



# Mondi Finance plc

(Registration number: 05916680)

## ANNUAL REPORT & FINANCIAL STATEMENTS

for the year ended 31 December 2023



# Introduction

The Mondi Finance plc (the "Company") financial statements have been prepared in compliance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), and the requirements of the UK Companies Act 2006.

Mondi Finance plc is a public company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The Company's ultimate parent company and ultimate controlling entity is Mondi plc. The Mondi Group Integrated report and financial statements 2023 are available at: [www.mondigroup.com](http://www.mondigroup.com).

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### Registered Address

Ground Floor, Building 5,  
The Heights,  
Brooklands  
Weybridge  
Surrey  
United Kingdom  
KT13 0NY

### Bankers

Deutsche Bank AG  
21 Moorfields  
London  
United Kingdom  
EC2Y 9DB

### Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors  
1 Embankment Place  
London  
United Kingdom  
WC2N 6RH

# Strategic report

## Main business and operations

Mondi Finance plc is a wholly-owned subsidiary of Mondi plc. The Company is a finance company with its principal activity being to provide financing and associated treasury services to companies within the Mondi Group (the "Group"). There have been no significant changes in the Company's principal activities during the year and the directors do not envisage any significant changes in the Company's activities in the foreseeable future. No dividend was declared or paid in 2023 (2022: none). The directors have not recommended any further dividends.

Finance costs are considered to be the only key performance indicator used by the directors and are monitored at a Group level. The Group's finance costs, which include the Company, are disclosed in the Group's Integrated report and financial statements (Note 6: Net finance costs), which do not form part of this report. The Company's directors believe that there are no other meaningful financial or non financial key performance indicators that are either necessary or appropriate to understand the business' development, performance or position of the Company's accounts.

In the current year the proceeds from the disposal of the Group's Russian businesses were placed on deposit with the Company, further increasing the available cash by €806 million. In the prior year, proceeds of €615 million were deposited with the Company following the demerger of the Group's Personal Care Components division.

The Company made a profit after tax for the financial year of €34.3 million (2022: loss of €74.9 million). The current year profits were principally driven by the interest income earned on the higher levels of cash, enhanced further by higher euro interest rates during the year. The prior year loss was principally driven by the write off of three Russian loans, totalling €68.4 million. The cost of foreign exchange swaps decreased from the prior year as a result of decreasing interest rate differentials between the EUR and the currencies of the borrowing companies. This was recovered through the interest charged to borrowers.

The total equity at year end was €373 million (2022: €339 million). The impairment provision based on the expected credit losses for the Company's financial assets amounted to €23.1 million (2022: €29.8 million) at year end.

## Section 172 statement

This section of the strategic report describes how the directors have had regard to the matters set out in Section 172 (1) of the Companies Act 2006 ("s172") when performing their duty to promote the success of the Company for the benefit of its shareholders. As the Company is a wholly-owned subsidiary of the Group, its parent company and other members of the Group are key stakeholders of the Company. Accordingly, the interests of the Group have been taken into account by the directors and decisions have been made in agreement with the Board of Mondi plc.

The Company's other main stakeholders are the banks and debt investors who provide capital to the Mondi Group. The Company's relationship with these stakeholders ensures the Group has access to funding for investment opportunities through the business cycle. The Group CFO and the Group Treasurer actively engage with and have held regular meetings with these stakeholders over the past year. The Company does not have any employees.

For more information on the Group, please see the s172 statement on pages 38 to 41 of the Group's Integrated report 2023, which does not form part of this report but provides details of the consideration given to stakeholders by the Group.

## Going concern

The Company will continue to act in line with its principal business activities and continue to act as a financing company for the Group. The directors believe that the Company will continue to be a going concern into the foreseeable future, with the support of Mondi plc, and have adopted the going concern basis of accounting. Refer to note 21 of these financial statements.

## Risk management

The most important components of the Company's financial risk are interest rate risk, currency risk, credit risk and liquidity risk. The Company also enters into foreign exchange commodity contracts which are executed on a back-to-back basis with other Group companies and as such, it has no net exposure to commodity risk. The Company has entered into foreign currency swaps to hedge the foreign currency risk related to intercompany loans and other foreign exchange positions and, when deemed necessary, interest rate swaps are used to manage the Company's exposure to fluctuations in interest rates. No interest rate swaps were entered into in 2023 (2022: none). The Company's credit risk is managed by ensuring counterparties maintain a minimum credit rating and by diversifying the exposure. Liquidity risk is minimised by issuing long term bonds to fund the Company and by maintaining sufficient undrawn committed debt facilities.

The Company funds itself from a variety of sources including two Eurobonds, intercompany loans, and a syndicated revolving credit facility. The Company has no debt facilities that include financial covenants.

Approved by the board of directors on 12 March 2024 and signed on behalf of the board by:



J C Paterson

Director

# Directors' report

The directors submit their Annual Report together with the audited financial statements for the year ended 31 December 2023.

## Company number

05916680

## Directors

The directors who held office during the year and to the date of this report were as follows:

J L Hampshire (Company secretary)

A C W King

J C Paterson

M Powell

The Company's ultimate parent company, Mondi plc, made available qualifying third party indemnity provisions for the benefit of the directors which remain in force at the date of this report.

## Events occurring after 31 December 2023

On 9 February 2024, the Company returned cash on deposit to Mondi plc to the value of €768 million. These funds were paid out to external shareholders of Mondi plc as a special dividend. This resulted in the reduction of both the external cash on hand, as well as amounts owed to Group undertakings. This is a non-adjusting event. There have been no other material reportable events since 31 December 2023.

## Information set out in the Strategic report

Disclosures relating to the following items have been included in the Strategic report which can be found on page 2:

- dividend payments and recommendations;
- section 172 statement;
- financial risk management objectives, policies and related exposures to interest rate, currency, credit and liquidity risk; and
- likely future developments in the business of the Company.

## Statement as to disclosure of information to auditors

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Independent auditors

PricewaterhouseCoopers LLP (PwC) have expressed their willingness to continue in office as independent auditor and a resolution to reappoint PwC will be proposed at the forthcoming Annual General meeting.

Approved by the board of directors on 12 March 2024 and signed on behalf of the board.



J L Hampshire

Company secretary

# Statement of directors' responsibilities in respect of the financial statements

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The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulation.

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

Under company law, 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 the 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmations

Each of the directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Approved by the board of directors on 12 March 2024 and signed on behalf of the board.



J L Hampshire  
Company secretary

# Independent auditors' report to the member of Mondi Finance plc (the "Company")

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

### **Opinion**

In our opinion, Mondi Finance plc (the "Company")'s financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2023; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the directors of the Company and the Audit Committee of Mondi plc, the ultimate parent of the Company.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

### **Our audit approach**

#### **Overview**

##### **Audit scope**

- We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.
- The Company's principal activity is to conduct financing activities for the Mondi Group. Our detailed procedures were tailored to test material financial statement line items, together with the related financial statement disclosures. The materiality used in the audit is described in further detail in the "Materiality" section below.

##### **Key audit matters**

- Existence and valuation of external borrowings
- Existence, valuation and classification of balances with Group undertakings

##### **Materiality**

- Overall materiality: €45.8 million (2022: €34.7 million) based on approximately 1% of total assets.
- Performance materiality: €34.4 million (2022: €26.0 million).

##### **The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

# Independent auditors' report to the member of Mondi Finance plc (continued)

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>Existence and valuation of external borrowings</b></p> <p>The Company issues external borrowings and lends the proceeds to fellow Mondi Group companies. The issuance of external borrowings is part of the Company's principal activity and at 31 December 2023 the Company held €1,099 million of external borrowings at amortised cost.</p> <p>Given the quantum of the balances in the Company's Statement of financial position, this matter had a significant effect on our overall audit strategy and this was, therefore, determined to be a key audit matter.</p> <p>Refer to notes 13 and 21 of the financial statements</p>	<p>We have read board minutes, held discussions with management and obtained confirmations in order to verify whether there were any new or amended external debt arrangements entered into during the year. We have also read existing agreements to validate the terms, including the maturity, of the external borrowings.</p> <p>The existence of external bonds was agreed to external market data, which is publicly available.</p> <p>We have recalculated the carrying value of borrowings to ensure they are being carried at amortised cost.</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>
<p><b>Existence, valuation and classification of balances with Group undertakings</b></p> <p>The Company issues external borrowings and lends the proceeds to fellow Mondi Group companies. The provision of financing to companies within the Mondi Group is part of the Company's principal activity. As at 31 December 2023, the Company had trade and other receivables due from Group undertakings of €286 million and loans receivable from Group undertakings of €2,884 million. In addition, the Company had trade and other payables owed to Group undertakings of €2,352 million and borrowings from Group undertakings of €749 million.</p> <p>Given the quantum of the balances in the Company's Statement of financial position, the estimation involved in determining any impairment required in relation to receivable balances and the judgement associated with the classification of certain intercompany balances depending on the associated terms and the expected timing of settlement, this matter had a significant effect on our overall audit strategy and allocation of resources in the planning for, and completion of, our audit, and this was also determined to be a key audit matter.</p> <p>Refer to notes 8, 9, 12, 13 and 21 of the financial statements.</p>	<p>Our approach in respect of balances with Group undertakings was underpinned by the testing of automated controls over the intercompany process to agree balances with fellow Mondi Group companies.</p> <p>We agreed the balances with Group undertakings to the respective counterparties by inspecting the intercompany mismatch report, and assessed evidence obtained for mismatches identified related to the Company. We also substantively tested the classification of the balances with Group undertakings by obtaining and reading certain loan contracts.</p> <p>We evaluated management's process in estimating the expected credit loss provision for trade and other receivables and loans receivable from Group undertakings and considered management's assessment of the ability of other Mondi Group companies to repay by comparison with the net assets and forecast financial results of the counterparty.</p> <p>We have further assessed whether the loans provided to Group undertakings are at a market rate of interest and the impact of that on the carrying value of the loan, if any.</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>

# Independent auditors' report to the member of Mondi Finance plc (continued)

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

In establishing the overall approach to the statutory audit, we determined the nature, timing and extent of work that needed to be performed. Mondi Finance plc is a subsidiary, and the main financing arm, of the Mondi Group. The Company's principal activity is to provide financing and associated treasury services to the Group. The Company and its management are primarily based in the United Kingdom. As such, we were able to directly obtain sufficient appropriate audit evidence and were not required to engage any component auditors. The combination of audit procedures performed was designed to address the risk of material misstatement in the financial statements as a whole, with specific focus on those line items and disclosures that are material. The materiality of these amounts was determined on the basis described in the section below.

## The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall Company materiality</b>	€45.8 million (2022: €34.7 million).
<b>How we determined it</b>	Based on approximately 1% of total assets.
<b>Rationale for benchmark applied</b>	The Company is a group treasury entity whose purpose is to support the Mondi Group funding strategy and manage the various loan and cash arrangements of the Mondi Group. Considering the nature of the business and activities of the Company, we have used total assets as the basis for the calculation of the overall materiality level.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to €34.4 million (2022: €26.0 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the directors of the Company and the Audit Committee of Mondi plc, the ultimate parent of the Company, that we would report to them misstatements identified during our audit above €2.3 million (2022: €1.7 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We evaluated management's future cash flow forecasts for the Company. As the Group's treasury entity, these are intrinsically linked with the projected funding requirements of Mondi plc and its related undertakings, which have been assessed at a Group level. The procedures performed at a Group level included agreeing the cash flows to the latest Board approved forecasts, agreeing underlying assumptions to external evidence and considering the potential downside sensitivities that management had applied, including their likelihood and whether more severe scenarios could arise and the associated impact on available liquidity;
- We inspected the terms of the loan agreements and agreed these to the maturity profile of the Company's available funding included within the cash flow forecasts throughout the going concern period;
- We evaluated the implications of events occurring after 31 December 2023 on the going concern assessment;



# Independent auditors' report to the member of Mondi Finance plc (continued)

## Conclusions relating to going concern (continued)

- We read the letter of support provided by the ultimate parent company, Mondi plc, to the Company indicating that Mondi plc will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due for at least twelve months from the date of approval of the Company's financial statements. We assessed Mondi plc's ability to provide this support including its role as guarantor to the external debt agreements held by the Company; and
- We read the basis of preparation note to the financial statements and validated that it accurately described management's going concern considerations.

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

# Independent auditors' report to the member of Mondi Finance plc (continued)

## Responsibilities for the financial statements and the audit (continued)

### Auditors' 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 auditors' 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.

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manage the entity's financial performance and management bias in accounting estimates within the financial statements. Audit procedures performed by the engagement team included:

- Holding discussions with management, internal audit and Mondi Group's internal legal counsel, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- Testing a sample of journal entries based on specific risk criteria; and
- Challenging assumptions and judgements made by management related to accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

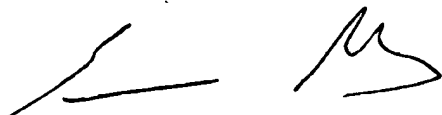
We have no exceptions to report arising from this responsibility.

# Independent auditors' report to the member of Mondi Finance plc (continued)

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## Appointment

Following the recommendation of the Directors of the Company and the Audit Committee of Mondi plc, the ultimate parent of the Company, we were appointed by the directors on 11 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 December 2017 to 31 December 2023.



Simon Morley (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
12 March 2024

# Income statement

## for the year ended 31 December 2023

€ thousand	Note	2023	2022
Operating expenses		(2,158)	(2,301)
<b>Operating loss</b>	2	<b>(2,158)</b>	(2,301)
Interest and similar income	4	164,436	131,085
Other losses - net	5	(53,670)	(67,923)
Finance costs	6	(81,967)	(54,835)
Impairment reversal/(charge) on financial assets	9	6,725	(78,693)
<b>Profit/(loss) before taxation</b>		<b>33,366</b>	(72,667)
Tax credit/(charge)	7	889	(2,271)
<b>Profit/(loss) for the financial year</b>		<b>34,255</b>	(74,938)

# Statement of comprehensive income for the year ended 31 December 2023

	2023	2022
€ thousand		
<b>Profit/(loss) for the financial year</b>	<b>34,255</b>	<b>(74,938)</b>
<b>Items that may subsequently be or have been reclassified to the income statement</b>		
Cash flow hedges: amounts recycled to the income statement	55	190
<b>Total comprehensive income/(expense) for the year</b>	<b>34,310</b>	<b>(74,748)</b>

# Statement of financial position as at 31 December 2023

€ thousand	Note	2023	2022
Trade and other receivables	8	292,172	488,602
Loans receivable	9	10,304	6,234
Cash and cash equivalents		1,395,425	923,824
Deferred tax asset	14	3,435	—
Derivative financial instruments	10	13,752	3,840
Inventory	11	—	2,814
<b>Total current assets</b>		<b>1,715,088</b>	<b>1,425,314</b>
Loans receivable	9	2,873,311	2,050,531
<b>Total non-current assets</b>		<b>2,873,311</b>	<b>2,050,531</b>
<b>Total assets</b>		<b>4,588,399</b>	<b>3,475,845</b>
Trade and other payables	12	(2,364,407)	(1,277,368)
Short term borrowings	13	(502,662)	(7,920)
Derivative financial instruments	10	(5,024)	(11,375)
<b>Total current liabilities</b>		<b>(2,872,093)</b>	<b>(1,296,663)</b>
Medium and long term borrowings	13	(1,343,429)	(1,840,615)
<b>Total non-current liabilities</b>		<b>(1,343,429)</b>	<b>(1,840,615)</b>
<b>Total liabilities</b>		<b>(4,215,522)</b>	<b>(3,137,278)</b>
<b>Net assets</b>		<b>372,877</b>	<b>338,567</b>
<b>Equity</b>			
Share capital	15	50,000	50,000
Cash flow hedge reserve	16	—	(55)
Retained earnings		322,877	288,622
<b>Total equity</b>		<b>372,877</b>	<b>338,567</b>

These financial statements on pages 11 to 24 were approved by the board of directors on 12 March 2024.

They were signed on behalf of the board by:



J C Paterson

Director

Company Number : 05916680

## Statement of changes in equity for the year ended 31 December 2023

€ thousand	Share capital	Retained earnings	Cash flow hedge reserve	Total equity
At 1 January 2022	50,000	363,560	(245)	413,315
Total comprehensive (expense)/income for the year	—	(74,938)	190	(74,748)
At 31 December 2022	50,000	288,622	(55)	338,567
Total comprehensive income for the year	—	34,255	55	34,310
<b>At 31 December 2023</b>	<b>50,000</b>	<b>322,877</b>	<b>—</b>	<b>372,877</b>

# Notes to the financial statements for the year ended 31 December 2023

## 1 Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100"). Accordingly, for the year ended 31 December 2023 the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), and the UK Companies Act 2006. The Company is domiciled in the United Kingdom.

The financial statements are prepared on the historical cost basis, as modified by certain financial instruments held at fair value through profit and loss. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The material accounting policy information and other explanatory information is described in note 21. They have all been applied consistently throughout the year and the preceding year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value measurement disclosure, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and related disclosures, standards not yet effective, and related party transactions.

Where required, equivalent disclosures are given in the Group financial statements of Mondi plc. The Group financial statements will be available to the public and can be obtained as set out in note 20.

The financial statements are separate financial statements and have been prepared on a going concern basis. Refer to note 21 for further details.

## Accounting judgements and estimates

The preparation of the Company's financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates. The estimates used by management are:

- Recoverability and expected credit loss of trade and other receivables and loans receivable – the Company assesses the recoverability of these financial assets on an annual basis, as well as assessing the quantum of the associated expected credit losses on these financial assets. The financial results and forward looking cash flows of intercompany receivables are used as part of this assessment – refer to notes 8 and 9.
- Fair value of derivatives – the Company values its outstanding derivatives at each reporting date with the valuation based on the present value of expected net cash flows arising from the outstanding derivative. Management's estimation is exercised in the valuation which is based on the expected net cash flows from outstanding derivatives and observable market data inputs – refer to note 10.

The Company does not consider the above mentioned estimates to be significant accounting estimates in terms of IAS 1, and therefore the incremental sensitivity disclosure has not been provided. No material change is expected in the next 12 months.

In the prior year, management applied significant judgement in impairing related party loans to Russian entities. This was the result of changes to Russian regulations preventing Russian entities from repaying the Company.

## Climate change

Management has considered the impact of climate change in preparing these financial statements, and concluded that there is no direct impact. The Group has considered the impact of climate change and has set out its science-based Net-Zero GHG emission reduction targets in the Mondi Action Plan 2030 (MAP2030) Taking Action on Climate section on pages 51 - 64 of the Group's Integrated report 2023, which does not form part of this report.

While these considerations do not have a material impact on these financial statements, this may change in future periods as management evolves its understanding of climate change-related impacts on the Company.

## 2 Operating loss

Operating loss is stated after charging:

€ thousand	2023	2022
Mondi plc management fees	(2,064)	(2,143)
Other	(94)	(158)
<b>Total</b>	<b>(2,158)</b>	<b>(2,301)</b>

None of the directors received any remuneration during the year (2022: €nil) in respect of their services to the Company and the Company had no employees during the current and prior years.



# Notes to the financial statements (continued)

## for the year ended 31 December 2023

### 3 Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP ("PwC") for the audit of the Company's annual financial statements of €92,204 (2022: €91,087) have been borne by Mondi plc.

During the year, PwC provided non-audit services in relation to the Mondi Group's EMTN Programme under which Mondi Finance plc was an issuer. This programme was for the benefit of the Mondi Group as a whole. On this basis, Mondi plc acts as the guarantor for the EMTN, and was responsible for the engagement of PwC in providing these non-audit services and settled all associated invoices raised by PwC. Therefore, no non-audit services fees are directly incurred by or invoiced to Mondi Finance plc. The total fees for these non-audit services provided during the year were €78,616 (2022: €0).

### 4 Interest and similar income

€ thousand	2023	2022
<b>Interest income</b>		
Loans and receivables owed by Group undertakings	135,151	128,619
Bank deposits and money market funds	29,285	2,466
<b>Total</b>	<b>164,436</b>	<b>131,085</b>

### 5 Other losses - net

€ thousand	2023	2022
Foreign currency (loss)/gain	(2,128)	19,751
Fair value loss on foreign currency derivatives <sup>1</sup>	(51,542)	(87,674)
<b>Total</b>	<b>(53,670)</b>	<b>(67,923)</b>

<sup>1</sup> The decrease in losses is due to the increase in euro interest rates, which results in smaller interest differentials on forward swap trades.

### 6 Finance costs

€ thousand	2023	2022
Interest on loans, overdrafts and bonds	37,877	38,290
Interest on amounts owed to and borrowings from Group undertakings	42,418	13,762
Other finance costs <sup>1</sup>	1,672	2,783
<b>Total</b>	<b>81,967</b>	<b>54,835</b>

<sup>1</sup> Other finance costs mainly include commitment and facility fees.

### 7 Tax credit/(charge)

#### Analysis of tax credit/(charge) for the year

€ thousand	2023	2022
<b>Corporation tax</b>		
Foreign withholding tax	(2,546)	(2,271)
<b>Adjustments in respect of prior year unrecognised tax losses</b>		
Recognition of deferred tax asset	3,435	—
<b>Total tax credit/(charge) for the year</b>	<b>889</b>	<b>(2,271)</b>

# Notes to the financial statements (continued)

## for the year ended 31 December 2023

### 7 Tax credit/(charge) (continued)

#### Factors affecting tax credit/(charge) for the year

The Company's total tax credit/(charge) for the year can be reconciled to the tax on the Company's profit/(loss) before tax at the average UK corporation tax rate of 23.5% (2022: 19%), as follows:

€ thousand	2023	2022
<b>Profit/(loss) before tax</b>	<b>33,366</b>	<b>(72,667)</b>
<b>Tax on profit/(loss) before tax calculated at the average UK corporation tax rate of 23.5% (2022: 19%)</b>	<b>7,841</b>	<b>(13,807)</b>
<b>Tax effects of:</b>		
Recognition of previously unrecognised deferred tax asset <sup>1</sup>	(3,435)	—
(Non-taxable impairment reversal)/non-deductible impairment	(1,581)	14,952
Group relief claimed for no payment	(3,714)	—
Relief for double taxation	(2,546)	(1,145)
Foreign withholding tax	2,546	2,271
<b>Total tax (credit)/charge for the year</b>	<b>(889)</b>	<b>2,271</b>

On 24 May 2021, legislation was substantively enacted in the UK to increase the corporate tax rate from 19% to 25% with effect from 1 April 2023. The 23.5% UK corporation tax rate referenced in the table above reflects the average tax rate that has applied during 2023.

<sup>1</sup> Refer to note 14 for the movement of the deferred tax asset.

### 8 Trade and other receivables

€ thousand	2023	2022
<b>Amounts falling due within one year:</b>		
Amounts owed by Group undertakings <sup>1</sup>	286,179	485,755
Withholding tax receivable	2,792	2,573
Other debtors	3,201	274
<b>Total</b>	<b>292,172</b>	<b>488,602</b>

The provision for expected credit losses is €1.7 million (2022: €9.6 million).

<sup>1</sup> Cash balances lent according to intercompany cash pooling arrangements. Cash pooling is a cash management strategy within the Group whereby surplus cash is transferred to a single bank account and managed by the central Treasury team.

### 9 Loans receivable

€ thousand	2023	2022
<b>Financial assets carried at amortised cost:</b>		
Loans to Group undertakings		
Amounts falling due in one year	10,304	6,234
Amounts falling due after one year	2,873,311	2,050,531
<b>Total</b>	<b>2,883,615</b>	<b>2,056,765</b>

The impairment provision is €21.4 million (2022: €20.2 million), based on the expected credit losses for these financial assets.

In 2022 the Russian regulations changed, restricting the amount of cash Russian entities (that were previously part of the Mondi Group) could pay out of Russia, therefore making it difficult for these entities to settle their loans with Mondi Finance plc. As a result, the loan principal and unpaid interest of €68.4 million owed to the Company were impaired. Subsequently, in 2022, these loans were written off in full when a sales and purchase agreement was concluded with a buyer of the Russian entities.

Interest is charged at a rate based on the Company's average cost of debt and adjusted for local country interest rates.

# Notes to the financial statements (continued)

## for the year ended 31 December 2023

### 10 Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including foreign exchange forward contracts, and when deemed necessary, interest rate swaps. Derivatives are classified as current or non-current depending on their maturity. They are not used for speculative purposes.

#### Foreign exchange risk

The Company uses currency spot, forward and swap transactions to limit the effects of movements in exchange rates on foreign currency denominated assets and liabilities.

#### Interest rate risk

When deemed necessary, the Company uses interest rate swap contracts to manage its exposure to interest rate fluctuations on a portion of its existing debt. There are no interest rate hedges in the current or prior year.

#### Non-hedge transactions

Where the Company has chosen not to designate derivatives as accounting hedges, fair value changes are recognised through the profit and loss account and are classified within fair value on foreign currency derivatives in note 5 as they are foreign exchange forward contracts.

All derivatives are held at fair value through profit and loss. The fair value of derivative financial instruments is as follows:

€ thousand	2023		2022	
	Asset	Liability	Asset	Liability
<b>Derivatives carried at fair value through profit or loss (FVTPL)</b>				
Held for trading derivatives that are not designated in hedge accounting relationships:				
Foreign exchange contracts	13,752	(5,024)	3,840	-(11,375)
<b>Total</b>	<b>13,752</b>	<b>(5,024)</b>	<b>3,840</b>	<b>(11,375)</b>

Further details of derivative financial instruments are provided in note 17.

### 11 Inventory

€ thousand	2023	2022
<b>Inventory carried at cost</b>		
CO <sub>2</sub> emission credits	—	2,814

The Company acts as an agent for other entities within the Mondi Group, buying and selling their CO<sub>2</sub> emission credits received from the EU trading scheme to external banks at the market price at the time of sale. At the end of 2022, the Company had credits on hand that were purchased from within the Group. These credits are carried at cost and sold at no profit or loss by the Company, are offset in operating expenses and therefore have no impact on the Income statement.

### 12 Trade and other payables

€ thousand	2023	2022
Amounts owed to Group undertakings <sup>1</sup>	2,352,355	1,265,337
Interest payable	12,052	12,031
<b>Total</b>	<b>2,364,407</b>	<b>1,277,368</b>

<sup>1</sup> Cash balances held according to intercompany cash pooling arrangements. Cash pooling is a cash management strategy within the Group whereby surplus cash is transferred to a single bank account and managed by the central Treasury team.

# Notes to the financial statements (continued)

## for the year ended 31 December 2023

### 13 Borrowings

2023/€ thousand	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total
Borrowings from Group undertakings	2,834	—	746,119	—	748,953
Eurobonds	499,828	—	598,684	—	1,098,512
Syndicated revolving credit facility <sup>1</sup>	—	—	(1,374)	—	(1,374)
<b>Total borrowings</b>	<b>502,662</b>	<b>—</b>	<b>1,343,429</b>	<b>—</b>	<b>1,846,091</b>

2022/€ thousand	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total
Borrowings from Group undertakings	5,962	—	—	745,205	751,167
Eurobonds	—	499,234	598,118	—	1,097,352
Syndicated revolving credit facility <sup>1</sup>	—	—	(1,942)	—	(1,942)
Bank overdrafts	1,958	—	—	—	1,958
<b>Total borrowings</b>	<b>7,920</b>	<b>499,234</b>	<b>596,176</b>	<b>745,205</b>	<b>1,848,535</b>

All borrowings are unsecured and recorded at amortised cost. The outstanding unamortised discount amount related to the Company's bond issues is €2.6 million (2022: €3.6 million). The outstanding unamortised debt issuance cost is €4.2 million (2022: €5.8 million). The principal loan arrangements in place include the following:

€ thousand	Maturity	Interest rate	Amount 2023	Amount 2022
Syndicated revolving credit facility <sup>2</sup>	June 2028	€STR + margin	750,000	750,000
€500 million Eurobond	April 2024	1.500 %	500,000	500,000
€600 million Eurobond	April 2026	1.625 %	600,000	600,000

The Mondi Group currently has investment grade credit ratings from both Moody's Investors Service (Baa1, outlook Stable) and Standard & Poor's (A-, outlook Stable).

<sup>1</sup> The debit balance relates to unamortised costs related to the Syndicated revolving credit facility.

<sup>2</sup> The Syndicated revolving credit facility was extended by one year in 2023 and now matures in June 2028. This modification of one year is not considered significant. It was undrawn at 31 December 2023.

### 14 Deferred tax

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered. The tax losses may be carried forward indefinitely.

The UK corporation tax main rate increased to 25% from 1 April 2023, which was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using this enacted tax rate at 25% (2022: 25%).

# Notes to the financial statements (continued)

## for the year ended 31 December 2023

### 14 Deferred tax (continued)

The movement on the deferred tax account is as shown below:

€ thousand	2023	2022
At 1 January	—	—
Recognised in profit and loss:		
Tax credit arising on first time recognition of deferred tax asset	(6,259)	—
Tax charge arising on utilisation of tax losses in the current year	2,769	—
Tax charge arising on utilisation of other temporary differences	55	—
<b>At 31 December</b>	<b>(3,435)</b>	<b>—</b>

€ thousand	2023	2022
<b>The deferred tax asset recognised is categorised as follows:</b>		
Brought forward tax losses	(3,435)	—
<b>At 31 December</b>	<b>(3,435)</b>	<b>—</b>

Unrecognised deferred tax assets

€ thousand	2023	2022
At 1 January	25,037	26,603
Utilisation of tax losses not recognised in the prior year	(11,297)	(1,376)
Other unrecognised timing differences	—	(190)
Recognition of deferred tax asset in respect of previously unrecognised tax losses	(13,740)	—
<b>At 31 December</b>	<b>—</b>	<b>25,037</b>

€ thousand	2023	2022
<b>The gross deferred tax asset not recognised is presented as follows:</b>		
Tax losses not recognised	—	24,982
Other unrecognised timing differences	—	55
<b>At 31 December</b>	<b>—</b>	<b>25,037</b>

The tax losses in the prior year could be carried forward indefinitely.

### 15 Share capital

€ thousand	2023	2022
<b>Issued, called up and fully paid</b>		
50,000,000 ordinary shares of €1 each (2022: 50,000,000 ordinary shares of €1 each)	50,000	50,000

There were no dividends declared or paid in the current year (2022: nil).

### 16 Cash flow hedge reserve

€ thousand	2023	2022
Balance at 1 January	(55)	(245)
Losses recycled to other losses	55	190
<b>At 31 December</b>	<b>—</b>	<b>(55)</b>

The cash flow hedge reserve represented the hedging of the bond interest rate ahead of its launch, and was amortised to the profit and loss account over the life of the bonds.

Gains and losses transferred from the hedging reserve into profit or loss during the year are included in the following line items in the profit and loss account:

€ thousand	2023	2022
Other finance costs	(55)	(190)

# Notes to the financial statements (continued)

## for the year ended 31 December 2023

### 17 Financial instruments

#### Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices from observable current market transactions and dealer quotes for similar instruments.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

### 18 Related party transactions

The Company, in the ordinary course of business, enters into loans and cash related transactions with joint ventures, associates, subsidiaries and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties.

The following shows the transactions and gross balances with companies which are not wholly-owned by Mondi plc, all of which are subsidiaries:

€ thousand	2023	2022
Loans to related parties	21,665	49,806
Receivables from related parties	211	48,757
Payables due to related parties	(43,985)	(106,444)
Interest received from related parties	(473)	(1,538)
Interest paid to related parties	773	416

### 19 Events occurring after 31 December 2023

On 9 February 2024, the Company returned cash on deposit to Mondi plc to the value of €768 million. These funds were paid out to external shareholders of Mondi plc as part of a special dividend. This resulted in the reduction of both the external cash on hand, as well as amounts owed to Group undertakings. This is a non-adjusting event. There have been no other material reportable events since 31 December 2023.

### 20 Ultimate parent undertaking

The immediate parent company and controlling party is Mondi Investments Limited, a Company incorporated in Great Britain and registered in England and Wales. Copies of the latest financial statements of Mondi Investments Limited may be obtained from the directors, Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey KT13 0NY.

The ultimate parent company and ultimate controlling entity is Mondi plc, a Company incorporated in Great Britain and registered in England and Wales. Mondi plc is the parent undertaking of the largest and smallest group which includes the Company and for which Group financial statements are prepared. Financial statements for Mondi plc may be obtained from the Company secretary, Ground Floor, Building 5, The Heights, Brooklands, Weybridge, Surrey KT13 0NY.

### 21 Accounting policies

#### Basis of preparation

##### Going concern

After making enquiries, the directors have formed a judgement that, at the time of approving the financial statements, there are no material uncertainties that cast doubt on the Company's going concern status. The directors believe that the Company will continue to act in line with its principal business activity as a treasury entity supporting the Group's operations. The ultimate parent company confirmed their intention to provide financial support to Mondi Finance plc, particularly on the current intercompany cash pool balances, so as to enable it to operate as a going concern and to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

# Notes to the financial statements (continued)

## for the year ended 31 December 2023

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### 21 Accounting policies (continued)

#### Foreign currency transactions

The financial statements are presented in euro, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Foreign currency transactions are recorded in the functional currency at the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the Income statement and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

#### Interest income (note 4)

Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate.

#### Tax (note 7 and 14)

The tax expense represents the sum of the current tax charge and the movement in deferred tax (as applicable).

##### Current tax

Current tax, including UK corporation tax (as applicable) and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxes paid that are deemed to be recoverable, are recognised in trade and other receivables at amortised cost.

##### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it is probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Inventory (note 11)

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) basis. Costs comprise direct cost of CO<sub>2</sub> emission credits. Net realisable value is defined as the selling price less any estimated costs to sell.

#### Sale and purchase of CO<sub>2</sub> emission credits

As the Company only acts as an intermediary for the Group for the sale and purchase of CO<sub>2</sub> emission credits issued under international trading schemes, the transactions are undertaken and recorded at cost and therefore do not have an impact on the Income Statement. Any unsold CO<sub>2</sub> emission credits are recorded in inventory.

# Notes to the financial statements (continued)

## for the year ended 31 December 2023

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### 21 Accounting policies (continued)

#### Financial instruments (note 17)

Financial assets and financial liabilities are recognised in the Company's Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Loans receivable (note 9)

Loans receivable are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less expected credit losses.

The balances are disclosed as either current or non-current based on management's intention to receive the cash flow or extend the term of the receivable beyond one year. This is allowed under FRS 101: 'Reduced Disclosure Framework', of the IFRS.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, money market funds, demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. The money market funds are held at fair value through profit and loss, with the remaining balance of cash and cash equivalents carried at amortised cost. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

#### Trade and other receivables and payables (notes 8 and 12)

Trade and other receivables and trade and other payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less expected credit losses.

#### Borrowings (note 13)

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the Income statement over the term of the borrowings using the effective interest rate method.

#### Borrowing costs (note 6)

Where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs. All other borrowing costs are recognised in the Income statement in the period in which they are incurred.

#### Impairment of trade and other receivables and loans receivable ("receivables")

As per IFRS 9, an Expected Credit Loss (ECL) model is used to assess receivables for impairment. ECL is the present value of all cash shortfalls over the expected life of a receivable. Expected credit losses are based on historical loss experience on receivables, adjusted to reflect information about current economic conditions and reasonable and supportable forecasts of future economic conditions. At the date of initial recognition, the credit losses expected to arise over the lifetime of a receivable are recognised as an impairment through the Income statement.

#### Derivative financial instruments and hedge accounting (note 10)

The Company enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the balance sheet within derivative financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in the Income statement and are classified within Operating loss or Other losses - net, depending on the type of risk to which the derivative relates.



# Notes to the financial statements (continued)

## for the year ended 31 December 2023

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### 21 Accounting policies (continued)

#### Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Company's cash flow hedge reserve in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or a non-financial liability, amounts deferred in the Company's cash flow hedge reserve in equity are recognised in the Income statement in the same period in which the hedged item affects profit and loss on a proportionate basis.

#### Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Income statement. Gains or losses from remeasuring the associated derivative are also recognised in the Income statement.

#### Ineffective, expired, sold, terminated or exercised hedging instruments

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the Income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the Income statement.