Registered number: 00058614

DS SMITH PAPER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2024

DS SMITH PAPER LIMITED

COMPANY INFORMATION

Directors	E M Ciechan W B Hicks B J Jennings
Company secretary	Z W Stone
Registered number	00058614
Registered office	Level 3 1 Paddington Square London United Kingdom W2 1DL
Independent auditor	Ernst & Young LLP The Paragon Counterslip Bristol United Kingdom BS1 6BX
Bankers	National Westminster Bank Plc 1 Princes Street London EC2R 8AQ United Kingdom
Solicitors	Slaughter and May One Bunhill Row London EC1Y 8YY United Kingdom

DS SMITH PAPER LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2024

Introduction

The Directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

Principal activities

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

Review of business

During the year the Company reported revenue of £377,266,000, a decrease of 34% from 2022/23 (£572,635,000). While production and sales volumes were marginally higher than the prior year (2.4% and 1.1% respectively), selling prices were significantly lower than the prior year, with CCM having an average price decrease of 34% from 2022/23, and plasterboard an average price decrease of 32% from 2022/23.

On the cost side, the Company benefited from lower Paper for Recycling (PfR) prices in the year which helped to partly mitigate the fall in sales price, leading to a decline in gross profit margin from 22.2% in 2022/23 to 5.9% in 2023/24. Distribution costs were marginally lower by 1% in the year to £20,376,000 (2022/23: £20,668,000).

Operating profit decreased by 116% from a profit of £86,800,000 in 2022/23 to a loss of £14,157,000 in 2023/24 which included £7,351,000 (2023/24: £5,214,000) of other income which largely comprised income in respect of the combined heat and power facility.

Net finance income increased from £8,993,000 in 2022/23 to £15,754,000 in 2023/24 largely due to interest income from the ultimate parent undertaking reflecting a significantly higher working capital loan receivable. Profit for the year decreased from £88,959,000 in 2022/23 to £979,000 in 2023/24.

The net assets of the Company as shown in the statement of financial position on page 17, increased from £481,270,000 at 30 April 2023 to £482,962,000 at 30 April 2024 reflecting the profit of £979,000 (2022/23: £88,959,000) and other comprehensive income of £713,000 (2022/23: other comprehensive loss £49,385,000).

Principal risks and uncertainties

Volatile commodity pricing for paper can create significant short-term challenges to capture appropriate returns by aligning raw material costs to sales revenues. The Company manages this through paper sourcing to maximise integration between production and internal customers.

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

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

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

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

Future developments

The Company's principal activities during the year were the manufacture and sale of corrugated case materials (CCM) and specialist paper grades. The Directors expect that this will remain the case in the future and that the general level of activity for the Company will remain consistent with 2024.

The Company is currently part-way through constructing a new fibre preparation plant (“F-Line”) which will become operational in 2025/26. Whilst this will not increase the overall output of the mill, it will significantly improve the Company’s fibre recoverability process. This will not only help the Company to significantly reduce its cost of production but will also play a significant part in helping the Company achieve its sustainability targets in the coming years.

Combination with International Paper

In April 2024, the Boards of International Paper Company and DS Smith reached an agreement and recommended the combination of International Paper with DS Smith. The all-share acquisition of DS Smith by International Paper received the approval of the DS Smith shareholders on 7 October 2024 and the International Paper shareholders on 11 October 2024. The combination is still subject to regulatory approvals.

Financial key performance indicators

Return on sales, being operating profit expressed as a percentage of revenue, decreased from 15.2% in 2022/23 to -3.8% in 2023/24 reflecting the significantly lower selling prices in the year.

Return on average capital employed (‘ROACE’) is the last 12 months’ operating profit before adjusting items as a percentage of the average monthly capital employed over the previous 12 month period. Capital employed is the sum of property, plant and equipment, intangible assets, working capital, capital debtors/creditors and provisions. During the year ROACE decreased from 61.2% in 2023 to -7.2% in 2024 reflecting the lower operating profit and higher average capital employed due to lower average trade payables.

Financial risk management objectives and policies

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

Liquidity and cash flow risk

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

Credit risk

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

Fibre price

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

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

The Board (comprising the Managing Director (Paper), the Finance Director (Paper) and the Group Financial Controller) aims to promote the success of the Company for the benefit of its shareholder and the wider Group as a whole, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves the Board and management considering in detail and discussing the interests of the Company's and Group's stakeholders; 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.

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 413 people as at 30 April 2024. We are working to realize the potential of our people, which focuses on creating a safe, diverse and inclusive workforce, as a fundamental foundation for a successful company. Our people want to work for a Purpose-led organization that resonates, and that they are proud to be a part of. They contribute to a supportive culture, in which they feel safe, recognized and rewarded. We are committed to ensuring that our workplace is safe, diverse and inclusive. By giving everyone a voice, we promote a meritocracy with development opportunities for all, and recognition of achievement regardless of gender, ethnicity, age or religion. We encourage feedback through our Employee Works Councils and employee pulse surveys and celebrate successes with our Smithies awards.

Our Company's health and safety goal is to achieve zero harm for all individuals impacted by our operations, including our employees, contractors and visitors. To realize this objective we have established Vision Zero, a strategy emphasizing leadership, engagement, safe work environments, processes and a shift towards developing a safety-oriented culture, behaviors and mindset. Throughout 2023/24, our primary focus has been the continuous implementation of Vision Zero. Collaborating closely with our leadership team, we have strived to ensure broad employee involvement in safety discussions and to systematically mitigate operational risks.

Promoting the welfare of our workforce, we introduced a global health and wellbeing week this year, a bi-annual initiative designed to raise awareness and inspire individuals to achieve a harmonious work-life equilibrium. This event encompassed a comprehensive range of over 500 activities spanning all sites and divisions worldwide. Topics covered included nutrition, mental health, and physical exercise. The success of the week was evident in the post-event survey, where it received an outstanding rating.

During 2023/24, we continued the use of pulse surveys, providing more frequent opportunities for colleague feedback, better manager guidance and support and clearer reporting and action planning. Online ideas boards were introduced for the first time this year, enabling suggestions for improvement to be crowd sourced. Despite a challenging external environment, we have seen some marked improvements in perceptions in recognition, based on our feedback in our engagement survey, due in part to our continued focus on our Smithies programme which celebrates the fantastic achievements of our colleagues. In 2024/25, we will continue to run targeted pulse surveys more frequently to give opportunities for our employees to provide regular feedback and drive action.

Being known as an inclusive organization will help us to grow our talent pool. We will continue to welcome people from different backgrounds and consistently attract some of the best people from our local communities and beyond. To accelerate progress, our immediate focus is on investing in leaders, supporting them with an inclusive leadership education programme. This will provide the cultural awareness and understanding needed to role-model inclusive behaviours and recruit and manage diverse teams.

Active networks include LGBTQ & Allies, Culture & Ethnic Diversity, Gender Diversity and Disability & Allies. These networks foster a sense of belonging by creating a safe and supportive space for employees who share a common sense of identity. The networks offer a platform for members to openly discuss their experiences and perspectives, which in turn can lead to positively building wellness through greater empathy and understanding. Active networks also promote greater awareness through various means including building an annual calendar to support key dates and celebrations within their respective communities.

Fostering of business relations with suppliers, customers and others

Customers

Our paper mill produce a wide range of high-quality finished paper products, primarily for container board products, all made from 100 per cent recycled or chain of custody certified fibre sources. The high performing packaging papers we produce, such as recycled corrugated case materials and kraftliners, are vital for our own packaging division to produce fibre-based packaging solutions. Our range of speciality papers includes plasterboard liners which are widely used in the construction industry. Our customers benefit from our commitment to lower our impact on the environment and increase the efficiency of our paper-making operations. We have invested £48 million to upgrade the fibre preparation line at our paper mill in Kemsley, which will enhance efficiency, reliability and sustainability, while improving recycling processes and contributing to our goal of zero waste to landfill by 2030.

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

Our community engagement aims to produce prosperity, particularly to promote sustainable development and ensure our activities create positive local impacts. Our communities want to reside amongst a good neighbor, leveraging our activities in a way that produces environmental, economic and social value that benefits the communities in which we operate. We engage with our communities on a range of local issues, including in our Community Programme on three main strategic themes: biodiversity, design and education. The DS Smith Charitable Foundation supports environment, education and humanitarian causes, amongst others.

Our government and NGO engagement is both direct and indirect, through trade associations. We aim to influence change to create a favorable landscape for our Company and stakeholders. Governments and NGOs want to engage in collaborative partnerships with the private sector, leveraging resources and building capacity to address systemic issues, particularly those impacting our industry. We engage in consultations relating to our policy priorities – decarbonization of heat, reuse and recycling, and extended producer responsibility. We take a leadership role with non-governmental organizations, such as our strategic partnership with the Ellen MacArthur Foundation, the Science Based Targets initiative and the 4evergreen alliance.

Suppliers

Our suppliers range from large, strategic suppliers, with whom we have deep long-term collaborative relationships, to small suppliers of specialist goods and services for specific requirements. Our diverse supplier population increases our resilience, helping to ensure security of supply. Suppliers are concerned about legal compliance, competitive pricing and sustainability. They are interested in how they can support our sustainability agenda, as well as progressing their own.

We collaborate closely with our suppliers, partnering on a range of initiatives from circularity to carbon. This includes helping suppliers to calculate their carbon footprint, set a science-based target and reduce emissions. We develop mutually cooperative, beneficial relationships that create value for all.

The business relationships with our suppliers, customers and other stakeholders, such as regulators and non-governmental organizations, are matters which the Group Chief Executive covers in his regular reports to the Group's Board. The Board appreciates the continuing work being done by the procurement function that strengthens existing relationships with suppliers so that supplies flow, even in times of shortage or supply chain stress.

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 76 of the Strategic report in the Group's 2024 Annual Report.

Task Force on Climate-related Financial Disclosures (TCFD)

The Company is included in the Group reporting of the ultimate parent company, which has provided its Task Force on Climate-related Financial Disclosures (TCFD) report on pages 60-77 of the Strategic report in the Group's 2024 Annual Report.

This report was approved by the board on 16 January 2025 and signed on its behalf.

W B Hicks
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2024

The Directors present their report and the financial statements for the year ended 30 April 2024.

Results and dividends

The profit for the year, after taxation, amounted to £979,000 *(2023: £88,959,000)*.

The Directors have not proposed or paid a dividend for the year ended 30 April 2024 (2023: £nil). There have been no dividends proposed after year-end up-to-the date of authorising the 30 April 2024 financial statements.

Directors

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

E M Ciechan
W B Hicks
B J Jennings

Directors' and officers' indemnity

During the year and up to the date of approval of these financial statements, the ultimate parent company maintained 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.

Political contributions

No political contributions were made during the year (2023: £nil).

Engagement with employees and disabled employees

The Company employed 413 people at 30 April 2024 and is committed to both the principle and achievement of equal opportunities in employment. Dependent upon their skills and abilities, the Company applies the same criteria to disabled persons as it does to other employees whether in selection, promotion or training. If any employee becomes disabled during employment with the Company, every effort is made to find suitable continuing employment.

The Company engages its employees in a number of ways. These are described in the ‘Employees’ section of the Strategic report.

Going concern

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set with the strategic report. The financial position of the Company is as shown in the statement of financial position on page 16. At 30 April 2024 the Company reported net current liabilities of £86,683,000 (2023: £129,357,000) and net assets of £482,962,000 (2023: £481,270,000).

The financial Statements have been prepared using the going concern basis of accounting. The Company has been issued a support letter from its ultimate parent company, DS Smith Plc, confirming ongoing financial support in meeting liabilities as they fall due for a period of at least 12 months from the day of approval of accounts. DS Smith Plc has undertaken its own assessment of going concern, which it has confirmed and this is disclosed on page 19 of the DS Smith Plc Half Year Report for the period ended 31 October 2024. The Directors are satisfied that no events took place after the release of the DS Smith Plc Half Year results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of at least 12 months from the day of approval of accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements.

Research and development activities

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

Accordingly, the majority of R&D costs are the cost of our Innovation, Research and Development colleagues. Costs linked to Innovation, Research and Development amounted to £nil (2023: £10,519 credited).

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

There have been no significant events affecting the Company since the year end.

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 76 of the Strategic report in the Group's 2024 annual report.

Auditor

Ernst & Young LLP (EY) were appointed as external auditor to the Company in 2024 and will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on 16 January 2025 and signed on its behalf.

W B Hicks
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2024

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

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

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

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

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

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

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DS Smith Paper Limited for the year ended 30 April 2024 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 30 April 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 the other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees, data protection and anti-bribery and corruption.

- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas. We also understood the controls put in place by management to reduce the opportunities for fraudulent transactions.

- We assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur by internal team conversations and inquiry of management and those charged with governance to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes and correspondence with relevant authorities, where applicable, and inquiries of DS Smith PLC group management and those charged with governance, legal counsel, and internal audit. Based on procedures performed, we have not identified any actual or possible instances of non-compliance with laws and regulations.

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

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

Use of our report

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

Luke Little (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP
Statutory auditor

The Paragon
Counterslip
Bristol
BS1 6BX
16 January 2025

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2024

	Note	2024 £000	*2023 £000*
Turnover	4	**377,266**	*572,635*
Cost of sales		**(355,082)**	*(445,338)*
Gross profit		**22,184**	*127,297*
Distribution costs		**(20,376)**	*(20,668)*
Administrative expenses		**(23,316)**	*(25,043)*
Other operating income	5	**7,351**	*5,214*
Operating (loss)/profit	6	**(14,157)**	*86,800*
Interest receivable	10	**16,902**	*9,999*
Interest payable and similar expenses	11	**(1,148)**	*(1,006)*
Profit before tax		**1,597**	*95,793*
Tax on profit	12	**(618)**	*(6,834)*
Profit for the financial year		**979**	*88,959*

The notes on pages 21 to 46 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2024

	Note	2024 £000	*2023 £000*
Profit for the financial year		**979**	*88,959*
Other comprehensive income/(loss)			
Loss on designated cash flow hedges	21	**(18,421)**	*(38,924)*
Reclassification from cash flow hedge reserve to income statement	21	**18,655**	*(25,817)*
Actuarial gain/(loss) on defined benefit schemes	26	**749**	*(1,106)*
Income tax on actuarial gain/(loss)	12	**(187)**	*277*
Deferred tax on designated cash flow hedges	12	**(83)**	*16,185*
Other comprehensive income/(loss) for the year		**713**	*(49,385)*
Total comprehensive income for the year		**1,692**	*39,574*

The notes on pages 21 to 46 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2024

	Note		2024 £000		2023 £000
Fixed assets					
Intangible assets	13		**2,166**		*718*
Property, plant and equipment	14		**219,240**		*207,350*
Investment in subsidiaries	15		**1,620**		*1,620*
Trade and other receivables	17		**342,701**		*403,001*
Employee benefits	26		**12,245**		*5,935*
			577,972		*618,624*
Current assets					
Inventories	16	**19,133**		*21,232*	
Trade and other receivables	17	**81,092**		*75,434*	
Cash at bank and in hand	18	**12,169**		*3,335*	
		112,394		*100,001*	
Trade and other payables - current	19	**(198,150)**		*(228,420)*	
Landfill Provision	23	**(815)**		*(938)*	
Restructuring provision	23	**(112)**		-	
Net current liabilities			**(86,683)**		*(129,357)*
Total assets less current liabilities			**491,289**		*489,267*
Trade and other payables - non-current	19		**(1,997)**		*(97)*
Provisions for liabilities					
Deferred tax	22	**(5,330)**		*(6,900)*	
Landfill Provision	23	**(1,000)**		*(1,000)*	
		(6,330)		*(7,900)*	
Net assets			**482,962**		*481,270*
Capital and reserves					
Called up share capital	24		**196,275**		*196,275*
Share premium account	25		**1,919**		*1,919*
Revaluation reserve	25		**8,704**		*8,704*
Hedging reserve	25		**(6,533)**		*(6,684)*
Equity reserves	25		**10,811**		*10,811*
Retained earnings	25		**271,786**		*270,245*
			482,962		*481,270*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 APRIL 2024

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 January 2025.

W B Hicks
Director

The notes on pages 21 to 46 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2024

	Called-up share capital	Share premium account	Revaluation reserve	Hedging reserve	Equity reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 May 2023	196,275	1,919	8,704	(6,684)	10,811	270,245	481,270
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	979	979
Actuarlial gain/(loss) on defined benefit schemes	-	-	-	-	-	749	749
Income tax on actuarial loss	-	-	-	-	-	(187)	(187)
Loss on designated cash flow hedges	-	-	-	(18,421)	-	-	(18,421)
Deferred tax on designated cash flow hedges	-	-	-	(83)	-	-	(83)
Reclassification from cash flow hedge reserve to income statement	-	-	-	18,655	-	-	18,655
Other comprehensive income for the year	-	-	-	151	-	562	713
Total comprehensive income for the year	-	-	-	151	-	1,541	1,692
At 30 April 2024	196,275	1,919	8,704	(6,533)	10,811	271,786	482,962

The notes on pages 21 to 46 form part of these financial statements.

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

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

The notes on pages 21 to 46 form part of these financial statements.

1. General information

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

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

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of DS Smith Plc as at 30 April 2024 and these financial statements may be obtained from Level 3, 1 Paddington Square, London, W2 1DL, United Kingdom.

2. Accounting policies (continued)

2.3 Going concern

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is as shown in the statement of financial position on page 16 and 17. At 30 April 2024 the Company reported net current liabilities of £86,683,000 (2023: £129,357,000) and net assets of £482,962,000 (2023: £481,270,000).

The financial Statements have been prepared using the going concern basis of accounting. The Company has been issued a support letter from its ultimate parent company, DS Smith Plc, confirming ongoing financial support in meeting liabilities as they fall due for a period of at least 12 months from the day of approval of accounts. DS Smith Plc has undertaken its own assessment of going concern, which it has confirmed and this is disclosed on page 19 of the DS Smith Plc Half Year Report for the period ended 31 October 2024. The Directors are satisfied that no events took place after the release of the DS Smith Plc Half Year results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of at least 12 months from the day of approval of accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

2. Accounting policies (continued)

2.5 Turnover

Turnover comprises the fair value of the sale of goods and services, net of value added tax and other sales taxes, rebates and discounts. Turnover 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 following criteria must also be met before revenue is recognised:

Sale of goods

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

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

Rendering of services

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

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

2.6 Operating leases: the Company as lessee

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

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

2. Accounting policies (continued)

2.7 Research and development

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

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

2.8 Interest income

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

2.9 Finance costs

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

2. Accounting policies (continued)

2.10 Pensions

Defined contribution pension plan

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

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

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

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.

2. Accounting policies (continued)

2.10 Pensions (continued)

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

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

2.11 Guarantees

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

2.12 Current and deferred taxation

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

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

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

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

The Pillar Two Income tax rules will apply to the DS Smith Group and subsidiaries for the financial year commencing on 1 May 2024. The Company has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required in the amendments to FRS 102 International Tax reform - Pillar two model rules effective 1 January 2023.

2. Accounting policies (continued)

2.13 Intangible assets

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

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

2.14 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

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

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

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

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

On transition to FRS 102, a deemed cost exemption was applied to a previous valuation over freehold and leasehold properties, and thereafter they are carried at that deemed cost less accumulated depreciation. Further details are disclosed in note 14.

2. Accounting policies (continued)

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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

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

2.16 Inventories

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

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

2.17 Debtors

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

2.18 Cash and cash equivalents

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

2.19 Creditors

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

2.20 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

2. Accounting policies (continued)

2.21 Financial instruments

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

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

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

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

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

There were no critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies.

Key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Defined benefit pension obligations

The cost of pension benefits is determined using actuarial valuations. This involves making assumptions about future changes in salaries, pension increases, mortality rates and discount rates. Due to the longterm nature of these plans, considerable management judgement is necessary and estimates are subject to uncertainty. Further details about the assumptions used are given in note 25.

4. Turnover

Analysis of turnover by country of destination:

	2024 **£000**	*2023* *£000*
United Kingdom	**180,413**	*502,884*
Rest of Europe	**192,770**	*64,849*
Rest of World	**4,083**	*4,902*
	377,266	*572,635*

The Company's revenue was generated by the sale of goods of £331,457,000 (2023: £478,084,000) and the sale of energy services £45,809,000 (2023: £94,551,000).

5. Other operating income

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

6. Operating (loss)/profit

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

	2024 **£000**	*2023* *£000*
Research & development charged as an expense	**-**	*11*
Foreign exchange (gain)/loss	**(742)**	*786*
Other operating lease rentals	**2,033**	*1,946*
Depreciation of owned property, plant and equipment (note 14)	**16,340**	*16,169*
Amortisation of intangible assets (note 13)	**229**	*91*
Cost of inventory	**337,636**	*428,040*

7. Auditor's remuneration

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

	2024 **£000**	*2023* *£000*
Fees payable to the Company's auditor for the audit of the Company's financial statements	**85**	*94*

8. Employees

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

	2024 £000	2023 £000
Wages and salaries	32,411	32,329
Social security costs	3,253	3,214
Cost of defined contribution scheme	67	19
Cost of defined benefit scheme	3,139	2,719
	38,870	38,281

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

	2024 No.	2023 No.
Direct production	154	190
Indirect production	204	195
Administration	68	54
	426	439

9. Directors' remuneration

	2024 £000	*2023 £000*
Directors' emoluments	**475**	*454*
Company contributions to defined contribution pension schemes	**67**	*19*
	542	*473*

The highest paid Director received remuneration of £281,000 *(2023: £315,000)*.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £34,315 *(2023: £13,000)*.

The number of directors for whom pension contributions have been paid by the Company during the financial year was 2 (2023: 2).

No Directors exercised share options in the year (2023: no Directors).

One Director (2023: one) is remunerated by other Group undertakings. It is considered that the level of their qualifying services to the Company is negligible compared to their main roles. There are no management charges from these group undertakings for their services. Consequently they determine that given the level of the services required, that the proportion of their salary relating to their services provided to the Company is insignificant. Therefore a £nil apportionment is made (2023: £nil).

10. Interest receivable

	2024 £000	*2023 £000*
Group interest receivable	**16,473**	*9,860*
Employment benefit net finance income (note 26)	**429**	*139*
	16,902	*9,999*

11. Interest payable and similar expenses

	2024 £000	*2023 £000*
Bank interest payable	**405**	*152*
Factoring costs	**743**	*854*
	1,148	*1,006*

12. Income tax expense

	2024	*2023*
	£000	*£000*
Corporation tax		
Current tax on profits for the year	**2,556**	*4,548*
Adjustments in respect of prior years	**(98)**	*2,693*
Total current tax	**2,458**	*7,241*
Deferred tax		
Origination and reversal of timing differences	**(2,252)**	*5,292*
Adjustment in respect of prior years	**412**	*(5,699)*
Total deferred tax	**(1,840)**	*(407)*
Taxation on profit on ordinary activities	**618**	*6,834*

The deferred tax adjustment in respect of prior years of £412,000 relates to a reduction in temporary differences arising in respect of accelerated capital allowances.

At the time of issuing the financial statements in the prior year, the amount of capital allowance was unknown and this only became determinable on submission of the tax return for that respective period.

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2023 - lower than)* the standard rate of corporation tax in the UK of 25% *(2023 - 19.5%)*. The differences are explained below:

	2024	*2023*
	£000	*£000*
Profit on ordinary activities before tax	**1,597**	*95,793*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 - 19.5%)	**399**	*18,680*
Effects of:		
Permanent differences	**(95)**	*90*
Effect of change in corporation tax rate	**-**	*1,164*
Adjustments in respect of prior years	**314**	*(3,006)*
Group relief	**-**	*(10,094)*
Total tax charge for the year	**618**	*6,834*

12. Income tax expense (continued)

Factors that may affect future tax charges

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

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

The UK Government has enacted legislation in respect of Pillar Two introducing a global minimum effective tax rate of 15% and a domestic minimum top up tax. The rules will apply to the Company for the financial year commencing on 1 May 2024. Additional disclosures on Pillar Two are included in the annual Group financial statements of DS Smith Plc, the ultimate parent of the Company.

13. Intangible assets

	Development expenditure £000	Trademarks £000	Computer software £000	Goodwill £000	Total £000
Cost					
At 1 May 2023	**2,587**	**1,485**	**2,431**	**13,557**	**20,060**
Additions	**-**	**-**	**1,677**	**-**	**1,677**
At 30 April 2024	**2,587**	**1,485**	**4,108**	**13,557**	**21,737**
Amortisation					
At 1 May 2023	**2,587**	**1,485**	**1,713**	**13,557**	**19,342**
Charge for the year on owned assets	**-**	**-**	**229**	**-**	**229**
At 30 April 2024	**2,587**	**1,485**	**1,942**	**13,557**	**19,571**
Net book value					
At 30 April 2024	**-**	**-**	**2,166**	**-**	**2,166**
At 30 April 2023	*-*	*-*	*718*	*-*	*718*

14. Property, plant and equipment

	Freehold property £000	Long-term leasehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 May 2023	**89,976**	**5,506**	**416,477**	**4,183**	**31,272**	**547,414**
Additions	**-**	**-**	**2,026**	**-**	**26,281**	**28,307**
Disposals	**(361)**	**-**	**(369)**	**-**	**-**	**(730)**
Transfers between classes	**502**	**-**	**9,255**	**351**	**(10,108)**	**-**
At 30 April 2024	**90,117**	**5,506**	**427,389**	**4,534**	**47,445**	**574,991**
Depreciation						
At 1 May 2023	**45,278**	**5,506**	**288,654**	**626**	**-**	**340,064**
Charges for the year on owned assets	**1,918**	**-**	**14,080**	**342**	**-**	**16,340**
Disposals	**(361)**	**-**	**(292)**	**-**	**-**	**(653)**
At 30 April 2024	**46,835**	**5,506**	**302,442**	**968**	**-**	**355,751**
Net book value						
At 30 April 2024	**43,282**	**-**	**124,947**	**3,566**	**47,445**	**219,240**
At 30 April 2023	*44,698*	*-*	*127,823*	*3,557*	*31,272*	*207,350*

On transition to FRS 102, the company used the transition exemption to treat a previous GAAP revaluation as at 29th April 1995 as deemed cost for its Freehold property and Long-term leasehold land and buildings. An independent chartered surveyor valued the land and non-specialised properties on an open market, existing use basis, and the specialised properties at depreciated replacement cost. The cost of the properties would have been £73,769,000 and £73,628,000 as of 30 April 2024 and 30 April 2023, respectively, if these had been determined according to the historical cost accounting rules. The associated accumulated depreciation would have been £39,191,000 as of 30 April 2024 (2023: £37,634,000).

15. Investment in subsidaries

	Investments in subsidiary companies £000
Cost or valuation	
At 1 May 2023	**1,620**
At 30 April 2024	**1,620**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

16. Inventories

	2024 £000	*2023 £000*
Raw materials and consumables	**8,301**	*10,901*
Finished goods and goods for resale	**10,832**	*10,331*
	19,133	*21,232*

There is no material difference between the statement of financial position value of inventories and their replacement cost. Inventory provisions as at 30 April 2024 were £4.0m (30 April 2023: £3.7m)

17. Trade and other receivables

	2024 £000	2023 £000
Non-current		
Due from group companies	**342,701**	*403,001*
	342,701	*403,001*

Interest was charged on amounts owed by group undertakings of £245,227,772 at 1 month SONIA plus 0.71%. No interest was charged on the remaining balances. All amounts owed by group undertakings have no fixed date of repayment, are not expected to be settled in the next 12 months and are unsecured.

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

	2024 £000	2023 £000
Due within one year		
Trade debtors	**22,101**	*16,309*
Amounts owed by group undertakings	**48,145**	*47,301*
Other debtors	**365**	*1,980*
Prepayments	**905**	*2,923*
Accrued income	**9,576**	*6,921*
	81,092	*75,434*

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

18. Cash at bank and in hand

	2024 £000	2023 £000
Cash at bank and in hand	**12,169**	*3,335*
	12,169	*3,335*

19. Trade and other payables - current

	2024 £000	2023 £000
Trade creditors	**76,052**	*117,387*
Amounts owed to group undertakings	**92,427**	*81,021*
Other taxation and social security	**378**	*392*
Other creditors	**4,668**	*4,468*
Accruals and deferred income	**18,043**	*16,337*
Derivative financial instruments (note 21)	**6,582**	*8,815*
	198,150	*228,420*

No interest was charged on amounts owed to group undertakings which are unsecured and repayable on demand.

Trade and other payables - non-current

	2024 £000	2023 £000
Derivative financial instruments (note 21)	**1,997**	*97*
	1,997	*97*

20. Leases

Company as a lessee

Lease liabilities are due as follows:

	2024 £000	2023 £000
Within one year	**1,256**	*1,284*
Between 1-5 years	**2,705**	*3,376*
Over 5 years	**233**	*708*
	4,194	*5,368*

21. Derivative Financial Instruments

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

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

	2024 £'000	2023 £'000
Derivatives held to hedge future transactions:		
Energy - current	**(6,582)**	(8,815)
Energy - non-current	**(1,997)**	(97)
	(8,579)	(8,912)

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

21. **Derivative Financial Instruments (continued)**

Hedge reserves

	Cash flow hedges £000
Balance at 1 May 2022	41,872
Loss on designated cash flow hedges	(38,924)
Reclassification to income statement	(25,817)
Deferred Tax	16,185
At 30 April 2023	**(6,684)**
Loss on designated cash flow hedges	(18,421)
Reclassification to income statement	18,655
Deferred Tax	(83)
At 30 April 2024	**(6,533)**

There was £nil recognised ineffectiveness during the year ended 30 April 2024 (2023: £nil)

22. Deferred taxation liability

	2024 £000
At beginning of year	**(6,900)**
Credited to profit or loss	**1,840**
Charged to other comprehensive income	**(270)**
At end of year	**(5,330)**

The provision for deferred taxation is made up as follows:

	2024 £000	*2023 £000*
Accelerated capital allowances	**(4,415)**	*(7,642)*
Deferred tax on designated cash flow hedges	**2,145**	*2,228*
Employee benefits including pensions	**(3,060)**	*(1,486)*
	(5,330)	*(6,900)*

23. Provisions

	Current Restructuring £000	Current Landfill restoration £000	Non Current Landfill restoration £000	Total £000
At 1 May 2023	**-**	**938**	**1,000**	**1,938**
Charged to profit or loss	**112**	**(22)**	**-**	**90**
Utilised in year	**-**	**(101)**	**-**	**(101)**
At 30 April 2024	**112**	**815**	**1,000**	**1,927**

The restructuring provision relates to redundancy costs. The landfill restoration provisions relate to environmental-related costs to restore sites to their original condition once that site is no longer being used in operations. The expected timing of settlement is uncertain.

24. Called-up share capital

	2024 £000	*2023 £000*
Allotted, called up and fully paid		
250,500,000 *(2023 - 250,500,000)* ordinary shares of £0.50 each	**125,250**	*125,250*
1,370,400 *(2023 - 1,370,400)* 'A' ordinary shares of £0.50 each	**685**	*685*
340,000 *(2023 - 340,000)* 6% cumulative preference shares shares of £1.00 each	**340**	*340*
70,000,000 *(2023 - 70,000,000)* ‘A’ preference shares shares of £1.00 each	**70,000**	*70,000*
	196,275	*196,275*

24. Called-up share capital (continued)

Preference shares

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

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

"A" Preference shares

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

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

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

25. Reserves

Revaluation reserve

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

Hedging reserve

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

Equity reserve

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

Retained earnings

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

26. Employee benefits

The Company is a participating employer in the DS Smith Group Pension Scheme (the 'Scheme'). The Scheme is a UK funded final salary defined benefit scheme providing pensions and lump sum benefits to members and dependants. The Scheme closed to future accrual from 30 April 2011 with pensions calculated based on pensionable salaries up to the point of closure (or the date of leaving the Scheme, if earlier). The Scheme has a normal retirement age of 65 although some members are able to take their benefits earlier than this. Increases to pensions are affected by changes in the rate of inflation for the majority of members. The Scheme exposes the Group to risks, such as longevity risk, currency risk, inflation risk, interest rate risk and investment risk. As the Scheme's obligation is to provide lifetime pension benefits to members upon retirement, increases in life expectancy will result in an increase in the Scheme's liabilities. Other assumptions used to value the defined benefit obligation are also uncertain. The Group has in place a stated policy for allocating the net defined benefit cost relating to the Scheme to participating Group entities. The consolidated financial statements for the year to 30 April 2024 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2024.

	2024	*2023*
	£000	*£000*
Present value of funded obligations	**(716,529)**	*(771,935)*
Fair value of Scheme assets	**761,036**	*791,006*
Total IAS 19 deficit, net	**44,507**	*19,071*
Allocated to other participating employers	**(32,262)**	*(13,136)*
Company's share of FRS 102 surplus, net	**12,245**	*5,935*

Reconciliation of Scheme assets and liabilities:

	Assets	**Liabilities**	**Total**
	£000	**£000**	**£000**
At 1 May 2022	**263,750**	**(261,873)**	**1,877**
Employment benefit net finance expense	8,036	(7,897)	139
Contribution of fellow Group entity	5,025	-	5,025
Actuarial (losses)/ gains	(66,633)	65,527	(1,106)
Benefits paid	(13,388)	13,388	-
At 1 May 2023	**196,790**	**(190,855)**	**5,935**
Employment benefit net finance income	9,635	(9,206)	429
Contribution of fellow Group entity	5,132	-	5,132
Actuarial (losses)/gains	(9,017)	9,766	749
Benefits paid	(13,263)	13,263	-
Company's share of FRS 102 surplus, net at 30 April 2024	**189,277**	**(177,032)**	**12,245**

26. Employee benefits (continued)

A breakdown of the Scheme assets is provided below:

	2024	*2023*
	£000	*£000*
Equities/multi-strategy	**11,694**	*51,893*
Debt instruments	**589,778**	*443,824*
Derivatives	**(814)**	*232,768*
Cash and cash equivalents	**21,348**	*7,904*
Other	**139,030**	*54,617*
	761,036	*791,006*

The most recent funding valuation of the Scheme was carried out on 30 April 2022, following which a deficit recovery plan was agreed with the Trustee Board on 21 July 2023. The Group has agreed to maintain the previous Schedule of Contributions. The contribution for the year ended 30 April 2024 under the plan was £21 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:

	2024	*2023*
	%	%
Discount rate for scheme liabilities	5.4	5.0
Inflation	3.3	3.2
Pre-retirement pension increases	2.9	2.8
Future pension increases for pre 30 April 2005 service	2.9	2.8
Future pension increases for post 30 April 2005 service	2.1	2.1

For the Group Scheme at 30 April 2024, the mortality base table used is SAPS 3 (year of birth), with CMI 2023 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. At 30 April 2023 the mortality base table used was SAPS 3 (year of birth), with CMI 2019 projections with a 1.25% per annum long-term rate of improvement used for future longevity improvement. As part of the Group Scheme actuarial valuation exercise the projected life expectancies were as follows:

	2024	**2024**	*2023*	*2023*
	Male	**Female**	*Male*	*Female*
Life expectancy at age 65				
Member currently aged 65	**20.7**	**23.1**	*20.9*	*23.3*
Member currently aged 45	**21.7**	**24.7**	*21.9*	*24.7*

26. Employee benefits (continued)

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

	Increase in pension liability
	£m
0.5% decrease in discount rate	**(11)**
0.5% increase in inflation	**(8)**
1 year increase in life expectance	**(6)**

Defined Contribution Scheme

The Company participates in a UK defined contribution scheme, which is a trust-based arrangement offering members a range of investments. All assets are held independently from the Group. The amount recognised as an expense for the defined contribution scheme in the year, relating to current year contributions was £3,139,000 (2023: £2,719,000).

On 16 June 2023, the High Court issued a ruling in respect of Virgin Media vs NTL Pensions Trustees II Limited (and others) calling into question the validity of changes made to benefits provided by contracted-out schemes between 1997 and 2016 where certain documentation under Section 37 of the Pension Scheme Act 2003 was not obtained. Virgin Media appealed the decision but on 25 July 2024 the Court of Appeal upheld the original High Court ruling. The Trustee Board is aware of this matter and mindful of any potential impact on scheme liabilities. However, to date, given the ongoing legal and legislative uncertainty, any impact on liabilities has not yet been quantified and no allowance has been made for it in scheme liabilities reported at 30 April 2024.

27. Capital commitments and other commitments

The Company had the following capital commitments:

	2024 £000	*2023 £000*
Capital commitments	**15,375**	*14,177*
	15,375	*14,177*

28. Contingent liabilities

The Company is a participant in the DS Smith Group's uncommitted overdraft facility with a net limit of £5m. The participants in the facility cross guarantee the overdrawn balances under the facility. Further information can be found in the Group's annual report which does not form part of this report.

29. Related party transactions

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

30. Controlling party

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

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

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