructuring and acquisition.

2. Prior year restatement

The prior year comparatives have been restated to correct a misstatement of the derivative balances which arose from the Company not historically accounting for its share in the fair value of the Group's commodity derivative contracts. It was determined in the current year that the Company, through its Energy Services Agreement (ESA) with DS Smith Plc, is a counterparty to these derivative contracts and each separate entity should therefore reflect the fair value of its corresponding derivative asset and liability at each balance sheet date. This change has therefore impacted the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes. See table below which analyses the adjustment:

	Previously stated balance £000	Adjustment £000	Restated balance £000
At 01 May 2022			
Trade and other receivables: more than one year			
Derivative financial instruments	-	6,592	6,592
Trade and other receivables: within one year			
Derivative financial instruments	-	13,994	13,994
Provisions for liabilities			
Deferred tax	(4,507)	(5,147)	(9,654)
Hedging reserves	-	(15,439)	(15,439)

Hedging reserves as at 01 May 2021 was also increased by £1,886,000 as a result of the misstatement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

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.

Critical accounting judgements

The Directors are required to exercise judgement in applying the adjusting items accounting policy to items of income and expenditure, taking account of their origination, as well as considering similar items in prior years to ensure consistency and appropriate presentation.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Taxation

The Company's tax payable on its results is determined based on the tax laws and regulations of the jurisdictions in which it operates. The Company is required to exercise judgement in estimating the income tax provisions, along with the recognition of deferred tax assets/liabilities. While the Company aims to ensure that the estimates recorded are accurate, the actual amounts could be different to those expected.

Employee benefits

IAS19 employee benefits requires the Company to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in relation to the discount rate used, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. See note 26 for additional information.

Impairment

Assumptions are made when reviewing assets for any impairment indicators. It is possible that if key assumptions were changed adversely, impairment would need to be recognised.

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

4. Turnover

Analysis of turnover by country of destination:

	2023	2022
	£000	£000
United Kingdom	732,027	667,581
Rest of Europe	29,644	30,110
Rest of the world	8	14
	761,679	697,705

All revenue is derived from the principal activities of the Company and relates solely to the production of goods.

5. Operating loss

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

	2023	2022
	£000	£000
Auditor's remuneration - fees payable for the audit of the Company's financial statements	198	182
Depreciation of owned property, plant and equipment	15,626	15,343
Depreciation of right-of-use assets	6,612	6,563
Cost of inventories recognised in the period	591,056	543,447
Impairment of tangible fixed assets	1,718	-
Research and development expenditure	1,446	11
Impairment of fixed asset investment	3,217	-
Net foreign exchange gains	(21)	(180)
Amortisation - intangible fixed assets	1,560	1,919
Government grants receivable	(21)	(21)

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

The government grants relate to a Regional Selective Assistance grant; the grants are being amortised over the lifetime of the assets to which the grant relates.

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

6. Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	1,221	1,742
Company contributions to defined contribution pension schemes	16	10
	<u>1,237</u>	<u>1,752</u>

The emoluments of the highest paid Director were £543,000 (2022: £782,000) including pension contributions of £nil (2022: £nil) and the accrued pension entitlement was £nil (2022: £nil). The total number of Directors who receive emoluments from the Company is 4 (2022: 4).

The number of Directors for whom pension contributions have been paid by the Company during the financial year was 2 (2022: 1).

One Director (2022: one) is remunerated by other Group undertakings. It is considered that the level of their qualifying services to the Company is negligible compared to their main roles. There are no management charges from these group undertakings for their services. Consequently they determine that given the level of the services required, that the proportion of their salary relating to their services provided to the Company is insignificant. Therefore a £nil apportionment is made (2022: £nil).

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

7. Employees

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

	2023	<i>2022</i>
	£000	<i>£000</i>
Wages and salaries	146,776	134,862
Social security costs	15,088	13,551
Cost of defined contribution scheme	12,102	11,074
	173,966	<i>159,487</i>
	173,966	<i>159,487</i>

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

	2023	<i>2022</i>
	No.	<i>No.</i>
Production	2,532	2,581
Selling and distribution	452	495
Management and administration	373	325
	3,357	<i>3,401</i>
	3,357	<i>3,401</i>

In addition to wages and salaries there is a charge of £2,018,000 (2022: £1,463,000) in administration expenses in respect of share options granted by the ultimate parent company during the financial year. The Company's management participates in the performance share plan of the parent company. For further details see Note 27.

8. Interest receivable

	2023	<i>2022</i>
	£000	<i>£000</i>
Group interest receivable	696	771
Bank and other interest receivable	256	13
	952	<i>784</i>
	952	<i>784</i>

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

9. Interest payable and similar expenses

	2023	<i>2022</i>
	£000	<i>£000</i>
Bank and other interest payable	196	59
Factoring interest payable	3,134	981
Interest on lease liabilities (IFRS 16)	1,153	806
	4,483	<i>1,846</i>

10. Other finance income/(expenses)

	2023	<i>2022</i>
	£000	<i>£000</i>
Interest income/(expense) on pension scheme liabilities	197	<i>(368)</i>

11. Adjusting items

	2023	<i>2022</i>
	£000	<i>£000</i>
Restructuring costs	-	<i>(591)</i>

Restructuring Costs

Restructuring costs in the prior year principally comprised of costs arising from redundancies. No such costs have arisen in the current year.

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

12. Taxation

	2023 £000	2022 £000
Corporation tax		
Adjustments in respect of previous periods	-	4,832
Total current tax charge	<u>-</u>	<u>4,832</u>
Deferred tax		
Origination and reversal of temporary differences	4,141	(2,413)
Increase in tax rate	-	1,256
Adjustment in respect of prior periods	1,294	2,121
Total deferred tax charge	<u>5,435</u>	<u>964</u>
Taxation on profit on ordinary activities	<u>5,435</u>	<u>5,796</u>

Factors affecting tax charge for the year

The difference between the actual tax charge and the standard rate of corporation tax in the UK of 19.5% (2022: 19%) is as follows:

	2023 £000	2022 £000
Loss on ordinary activities before tax	<u>(18,666)</u>	<u>(22,666)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2022 - 19%)	(3,640)	(4,307)
Effects of:		
Permanent differences	1,465	473
Effect of change in corporation tax rate	911	677
Adjustments in respect of prior years	1,294	6,953
Group relief	5,405	2,000
Total tax charge for the year	<u>5,435</u>	<u>5,796</u>

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

12. Taxation (continued)

Factors that may affect future tax charges

In future years, the tax charge will be affected by subsequently enacted changes in tax rate. 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.

13. Intangible assets

	Computer software
	£000
Cost	
At 1 May 2022	21,673
Additions - external	1,871
Intra-group transfers	(47)
Disposals	(703)
At 30 April 2023	<u>22,794</u>
Amortisation	
At 1 May 2022	17,012
Charge for the year on owned assets	1,560
On disposals	(703)
At 30 April 2023	<u>17,869</u>
Net book value	
At 30 April 2023	<u>4,925</u>
At 30 April 2022	<u>4,661</u>

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

14. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Right of Use Assets £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 May 2022	87,427	329,588	8,484	28,923	14,052	468,474
Additions	-	217	1,683	13,422	24,704	40,026
Disposals	(989)	(12,388)	(560)	(11,214)	-	(25,151)
Transfers between classes	-	14,419	583	-	(14,955)	47
Reclassified to held for sale	(5,825)	-	-	-	-	(5,825)
At 30 April 2023	<u>80,613</u>	<u>331,836</u>	<u>10,190</u>	<u>31,131</u>	<u>23,801</u>	<u>477,571</u>
Depreciation						
At 1 May 2022	31,573	206,846	3,754	14,236	-	256,409
Charge for the year on owned assets	2,012	12,657	957	-	-	15,626
Charge for the year on right-of-use assets	-	-	-	6,612	-	6,612
Disposals	(989)	(10,952)	(560)	(10,485)	-	(22,986)
Reclassified to held for sale	(1,175)	-	-	-	-	(1,175)
Impairment charge	212	684	25	797	-	1,718
At 30 April 2023	<u>31,633</u>	<u>209,235</u>	<u>4,176</u>	<u>11,160</u>	<u>-</u>	<u>256,204</u>
Net book value						
At 30 April 2023	<u>48,980</u>	<u>122,601</u>	<u>6,014</u>	<u>19,971</u>	<u>23,801</u>	<u>221,367</u>
At 30 April 2022	<u>55,854</u>	<u>122,742</u>	<u>4,730</u>	<u>14,687</u>	<u>14,052</u>	<u>212,065</u>

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 May 2022	3,217
At 30 April 2023	3,217
Impairment	
Charge for the period	3,217
At 30 April 2023	3,217
Net book value	
At 30 April 2023	-
At 30 April 2022	3,217

An impairment charge of £3,217,000 (2022: £nil) was recognised in respect of DS Smith Shanghai Trading Limited.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Multigraphics Holdings Limited	United Kingdom	Holding Company	Ordinary	100
Multigraphics Limited*	United Kingdom	Dormant	Ordinary	100
Multigraphics Services Limited*	United Kingdom	Dormant	Ordinary	100
TheBannerPeople.Com Limited*	United Kingdom	Dormant	Ordinary	100
TRM Packaging Limited	United Kingdom	Dormant	Ordinary	100
DS Smith Shanghai Trading Limited	China	Trading	Ordinary	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

15. Fixed asset investments (continued)

Subsidiary undertakings (continued)

* Held indirectly through Multigraphics Holdings Limited

Registered office address for Multigraphics Holdings Limited, Multigraphics Limited, Multigraphic Services Limited and TheBannerPeople.Com Limited: Level 3, 1 Paddington Square, London, W2 1DL.

Registered address for TRM Packaging Limited: 350 Euston Road, London NW1 3AX

Registered office address for DS Smith Shanghai Trading Limited: Room 308, No. 1 Building, 1588 Shenchang Road, Minhang District, Shanghai, China

TRM Packaging Limited was dissolved on 02 May 2023.

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

16. Goodwill

	2023
	£000
Cost	
At 1 May 2022	12,791
At 30 April 2023	12,791
Net book value	
At 30 April 2023	12,791
<i>At 30 April 2022</i>	<i>12,791</i>

17. Inventories

	2023	<i>2022</i>
	£000	<i>£000</i>
Raw materials and consumables	20,659	<i>24,337</i>
Work in progress	1,632	<i>2,058</i>
Finished goods and goods for resale	17,936	<i>20,438</i>
	40,227	<i>46,833</i>

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions at 30 April 2023 were £3,104,000 (2022: £3,536,000).

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

18. Trade and other receivables

	2023	<i>As restated*</i> 2022
	£000	£000
Non-current		
Amounts owed by group undertakings	70,143	102,151
Derivative financial instruments	-	6,592
	70,143	108,743
	70,143	108,743
	2023	<i>As restated*</i> 2022
	£000	£000
Current		
Trade receivables	77,583	67,277
Amounts owed by group undertakings	57,338	7,350
Other debtors	6,972	7,346
Prepayments	6,588	5,862
Accrued income	3,049	2,307
Derivative financial instruments	249	13,994
	151,779	104,136
	151,779	104,136

Interest is charged on a loan of £46,181,000 (2022: £66,355,000) to Group undertakings. Interest is

charged at a rate of 1 month SONIA plus 0.95% (2022: 1.17%) and the loan has maturity date of 1 February 2024. Non-current balances are not expected to be settled within the next twelve months. All other assets owed by group undertakings are non-interest bearing, unsecured, and are expected to be settled within the next twelve months or relate to trading balances.

* 30 April 2022 comparative has been restated as explained in Note 2.

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

19. Creditors: Amounts falling due within one year

	2023	2022
	£000	£000
Bank overdrafts	-	3,223
Trade creditors	73,375	69,848
Amounts owed to group undertakings	367,911	316,397
Other taxation and social security	7,298	2,797
Lease liabilities	6,083	4,627
Other creditors	4,936	1,395
Accruals	28,234	24,398
Deferred income	95	233
	487,932	422,918

Amounts owed to group undertakings are non-interest bearing, unsecured and repayable on demand.

20. Creditors: Amounts falling due after more than one year

	2023	2022
	£000	£000
Lease liabilities	16,232	11,299
Accruals and deferred income	24	45
Derivative financial instruments	515	-
	16,771	11,344

Of the £16,232,000 (2022: £11,299,000) right of use assets lease obligation which is non-current,

£1,987,000 (2022: £2,784,000) is due in 5 years or more.

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

21. Provisions

	Restructuring £000	Dilapidations £000	Other provisions £000	Total £000
At 1 May 2022	286	235	109	630
Charged to profit or loss	1,958	395	-	2,353
Released in year	(166)	-	-	(166)
Utilised in year	(685)	(78)	(109)	(872)
At 30 April 2023	1,393	552	-	1,945

The restructuring charge to profit and loss is in respect of the closure of the Aylesford site. Please see Note 30. The dilapidations provision represents the liability to restore properties to the same condition as at inception of the lease.

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

22. Deferred taxation

	2023 £000
At beginning of year (as restated*)	(9,654)
Credited to profit or loss	(5,435)
Charged to other comprehensive income	5,606
At end of year	<u>(9,483)</u>

The provision for deferred taxation is made up as follows:

	2023 £000	<i>As restated*</i> 2022 £000
Depreciation (less than)/in excess of capital allowances	(7,591)	(3,991)
Employee benefits including pensions	(1,958)	(516)
Deferred tax on designated cash flow hedges	66	(5,147)
	<u>(9,483)</u>	<u>(9,654)</u>

* 30 April 2022 comparative has been restated as explained in Note 2.

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

23. Derivative financial instruments

The Company transacts commodity hedge derivative financial instruments with its ultimate parent company to manage the risks associated with the Company's underlying business activities. Derivatives are carried at their fair value in the statement of financial position.

The assets and liabilities of the Group at 30 April in respect of derivative financial instruments are as follows:

	2023	2022
	£000	£000
Derivatives held to hedge future transactions:		
Energy - Current	249	13,994
Energy - Non-current	(515)	6,592
	<u>(266)</u>	<u>20,586</u>

For the derivative financial instruments carried at fair value, market prices are used to determine fair value. The Company uses forward energy index prices quoted on an exchange for valuing commodity contracts.

An Energy Service Agreement (ESA) exists between the Company and its ultimate parent, DS Smith Plc. Under the agreement, DS Smith Plc assists with energy supply negotiation and energy price stabilisation through energy hedging. The ESA gives rise to a derivative, which was designated in a cash flow hedge relationship.

There was £nil recognised ineffectiveness during the year ended 30 April 2023 (2022: £nil).

24. Called up share capital and reserves

	2023	2022
	£000	£000
Allotted, called up and fully paid		
179,998 (2022 - 179,998) ordinary shares of £1.00 each	<u>180</u>	<u>180</u>

Authorised share capital is 180,000 shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

25. Contingent liabilities

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

The Company has outstanding duty deferment account guarantees totalling £40,000 (2022: £40,000).

26. Employee Benefits

Defined Benefit Scheme

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

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

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

The Group has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. The consolidated financial statements for the year to 30 April 2023 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2023.

	2023 £'000	2022 £'000
Present value of funded obligations	(771,937)	(1,055,810)
Fair value of Scheme assets	<u>791,006</u>	<u>1,057,462</u>
Total surplus, net	19,069	1,652
Allocated to other participating employers	<u>(11,239)</u>	<u>411</u>
Company's share surplus, net	<u><u>7,830</u></u>	<u><u>2,063</u></u>

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

26. Employee Benefits (continued)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£'000	£'000	£'000
	398,622	(421,217)	(22,595)
At 1 May 2021))	
Employment benefit net expense	7,841	(8,209)	(368)
Contribution of fellow Group entity	7,015	-	7,015
Actuarial Gains/(Losses)	(20,276)	38,287	18,011
)		
<u>Benefits paid</u>	<u>(16,615)</u>	<u>16,615</u>	<u>-</u>
	376,587	(374,524)	2,063
<u>At 1 May 2022</u>)		
Employment benefit net finance income	11,421	(11,224)	197
Contribution of fellow Group entity	7,142	-	7,142
Actuarial Gains/(Losses)	(94,700)	93,128	(1,572)
))	
<u>Benefits paid</u>	<u>(18,071)</u>	<u>18,071</u>	<u>-</u>
	282,379	(274,549)	7,830
Company's share of IAS 19 surplus/(deficit), net, at 30 April 2023)		

The most recent funding valuation of the Scheme was carried out on 30 April 2019, following which a deficit recovery plan was agreed with the Trustee Board on 14 April 2020. The Group has agreed to maintain the previous Schedule of Contributions. The total contribution for the Group for the year ended 30 April 2023 under the plan was £20 million.

The recovery plan is expected to be completed on or around September 2025. The Trustee Board and the Group have in place a secondary Long-Term Funding Target ('LTFT'), in addition to the statutory funding requirement, the purpose of which is to achieve material additional security for the Scheme's members. The objective of the LTFT is for the Scheme to be funded by 30 April 2035 to a level that does not expect to rely on future contributions from the Group.

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

26. Employee Benefits (continued)

Principal actuarial assumptions for the Scheme are as follows:

	2023	2022
	%	%
Discount rate for scheme liabilities	5.0	3.1
Inflation rate	3.2	3.2
Pre - retirement pension increases	2.8	2.5
Future pension increases for pre 30 April 2005 service	2.8	3.1
Future pension increases post 30 April 2005 service	2.1	2.2

For the Group Scheme at 30 April 2023 and at 30 April 2022, the mortality base table used is SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement.

As part of the Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

	2023	2023	2022	2022
	Male	Female	<i>Male</i>	<i>Female</i>
Life age expectancy at 65				
Member currently aged 65	20.9	23.3	21.3	23.5
<u>Member currently age 45</u>	21.9	24.7	22.3	25.1

The sensitivity of the liabilities in the Scheme to each significant actuarial assumption is summarised in the following table, showing the impact on the defined benefit obligation if each assumption is altered by the amount specified in isolation, whilst assuming that all other variables remain the same. In practice, this approach is not necessarily realistic since some assumptions are related. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension surplus or liability, the measurement of which depends on a number of factors including the fair value of plan assets.

	Increase in pension liability
	£m
0.5% decrease in discount rate	(17)
)
0.5% increase in inflation rate	(11)
)
One year increase in life expectancy	(7)
)

DS SMITH PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

26. Employee Benefits (continued)

An analysis of Scheme assets below:

	2023	2022
	%	%
Equities/multi-strategy	7	8
Debt instruments	56	55
Derivatives	29	30
Cash and cash equivalents	1	2
Other	7	5
	<u>100</u>	<u>100</u>

Defined contribution scheme

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

The amount recognised as an expense for the defined contribution scheme in the year, relating to current period contributions was £12,102,000 (2022: £11,074,000). The amount payable at 30 April 2023 was £nil (30 April 2022: £nil).

DS SMITH PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

27. Share based payments

The Company participates in the Group's equity-settled share-based payment arrangements as follows:

(i) Performance Share Plan (PSP)

Awards under the PSP normally become exercisable after three years subject to remaining in service and the satisfaction of performance conditions measured over the three financial years commencing with the year of grant. Awards have been made under the PSP annually since 2008, originally based on the following performance measures, in the proportions shown below:

- i. the Company's total shareholder return (TSR) compared to the constituents of the Industrial Goods and Services Supersector within the FTSE 250;
- ii. average adjusted earnings per share (EPS); and
- iii. average adjusted return on average capital employed (ROACE).

Awards made in 2016 are subject to three performance measures:

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

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

(a) Two performance measures:

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

(b) Three performance measures:

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

Some awards granted in 2016, 2017, 2018 and 2019 have vested but have not yet been fully exercised. The maximum term of the options granted under the above scheme is the tenth anniversary of the grant date.

(ii) Deferred Share Bonus Plan (DSBP)

This plan is operated for Executive Directors and, from 2012/13, for senior executives. Shares awarded under the Plan will vest automatically if the Director or senior executive is still employed by the Company three years after the grant of the award. The maximum term of the options granted under the above scheme is the tenth anniversary of the grant date.

(iii) Sharesave Plan

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

conditions applicable to options granted under this Plan. The provisions of this Plan are subject to minor country specific variances.

The maximum term of the options granted under the above scheme is six months after the completion of the 3-year vesting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

28. Related party transactions

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

29. Ultimate parent undertaking and controlling party

The Company's immediate parent company is DS Smith (UK) 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 its registered address: Level 3, 1 Paddington Square, London W2 1DL.

30. Post balance sheet events

Following the closure of the Aylesford site during the year ended 30 April 2023, the site was sold to a third party on 22 September 2023 for gross proceeds of £6,000,000. The site has been recognised as an asset held for sale as at 30 April 2023.

Following a strategic review of the Company's operations, a decision has been made to consult on the closure of the Louth site which produces corrugated board as part of the Company's Sheetfeeding operation. The Louth activity will be consolidated into the Company's two remaining Sheetfeeding sites. This was publicly announced on 30 November 2023. It is anticipated, subject to consultation, a phased transition programme from February 2024 with the full close of the manufacturing operation in Louth by end of August 2024. The provision as at the date of signing the financial statements is £5,700,000 which includes the site closure in Louth and the financial impact of consolidating the activity into the remaining sites.

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