Registered number: 00058614

DS SMITH PAPER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

DS SMITH PAPER LIMITED

COMPANY INFORMATION

Directors	E M Ciechan W B Hicks B J Jennings
Company secretary	Z W Stone
Registered number	00058614
Registered office	Level 3 1 Paddington Square London United Kingdom W2 1DL
Independent auditor	Ernst & Young LLP The Paragon Counterslip Bristol United Kingdom BS1 6BX
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 PAPER LIMITED

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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 activities

DS Smith Paper Limited (the ‘Company’) is a subsidiary of DS Holdings Limited and operates as part of the DS Smith Group's (‘the Group’s’) UK Paper division. The Company's principal activities during the year were the manufacture and sale of corrugated case materials (CCM) and specialist paper grades. In addition to third party customers, the Company’s customers include other companies within the Group. The Company is the leading producer of CCM in the UK, which accounts for the majority of the paper it produces; CCM is converted by the Company's customers into corrugated board and boxes. The Company is also a leading European producer of plasterboard liner.

Review of business

During the year the Company reported revenue of £572,635,000, an increase of 32% from 2021/22 (£435,401,000). While production and sales volumes were marginally lower than the prior year (down 9.66% and 8.16% respectively), the Company benefitted from significantly higher selling prices, especially for CCM with an average price increase of 16.8% from 2021/22, and plasterboard with an average price increase of 33.3% from 2021/22. However, the Company also faced significantly higher Paper for Recycling (PfR) and energy costs in the year which restrained the increase in gross profit margin from 15.3% in 2021/22 to 22.2% in 2022/23. The Company faced higher distribution costs which increased by 21% in the year to £20,668,000 (2021/22: £17,075,000). Operating profit increased by 99% from £43,726,000 in 2021/22 to £86,800,000 in 2022/23 which included £5,214,000 (2021/22: £15,863,000) other income in respect of the new combined heat and power facility.

Net finance income increased from £1,199,000 in 2021/22 to £8,993,000 in 2022/23 largely due to interest income from ultimate parent undertaking reflecting a significantly higher working capital loan receivable. Profit for the year increased from £35,166,000 in 2021/22 to £88,959,000 in 2022/23.

The net assets of the Company as shown in the statement of financial position on page 14, increased from £441,696,000 at 30 April 2022 to £481,270,000 at 30 April 2023 reflecting the profit of £88,959,000 (2021/22: £35,166,000) and other comprehensive loss of £49,385,000 (2021/22: other comprehensive income £47,220,000).

Principal risks and uncertainties

Competitive pressure in the Company's core markets remains a constant risk that could result in the Company losing sales to key competitors and margins being eroded. This risk is managed by working closely with customers, both internal and external, to provide quality products and solutions and to ensure good service levels are maintained.

Additionally, the Company is very active in implementing productivity improvements and other cost reduction programmes to counter the financial impact of risk and to protect the margin from inflationary increases.

Credit risk is seen as an increasing issue faced by the Company as our customers continue to face a competitive market. This risk is mitigated by strict application of our credit policy and regular management review of accounts that are rated as higher risk.

Group risks are discussed in the Group's annual report which does not form part of this report.

Future developments

The Company's principal activities during the year were the manufacture and sale of corrugated case materials (CCM) and specialist paper grades. 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. However, the Company has demonstrated resilience in this high cost environment and our strong customer relationships give us confidence for the future.

Financial key performance indicators

Return on sales, being operating profit before adjusting items expressed as a percentage of revenue, increased from 10.0% in 2021/22 to 15.2% in 2022/23 reflecting the significantly higher increase in average selling prices versus the increase in cost of sales.

Return on average capital employed (‘ROACE’) is the last 12 months’ operating profit before adjusting items as a percentage of the average monthly capital employed over the previous 12 month period. Capital employed is the sum of property, plant and equipment, intangible assets, working capital, capital debtors/creditors and provisions. During the year ROACE increased from 26.4% in 2022 to 61.2% in 2023 reflecting the higher operating profit and lower average capital employed due to higher average trade payables and utility accruals.

Financial risk management objectives and policies

The Company’s operations expose it to a number of financial risks that include liquidity risk and cash flow risk. Wherever possible the Company complies with Group policies.

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.

Credit risk

The Company’s credit risk is primarily attributable to its receivables held on the statement of financial position. Recoverability of these receivables is reviewed regularly against the statement of financial position of the counterparty.

Fibre price

The Company focuses on providing sufficient paper to support the UK Packaging division, whilst determining the optimal integration level with Recycling to balance the external effects of paper and fibre price volatility.

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

The Board (comprising the Managing Director (Paper), the Finance Director (Paper) 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 447 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 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 both external customers and internal customers, principally the Group's UK Packaging Division which comprised c. 37 % of the Company's revenue in 2022/23. 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. They are interested in transparency in the supply chain, compliance with laws and regulation and competitive pricing. They are also focused on the quality of the product and security of the supply chain and meeting their own sustainability targets.We work closely with customers to ensure we play our part in helping the Group’s customers achieve their sustainability targets.

Communities and non-governmental organisations

We engage in detailed consultations with government on the topics of recycling and reuse, extended producer responsibility 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 and engage 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, 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.

Environment

The Group 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 25 April 2024 and signed on its behalf.

W B Hicks
Director

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.

Results and dividends

The profit for the year, after taxation, amounted to £88,959,000 *(2022 - £35,166,000)*.

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

Directors

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

E M Ciechan
W B Hicks
B J Jennings

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.

Engagement with employees and disabled employees

The Company employed 447 people at 30 April 2023 and is committed to both the principle and achievement of equal opportunities in employment. 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 engages its employees in a number of ways. These are described in the ‘Employees’ section of the Strategic report.

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 with the strategic report. The financial position of the Company is as shown in the statement of financial position on page 14 and 15. At 30 April 2023 the Company reported net current liabilities of £129,357,000 (2022: £62,069,000) and net assets of £481,270,000 (2022: £441,696,000).

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.

Research and development activities

The Company recognises the importance of continuing investment in research and development. It is Company policy to develop new product specifications commensurate with customer and environmental needs. Research is also conducted into ways to improve product quality and finding more cost-efficient production methods.

An amount of £10,519 (2022: £2,000 credited) was charged to the income statement for research costs incurred in the year.

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

Streamlined Energy and Carbon Reporting

The Company is included in the Group reporting of the ultimate parent company which has provided its consolidated CO_2 emissions and energy consumption on page 63 of the Strategic report in the Group’s 2023 annual report.

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 25 April 2024 and signed on its behalf.

W B Hicks
Director

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

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

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DS Smith Paper Limited 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 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (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 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

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 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.

- 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 102 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.

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

The Paragon
Counterslip
Bristol
BS1 6BX
25 April 2024

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 £000	*2022 £000*
Turnover	5	**572,635**	*435,401*
Cost of sales		**(445,338)**	*(368,835)*
Gross profit		**127,297**	*66,566*
Distribution costs		**(20,668)**	*(17,075)*
Administrative expenses		**(25,043)**	*(21,628)*
Other operating income	6	**5,214**	*15,863*
Operating profit	7	**86,800**	*43,726*
Interest receivable	11	**9,999**	*2,008*
Interest payable and similar expenses	12	**(1,006)**	*(809)*
Profit before tax		**95,793**	*44,925*
Tax on profit	13	**(6,834)**	*(9,759)*
Profit for the financial year		**88,959**	*35,166*

The notes on pages 18 to 45 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 £000	*As restated** *2022* *£000*
Profit for the financial year		**88,959**	*35,166*
Other comprehensive (loss)/ income			
(Loss)/gain on designated cash flow hedges	21	**(38,924)**	*88,789*
Reclassification from cash flow hedge reserve to income statement	21	**(25,817)**	*(39,115)*
Actuarial gain/(loss) on defined benefit schemes		**(1,106)**	*12,679*
Income tax on actuarial gain/(losses)	13	**277**	*(2,715)*
Deferred tax on designated cash flows		**16,185**	*(12,418)*
Other comprehensive (loss)/ income for the year		**(49,385)**	*47,220*
Total comprehensive income for the year		**39,574**	*82,386*

The notes on pages 18 to 45 form part of these financial statements.

*30 April 2022 comparative has been restated as explained in Note 3

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023

	Note		2023 £000		*As restated 2022 £000
Fixed assets					
Intangible assets	14		**718**		*110*
Property, plant and equipment	15		**207,350**		*189,120*
Investment in subsidiaries	16		**1,620**		*1,620*
Trade and other receivables	18		**403,001**		*335,807*
Employee benefits			**5,935**		*1,877*
			618,624		*528,534*
Current assets					
Inventories	17	**21,232**		*24,736*	
Trade and other receivables	18	**75,434**		*128,269*	
Cash at bank and in hand	19	**3,335**		*19,877*	
		100,001		*172,882*	
Trade and other payables - current	20	**(228,420)**		*(223,614)*	
Provisions	23	**(938)**		*(11,337)*	
Net current liabilities			**(129,357)**		*(62,069)*
Total assets less current liabilities			**489,267**		*466,465*
Trade and other payables - non-current	20		**(97)**		-
Provisions for liabilities					
Deferred tax	22	**(6,900)**		*(23,769)*	
Provisions	23	**(1,000)**		*(1,000)*	
		(7,900)		*(24,769)*	
Net assets			**481,270**		*441,696*
Capital and reserves					
Called-up share capital	24		**196,275**		*196,275*
Share premium account	25		**1,919**		*1,919*
Revaluation reserve	25		**8,704**		*8,704*
Hedging reserve	25		**(6,684)**		*41,872*
Equity reserves	25		**10,811**		*10,811*
Retained earnings	25		**270,245**		*182,115*
			481,270		*441,696*

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 25 April 2024.

W B Hicks
Director

The notes on pages 18 to 45 form part of these financial statements.

*30 April 2022 comparative has been restated as explained in Note 3.

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

	Called-up share capital	Share premium account	Revaluation reserve	Hedging reserve	Equity reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 May 2022 (as restated*)	196,275	1,919	8,704	41,872	10,811	182,115	441,696
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	88,959	88,959
Reclassification from cash flow hedge to income statement	-	-	-	(25,817)	-	-	(25,817)
Actuarlial (loss) on defined benefit schemes	-	-	-	-	-	(1,106)	(1,106)
Income tax on other comprehensive income	-	-	-	-	-	277	277
Loss on designated cash flow hedges	-	-	-	(38,924)	-	-	(38,924)
Deferred tax on designated cash flow hedges	-	-	-	16,185	-	-	16,185
Other comprehensive income for the year	-	-	-	(48,556)	-	(829)	(49,385)
Total comprehensive income for the year	-	-	-	(48,556)	-	88,130	39,574
At 30 April 2023	196,275	1,919	8,704	(6,684)	10,811	270,245	481,270

The notes on pages 18 to 45 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2022

	Called-up share capital	Share premium account	Revaluation reserve	Hedging reserve	Equity reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 May 2021 (as restated*)	**196,275**	**1,919**	**8,704**	**4,616**	**10,811**	**136,985**	**359,310**
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	35,166	35,166
Gain on designated cashflow hedges	-	-	-	88,789	-	-	88,789
Actuarial gain on defined benefit schemes	-	-	-	-	-	12,679	12,679
Income tax on other comprehensive expense	-	-	-	-	-	(2,715)	(2,715)
Reclassification from cash flow hedge reserve to income statement	-	-	-	(39,115)	-	-	(39,115)
Deferred tax on designated cash flow hedges	-	-	-	(12,418)	-	-	(12,418)
Other comprehensive income for the year	-	-	-	37,256	-	9,964	47,220
Total comprehensive income for the year	-	-	-	37,256	-	45,130	82,386
At 30 April 2022	**196,275**	**1,919**	**8,704**	**41,872**	**10,811**	**182,115**	**441,696**

The notes on pages 18 to 45 form part of these financial statements.

* 30 April 2022 comparative has been restated as explained in Note 3.

1. General information

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

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

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 102, the Financial Reporting Standard applicable in the UK and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 4).

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

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

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 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 and 15. At 30 April 2023 the Company reported net current liabilities of £129,357,000 (2022: £62,069,000) and net assets of £481,270,000 (2022: £441,696,000).

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2. Accounting policies (continued)

2.5 Turnover

Turnover 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. Turnover 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:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.8 Interest income

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

2.9 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.

2.10 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.

Defined benefit schemes

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

The Group has in place a stated policy for allocating the net defined benefit cost and employer contributions relating to the Scheme to participating Group entities based on the most recent available member data.

Accordingly, both the Company’s statement of financial position and income statement reflect the Company’s share of the net defined benefit liability and net defined benefit cost in respect of the Scheme, allocated per the stated policy. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

2. Accounting policies (continued)

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.12 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.

2.13 Current and deferred taxation

Income tax on the profit or loss for the year comprises current 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. Accounting policies (continued)

2.14 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.15 Tangible fixed assets

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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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:

Freehold property	- 2% to 10% per annum (straight-line)
Long-term leasehold property	- 2% to 10% per annum (straight-line)
Plant and machinery	- 5% to 25% per annum (straight-line)
Fixtures and fittings	- 5% to 25% per annum (straight-line)

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

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

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

On transition to FRS 102, a deemed cost exemption was applied to a previous valuation over freehold and leasehold properties, and thereafter they are carried at that deemed cost less accumulated depreciation. Further details are disclosed in note 15.

2. Accounting policies (continued)

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Income Statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.17 Inventories

Inventories 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 inventories 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.

2.18 Debtors

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

2.19 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.

2.20 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.22 Financial instruments

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

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

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

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

3. Prior year restatement

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

	Previously stated balance	Adjustment	Restated balance
	£000	£000	£000
At 1 May 2022			
Trade and other receivables: more than one year			
Derivative financial instruments	-	16,631	16,631
Trade and other receivables: within one year			
Derivative financial instruments	-	39,198	39,198
Provisions for liabilities			
Deferred Tax	(9,812)	(13,957)	(23,769)
Hedging reserves	-	(41,872)	(41,872)

Hedging reserves as at 01 May 2021 was also increased by £4,616,000 as a result of the misstatement.

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

There were no 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.

Key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimations) 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 current and future periods.

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

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 longterm 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 26.

5. Turnover

Analysis of turnover by country of destination:

	2023	*2022*
	£000	*£000*
United Kingdom	**502,884**	*390,668*
Rest of Europe	**64,849**	*43,035*
Rest of World	**4,902**	*1,698*
	572,635	*435,401*

The Company's revenue was generated by the sale of goods of £478,084,000 (2022: £427,323,000) and the sale of energy services £94,551,000 (2022: £8,078,000).

Financial year 2023 energy sales increased by £87m due to the new K4 Energy arrangement where gas is procured by DSS and sold on to Eon. The remaining increase of £51m in revenue was driven by an increase in paper prices for the majority of the year. Plasterboard prices increased on average by £187/ton in 2023 compared to 2022 driven by an increase in energy prices.

6. Other operating income

Other income comprises income from the anaerobic digestor facility and the new combined heat and power facility.

7. Operating profit

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

	2023 **£000**	*2022* *£000*
Research & development	**11**	*(2)*
Foreign exchange (gain)/loss	**786**	*(615)*
Other operating lease rentals	**1,946**	*1,542*
Depreciation of owned property, plant and equipment (note 15)	**16,169**	*16,184*
Amortisation of intangible assets (note 14)	**91**	*361*
Cost of inventory	**428,040**	*351,291*

8. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2023 **£000**	*2022* *£000*
Fees payable for the audit of the Company's annual financial statements	**94**	*86*

9. Employees

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

	2023 **£000**	*2022* *£000*
Wages and salaries	**32,330**	*27,303*
Social security costs	**3,232**	*2,899*
Cost of defined contribution scheme	**2,719**	*2,465*
	38,281	*32,667*

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

	2023 **No.**	*2022* *No.*
Direct production	**190**	*193*
Indirect production	**195**	*201*
Administration	**54**	*76*
	439	*470*

10. Directors' remuneration

	2023 **£000**	*2022* *£000*
Directors' emoluments	**454**	*1,297*
	454	*1,297*

The highest paid Director received remuneration of £315,000 *(2022 - £945,000)*.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £13,000 *(2022 - £NIL)*.

No Directors exercised share options in the year. In 2022 two Directors exercised options of £369,384 in the ultimate parent company, DS Smith Plc, which were not included in Directors' emoluments.

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

11. Interest receivable

	2023 £000	2022 £000
Group interest receivable	9,860	2,008
Employment benefit net finance income (Note 26)	139	-
	9,999	2,008

12. Interest payable and similar expenses

	2023 £000	2022 £000
Bank interest Payable	152	233
Employment benefit net finance expense (Note 26)	-	259
Factoring costs	854	317
	1,006	809

13. Income tax expense

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	**4,548**	-
Adjustments in respect of prior years	**2,693**	*(2,815)*
Total current tax	**7,241**	*(2,815)*
Deferred tax		
Origination and reversal of timing differences	**5,292**	*8,715*
Changes to tax rates	**-**	*(34)*
Adjustment in respect of prior years	**(5,699)**	*3,893*
Total deferred tax	**(407)**	*12,574*
Taxation profit on ordinary activities	**6,834**	*9,759*

The deferred tax adjustment in respect of prior years of £5,669,000 relates to a reduction 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.

13. Income tax expense (continued)

Factors affecting tax charge for the year

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

	2023 £000	*2022 £000*
Profit on ordinary activities before tax	**95,793**	*44,925*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2022 - 19%)	**18,680**	*8,536*
Effects of:		
Permanent differences	**90**	*373*
Effect of change in corporation tax rate	**1,164**	*2,058*
Adjustments in respect of prior years	**(3,006)**	*1,078*
Group relief	**(10,094)**	*(2,286)*
Total tax charge for the year	**6,834**	*9,759*

Factors that may affect future tax charges

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

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

	2023 £000	*2022 £000*
Tax on other comprehensive income		
Tax on actuarial (gain)/loss	**277**	*(2,715)*
Deferred tax on designated cash flows	**16,185**	*(12,418)*
Total tax (charge)/credit included in other comprehensive income	**16,462**	*(15,133)*

14. Intangible assets

	Other intangibles £000	Carbon credits £000	Computer software £000	Goodwill £000	Total £000
Cost					
At 1 May 2022	**2,669**	**1,485**	**1,732**	**13,557**	**19,443**
Additions	**-**	**-**	**597**	**-**	**597**
Reclassification to tangible assets	**-**	**-**	**102**	**-**	**102**
Disposals	**(82)**	**-**	**-**	**-**	**(82)**
At 30 April 2023	**2,587**	**1,485**	**2,431**	**13,557**	**20,060**
Amortisation					
At 1 May 2022	**2,669**	**1,485**	**1,622**	**13,557**	**19,333**
Charge for the year on owned assets	**-**	**-**	**91**	**-**	**91**
Disposals	**(82)**	**-**	**-**	**-**	**(82)**
At 30 April 2023	**2,587**	**1,485**	**1,713**	**13,557**	**19,342**
Net book value					
At 30 April 2023	**-**	**-**	**718**	**-**	**718**
At 30 April 2022	*-*	*-*	*110*	*-*	*110*

15. Property, plant and equipment

	Freehold property £000	Long-term leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 May 2022	**89,267**	**5,506**	**415,014**	**3,553**	**8,092**	**521,432**
Additions	**-**	**-**	**2,065**	**-**	**32,670**	**34,735**
Reclassification from intangible assets	**-**	**-**	**(102)**	**-**	**-**	**(102)**
Disposals	**(862)**	**-**	**(7,766)**	**(23)**	**-**	**(8,651)**
Transfers between classes	**1,571**	**-**	**7,266**	**653**	**(9,490)**	**-**
At 30 April 2023	**89,976**	**5,506**	**416,477**	**4,183**	**31,272**	**547,414**
Depreciation						
At 1 May 2022	**44,211**	**5,506**	**282,234**	**361**	**-**	**332,312**
Charge for the year on owned assets	**1,874**	**-**	**14,010**	**285**	**-**	**16,169**
Disposals	**(807)**	**-**	**(7,590)**	**(20)**	**-**	**(8,417)**
At 30 April 2023	**45,278**	**5,506**	**288,654**	**626**	**-**	**340,064**
Net book value						
At 30 April 2023	**44,698**	**-**	**127,823**	**3,557**	**31,272**	**207,350**
At 30 April 2022	*45,056*	*-*	*132,780*	*3,192*	*8,092*	*189,120*

On transition to FRS 102, the company used the transition exemption to treat a previous GAAP revaluation as at 29th April 1995 as deemed cost for its Freehold property and Long-term leasehold land and buildings. An independent chartered surveyor valued the land and non-specialised properties on an open market, existing use basis, and the specialised properties at depreciated replacement cost. The cost of the properties would have been £73,628,000 and £72,919,000 as of 30 April 2023 and 30 April 2022, respectively, if these had been determined according to the historical cost accounting rules. The associated accumulated depreciation would have been £37,634,000 as of 30 April 2023 (2022: £36,567,000).

16. Investment in subsidaries

	Investments in subsidiary companies £000
Cost or valuation	
At 1 May 2022	**1,620**
At 30 April 2023	**1,620**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
DS Smith Logistics Limited	Level 3, 1 Paddington Square, London, W2 1DL	Ordinary and Non-cumulative preference	100%
St Regis Kemsley Limited	Level 3, 1 Paddington Square, London, W2 1DL	Ordinary	100%
Grovehurst Energy Limited	Level 3, 1 Paddington Square, London, W2 1DL	Ordinary	100%

17. Inventories

	2023 £000	*2022 £000*
Raw materials and consumables	**10,901**	*9,545*
Finished goods and goods for resale	**10,331**	*15,191*
	21,232	*24,736*

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions as at 30 April 2023 were £3.7m (30 April 2022: £3.3m)

18. Trade and other receivables

	2023 £000	*As restated 2022 £000
Non-current		
Due from group companies	**403,001**	*319,176*
Derivative financial instruments	**-**	*16,631*
	403,001	*335,807*

Amounts owed to group undertakings in the prior year included debit balances of £6,932,000. These have been reclassed to non-current amounts owed by group undertakings.

The amounts are not expected to be settled in the next 12 months.

Interest was charged on amounts owed by group undertakings of £309,057,748 at 1 month LIBOR. No interest was charged on the remaining balances. All amounts owed by group undertakings have no fixed date of repayment and are unsecured.

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

	2023 £000	*As restated 2022 £000
Current		
Trade debtors	**16,309**	*12,829*
Amounts owed by group undertakings	**33,921**	*38,154*
Other debtors	**1,980**	*2,728*
Prepayments	**2,923**	*3,035*
Accrued income	**6,921**	*11,721*
Income tax receivable from group undertakings	**13,380**	*20,604*
Derivative financial instruments	**-**	*39,198*
	75,434	*128,269*

Amounts owed by group undertakings are non-interest bearing, unsecured, and are expected to be settled within the next twelve months or relate to trading balances.

* 30 April 2022 comparative has been restated as explained in Note 3.

19. Cash at bank and in hand

	2023 **£000**	*2022* *£000*
Cash at bank and in hand	**3,335**	*19,877*
	3,335	*19,877*

20. Trade and other payables - current

	2023 **£000**	*2022* *£000*
Trade creditors	**117,387**	*128,238*
Amounts owed to group undertakings	**81,021**	*71,609*
Other taxation and social security	**392**	*4,263*
Other creditors	**4,468**	*2,338*
Accruals and deferred income	**16,337**	*17,166*
Derivative financial instruments	**8,815**	-
	228,420	*223,614*

No interest was charged on amounts owed to group undertakings which are unsecured and repayable on demand. Amounts owed to group undertakings in the prior year previously included debit balances of £6,932,000. These have been reclassed to non-current amounts owed by group undertakings.

Trade and other payables - non-current

	2023 **£000**	*2022* *£000*
Derivative financial instruments	**97**	-
	97	-

21. 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:

	2023	**As restated 2022*
	£'000	*£'000*
Derivatives held to hedge future transactions:		
Energy - current	**(8,815)**	39,198
Energy - Non current	**(97)**	16,631
	(8,912)	55,829

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.

Hedge reserves

	Cash flow hedges £000
Balance at 1 May 2021 *As restated	4,616
Gain on designated cash flow hedges	88,789
Gain reclassedified to the income statement	(39,115)
Deferred Tax	(12,418)
At 30 April 2022 *As restated	**41,872**
Loss on designated cash flow hedges	(38,924)
Gain reclassified to the income statement	(25,817)
Deferred Tax	16,185
At 30 April 2023	**(6,684)**

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

22. Deferred taxation liability

	2023 £000
At beginning of year	**(23,769)**
Charged to profit or loss	**407**
Charged to other comprehensive income	**16,462**
At end of year	**(6,900)**

The provision for deferred taxation is made up as follows:

	2023 £000	*As restated* 2022 £000*
Accelerated capital allowances	**(7,642)**	*(9,342)*
Deferred Tax on designated cash flow hedges	**2,228**	*(13,957)*
Employee benefits including pensions	**(1,486)**	*(470)*
	(6,900)	*(23,769)*

* 30 April 2022 comparative has been restated as explained in Note 3.

23. Provisions

	Current Restructuring £000	Current Carbon credits £000	Current Landfill restoration £000	Non Current Landfill restoration £000	Total £000
At 1 May 2022	**925**	**9,671**	**741**	**1,000**	**12,337**
Charged to profit or loss	**-**	**(9,671)**	**475**	**-**	**(9,196)**
Utilised in year	**(925)**	**-**	**(278)**	**-**	**(1,203)**
At 30 April 2023	**-**	**-**	**938**	**1,000**	**1,938**

24. Called-up share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
250,500,000 *(2022 - 250,500,000)* ordinary shares of £0.50 each	**125,250**	*125,250*
1,370,400 *(2022 - 1,370,400)* 'A' ordinary shares of £0.50 each	**685**	*685*
340,000 *(2022 - 340,000)* 6% cumulative preference shares shares of £1.00 each	**340**	*340*
70,000,000 *(2022 - 70,000,000)* ‘A’ preference shares shares of £1.00 each	**70,000**	*70,000*
	196,275	*196,275*

Preference shares

The 6% cumulative preference shares of £1 each are not redeemable and the dividends are at the option of the Directors.

Holders of the 6% cumulative preference shares shall have the right on winding-up to receive, in priority to any other class of shares, the amounts paid up on such shares together with a sum equal to the arrears or deficiency of fixed dividend thereon.

"A" Preference shares

The "A" preference shares shall be entitled as follows:

(a) On a return of capital on liquidation, the assets of the Company available for distribution among the members, shall be applied in repaying to the holders of the "A" preference shares the amounts paid up on such shares, plus any accrued dividends. The "A" preference shares shall rank, on a return of capital on liquidation, in priority to any other shares for the time being in issue; and
(b) Dividends shall accrue on the "A" preference shares at 10 per cent, per annum, fixed rate; the declaration and payment shall be at the absolute discretion of the Company.

The company has 2 classes of ordinary shares which carries no right to fixed income.

25. Reserves

Revaluation reserve

The revaluation reserve represents the cumulative effect of the revaluation of freehold land in prior years.

Hedging reserve

The hedging reserve represents the share of the Group's commodity derivative contracts.

Equity reserves

The equity reserve represents the equity component of the convertible debt issued in 2008 and converted to ‘A’ Preference shares in March 2010.

Retained earnings

Retained earnings comprise cumulative profit or losses, net of dividends paid.

26. 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 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	*2022*
	£000	*£000*
Present value of funded obligations	**(771,935)**	*(1,055,810)*
Fair value of Scheme assets	**791,006**	*1,057,462*
Total IAS 19 deficit, net	**19,071**	*1,652*
Allocated to other participating employers	**(13,136)**	*225*
Company's share of FRS 102 surplus, net	**5,935**	*1,877*

Reconciliation of Scheme assets and liabilities:

	Assets	Liabilities	Total
	£000	£000	£000
At 1 May 2021	279,487	(294,968)	(15,481)
Employment benefit net finance expense			(259)
Contribution of fellow Group entity			4,938
Actuarial gains - financial assumptions			27,405
Actuarial gains - demographic			500
Actuarial losses - experience			(953)
Actuarial losses - Scheme assets			(14,273)
Company's share of FRS 102 surplus, net at 30 April 2022			1,877
At 1 May 2022	263,750	(261,873)	1,877
Employment benefit net finance income			139
Contribution of fellow Group entity			5,025
Actuarial gains – financial assumptions			62,147
Actuarial gains - demographic			7,248
Actuarial losses - experience			(3,867)
Actuarial losses – Scheme assets			(66,634)
Company's share of FRS 102 surplus, net at 30 April 2023			**5,935**

26. Employee benefits (continued)

A breakdown of the Scheme assets is provided below:

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

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.

Principal actuarial assumptions for the Scheme are as follows:

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

For the Group Scheme at 30 April 2023, the mortality base table used is SAPS 3 (year of birth), with CMI 2021 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	2022	2022
	Male	Female	Male	Female
Life expectancy at age 65				
Member currently aged 65	20.9	23.3	21.3	23.5
Member currently aged 45	21.9	24.7	22.3	25.1

26. Employee benefits (continued)

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	**(12)**
0.5% increase in inflation	**(8)**
1 year increase in life expectancy	**(5)**

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 £2,719,000 (2022: £2,465,000).

27. Capital commitments and other commitments

The Company had the following capital commitments:

	2023	*2022*
	£000	*£000*
Capital commitments	**14,177**	*9,971*
	14,177	*9,971*

28. 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.

29. Related party transactions

The Company has taken the exemption available under Section 33 of FRS 102 from disclosing related party transactions entered into between two or more members of the Group, provided that the fellow Group entities are wholly-owned by the Group.

30. Controlling party

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

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

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