
DS SMITH LOGISTICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

DS SMITH LOGISTICS LIMITED

COMPANY INFORMATION

Directors	W B Hicks E M Ciechan (appointed 1 May 2022)
Company secretary	Z W Stone
Registered number	00621604
Registered office	Level 3 1 Paddington Square London United Kingdom W2 1DL
Independent auditor	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX United Kingdom
Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8AQ United Kingdom
Solicitors	Slaughter and May One Bunhill Row London EC1Y 8YY United Kingdom

DS SMITH LOGISTICS LIMITED

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DS SMITH LOGISTICS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Introduction

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

Principal activity

DS Smith Logistics Limited's (the 'Company') principal activity during the year continued to be haulage contracting. This service is provided to its parent company, certain other companies in the DS Smith Group and external third parties.

Business review

The Company is a wholly-owned subsidiary of DS Smith Paper Limited and operates as part of the DS Smith Group ('the Group').

Revenue increased to £32,839,000 (2022: £28,538,000) due to price increases during the year. Nearly all revenue is to other Group companies and the main driver of sales is UK paper sales volumes (DS Smith Paper Limited to third party customers) and UK fibre sales volumes (DS Smith Recycling UK Limited to DS Smith Paper Limited).

The Company reported a loss before tax of £434,000 (2022: loss £659,000) due to unrecovered operating costs of £270,000 and net finance costs of £164,000. In previous years costs were largely all passed on to intercompany customers, however this was not the case in 2022/23 and 2021/22. Net assets decreased from £5,161,000 in 2022 to £4,532,000 in 2023 due to total comprehensive loss of £629,000.

Principal risks and uncertainties

The volatility of the Company's main input cost, fuel, continues to be a risk, particularly given the price variations over the last year, since additional cost needs to be passed onto the customer in order to maintain margins. The Company has mechanisms in place to ensure a reasonable level of recovery from its customers. Additionally, the Company is very active in implementing productivity improvements and other cost reduction programmes to counter the financial impact of this risk.

Financial key performance indicators

The gross profit margin is consistent from 3.1% in 2022 to 3.2% in 2023.

Financial risk management objectives and policies

The Directors meet periodically to discuss financial and other risks such as price risk, credit risk, liquidity risk and cash flow risk. Key management mitigate these risks by regular monitoring throughout the year and consultations with the Group treasury team. Credit risk is deemed immaterial due to the majority of the trading occurring via intercompany, while price risk is mitigated by a fuel surcharge now charged to clients. No hedging instruments are entered into by the Company.

Liquidity and cash flow risk

The Company actively manages its liquidity risk by short-term debt finance with Group treasury, supported by external borrowings where appropriate, that is designed to ensure the Company has sufficient available funds for operations.

DS SMITH LOGISTICS LIMITED

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

Future developments

The Directors aim to maintain the policies which have enabled the Company to offer a more comprehensive range of haulage services in recent years. In spite of the uncertain economic climate, the Directors expect that the present overall level of activity will be sustained for the foreseeable future, with flexible fleet structure allowing for activity fluctuations. There continues to be global uncertainty within the macroeconomic environment as a result of the Russian invasion of Ukraine and rising inflation, particularly following significant increases in energy costs. Other input costs also remain high. However, these are mitigated by effective supplier arrangements, and rising packaging prices.

Directors' statement of compliance with duty to promote the success of the Company (s172)

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

Examples of how this has been achieved are provided below:

Employees

The Company employed 149 people at 30 April 2023. We provide development opportunities for all and recognition of personal development, regardless of gender, ethnicity, age, sexual orientation, disability or religion. We encourage feedback and have mechanisms through our employee works councils, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice. We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values (Be caring, Be challenging, Be responsive, Be trusted and Be tenacious).

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. Over 700 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.

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.

Dependent upon their skills and abilities, the Company applies the same criteria to disabled persons as it does to other employees whether in selection, promotion or training. If any employee becomes disabled during employment with the Company, every effort is made to find suitable continuing employment.

We are committed to increasing the diversity of our workforce to better reflect the communities in which we

DS SMITH LOGISTICS LIMITED

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

operate. Together, we are building an inclusive environment where everyone can realise their potential and thrive. During 2022/23 colleagues in DS Smith worked together to create three new ERGs. We are now proud to support our LGBTQ+ and allies, culture and ethnic diversity, gender diversity and disability and allies networks. 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.

Customers

The Company continues to supply predominantly internal customers, principally the Group's UK Paper Division and forms an integral part of the Group's UK supply chain.

Communities and non-governmental organisations

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

Suppliers

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

Environment

The Company remains committed to reducing its Scope 1, 2 and 3 Green House Gas (GHG) emissions 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 targets. The Company also actively plays its role in contributing to the progress on the Group's Now and Next Sustainability Strategy, such as its target to manufacture 100 per cent recyclable or reusable packaging.

This report was approved by the board on 17 January 2024 and signed on its behalf.

W B Hicks
Director

DS SMITH LOGISTICS 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.

Dividends

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

Directors

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

W B Hicks

E M Ciechan (appointed 1 May 2022)

Directors' and Officers' indemnity

During the year and up to the date of approval of these financial statements, the ultimate parent company maintained qualifying third-party indemnity arrangements for the Directors and other Officers of the Company.

Political contributions

No political contributions were made during the year (2022: £nil).

Environmental matters

The Company recognises the importance of its environmental responsibilities and monitors its impact on the environment. Initiatives designed to minimise the Company's impact on the environment include reducing and recycling waste, and investment in equipment designed to improve energy efficiencies.

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 authorised for issue.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the strategic report. The financial position of the Company is as shown in the statement of financial position on page 13. At the 30 April 2023 the Company reported net current liabilities of £15,710,000 (2022: £3,702,000).

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 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 accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements.

DS SMITH LOGISTICS LIMITED

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

Employees

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

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.

Auditor

Ernst & Young LLP (EY) 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.

This report was approved by the board on 17 January 2024 and signed on its behalf.

W B Hicks
Director

DS SMITH LOGISTICS LIMITED

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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.

DS SMITH LOGISTICS LIMITED

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DS Smith Logistics Limited (the "company") for the year ended 30 April 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from the date the financial statements are expected to 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.

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

DS SMITH LOGISTICS LIMITED

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

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 set out on page 7, 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.

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.

DS SMITH LOGISTICS LIMITED

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

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 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 LOGISTICS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH LOGISTICS 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
United Kingdom
17 January 2024

DS SMITH LOGISTICS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 £000	2022 £000
Revenue	4	32,839	28,538
Cost of Sales		(31,772)	(27,655)
Gross profit		1,067	883
Administrative expense		(1,337)	(1,358)
Operating loss	5	(270)	(475)
Net finance costs	9	(164)	(184)
Loss before tax		(434)	(659)
Income tax charge	10	(129)	(13)
Loss for the financial year		(563)	(672)

The notes on pages 16 to 34 form part of these financial statements.

DS SMITH LOGISTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 £000	2022 £000
Loss for the financial year		(563)	(672)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit schemes		(88)	987
Tax relating to components of other comprehensive income/(loss)		22	(215)
		(66)	772
Total comprehensive (loss)/income for the year		(629)	100

The notes on pages 16 to 34 form part of these financial statements.

DS SMITH LOGISTICS LIMITED
REGISTERED NUMBER: 00621604

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023

	Note	2023 £000	2022 £000
Non-current assets			
Deferred tax asset	18	-	57
Property, plant and equipment	11	1,478	2,794
Trade and other receivables	13	18,793	7,428
Employee Benefits	21	577	-
		<u>20,848</u>	<u>10,279</u>
Current assets			
Inventories	12	228	255
Trade and other receivables	13	6,926	7,929
Cash at bank	14	-	1,367
		<u>7,154</u>	<u>9,551</u>
Current liabilities			
Bank overdraft	14	(9,438)	-
Trade and other payables	15	(13,426)	(13,253)
		<u>(22,864)</u>	<u>(13,253)</u>
Net current liabilities		(15,710)	(3,702)
Total assets less current liabilities		5,138	6,577
Non-current liabilities			
Lease liabilities	16	(557)	(1,416)
Deferred tax liability	18	(49)	-
		<u>(606)</u>	<u>(1,416)</u>
Net assets		4,532	5,161
Capital and reserves			
Called-up share capital	19	24	24
Share premium account		26	26
Profit and loss account		4,482	5,111
		<u>4,532</u>	<u>5,161</u>

DS SMITH LOGISTICS LIMITED
REGISTERED NUMBER: 00621604

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 January 2024.

W B Hicks
Director

The notes on pages 16 to 34 form part of these financial statements.

DS SMITH LOGISTICS LIMITED

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

	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 May 2021	24	26	5,011	5,061
Comprehensive loss for the year				
Loss for the year	-	-	(672)	(672)
Other comprehensive income for the year	-	-	772	772
Total comprehensive income for the year	-	-	100	100
At 1 May 2022	24	26	5,111	5,161
Comprehensive loss for the year				
Loss for the year	-	-	(563)	(563)
Other comprehensive loss for the year	-	-	(66)	(66)
Total comprehensive loss for the year	-	-	(629)	(629)
At 30 April 2023	24	26	4,482	4,532

The notes on pages 16 to 34 form part of these financial statements.

DS SMITH LOGISTICS LIMITED

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

1. General information

DS Smith Logistics Limited (the 'Company') is a private limited company incorporated in the United Kingdom and registered in England and Wales whose shares are not publicly traded. The registered office is located at Level 3, 1 Paddington Square, London, United Kingdom, W2 1DL.

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

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. Monetary amounts in these financial statements are rounded to the nearest £1,000.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 91-99 of 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
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of DS Smith Plc, Level 3, Paddington Square, London W2 1DL, United Kingdom as at 30th of April 2023 and these financial statements may be obtained from Companies House.

DS SMITH LOGISTICS LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the strategic report. The financial position of the Company is as shown in the statement of financial position on page 13. At the 30 April 2023 the Company reported net current liabilities of £15,710,000 (2022: £3,702,000).

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 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 accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

DS SMITH LOGISTICS LIMITED

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

2. Accounting policies (continued)

2.5 Revenue

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

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.6 Leases

The Company as a lessee

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

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

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

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

The lease liability is presented as part of the trade and other payables line in the balance sheet.

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

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

2. Accounting policies (continued)

2.6 Leases (continued)

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

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

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

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

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

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

The right-of-use assets are presented within the tangible fixed assets line in the balance sheet. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the cost of sales line item.

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

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

2. Accounting policies (continued)

2.7 Finance costs

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

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

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

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

Group pension plan

Where the risks of a defined benefit plan are shared between entities under common control, each entity recognises the net defined benefit cost charged in its own financial statements.

Defined benefit scheme

The Company's net obligation in respect of defined benefit pension schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value amount and recognised in the income statement within personnel expenses; a corresponding liability for all future benefits is established on the statement of financial position and the fair value of any scheme assets is deducted.

The discount rate is the yield at the reporting date on high quality sterling-denominated corporate bonds that have maturity dates approximating to the duration of the schemes' obligations. The calculation is performed by a qualified actuary using the projected unit method. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

DS SMITH LOGISTICS LIMITED

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

2. Accounting policies (continued)

2.10 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.

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

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

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

2.11 Property, plant and equipment

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

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

Depreciation is provided on the following basis:

Leasehold property	- 10-50 years
Plant and machinery	- 2-25 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.

Right-of-use motor vehicles are depreciated on a straight-line basis over the lease terms, or the useful life, whichever is shorter.

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

2. Accounting policies (continued)

2.12 Inventory

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

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

2.13 Trade and other receivables

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

2.14 Cash and cash equivalents

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

2.15 Trade and other payables

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

In applying the Company's accounting policies, which are described above, the Directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Critical accounting judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

DS SMITH LOGISTICS LIMITED

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

3. Judgements in applying accounting policies (continued)

Defined benefit pension obligations

The cost of pension benefits is determined using actuarial valuations. This involves making assumptions about future changes in salaries, pension increases, mortality rates and discount rates. Due to the long-term nature of these plans, considerable management judgement is necessary and estimates are subject to uncertainty. Further details about the assumptions used are given in note 21.

Key sources of estimation uncertainty

In the opinion of the directors, there are no key sources of estimation uncertainty.

4. Revenue

All revenue is from the Company's principal activity and originated from the UK in both the current and preceding year.

5. Operating loss

The operating loss is stated after charging:

	2023	<i>2022</i>
	£000	<i>£000</i>
Cost of inventory	5,495	<i>4,440</i>
Foreign exchange losses	55	<i>32</i>
Depreciation on tangible fixed assets	23	<i>15</i>
Depreciation of right-of-use assets	1,349	<i>1,786</i>
	=====	<i>=====</i>

6. Auditor's remuneration

	2023	<i>2022</i>
	£000	<i>£000</i>
Fees payable to the Company's auditor for the audit of the Company's financial statements	27	<i>25</i>

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

DS SMITH LOGISTICS LIMITED

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

7. Employees

Staff costs were as follows:

	2023	<i>2022</i>
	£000	<i>£000</i>
Wages and salaries	5,895	<i>5,024</i>
Social security costs	651	<i>520</i>
Cost of defined contribution scheme	556	<i>486</i>
	7,102	<i>6,030</i>

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

	2023	<i>2022</i>
	No.	<i>No.</i>
Selling and distribution	146	<i>120</i>
Management and administration	3	<i>11</i>
	149	<i>131</i>

8. Directors' emoluments

All the Directors are 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 this company is insignificant. Therefore a £nil apportionment is made (2022: £nil).

9. Net finance costs

	2023	<i>2022</i>
	£000	<i>£000</i>
Interest received from Group undertakings	(46)	<i>(9)</i>
Bank interest payable/ (received)	122	<i>(5)</i>
Interest on lease liabilities	99	<i>178</i>
Other interest - on defined benefit liability	(11)	<i>20</i>
	164	<i>184</i>

DS SMITH LOGISTICS LIMITED

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

10. Income tax charge

	2023	<i>2022</i>
	£000	<i>£000</i>
Corporation tax		
Adjustments in respect of previous periods	-	5
Total current tax	<u>-</u>	<u>5</u>
Deferred tax		
Origination and reversal of timing differences	122	88
Changes to tax rates	-	(61)
Adjustment in respect of prior years	7	(19)
Total deferred tax	<u>129</u>	<u>8</u>
Taxation on profit on ordinary activities	<u>129</u>	<u>13</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (*2022 - higher than*) the standard rate of corporation tax in the UK of 19.5% (*2022 - 19%*). The differences are explained below:

	2023	<i>2022</i>
	£000	<i>£000</i>
Loss on ordinary activities before tax	<u>(434)</u>	<u>(659)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (<i>2022 - 19%</i>)	(84)	(125)
Effects of:		
Effect of change in corporation tax rate	27	-
Capital allowances for year in excess of depreciation	-	(40)
Adjustment in respect of prior years	7	(14)
Group relief	179	192
Total tax charge for the year	<u>129</u>	<u>13</u>

Factors that may affect future tax charges

DS SMITH LOGISTICS LIMITED

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

10. Income tax charge (continued)

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.

11. Property, plant and equipment

	Leasehold property £000	ROU - Motor vehicles £000	Plant and machinery £000	Total £000
Cost				
At 1 May 2022	50	7,979	1,841	9,870
Additions	-	58	-	58
Disposals	-	(2,753)	(2)	(2,755)
At 30 April 2023	<u>50</u>	<u>5,284</u>	<u>1,839</u>	<u>7,173</u>
Depreciation				
At 1 May 2022	41	5,282	1,753	7,076
Charge for the year on owned assets	2	-	21	23
Charge for the year on right-of-use assets	-	1,349	-	1,349
Disposals	-	(2,753)	-	(2,753)
At 30 April 2023	<u>43</u>	<u>3,878</u>	<u>1,774</u>	<u>5,695</u>
Net book value				
At 30 April 2023	<u>7</u>	<u>1,406</u>	<u>65</u>	<u>1,478</u>
At 30 April 2022	<u>9</u>	<u>2,697</u>	<u>88</u>	<u>2,794</u>

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2023 £000	2022 £000
Tangible fixed assets owned	72	97
Right-of-use tangible fixed assets	1,406	2,697
	<u>1,478</u>	<u>2,794</u>

DS SMITH LOGISTICS LIMITED

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

11. Property, plant and equipment (continued)

Information about right-of-use assets is summarised below:

Net book value

	2023	<i>2022</i>
	£000	<i>£000</i>
Motor vehicles	1,406	<i>2,697</i>

Depreciation charge for the year ended

	2023	<i>2022</i>
	£000	<i>£000</i>
Motor vehicles	1,349	<i>1,786</i>

12. Inventory

	2023	<i>2022</i>
	£000	<i>£000</i>
Raw materials and consumables	228	<i>255</i>

There is no material difference between the statement of financial position value of inventories and their replacement cost. There were no inventory provisions at 30 April 2023 (2022: nil).

DS SMITH LOGISTICS LIMITED

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

13. Trade and other receivables

	2023	<i>2022</i>
	£000	<i>£000</i>
Non-current		
Amounts owed by group undertakings	18,793	<i>7,173</i>
Employee benefits (see note 21)	-	<i>255</i>
	18,793	<i>7,428</i>
	2023	<i>2022</i>
	£000	<i>£000</i>
Current		
Trade debtors	105	<i>483</i>
Amounts owed by group undertakings	4,910	<i>5,889</i>
Other debtors	1,204	<i>1,089</i>
Prepayments and accrued income	707	<i>468</i>
	6,926	<i>7,929</i>

In 2023 and 2022 no interest was charged in the year on amounts owed by Group undertakings which are all unsecured. Amounts owed by Group undertakings are repayable on demand, however the intention is not to recall these in the immediate future therefore these balances have been categorised as non-current assets.

14. Cash at bank in hand

	2023	<i>2022</i>
	£000	<i>£000</i>
Cash at bank and in hand	-	<i>1,367</i>
Less: bank overdrafts	(9,438)	<i>-</i>
	(9,438)	<i>1,367</i>

DS SMITH LOGISTICS LIMITED

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

15. Trade and other payables - current

	2023	<i>2022</i>
	£000	<i>£000</i>
Trade creditors	5,787	<i>5,512</i>
Amounts owed to group undertakings	5,115	<i>4,509</i>
Other taxation and social security	16	<i>16</i>
Lease liabilities	978	<i>1,469</i>
Accruals	1,530	<i>1,747</i>
	13,426	<i>13,253</i>

There is no interest charged on amounts owed to group undertakings which are unsecured and repayable on demand.

16. Trade and other payables - non-current

	2023	<i>2022</i>
	£000	<i>£000</i>
Lease liabilities	557	<i>1,416</i>

17. Leases

Company as a lessee

Lease liabilities are in respect of motor vehicles (see note 11).

Lease liabilities are due as follows:

	2023	<i>2022</i>
	£000	<i>£000</i>
Not later than one year	978	<i>1,469</i>
Between one year and five years	557	<i>1,416</i>
	1,535	<i>2,885</i>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2023	<i>2022</i>
	£000	<i>£000</i>
Interest expense on lease liabilities	99	<i>178</i>

DS SMITH LOGISTICS LIMITED

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

18. Deferred tax asset/(liability)

	2023 £000
At beginning of year	57
Charged to the profit or loss	(129)
Charged to other comprehensive income	23
At end of year	(49)

The deferred tax asset/(liability) is made up as follows:

	2023 £000	<i>2022 £000</i>
Depreciation in excess of capital allowances	96	121
Employee benefits including pensions	(145)	(64)
	<u>(49)</u>	<u>57</u>

19. Called-up share capital

	2023 £000	<i>2022 £000</i>
Allotted, called-up and fully paid		
12,121 (2022 - 12,121) ordinary shares of £1.00 each	12	12
12,121 (2022 - 12,121) 5% non-cumulative preference shares of £1.00 each	12	12
	<u>24</u>	<u>24</u>

20. 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. Further information can be found in the Group's annual report which does not form part of this report.

21. Employee benefits

The Company is a participating employer in the DS Smith Group Pension Scheme (the 'Scheme'). The Scheme is a UK funded final salary defined benefit scheme providing pensions and lump sum benefits to

DS SMITH LOGISTICS LIMITED

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

21. Employee benefits (continued)

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	<i>2022</i>
	£000	<i>£000</i>
Present value of funded obligations	(771,937)	<i>(1,055,810)</i>
Fair value of Scheme assets	<u>791,006</u>	<i><u>1,057,462</u></i>
Total IAS 19 surplus, net	19,069	<i>1,652</i>
Allocated to other participating employers	<u>(18,492)</u>	<i><u>(1,397)</u></i>
Company's share of IAS 19 surplus, net	<u>577</u>	<i><u>255</u></i>

DS SMITH LOGISTICS LIMITED

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

21. Employee benefits (continued)

Reconciliation of Scheme assets and liabilities:

	Assets	Liabilities	Total
	£000	£000	£000
At 1 May 2021	17,900	(18,997)	(1,097)
Employment benefit net finance expense			(20)
Contribution of fellow Group entity			385
Actuarial gains - financial assumptions			2,133
Actuarial gains - demographic			39
Actuarial losses - experience			(74)
Actuarial losses - Scheme assets			<u>(1,111)</u>
Company's share of IAS 19 surplus, net at 30 April 2022			<u>255</u>
At 1 May 2022	20,541	(20,286)	255
Employment benefit net finance expense			11
Contribution of fellow Group entity			399
Actuarial gains – financial assumptions			4,933
Actuarial gains - demographic			575
Actuarial losses - experience			(307)
Actuarial losses – Scheme assets			<u>(5,289)</u>
Company's share of IAS 19 surplus, net at 30 April 2023			<u><u>577</u></u>

A breakdown of the Scheme assets is provided below:

	2023	2022
	£000	£000
Equities/multi-strategy	51,893	85,407
Bonds and Debt instruments	443,824	586,662
Derivatives	232,768	315,244
Cash and cash equivalents	7,904	17,305
Other	54,617	52,844
	<u><u>791,006</u></u>	<u><u>1,057,462</u></u>

DS SMITH LOGISTICS LIMITED

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

21. Employee benefits (continued)

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

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

For the Group Scheme at 30 April 2023, the mortality base table used is SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. At 30 April 2022 the mortality base table used was SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

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

DS SMITH LOGISTICS LIMITED

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

21. Employee benefits (continued)

Sensitivity analysis

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

	Increase in pension liability £m
0.5% decrease in discount rate	(1)
0.5% increase in inflation	(1)
1 year increase in life expectancy	-

Defined contribution scheme

The Company participates in a UK defined contribution scheme, which is a trust-based arrangement offering members a range of investments. All assets are held independently from the Group. The amount recognised as an expense for the defined contribution scheme in the year, relating to current year contributions was £555,688 (2022: £486,156).

22. 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 8 for details of Directors' remuneration.

23. Controlling party

The Company's immediate parent company is DS Smith Paper 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 Level 3 1 Paddington Square, London, W2 1DL which is the registered address.

The Company does not have any subsidiary undertakings.