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**DS SMITH PACKAGING LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 APRIL 2022**

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**DS SMITH PACKAGING LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	M Chiron W B Hicks S Rossi T P Slater
<b>Company secretary</b>	Z W Stone
<b>Registered number</b>	00630681
<b>Registered office</b>	350 Euston Road London NW1 3AX
<b>Independent auditor</b>	Deloitte LLP 5 Callaghan Square Cardiff CF10 5BT
<b>Bankers</b>	Citibank Citigroup Centre 33 Canada Square London E14 5LB

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**DS SMITH PACKAGING LIMITED**

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**CONTENTS**

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	Page
<b>Strategic Report</b>	1 - 6
<b>Directors' Report</b>	7 - 13
<b>Directors' Responsibilities Statement</b>	14
<b>Independent Auditor's Report</b>	15 - 18
<b>Income Statement</b>	19
<b>Statement of Comprehensive Income</b>	20
<b>Statement of Financial Position</b>	21
<b>Statement of Changes in Equity</b>	22
<b>Notes to the Financial Statements</b>	23 - 47

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## DS SMITH PACKAGING LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

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#### Introduction

The Directors present their strategic report for the year ended 30 April 2022.

#### Principal activities and future developments

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

#### Business review

The loss after taxation for the year amounted to £28,462,000 (2021: profit £19,952,000). The performance is below that of recent years; however the drivers of the reduced profitability are well understood, and measures are being taken to mitigate these impacts. No dividends were paid during the year (2021: £nil). Net assets in the year decreased by £14,290,000 to £37,737,000 (2021: £52,027,000).

The performance of the Company has been adversely affected by the volatility of the main input cost, CCM (Corrugated Case Material). External paper indices have continued to move upwards and there has been a sustained period of high paper costs. The Company has contracts with key customers which permits 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 a contractual indexation mechanism.

Macroeconomic factors, particularly inflation, have increased pressure on margins and the Company has an active programme of productivity improvements and cost optimisation initiatives to counter the financial impact of these pressures.

#### Financial key performance indicators

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

Financial KPIs	2022	2021	Definition and method of calculation
Return on Sales (RoS) %	-3.0%	5.7%	RoS is the ratio of earnings before interest, taxation, adjusting items, and discontinued operations to sales expressed as a percentage.
Gross Profit %	18.7%	29.0%	Gross Profit % is the ratio of revenue less cost of sales before adjusting items to sales expressed as a percentage.
Total Lost Time Accidents ("LTAs")	6.0	5.0	Number of accidents resulting in lost time of one shift or more.
Accident Frequency Ratio ("AFR")	1.0	0.9	Number of LTAs per million hours worked.

Return on Sales and Gross Profit have both been adversely affected by higher input costs during the year ended 30 April 2022 than in the previous year. Contracts with key customers enable the Company to recover the higher paper costs, however there is often a delay between the purchase of paper and an associated increase in prices to customers. For this reason, the Directors are satisfied that the Company will successfully be able to navigate through this period of increased cost and return to profitability imminently.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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**Financial key performance indicators (continued)**

Health and Safety is the key priority of the Directors and therefore any and all LTAs, and the resulting AFR, are of concern. The Directors have a vision of zero harm and accordingly a root cause analysis is undertaken after all LTAs to establish the cause and implement changes to avoid repetition. Employees are encouraged to report all safety concerns and they are empowered to make changes to the processes at site to ensure that accidents are minimised.

**Adjusting items**

During the financial year adjusting items totalling £591,000 (2021: £1,220,000) were recognised in the Income Statement relating to redundancy costs. In 2021, adjusting costs netting to £nil were recognised as a result of the hive up of TRM Packaging Limited. There was no equivalent transaction in 2022.

**Future prospects**

The Company's principal activity during the year was the manufacture of fibre-based packaging. The Directors expect that this will remain the case in the future and that the general level of activity for the Company will remain consistent with 2022.

The Directors are confident that the future prospects of the Company are positive, although it continues to operate in a challenging macroeconomic environment. The Company has previous experience of successfully navigating through periods of high paper prices. The indexation mechanisms that are in place with key customers will allow the Company to more fully recover the increased paper costs. The Company continues to be a key supplier of packaging to the fast-moving consumer goods ("FMCG") and e-commerce industries, and accordingly has a strong pipeline of orders and opportunities.

There continues to be global uncertainty within the macroeconomic environment as a result of the Russian invasion of Ukraine and rising inflation, in particular energy costs. Raw material and other input costs also remain high. However, these are mitigated by effective supplier arrangements, long-term hedging arrangements and the pass through of higher input costs to customers. The Company has demonstrated resilience throughout the Covid-19 pandemic and customer demand remains strong. The Company continues to carefully manage its cost base and is confident for the year ahead.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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

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

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

**Employee engagement**

The Company employed 3,401 people as at 30 April 2022. Our people are interested in a company they can be proud of and a strong supportive culture in which they feel safe, recognised, included and fairly rewarded and in which they can fulfil their potential. We provide development opportunities for all and recognition of personal development, regardless of gender, ethnicity, age or religion. We encourage feedback and have mechanisms through our employee forums, biennial employee survey and more regular pulse surveys, which inform our action plans. We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values (Be caring, Be challenging, Be responsive, Be trusted and Be tenacious).

In 2021/22, we conducted an engagement survey to understand what is working and areas to improve; to listen, respond and act. We continued celebrating the contribution and success of employees with our participation in the Group's second Smithies awards event held virtually. We provided managers with a set of tools to drive high levels of health and safety and wellbeing engagement.

We also continued to develop our leadership pipeline from early talent through to mid and senior leadership, for example, by nominating employees to participate in two Group-wide programmes, the Global Leadership Programme and Aspire (see page 27 of the Group's 2022 Annual Report). We provided more opportunities for employees to develop by offering new ways of accessing learning.

We also accelerated our diversity and inclusion ambition. For example, leaders in the Company participated in an inclusive leadership workshop alongside other leaders from across the Group who are part of a global, diverse alumni network supporting each other. After the inclusive leadership workshop, several leaders were paired with reverse mentors of different backgrounds. Reverse mentoring is an opportunity to connect with our diversity and inclusion agenda on a personal level and drive action to create cultural transformation. It builds a bridge between different backgrounds, benefiting both parties. One of the participating employees from the Company commented that "We talked about areas we can improve and will explore these in future conversations."

Everyone has a role to play to make the organisation a more diverse and inclusive environment. This year, we have participated in a number of active networks launched by the Group, such as Employee Resource Groups, LGBTQ+ and Allies Network and an Ethnic and Cultural Diversity Network. We also launched the Career Transition Partnership for veterans.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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**Fostering of business relations with suppliers, customers and others**

**Customers**

We have a diverse customer base, serving predominantly FMCG customers and e-commerce. 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.

In 2021/22, we supported our customers throughout the pandemic by maintaining our continuity of service, strengthened our value proposition and helped customers better position themselves for a more circular economy, accelerated innovation programmes, including plastic replacement, and demonstrated flexibility and agility in our co-operation with our customers. Our packaging is fully sustainable which means it helps our customers achieve their own sustainability targets.

Following the launch of our Circular Design Principles, we have developed Circular Design Metrics for packaging. With this pioneering tool we can give a clear identification of a packaging design's sustainability performance. We have embedded our Circular Design Metrics across all of the Company's packaging sites. These enable us to measure and quantify the sustainability performance of each of our packaging designs across eight key different indicators: carbon footprint, design for reuse, supply chain optimised, recyclable, planet safe, material utilisation, renewable source, and recycled content.

As more than 70 per cent of a product's environmental impact is determined at the design stage, data from the Circular Design Metrics enables brands and retailers to compare different design solutions, helping them to reduce waste and pollution and keep materials and products in use for longer. Through our Circular Design Principles, brands can keep materials in use, design out waste so that it is easier for consumers to reuse and recycle packaging, and regenerate natural systems.

**Suppliers**

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

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

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

In January 2022, the Group announced its ambitious commitment to align its global operations to a 1.5°C scenario as set out in the Paris Climate Agreement, by committing to reduce 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 our target to manufacture 100 per cent recyclable or reusable packaging.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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**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 33 of the Strategic report in the Group's 2022 Annual Report.

**Principal risks and uncertainties**

Competitive pressure in our core markets is 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 to provide quality products and solutions and to ensure excellent service levels are maintained.

There continues to be volatility around the cost of the Company's main input cost, CCM (Corrugated Case Material) paper, and these additional costs needs to be passed onto the customer in order to maintain margins. Rising energy costs are a risk given the energy requirements of operating the plant and machinery in our manufacturing sites. The Company has actively sought to mitigate the energy costs through various initiatives, including hedging.

Inflation rates have risen, particularly in the first months of the new financial year. Discussions are ongoing with the unions that represent our workforce to address labour inflation, and our Procurement team continue to work with suppliers to manage inflationary pressures in our other input costs.

The Directors and employees of the Company have been shocked and appalled by the Russian invasion of Ukraine. Despite the geo-political uncertainty, the outlook for the Company remains unchanged. A secure supply chain and customer offering focussed on innovative sustainable packaging solutions remains compelling to our resilient customer base of FMCG multi-national companies.

The risks associated with the Covid-19 pandemic and Brexit have predominantly passed and the Company is now operating in a business-as-usual state with both matters.

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

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



**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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**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 at least 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 21. At 30 April 2022 the Company reported net current liabilities of £282,730,000 (2021: £258,938,000) and net assets of £37,737,000 (2021: £52,027,000).

The Company's ultimate parent Company and controlling party is DS Smith Plc, whose financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Company has access to considerable financial resources from across the Group and has received a legally binding letter of support from DS Smith Plc that it will, as required, continue to support the Company to repay its liabilities as they fall due for a period of no less than 12 months from the approval of these financial statements. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Taking into consideration the financial performance and financial position of the Company, they continue to adopt the going concern basis in preparing the financial statements.

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

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**T P Slater**  
Director  
Date: 11 November 2022

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 APRIL 2022**

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The directors present their report and the financial statements for the year ended 30 April 2022.

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

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

**Results and dividends**

The loss for the year, after taxation, amounted to £28,462,000 (2021 - profit £19,952,000).

The Directors have not proposed or paid a dividend for the year ended 30 April 2022 (2021: £nil). There have been no dividends proposed after year end up to the date of authorising the 30 April 2022 financial statements.

**Directors**

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

P J Brown ( resigned 30 April 2022)  
M Chiron  
W B Hicks  
S Rossi  
T P Slater

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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**Directors' and officers' liability insurance**

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

**Financial risk management objectives and policies**

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

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

*Credit risk*

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

*Liquidity risk*

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

*Interest rate risk*

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

*Foreign exchange risk*

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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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**Statement of corporate governance arrangements**

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

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

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

*Principle 1 - Purpose and leadership*

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

We deliver our Purpose through our four strategic goals:

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

These four strategic goals are underpinned by our five values:

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

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

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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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*Principle 1 - Purpose and leadership (continued)*

The Directors also are also responsible for setting the tone from the top in relation to compliance and business conduct. During the year, our Code of Conduct received one of the highest engagement scores in the Group-wide employee engagement survey. There are a number of other policies in place for the Group and the Company, which cover topics such as anti-bribery and anti-corruption, anti-slavery and human trafficking, commercial agents, competition law, corporate criminal offence, document retention, equal opportunities and anti-discrimination, gifts and hospitality, health and safety, procure to pay, sustainability, personal data protection and 'Speak Up!'. Further detail on these policies is set out in the Group's 2022 Annual Report, particularly on pages 62 to 64. The Board is supported by the governance, legal and internal audit functions, and the Compliance Committee in supporting a culture of compliance, aligned to our values.

*Principle 2 - Board Composition*

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

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

It is acknowledged that there continues to be a lack of diversity on the Board. The Directors remain committed to our diversity and inclusion ambitions. Stefano Rossi continues to sponsor the diversity and inclusion forum with members from across the Group and the Company. See the employee engagement statement for more details on our diversity and inclusion initiatives this year.

*Principle 3 - Director Responsibilities*

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

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

By way of example, in relation to health and safety, KPIs include the number of lost time accidents ("LTA") (meaning accidents resulting in lost time of one shift or more) and the accident frequency rate (meaning the number of LTAs per million hours worked). In relation to customer service, our KPI is 'on-time in-full deliveries' (meaning the proportion of our orders that are delivered on-time in-full across the business).

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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*Principle 4 - Opportunity and Risk*

The opportunities and risks faced by the Company are detailed in the Strategic Report in the sections entitled Future prospects and Principal risks and uncertainties, which form part of the Company's Annual Report and Financial Statements. See also the summary of potential risks and opportunities for the wider Group on pages 52 to 55 of the Group's 2022 Annual Report.

The primary annual strategic and financial planning activity is the Corporate Plan process, which covers a period of three successive financial years. This process assesses potential risks and opportunities and is used to develop the strategic direction of the Company and the wider DS Smith Group. The engagement with the Company's employees, customers and other stakeholders described above are key to the process of identifying and seizing opportunities for the Company. For example, there is growing demand for sustainable packaging solutions and we are meeting this by designing sustainable packaging solutions for our customers using our Circular Design Principles, which also helps our customers to achieve their sustainability goals. Our Circular Design Principles provide an example of our strategic goals in action to embrace an opportunity aligned to our Purpose.

The Directors are supported by the governance, internal audit, risk & insurance and legal functions in implementing internal control systems to identify and mitigate potential risks facing the Company. The Company operates within the framework of the Group's risk policy, further details of which are set out on pages 47 to 48 of the Group's 2022 Annual Report. We also work closely with other companies across the wider DS Smith Packaging division and Group to identify and pursue opportunities and to identify and mitigate potential risks.

*Principle 5 - Remuneration*

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

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

The overarching remuneration policy for the Group is set by a committee of non-executive Directors formed by the board of the ultimate parent company, DS Smith Plc, for this purpose. The purpose of the Remuneration Committee is to develop a reward package that supports our vision and strategy as a Group and to ensure the rewards are performance-based and encourage long-term shareholder value creation. Further information is set out in the Group's 2022 Annual Report, in particular the Remuneration Committee Report on pages 88 to 111.

*Principle 6 - Stakeholder relationships and engagement*

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

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

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

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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*Principle 6 - Stakeholder relationships and engagement (continued)*

Similarly, there is frequent dialogue and engagement with the Company's workforce, including using a Group-wide employee engagement survey in 2021/22. The Directors and management work with the internal communications team to engage our workforce through numerous different communication channels, as well as face-to-face engagement via meetings and physical site visits. Employees are actively invited to provide feedback, make suggestions and raise concerns both informally and via well-established forums or procedures, such as the European Works Council and the UK employee forums.

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

**Research and development activities**

The Company recognises the importance of continuing investment in research and development. It is Company policy to develop new product specifications commensurate with customer and environmental needs. Research is also conducted into ways to improve product quality and finding more cost-efficient production methods. An amount of £11,000 (2021: £5,000) 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 confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

**Post balance sheet events**

The Company's Retail Marketing operations have been strategically reviewed, resulting in an announcement on 27 October 2022. Please refer to Note 28.

**Auditor**

At the 2022 AGM of DS Smith Plc, the Company's ultimate parent company, held on 6 September 2022 Ernst & Young LLP (EY) were appointed as external auditor to the Group. Accordingly Deloitte LLP will not be seeking reappointment as auditor of the Company at the conclusion of their current term of office. There are no circumstances connected with the resignation of Deloitte LLP as external auditor which should be brought to the attention of the stakeholders of the Company.

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**DS SMITH PACKAGING LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2022**

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

.....  
T P Slater  
Director  
Date: 11 November 2022



**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 30 APRIL 2022**

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The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework '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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

**Opinion**

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

- give a true and fair view of the state of the company's affairs as at 30 April 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 28.

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

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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 at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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

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**Other information (continued)**

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 this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of directors**

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

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

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

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

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

**Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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**Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

We discussed among the audit engagement regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

Revenue recognition around the accuracy of customer rebates. Our procedures to respond to the risk identified included the following:

- We enquired of management around any new significant rebate agreements in the year, and understood the key terms of any such agreements;
- We reviewed minutes of meetings of those charged with governance as part of our assessment of whether new rebate agreements were entered into;
- We selected a sample of rebates from those amounts posted in the year and re-calculated these amounts based on the rebate terms in the agreements to ensure they have been recorded accurately; and
- We tested the design and implementation of the company's controls in respect of this risk.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in [the 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 the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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**DS SMITH PACKAGING LIMITED**

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

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**Use of our report**

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

David Hedditch (Senior statutory auditor)

for and on behalf of

**Deloitte LLP**

5 Callaghan Square  
Cardiff  
CF10 5BT

11 November 2022

**DS SMITH PACKAGING LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 APRIL 2022**

		Before adjusting items 2022 £000	Adjusting items (Note 10) 2022 £000	Total 2022 £000	Before adjusting items 2021 £000	Adjusting items (Note 10) 2021 £000	Total 2021 £000
	Note						
Turnover	3	697,705	-	697,705	636,866	-	636,866
Cost of sales		(567,088)	(591)	(567,679)	(452,079)	(1,220)	(453,299)
<b>Gross profit</b>		<b>130,617</b>	<b>(591)</b>	<b>130,026</b>	<b>184,787</b>	<b>(1,220)</b>	<b>183,567</b>
Distribution costs		(63,672)	-	(63,672)	(57,921)	-	(57,921)
Administrative expenses		(87,552)	-	(87,552)	(90,554)	-	(90,554)
<b>Operating (loss)/profit</b>	4	<b>(20,607)</b>	<b>(591)</b>	<b>(21,198)</b>	<b>36,312</b>	<b>(1,220)</b>	<b>35,092</b>
Loss on disposal of fixed assets		(38)	-	(38)	(225)	-	(225)
Income from other fixed asset investments	10	-	-	-	-	14,075	14,075
Amounts written off investments	10	-	-	-	-	(14,075)	(14,075)
Interest receivable and similar income	7	784	-	784	679	-	679
Interest payable and similar expenses	8	(1,846)	-	(1,846)	(2,350)	-	(2,350)
Other finance costs	9	(368)	-	(368)	(453)	-	(453)
<b>(Loss)/profit before tax</b>		<b>(22,075)</b>	<b>(591)</b>	<b>(22,666)</b>	<b>33,963</b>	<b>(1,220)</b>	<b>32,743</b>
Tax on (loss)/profit	11	(5,796)	-	(5,796)	(12,791)	-	(12,791)
<b>(Loss)/profit for the financial year</b>		<b>(27,871)</b>	<b>(591)</b>	<b>(28,462)</b>	<b>21,172</b>	<b>(1,220)</b>	<b>19,952</b>

The notes on pages 23 to 47 form part of these financial statements.

The results shown above are from continuing operations.

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**DS SMITH PACKAGING LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 APRIL 2022**

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	<b>Note</b>	<b>2022 £000</b>	<i>2021 £000</i>
(Loss)/profit for the financial year		<b>(28,462)</b>	19,952
<b>Other comprehensive income/(expense)</b>			
Actuarial gain/(loss) on defined benefit schemes	24	<b>18,011</b>	(5,640)
Income tax (charge)/credit on other comprehensive income		<b>(3,839)</b>	1,072
Movement in hedging reserve	22	-	13
<b>Other comprehensive income/(expense) for the year</b>		<b>14,172</b>	(4,555)
<b>Total comprehensive (expense)/income for the year</b>		<b>(14,290)</b>	15,397

The notes on pages 23 to 47 form part of these financial statements.

**DS SMITH PACKAGING LIMITED**  
**REGISTERED NUMBER: 00630681**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 APRIL 2022**

	Note	2022 £000	As restated* 2021 £000
<b>Non Current Assets</b>			
Goodwill	15	12,791	12,791
Intangible assets	12	4,661	5,788
Property, plant and equipment	13	212,065	207,559
Investments	14	3,217	3,217
Trade and other receivables: more than one year	17	102,151	114,434
Pension asset	24	2,063	-
		<u>336,948</u>	<u>343,789</u>
<b>Current assets</b>			
Inventories	16	46,833	35,525
Trade and other receivables: within one year	17	90,142	89,077
Cash at bank and in hand		3,213	4,602
		<u>140,188</u>	<u>129,204</u>
Trade and other payables: amounts falling due within one year	18	(422,918)	(388,142)
<b>Net current liabilities</b>		<u>(282,730)</u>	<u>(258,938)</u>
<b>Total assets less current liabilities</b>		<u>54,218</u>	<u>84,851</u>
Trade and other payables: amounts falling due after more than one year	19	(11,344)	(9,443)
<b>Provisions for liabilities</b>			
Deferred tax	21	(4,507)	-
Provisions	20	(630)	(786)
		<u>(5,137)</u>	<u>(786)</u>
Pension liability	24	-	(22,595)
<b>Net assets</b>		<u>37,737</u>	<u>52,027</u>
<b>Capital and reserves</b>			
Called up share capital	22	180	180
Profit and loss account		37,557	51,847
		<u>37,737</u>	<u>52,027</u>

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

.....  
**T P Slater**  
 Director  
 Date: 11 November 2022

The notes on pages 23 to 47 form part of these financial statements.

\* 30 April 2021 comparative has been restated as explained in Note 17.



**DS SMITH PACKAGING LIMITED**

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

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
<b>At 1 May 2020</b>	<b>180</b>	<b>(13)</b>	<b>36,463</b>	<b>36,630</b>
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	19,952	19,952
Actuarial losses on pension scheme	-	-	(5,640)	(5,640)
Income tax on other comprehensive income	-	-	1,072	1,072
Movement in hedging reserve	-	13	-	13
<b>Other comprehensive income/(expense) for the year</b>	<b>-</b>	<b>13</b>	<b>(4,568)</b>	<b>(4,555)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>13</b>	<b>15,384</b>	<b>15,397</b>
<b>At 1 May 2021</b>	<b>180</b>	<b>-</b>	<b>51,847</b>	<b>52,027</b>
<b>Comprehensive expense for the year</b>				
Loss for the year	-	-	(28,462)	(28,462)
Actuarial gains on pension scheme	-	-	18,011	18,011
Income tax on other comprehensive income	-	-	(3,839)	(3,839)
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>14,172</b>	<b>14,172</b>
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>(14,290)</b>	<b>(14,290)</b>
<b>At 30 April 2022</b>	<b>180</b>	<b>-</b>	<b>37,557</b>	<b>37,737</b>

The notes on pages 23 to 47 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The Company is a private company limited by shares and was incorporated in the United Kingdom and registered in England. The registered address is 350 Euston Road, London, United Kingdom, NW1 3AX. The principal activities of the Company are detailed in the Strategic report.

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

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of DS Smith Plc. The group accounts of DS Smith Plc are available to the public and can be obtained as set out in Note 27.

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 wholly-owned subsidiaries, and group and parent entities;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of key management personnel.

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

- IFRS 2 Share-based Payments in respect of Group settled share-based payments; and
- IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments.

The following new standards, amendments or interpretations have been adopted by the Company as of 1 May 2021:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Covid 19 Related Rent Concessions – amendments to IFRS 16

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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**1. Accounting policies (continued)**

**1.2 Revenue**

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

Revenue comprises the fair value of the sale of goods and services, net of value added tax and other sales taxes, rebates and discounts. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and the fulfilment of the related performance obligations.

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

A receivable is recognised when the goods are delivered, or services provided at a point in time, that consideration is unconditional because only the passage of time is required before the payment is due. This is typically when either the goods are loaded onto the collection vehicle if the buyer is collecting them, or when the goods are unloaded at the delivery address if the Company is responsible for delivery.

**1.3 Foreign currency translation**

The Company's financial statements are presented in sterling which is the Company's functional currency and presentational currency. Transactions in foreign currencies are recorded using the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the rate of exchange ruling at that date. Exchange differences arising on translation are taken to the income statement.

**1.4 Supplier rebates**

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

**1.5 Government grants**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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**1. Accounting policies (continued)**

**1.6 Research and development**

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

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

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

**1.7 Other intangible assets**

Goodwill is recorded at cost less accumulated impairment losses. The useful life of goodwill is considered to be indefinite and is tested annually for impairment; or more frequently if impairment is indicated.

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

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

The estimated useful lives are as follows:  
Computer software 3-5 years

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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**1. Accounting policies (continued)**

**1.8 Goodwill**

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

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

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

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

**1.9 Property, plant and equipment**

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

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

The estimated useful lives are as follows:

Freehold and long leasehold properties - 10-50 Years

Plant and equipment, fixtures and fittings (including IT hardware and motor vehicles) - 2-30 Years

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

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

Owned assets and Right of Use assets are depreciated on the same basis.

**1.10 Customer Contributions of fixed asset purchases**

Customer contributions to purchases of property, plant and equipment are included within deferred income in the statement of financial position, and are credited to operating profit over the estimated useful lives of the assets to which they relate.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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**1. Accounting policies (continued)**

**1.11 Valuation of Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**1.12 Pensions**

Defined contribution schemes

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

*Defined benefit schemes*

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

The DS Smith Group ('the Group') has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. Accordingly, both the Company's statement of financial position and income statement reflect the Company's share of the net defined benefit surplus/liability and net defined benefit cost in respect of the Scheme, allocated based on the subsidiaries' share of the headcount in the Scheme. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

**1.13 Share based payments**

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

**1.14 Provisions for liabilities**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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1. Accounting policies (continued)

1.15 Leases

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

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

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

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

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

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

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

1.16 Guarantees

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

1.17 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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1. Accounting policies (continued)

1.18 Current and deferred taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

For the year ended 30 April 2021 and prior years the Group policy is, for the tax charge during the year, the ultimate parent company DS Smith Plc pays the tax charged on behalf of the entity and the balance is stated as payable balance to Plc and in case of tax credit balance, the Company surrenders current year tax losses to other members of the DS Smith Group, and receives payment for those tax losses at the rate of tax prevailing in the year.

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.

1.19 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.

1.20 Financial income and expenses

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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**1. Accounting policies (continued)**

**1.21 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 at least 12 months from the date the financial statements are expected to be authorised for issue. The going concern assessment was made using latest forecast trading results.

The financial position of the Company is as shown in the statement of financial position.

The Company's ultimate parent company and controlling party is DS Smith Plc, whose financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has access to considerable financial resources which would be available to the Company if necessary. As a consequence, the Directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have formed a judgement at the time of approving these financial statements, that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing these financial statements.

**1.22 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**1.23 Adjusting items**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

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

In the application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical accounting judgements**

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

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

IAS19 employee benefits requires the Company to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in relation to the discount rate used, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. See note 24 for additional information.

**3. Turnover**

Analysis of turnover by country of destination:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
United Kingdom	<b>667,581</b>	<i>628,988</i>
Rest of Europe	<b>30,110</b>	<i>7,748</i>
Rest of the world	<b>14</b>	<i>130</i>
	<b>697,705</b>	<i>636,866</i>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**4. Operating (loss)/profit**

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

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Auditor's remuneration - fees payable for the audit of the Company's financial statements	<b>182</b>	<i>173</i>
Depreciation of owned property, plant and equipment	<b>15,343</b>	<i>15,461</i>
Depreciation of right-of-use assets	<b>6,563</b>	<i>7,557</i>
Cost of inventories recognised in the period	<b>543,447</b>	<i>438,967</i>
Research and development expenditure	<b>11</b>	<i>5</i>
Net foreign exchange gains	<b>(180)</b>	<i>(58)</i>
Amortisation - intangible fixed assets	<b>1,919</b>	<i>2,797</i>
Government grants receivable	<b>(21)</b>	<i>(21)</i>
	<b>=====</b>	<i>=====</i>

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

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

**5. Directors' remuneration**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Directors' emoluments	<b>1,742</b>	<i>1,322</i>
Company contributions to defined contribution pension schemes	<b>10</b>	<i>22</i>
	<b>=====</b>	<i>=====</i>
	<b>1,752</b>	<i>1,344</i>

The emoluments of the highest paid Director were £782,000 (2021: £616,000) including pension contributions of £nil (2021: £nil) and the accrued pension entitlement was £nil (2021: £nil). The total number of Directors who receive emoluments from the Company is 4 (2021: 5).

The number of Directors for whom pension contributions have been paid by the Company during the financial year was 1 (2021: 2).

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

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**6. Employees**

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

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Wages and salaries	<b>134,862</b>	<i>123,868</i>
Social security costs	<b>13,551</b>	<i>12,573</i>
Cost of defined contribution scheme	<b>11,074</b>	<i>10,066</i>
	<b>159,487</b>	<i>146,507</i>

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

	<b>2022</b>	<i>2021</i>
	<b>No.</b>	<i>No.</i>
Production	<b>2,581</b>	<i>2,471</i>
Selling and distribution	<b>495</b>	<i>495</i>
Management and administration	<b>325</b>	<i>320</i>
	<b>3,401</b>	<i>3,286</i>

In addition to wages and salaries there is a charge of £1,463,000 (2021: £1,050,000) in administration expenses in respect of share options granted by the ultimate parent company during the financial year. The Company's management participates in the performance share plan of the parent company. For further details see Note 25.

**7. Interest receivable**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Group interest receivable	<b>771</b>	<i>658</i>
Bank and other interest receivable	<b>13</b>	<i>21</i>
	<b>784</b>	<i>679</i>

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**8. Interest payable and similar expenses**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Bank and other interest payable	<b>59</b>	<i>447</i>
Factoring interest payable	<b>981</b>	<i>1,083</i>
Interest on lease liabilities (IFRS 16)	<b>806</b>	<i>820</i>
	<b>1,846</b>	<i>2,350</i>
	<b>1,846</b>	<i>2,350</i>

**9. Other finance costs**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Interest on pension scheme liabilities	<b>368</b>	<i>440</i>
Other finance cost	<b>-</b>	<i>13</i>
	<b>368</b>	<i>453</i>
	<b>368</b>	<i>453</i>

**10. Adjusting items**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Restructuring costs	<b>(591)</b>	<i>(1,220)</i>
Income from shares in group undertakings	<b>-</b>	<i>14,075</i>
Impairment of investments in subsidiaries	<b>-</b>	<i>(14,075)</i>
	<b>(591)</b>	<i>(1,220)</i>
	<b>(591)</b>	<i>(1,220)</i>

*Restructuring Costs*

Restructuring costs in the current and prior year principally comprised of costs arising from redundancies.

*Investment in subsidiaries*

On 1 May 2020, the trade and assets of TRM Packaging Limited were hived up into the Company. The hybrid accounting model permitted under FRS101 was applied; meaning that when a business is transferred up but no consideration is paid for the goodwill - the consideration being only equal to the value of the net separable assets - it may be necessary to reallocate part of the investment's carrying value to goodwill. The difference between the carrying value of the investment (£26,866,000) and the net asset value at the date of transfer (£14,075,000) of £12,791,000 was taken to goodwill. The Company received a dividend of £14,075,000 and impaired its investment in subsidiary undertakings by £14,075,000. There have been no such transactions in the current year.

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**11. Taxation**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
<b>Corporation tax</b>		
Current tax on profits for the year	-	3,258
Adjustments in respect of previous periods	4,832	(1,899)
<b>Total current tax charge</b>	<b>4,832</b>	<i>1,359</i>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,413)	11,432
Increase in tax rate	1,256	-
Adjustment in respect of prior periods	2,121	-
<b>Total deferred tax charge</b>	<b>964</b>	<i>11,432</i>
<b>Taxation on profit on ordinary activities</b>	<b>5,796</b>	<i>12,791</i>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (*2021 - lower than*) the standard rate of corporation tax in the UK of 19% (*2021 - 19%*). The differences are explained below:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
(Loss)/profit on ordinary activities before tax	<b>(22,666)</b>	<i>32,743</i>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% ( <i>2021 - 19%</i> )	<b>(4,307)</b>	<i>6,221</i>
<b>Effects of:</b>		
Permanent differences	473	1,414
Effect of change in corporation tax rate	677	-
Adjustments in respect of prior years	6,953	5,156
Group relief	2,000	-
<b>Total tax charge for the year</b>	<b>5,796</b>	<i>12,791</i>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**11. Taxation (continued)**

**Factors that may affect future tax charges**

In future years, the tax charge will be affected by the extent to which any capital gains can either be rolled over or sheltered by capital losses within the Group as well as subsequently enacted changes in tax rate.

The Finance Act 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. Accordingly, the deferred tax balances have been remeasured in the current year at a rate of 25% (2021: 19%).

**12. Intangible assets**

	<b>Computer software £000</b>
<b>Cost</b>	
At 1 May 2021	20,983
Additions - external	806
Intra-group transfers	(9)
Disposals	(107)
	21,673
At 30 April 2022	21,673
<b>Amortisation</b>	
At 1 May 2021	15,195
Charge for the year on owned assets	1,919
On disposals	(102)
	17,012
At 30 April 2022	17,012
<b>Net book value</b>	
At 30 April 2022	4,661
<i>At 30 April 2021</i>	5,788

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**13. Tangible fixed assets**

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Right of Use Assets £000	Assets under construction £000	Total £000
<b>Cost or valuation</b>						
At 1 May 2021	88,392	328,611	7,419	27,016	4,220	455,658
Additions	-	4,021	23	6,847	16,051	26,942
Transfers intra group	(531)	(1,880)	(48)	(42)	-	(2,501)
Disposals	(786)	(5,796)	(145)	(4,898)	-	(11,625)
Transfers between classes	352	4,632	1,235	-	(6,219)	-
At 30 April 2022	<u>87,427</u>	<u>329,588</u>	<u>8,484</u>	<u>28,923</u>	<u>14,052</u>	<u>468,474</u>
<b>Depreciation</b>						
At 1 May 2021	30,784	201,370	3,376	12,569	-	248,099
Charge for the year on owned assets	1,942	12,845	556	-	-	15,343
Charge for the year on right-of-use assets	-	-	-	6,563	-	6,563
Transfers intra group	(425)	(1,880)	(48)	(42)	-	(2,395)
Disposals	(728)	(5,489)	(130)	(4,854)	-	(11,201)
At 30 April 2022	<u>31,573</u>	<u>206,846</u>	<u>3,754</u>	<u>14,236</u>	<u>-</u>	<u>256,409</u>
<b>Net book value</b>						
At 30 April 2022	<u>55,854</u>	<u>122,742</u>	<u>4,730</u>	<u>14,687</u>	<u>14,052</u>	<u>212,065</u>
At 30 April 2021	<u>57,608</u>	<u>127,241</u>	<u>4,043</u>	<u>14,447</u>	<u>4,220</u>	<u>207,559</u>



**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**14. Fixed asset investments**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 May 2021	3,217
At 30 April 2022	3,217

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

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

\* Held indirectly through Multigraphics Holdings Limited

Registered office address for all United Kingdom businesses: 350 Euston Road, London, England NW1 3AX.

Registered office address for DS Smith Shanghai Trading Limited: Room 05C, 3/F, No.2 Building, Hongqiao Vanke Center, 988 Shenchang Rd, Minhang district, 201107, Shanghai.

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**15. Goodwill**

	<b>2022 £000</b>
<b>Cost</b>	
At 1 May 2021	12,791
<b>At 30 April 2022</b>	<b>12,791</b>
<b>Amortisation</b>	
<b>Net book value</b>	
<b>At 30 April 2022</b>	<b>12,791</b>
<i>At 30 April 2021</i>	<i>12,791</i>

The assets of TRM Packaging Limited, a subsidiary company of DS Smith Packaging Limited, were hived up on 1 May 2020. The investment value at the date of the hive up was £26,866,000 and the net assets of TRM Packaging Limited were £14,075,000. In accordance with FRS 101, when a business is transferred up but no consideration is paid for the goodwill, the consideration being only equal to the value of the net separable assets, it may be necessary to reallocate part of the investment's carrying value to goodwill. The difference between the carrying value of the investment and the net assets at the date of the hive up of £12,791,000 has accordingly been recognised as goodwill.

Based on the durability of the hived up business, the useful life of goodwill is considered to be indefinite and is tested annually for impairment; or more frequently if impairment is indicated.

**16. Inventories**

	<b>2022 £000</b>	<i>2021 £000</i>
Raw materials and consumables	24,337	19,400
Work in progress	2,058	2,135
Finished goods and goods for resale	20,438	13,990
	<b>46,833</b>	<i>35,525</i>

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions at 30 April 2022 were £3,536,000 (2021: £3,185,000).

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**17. Trade and other receivables**

	<b>2022</b>	<i>As restated*</i> 2021
	<b>£000</b>	<b>£000</b>
<b>Non-current</b>		
Amounts owed by group undertakings	<b>102,151</b>	114,138
Deferred tax asset	-	296
	<b>102,151</b>	114,434
	<b>102,151</b>	114,434
	<b>2022</b>	2021
	<b>£000</b>	<b>£000</b>
<b>Current</b>		
Trade receivables	<b>67,277</b>	39,999
Amounts owed by group undertakings	<b>7,350</b>	34,198
Other debtors	<b>7,346</b>	8,798
Prepayments and accrued income	<b>8,169</b>	6,082
	<b>90,142</b>	89,077
	<b>90,142</b>	89,077

Interest is charged on a loan of £66,355,000 (2021: £81,550,000) to Group undertakings. Interest is charged at a rate of 1.17% (2021: 1.17%) and the loan has maturity date of 1 August 2023. All other assets owed by group undertakings are non-interest bearing and 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.

Certain balances within amounts owed by group undertakings were previously presented as non-current assets. However, since these amounts are expected to be realised in the Company's normal operating cycle they meet the criteria to be recognised as current and have been restated accordingly. The impact on the 30 April 2021 statement of financial position is an increase to current assets of £34,198,000 and an equivalent decrease in non-current assets. There is no impact on the income statement or the net asset position of the Company.

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**18. Creditors: Amounts falling due within one year**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Bank overdrafts	3,223	-
Trade creditors	69,848	55,677
Amounts owed to group undertakings	316,397	299,866
Other taxation and social security	2,797	6,412
Lease liabilities	4,627	6,225
Other creditors	1,395	2,606
Accruals and deferred income	24,631	17,356
	<b>422,918</b>	<i>388,142</i>
	<b>422,918</b>	<i>388,142</i>

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

**19. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Lease liabilities	11,299	9,377
Accruals and deferred income	45	66
	<b>11,344</b>	<i>9,443</i>
	<b>11,344</b>	<i>9,443</i>

Of the £11,299,000 (2021: £9,377,000) right of use assets lease obligation which is non-current, £2,784,000 (2021: £2,291,000) is due in 5 years or more.

**20. Provisions**

	<b>Restructuring</b>	<b>Dilapidations</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>provisions</b>	<b>£000</b>
			<b>£000</b>	
At 1 May 2021	130	430	226	786
Charged to profit or loss	591	-	-	591
Utilised in year	(435)	(195)	(117)	(747)
<b>At 30 April 2022</b>	<b>286</b>	<b>235</b>	<b>109</b>	<b>630</b>
	<b>286</b>	<b>235</b>	<b>109</b>	<b>630</b>

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**21. Deferred taxation**

	<b>2022 £000</b>
At beginning of year	296
Credited to profit or loss	(964)
Charged to other comprehensive income	(3,839)
<b>At end of year</b>	<b>(4,507)</b>

The deferred taxation balance is made up as follows:

	<b>2022 £000</b>	<i>2021 £000</i>
Depreciation (less than)/in excess of capital allowances	(3,991)	(3,997)
Employee benefits including pensions	(516)	4,293
	<b>(4,507)</b>	<i>296</i>

**22. Called up share capital and reserves**

	<b>2022 £000</b>	<i>2021 £000</i>
<b>Allotted, called up and fully paid</b>		
179,998 (2021 - 179,998) ordinary shares of £1.00 each	<b>180</b>	<i>180</i>

Authorised share capital is 180,000 shares.

*Hedging reserve*

The prior year hedging reserve comprised the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

*Capital contributions*

Capital contributions of £4,559,000 (2021: £4,559,000) are included within the retained earnings equity reserve.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**23. Contingent liabilities**

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

The Company has outstanding duty deferment account guarantees totalling £40,000 (2021: £40,000).

**24. Employee Benefits**

Defined Benefit Scheme

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

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

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

The Group has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. The consolidated financial statements for the year to 30 April 2022 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2022.

	2022	2021
	£'000	£'000
Present value of funded obligations	<b>(1,055,810)</b>	(1,188,736)
Fair value of Scheme assets	<u><b>1,057,462</b></u>	<u>1,120,094</u>
Total surplus/(deficit), net	<b>1,652</b>	(68,642)
Allocated to other participating employers	<u><b>411</b></u>	<u>46,047</u>
<b>Company's share surplus/( deficit),net</b>	<u><u><b>2,063</b></u></u>	<u><u>(22,595)</u></u>

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£'000	'£000	'£000
At 1 May 2021	<b>398,622</b>	<b>(421,217)</b>	<b>(22,595)</b>
Employment benefit net finance expense	7,841	(8,209)	(368)
Contribution of fellow Group entity	7,015	-	7,015
Actuarial Gains/(Losses)	(20,276)	38,287	18,011
Benefits paid	(16,615)	16,615	-
<b>Company's share of IAS 19 surplus/(deficit),net</b>	<u><u><b>376,587</b></u></u>	<u><u><b>(374,524)</b></u></u>	<u><u><b>2,063</b></u></u>

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**24. Employee Benefits (continued)**

The most recent funding valuation of the Scheme was carried out on 30 April 2019, following which a deficit recovery plan was agreed with the Trustee Board on 14 April 2020. The Group has agreed to maintain the previous Schedule of Contributions. The contribution for the year ended 30 April 2022 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:

	<b>2022</b>	<i>2021</i>
	<u>%</u>	<u>%</u>
Discount rate for scheme liabilities	<b>3.1</b>	<i>2.0</i>
Inflation rate	<b>3.2</b>	<i>2.7</i>
Pre - retirement pension increases	<b>2.5</b>	<i>2.2</i>
Future pension increases for pre 30 April 2005 service	<b>3.1</b>	<i>2.7</i>
Future pension increases post 30 April 2005 service	<b>2.2</b>	<i>2.0</i>

For the Group Scheme at 30 April 2022 and at 30 April 2021, the mortality base table used is SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement.

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

	<b>2022</b>	<b>2022</b>	<i>2021</i>	<i>2021</i>
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Life age expectancy at 65				
Member currently aged 65	<b>21.3</b>	<b>23.5</b>	<i>21.2</i>	<i>23.4</i>
Member currently age 45	<b>22.3</b>	<b>25.1</b>	<i>22.2</i>	<i>25.0</i>

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.

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**24. Employee Benefits (continued)**

	<b>Increase in pension liability £m</b>
0.5% decrease in discount rate	(28)
0.5% increase in inflation rate	(21)
One year increase in life expectancy	(14)

An analysis of Scheme assets below:

	<b>2022</b>	2021
	%	%
Equities/multi-strategy	8	-
Debt instruments	55	47
Derivatives	30	41
Cash and cash equivalents	2	1
Other	5	11
	<b>100</b>	100

**Defined contribution scheme**

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

The amount recognised as an expense for the defined contribution scheme in the year, relating to current period contributions was £11,074,000 (2021: £10,066,000). The amount payable at 30 April 2022 was £nil (30 April 2021: £nil).



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022

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**25. Share based payments**

The Company participates in the Group's share-based payment arrangements, which are as follows:

(i) A Performance Share Plan (PSP).

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

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

Awards made in 2016 are subject to three performance measures:

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

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

(a) Two performance measures:

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

(b) Three performance measures:

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

The awards granted in 2016 and 2017 have vested but have not yet been fully exercised.

(ii) A Deferred Share Bonus Plan (DSBP)

This plan is operated for Executive Directors and, from 2012/13, for senior executives. Shares awarded under the Plan will vest automatically if the Director or senior executive is still employed by the Company three years after the grant of the award.

(iii) Sharesave Plan

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

**DS SMITH PACKAGING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2022**

**25. Share based payments (continued)**

	Performance Share Plan		Deferred Share Bonus Plan	
	Weighted average exercise price (p)		Weighted average exercise price (p)	
	Options ('000)		Options ('000)	
Exercised	Nil	-	Nil	406
At 30 April 2022	Nil	412	Nil	30

	Sharesave Plan	
	Weighted average exercise price (p)	
	Options ('000)	
Exercised	370.5	1,064
At 30 April 2022	308.8	3,499

**26. Related party transactions**

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

**27. Ultimate parent undertaking and controlling party**

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

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

DS Smith Plc represents both the largest and smallest group of undertakings for which Group financial statements are prepared and of which the Company is a member. Copies of the Group financial statements are available from the Company Secretary of DS Smith Plc at its registered address: 350 Euston Road, London, NW1 3AX.

**28. Post balance sheet events**

As a result of a strategic review of the Company's Retail Marketing operations, a decision has been made to consult on the closure of the Aylesford manufacturing operation with activity transferring to our Ely site. This was publicly announced on 27 October 2022. It is anticipated, subject to consultation, a phased transition programme from February 2023 with the full close of the manufacturing operation in Aylesford by end of April 2023. Customers serviced by the Aylesford operation will transfer to the Company's Ely site. The estimated financial effect is £3,700,000 in site closure costs.