

Company Registration No. 00053913

DS Smith Corrugated Packaging Limited

**Annual report and financial statements
for the year ended 30 April 2023**

DS Smith Corrugated Packaging Limited
Annual report and financial statements for the year ended 30 April 2023

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DS Smith Corrugated Packaging Limited

Annual report and financial statements for the year ended 30 April 2023

Company information

Directors

W B Hicks
T P Slater
S Rossi
A P Stern

Company Secretary

Z W Stone

Registered Office

Level 3
1 Paddington Square
London
W2 1DL

Registered Number

00053913

Auditor

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Banker

National Westminster Bank Plc
1 Princes Street
London
EC2R 8AQ

DS Smith Corrugated Packaging Limited

Strategic report

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

Business review and principal activities

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

The results for the year show a profit before tax of £7,383,000 (2022: £8,807,000), and net assets of £131,927,000 (2022: £125,241,000).

The performance of the Company has been impacted by the challenging macro-economic environment and its effect on the routes to market in which it operates resulting in a reduction in revenue of 4.6% compared to the prior year. External paper indices have continued to move upwards during the year ended 30 April 2023. The Company has contracts with key customers which permit the Company to pass on these higher paper costs however there can be a delay between the purchase of paper and the recovery of the costs through the indexation mechanisms.

Inflationary cost pressures have been experienced across cost of sales and administrative expenses where there are plans to mitigate through risk management, alongside a forward-looking procurement approach. The Company has an active programme of productivity improvements and cost optimisation initiatives to counter the financial impact of these pressures.

Given the recent economic uncertainty, the Directors are satisfied with the underlying performance of the business during the year.

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

Directors' statement of compliance with regard to Section 172(1) of the Companies Act 2006

The Board (comprising the Divisional CEO of Packaging, Finance Director (Packaging), Finance Director (North Europe Packaging) 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 235 people at 30 April 2023. 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 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).

DS Smith Corrugated Packaging Limited

Strategic report

Employees (continued)

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 accident frequency rate dropped versus the prior year, being 2.52 (2022: 4.57). In 2023/24 we will continue striving towards our Vision Zero ambition and ensure our health and safety culture is adopted 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.

Customers

The Company supplies both external and internal customers. The Company works closely with all customers to continuously add value to their supply chains through product innovation and improvement, reducing waste and while also helping make progress towards a circular economy. The Company forms an integral part of the Group's UK supply chain which has largely fast moving consumer goods (FMCG) companies as its customers. These customers are increasingly concerned about sustainability, both in terms of recyclable packaging materials and reducing overall lifecycle impact, including optimisation in the supply chain. We work closely with customers to ensure we play our part in helping the Group's customers achieve their sustainability targets.

Communities and the 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 Company remains committed to reducing its Scope 1,2 and 3 Green House Gas (GHG) 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 targets.

Suppliers

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

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.

Future developments

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 with 2023.

Economic conditions have continued to be volatile in 2022/23 impacted by inflationary pressures, especially due to the wider economic consequences of the war in Ukraine, and the cost of living crisis.

DS Smith Corrugated Packaging Limited

Strategic report

Future developments (continued)

However, the Company has demonstrated resilience in this high cost environment and our strong customer relationships in the FMCG sector, together with the investments we are making to drive cost efficiencies and growth, give us confidence for the future.

Key performance indicators ('KPIs')

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

	2023	2022	Definition, method of calculation and analysis
Return on sales (RoS) (%)	8.2%	10.4%	RoS is the ratio of earnings before interest, taxation, adjusting items, and discontinued operations to sales expressed as a percentage.
Return on capital employed (ROCE) (%)	5.3%	7.5%	ROCE is the ratio of earnings before interest, taxation, adjusting items, and discontinued operations to net assets expressed as a percentage.
Orders on time and in full (OTIF) %	93%	93%	Total number of orders on time and in full to total orders in the period expressed as a percentage.
Gross profit (%)	28%	29%	Gross profit % is the ratio of revenue less cost of sales before adjusting items to sales expressed as a percentage.

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

The RoS and ROCE have decreased in the year due to lower sales and greater cost pressures resulting in a lower profit before tax, interest and adjusting items. OTIF has increased slightly in the year as the business returns to pre-pandemic operation levels.

Principal risks and uncertainties

Energy price risk

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

Paper price risk

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

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.

DS Smith Corrugated Packaging Limited

Strategic report

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.

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 above. The financial position of the Company is as shown in the statement of financial position on page 14. At 30 April 2023 the Company reported net current liabilities of £69,508,000 (2022: £62,467,000) and net assets of £131,927,000 (2022: net assets £125,241,000).

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

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

W B Hicks
Director

17 April 2024

DS Smith Corrugated Packaging Limited

Directors' report

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

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

- Financial risk management objectives and policies;
- Future developments
- Going concern

Dividends

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.

Directors

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

S Rossi

W B Hicks

T P Slater

A P Stern (appointed 9 January 2023)

Company Secretary

Z W Stone

Directors' and officers' liability insurance

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

Political contributions

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

DS Smith Corrugated Packaging Limited

Directors' report

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Ernst & Young LLP (EY) were appointed as external auditor to the Company in 2023 and will be proposed for reappointment in accordance with Section 285 of the Companies Act 2006.

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

W B Hicks

Director

17 April 2024

DS Smith Corrugated Packaging Limited

Directors' responsibilities statement

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

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

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

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

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

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

Independent auditor's report to the members of DS Smith Corrugated Packaging Limited

We have audited the financial statements of DS Smith Corrugated Packaging 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 profit 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 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.

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.

Independent auditor's report to the members of DS Smith Corrugated Packaging Limited

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 8, 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. 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.

Independent auditor's report to the members of DS Smith Corrugated Packaging Limited

- 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.

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, Statutory Auditor
Bristol, UK

17 April 2024

DS Smith Corrugated Packaging Limited
Income statement
For the year ended 30 April 2023

	Note	2023 £'000	2022 £'000
Revenue	3	84,105	88,243
Cost of sales		(60,200)	(62,995)
Gross profit		23,905	25,248
Distribution costs		(5,243)	(4,717)
Administrative expenses		(11,765)	(11,518)
Other operating income		-	152
Loss on disposal of property, plant and equipment		(6)	(86)
Operating profit	4	6,891	9,079
Finance income	7	816	28
Finance costs	7	(324)	(300)
Net financing income/(costs)		492	(272)
Profit before tax		7,383	8,807
Income tax credit	8	713	275
Profit for the year		8,096	9,082

All the results are from continuing operations.

DS Smith Corrugated Packaging Limited
Statement of comprehensive income
For the year ended 30 April 2023

	Note	2023 £'000	2022 (as restated) £'000
Profit for the financial year		8,096	9,082
Other comprehensive income			
(Loss)/gain on designated cash flow hedges		(1,089)	1,669
Deferred tax on designated cash flows	16	470	(417)
Reclassification from cash flow hedge reserve to income statement		(791)	-
		(1,410)	1,252
Other comprehensive (loss)/income for the year			
Total comprehensive income for the year		6,686	10,334

DS Smith Corrugated Packaging Limited
Statement of financial position
As at 30 April 2023

	Note	2023 £'000	2022 (as restated) £'000
Assets			
Non-current assets			
Intangible assets	9	70	97
Property, plant and equipment	10	21,392	18,912
Right-of-use assets	11	1,187	1,748
Trade and other receivables	13	178,819	167,800
Deferred tax	16	835	-
Income tax assets		-	263
Derivative financial instrument	17	-	583
Total non-current assets		202,303	189,403
Current assets			
Inventories	12	2,486	2,662
Trade and other receivables	13	7,825	8,339
Cash in bank		-	2,713
Derivative financial instrument		6	1,268
Total current assets		10,317	14,982
Total assets		212,620	204,385
Liabilities			
Non-current liabilities			
Other payables	14	(147)	(147)
Lease liabilities		(685)	(1,199)
Deferred tax		-	(349)
Derivative financial instrument	17	(36)	-
Total non-current liabilities		(868)	(1,695)
Current liabilities			
Trade and other payables	14	(79,247)	(76,769)
Provisions	15	-	(62)
Lease liabilities		(578)	(618)
Total current liabilities		(79,825)	(77,449)
Net current liabilities		(69,508)	(62,467)
Total assets less current liabilities		132,795	126,936
Total liabilities		(80,693)	(79,144)
Net assets		131,927	125,241
Equity			
Called-up share capital	18	19,737	19,737
Share premium account		79,343	79,343
Revaluation reserve		44	44
Cash flow hedge reserve		(22)	1,388
Retained earnings		32,825	24,729
Shareholder's equity		131,927	125,241

The financial statements for DS Smith Corrugated Packaging Limited (registered number 00053913) were approved by the Board of Directors and authorised for issue on 17 April 2024.

Signed on behalf of the Board of Directors:

W B Hicks
Director

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

DS Smith Corrugated Packaging Limited
Statement of changes in equity
For the year ended 30 April 2023

	Called-up share capital £'000	Share premium £'000	Revaluation reserve £'000	Hedging reserves £'000	Retained earnings £'000	Total equity £'000
At 1 May 2021 (as restated)	19,737	79,343	44	136	15,647	114,907
Profit for the year	-	-	-	-	9,082	9,082
Gain on designated cash flow hedges	-	-	-	1,669	-	1,669
Deferred tax on designated cash flow hedges	-	-	-	(417)	-	(417)
At 30 April 2022 (as restated)	19,737	79,343	44	1,388	24,729	125,241
Profit for the year	-	-	-	-	8,096	8,096
Loss on designated cash flow hedges	-	-	-	(1,089)	-	(1,089)
Deferred tax on designated cash flow hedges	-	-	-	470	-	470
Reclassification from cash flow hedge reserve to income statement	-	-	-	(791)	-	(791)
At 30 April 2023	19,737	79,343	44	(22)	32,825	131,927

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023

1. Principal accounting policies

Basis of preparation

DS Smith Corrugated Packaging Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is Level 3, 1 Paddington Square, London, W2 1DL. The nature of the Company's operations and its principal activities are set out in the Strategic report.

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

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

The financial statements are prepared under the historical cost convention.

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

- statement of cash flows and related notes;
- disclosures in respect of transactions with other Group entities, including the ultimate parent company;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- disclosures in respect of capital management;
- disclosures in respect of key management personnel;
- disclosures in respect of IFRS 16 *Leases*;
- disclosures in respect of new but not yet effective IFRSs;
- certain disclosures in respect of IAS 36 *Impairment of Assets*; and
- certain disclosures in respect of IFRS 15 *Revenue from Contracts with Customers*.

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

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

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

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

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

1. Principal accounting policies (continued)

Revenue

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

Revenue from the sale of goods is recognised at a point in time when:

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

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

Foreign currencies

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

Intangible assets

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

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

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

The estimated useful lives are as follows:

Software	3-5 years
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Property, plant and equipment

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

The estimated useful lives are as follows:

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

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

Employee benefits

Defined contribution schemes

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

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

1. Principal accounting policies (continued)

Provisions

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

Inventories

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

Guarantees

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

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 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.

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.

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

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.

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.

Reserves

The share premium account represents the difference between the issue price and the nominal value of shares issued. The revaluation reserve has arisen on the revaluation of assets in prior years. Retained earnings comprises the cumulative net earnings of the Company, that have not been paid out as dividends.

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 above. The financial position of the Company is as shown in the statement of financial position on page 14. At 30 April 2023 the Company reported net current liabilities of £69,508,000 (2022: £62,467,000) and net assets of £131,927,000 (2022: net assets £125,241,000).

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

Finance income and costs

Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs are charged to the profit and 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.

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

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 derivatives 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 Financial Position, Statement of Changes in Equity and related notes. See table below which analyses the adjustment:

	Previously stated balance	Adjustment £000	Restated balance £000
At 01 May 2022			
Non-current assets			
Derivative financial instruments	-	583	583
Current assets			
Derivative financial instruments	-	1,268	1,268
Non-current liabilities			
Deferred tax	114	(463)	(349)
Hedge reserves	-	1,388	1,388

2. Critical accounting judgements 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

Impairment

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

Key sources of estimation uncertainty

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

3. Revenue

	2023 £'000	2022 £'000
Revenue by geographical destination		
United Kingdom	79,626	86,743
Rest of Europe	4,431	1,500
Rest of World	48	-
	84,105	88,243

All revenue recognised at a point in time is derived from the principal activities of the Company and relates solely to the production of goods.

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

4. Operating profit

Operating profit is stated after charging/(crediting):

	2023	2022
	£'000	£'000
Auditor's remuneration – fees payable for the audit of the Company's financial statements	51	47
Depreciation of owned property, plant and equipment	1,059	1,040
Depreciation of right-of-use assets	552	622
Impairment of property, plant and equipment	98	-
Amortisation of intangible assets	42	66
Inventory recognised as an expense	59,243	62,296
Foreign exchange (gains)/losses	(36)	19

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

5. 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). The Group operates a share-based payment scheme covering certain employees of the Company, however the amount recharged to the Company is negligible.

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

	2023	2022
	Number	Number
Average number of staff by activity during the year:		
Production	152	161
Selling and distribution	55	59
Management and administration	25	19
	232	239

	2023	2022
	£'000	£'000
6. Employee information		
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	8,878	8,731
Social security costs	914	848
Contributions to defined contribution pension plans (note 20)	799	749
Redundancy costs	139	12
	10,730	10,340

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

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

7. Finance income and costs

	2023 £'000	2022 £'000
Bank interest	14	28
Interest on loans from Group undertakings	802	-
Finance income	816	28
Interest on loans from Group undertakings	-	(99)
Interest on right-of-use assets	(85)	(116)
Factoring interest payable	(239)	(85)
Finance costs	(324)	(300)

8. Income tax expense

	2023 £'000	2022 £'000
Current tax credit		
UK corporation tax in respect of current year	-	-
Adjustment in respect of prior years	-	12
Total current tax credit	-	12
Deferred tax credit		
Origination and reversal of temporary differences	255	292
Change in tax rate	-	(42)
Adjustment in respect of prior years	458	13
Total deferred tax credit	713	263
Total income tax credit in the income statement from continuing operations	713	275
Total income tax credit	713	275

The difference between the actual tax charge and the standard rate of corporation tax in the UK of 19.50% (2022: 19.00%) is as follows:

	2023 £'000	2022 £'000
Profit before income tax	7,383	8,807
Income tax at the UK standard rate of corporation tax of 19.50% (2022: 19.00%)	(1,440)	(1,673)
Effects of:		
- Expenses not deductible for tax purposes	348	338
- Group relief claimed not paid for	1,325	1,578
- Permanent differences	(34)	(21)
- Effect of change in corporation tax rate	56	28
- Adjustments in respect of prior years	458	25
Income tax credit	713	275

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.

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

8. Income tax expense (continued)

The deferred tax adjustment in respect of prior years of £458k relates to an increase in temporary differences arising in respect of accelerated capital allowances. At the time of issuing the financial statements in the prior year, the amount of capital allowance was unknown and this only became determinable on submission of the tax return for that respective period.

9. Intangible assets

	Software £'000	Under construction £'000	Total £'000
Cost			
At 1 May 2022	362	-	362
Additions	-	17	17
Transfers	1	(1)	-
Disposals	(63)	-	(63)
At 30 April 2023	300	16	316
Amortisation and impairment			
At 1 May 2022	(265)	-	(265)
Amortisation	(42)	-	(42)
Disposals	61	-	61
At 30 April 2023	(246)	-	(246)
Net book value			
At 30 April 2023	54	16	70
At 30 April 2022	97	-	97

10. Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
Cost					
At 1 May 2022	37,522	122,525	6,830	1,134	168,011
Additions	-	77	90	3,470	3,637
Transfers	-	40	248	(288)	-
Disposals	-	(271)	-	-	(271)
At 30 April 2023	37,522	122,371	7,168	4,316	171,377
Accumulated depreciation					
At 1 May 2022	(31,210)	(112,964)	(4,925)	-	(149,099)
Charge for the year	(173)	(677)	(209)	-	(1,059)
Disposals	-	271	-	-	271
Impairment	-	(98)	-	-	(98)
At 30 April 2023	(31,383)	(113,468)	(5,134)	-	(149,985)
Net book value					
At 30 April 2023	6,139	8,903	2,034	4,316	21,392
At 30 April 2022	6,312	9,561	1,905	1,134	18,912

The net book value of freehold land and buildings includes £2,062,000 (2022: £2,133,000) of depreciable assets.

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

11. Right-of-use assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 May 2022	2,302	652	8	2,962
Additions	-	9	-	9
Disposals	-	(136)	(8)	(144)
At 30 April 2023	2,302	525	-	2,827
Accumulated depreciation				
At 1 May 2022	(852)	(355)	(7)	(1,214)
Charge for the year	(422)	(129)	(1)	(552)
Disposals	-	118	8	126
At 30 April 2023	(1,274)	(366)	-	(1,640)
Net book value				
At 30 April 2023	1,028	159	-	1,187
At 30 April 2022	1,450	297	1	1,748

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

	2023 £'000
Amounts recognised in profit and loss	
Depreciation expense on right of use assets	552
Interest expense on lease liabilities	85

12. Inventories

	2023 £'000	2022 £'000
Raw materials and consumables	926	1,092
Work in progress	97	82
Finished goods	1,463	1,488
	2,486	2,662

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 £343,000 (2022: £318,000). £92,000 was charged to the income statement during the year (2022: £249,000).

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

13. Trade and other receivables

	2023		2022	
	Non-current £'000	Current £'000	Non-current £'000	Current £'000
Trade receivables	-	5,700	-	6,448
Amounts owed by Group undertakings	178,819	292	167,800	776
Other receivables	-	620	-	5
Prepayments and accrued income	-	1,213	-	1,110
	178,819	7,825	167,800	8,339

No interest was charged on Amounts owed by Group undertakings, which have no fixed repayment date. Included within the Amounts owed by Group undertakings is an amount of £263,000 relating to income tax receivable from Plc.

14. Trade and other payables

	2023		2022	
	Non-current £'000	Current £'000	Non-current £'000	Current £'000
Trade payables	-	7,946	-	7,766
Amounts owed to Group undertakings	-	67,445	-	66,054
Other taxes and social security	-	409	-	388
Preference shares	147	-	147	-
Other creditors	-	987	-	899
Accruals and deferred income	-	2,460	-	1,662
	147	79,247	147	76,769

Included within amounts owed to Group undertakings is £13,876,487 (2022: £13,323,318) which is repayable on demand.

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

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

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

15. Provisions

	Dilapidations and onerous leases £'000
At 1 May 2022	62
Charged to income statement	-
Utilised during the year	(62)
At 30 April 2023	-

The dilapidations and onerous lease provisions relate to obligations on leasehold properties.

16. Deferred tax

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

	£'000
At 1 May 2022 (as restated)	(349)
Credited to income statement	713
Charged to other comprehensive income	470
At 30 April 2023	834

Deferred tax assets are recognised for all deductible temporary differences on the basis it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

17. 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 Company at 30 April in respect of derivative financial instruments are as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
Derivatives held to hedge future transactions:	-	-	-	-
Energy – current	157	1,268	152	-
Energy – non-current	3	583	38	-
	160	1,851	190	-

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.

DS Smith Corrugated Packaging Limited

Notes to the financial statements for the year ended 30 April 2023 (continued)

18. Called-up share capital

	2023 £'000	2022 £'000
Authorised, allotted, called-up and fully paid:		
19,737,772 (2022: 19,737,772) ordinary shares of £1 each	19,737	19,737

19. Contingent liabilities

In the prior year, the Company was 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.

20. Employee benefits

Defined contribution scheme

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

The amount recognised as an expense for the defined contribution scheme in the year, relating to current period contributions, was £799,000 (2022: £749,000).

21. Related parties

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

22. Capital commitments and other commitments

The Company had no capital commitments for the year (2022: nil).

23. Ultimate parent undertaking and controlling party

The Company's immediate parent company is DS Smith Display Holding Limited, a company incorporated in the United Kingdom.

The ultimate parent company and the ultimate controlling party is DS Smith Plc, a company incorporated in the United Kingdom.

DS Smith Plc represents both the largest and smallest group of undertakings for which Group financial statements are prepared and of which the Company is a member. Copies of the Group financial statements are available from the Company Secretary of DS Smith Plc at Level 3, 1 Paddington Square, London, W2 1DL which is the registered office address.

The Company does not have any subsidiary undertakings.