
DS SMITH RECYCLING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2022

DS SMITH RECYCLING UK LIMITED

COMPANY INFORMATION

Directors	A Berrisford (appointed 3 February 2022) S I Bottcher (appointed 3 February 2022) W B Hicks
Company secretary	Z W Stone
Registered number	00214967
Registered office	350 Euston Road London NW1 3AX United Kingdom
Independent auditor	Deloitte LLP 5 Callaghan Square Cardiff United Kingdom CF10 5BT
Bankers	National Westminster Bank Plc Bristol BS3 1JA
Solicitors	Slaughter & May One Bunhill Row London EC1Y 8YY

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

Introduction

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Business review

The principal activities of the Company are the collecting, transporting, processing, sorting and selling of recyclable waste paper and other dry mixed recyclables.

The Company's revenue increased by 35% from the prior year to £265,875,000 (2020/21: £197,284,000). The Company reported profit before income tax of £12,897,000 (2020/21: £6,067,000). The year saw high demand for recycled fibre, combined with lower availability and changing waste streams as well as external global factors that drove higher prices, increasing both revenue and material costs. However, the purchasing infrastructure ensured consistent mill supplies in a highly competitive market. Continued cost control and cost reduction initiatives improved the Company's efficiency. Operating costs were further reduced following the closure of the Kilsyth depot in October 2021 and the Covid-19 pandemic also led to lower administration costs. This together with strong demand and steady volumes resulted in the significant increase in profit before tax.

The net assets of the Company, as shown in the statement of financial position on page 13, decreased from £73,879,000 at 30 April 2021 to £21,590,000 at 30 April 2022, driven by the payment of a dividend of £65,000,000 offset by profit of £12,711,000.

Principal risks and uncertainties

The Company's operation of collecting and processing recyclable waste paper is exposed to risks relating to cost and inflationary pressures, changes in demand and quality requirements in the wider international fibre market. These risks are mitigated by management of quality through the business' operational network, contracting of fibre and development of domestic and international fibre offtake opportunities.

Changes in the sales price of waste paper, where possible, are passed on to the customer.

The risk that customers cannot meet their obligations constitutes a customer credit risk. This risk is mitigated by the strict application of our credit policy and regular management review of accounts that are rated as higher risk.

Financial key performance indicators

The main driver of the business is the number of tonnes of fibre the business sources. The business continued to develop its service offering to its suppliers and customers to close the loop on the recycling of fibre and offer fibre offtake opportunities. In the year ended 30 April 2022 the business used 1,452k tonnes (2020/21: 1,487k tonnes) of fibre and revenue increased by 35% reflecting good price increases in the year.

Return on sales, being operating profit before adjusting items expressed as a percentage of revenue, decreased marginally from 4.7% in 2021 to 4.6% in 2022 reflecting higher input costs in the year.

Future developments

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

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

Directors' statement of compliance with duty to promote the success of the Company (s172)

The Board (comprising the General Manager (Recycling), the Finance Director (Recycling) and the Group Financial Controller) aims to promote the success of the Company for the benefit of its shareholder and the wider Group as a whole, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves the Board and management considering in detail and discussing the interests of the Company's and Group's stakeholders including our customers, our people, our investors, our suppliers, local communities and non-government organisations; the importance of maintaining our reputation for high standards of business conduct; and the environment. Examples of how this has been achieved are provided below:

Employees

The Company employed 278 people at 30 April 2022. We provide development opportunities for all and recognition of personal development, regardless of gender, ethnicity, age, sexual orientation, disability or religion. We encourage feedback and have mechanisms through our employee works councils, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice. We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values (Be caring, Be challenging, Be responsive, Be trusted and Be tenacious). In 2021/22 we conducted an engagement survey to understand what is working and areas to improve; to listen, respond and act. We continued celebrating the contribution and success of employees with our second Smithies awards event held virtually. We provided managers with a set of tools to drive high levels of health and safety and wellbeing engagement. We continued to develop our leadership pipeline from early talent through to mid and senior leadership. We provided more opportunities for employees to develop by offering new ways of accessing learning. We accelerated our diversity and inclusion ambition by increasing diverse senior leadership hires, continuing to raise awareness and activating employee resource groups. We implemented functional talent meetings with diversity data to support career coaching and accelerated development of diverse talents. Engaged employees who work proactively in identifying and eliminating risks are driving a resilient and interdependent health and safety culture. We consistently see that when employee engagement increases, the number of accidents decreases.

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.

Customers

The Company continues to supply both external customers and internal customers, principally the Group's UK Paper Division which comprised c. 58 % of the Company's revenue in 2021/22. The Company forms an integral part of the Group's UK supply chain which has largely fast moving consumer goods (FMCG) companies as its customers. These customers are increasingly concerned about sustainability, both in terms of recyclable packaging materials and reducing overall lifecycle impact, including optimisation in the supply chain. We work closely with customers to ensure we play our part in helping the Group's customers achieve their sustainability targets. With a full recycling and waste management service, we work with our customers to reduce waste and recycle more. By innovating around collection infrastructures and working with customers to build recyclability into their supply chains, we are helping to provide solutions for our customers' and wider society's biggest recycling challenges. Through our digitalisation of recycling systems, we are working with customers to create impactful data-led solutions for our customers to make the right decisions relating to their recycling. We are currently working to explore the use of image recognition to better identify contaminants in recycling that can hinder the recycling process. We are also tackling plastic contamination in recycling using technology that allows us to work with our customers to improve the quality of material they collect for recycling.

Communities and non-governmental organisations

We engage in detailed consultations with government on the topics of recycling and reuse, extended producer responsibility and the decarbonisation of heat. We participate in industry organisations across the UK to combine our influence. We take a leadership role with relevant non-government organisations, such as our global partnership with the Ellen MacArthur Foundation. We are engaging with leading ESG organisations such as the Science Based Targets initiative to set meaningful and ambitious goals around our carbon emissions.

Suppliers

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

Environment

In January 2022, the Group announced its ambitious commitment to align its global operations to a 1.5°C scenario as set out in the Paris Climate Agreement, by committing to reduce its Scope 1,2 and 3 Green House Gas (GHG) emissions 46 per cent by 2030, compared to 2019 and to reach Net Zero GHG emissions by 2050. The Company actively plays its role in achieving this by continuously monitoring its impact on the environment and taking steps where necessary to reduce its impact.

This report was approved by the board on 2 November 2022 and signed on its behalf.

W B Hicks
Director

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

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

Results and dividends

The profit for the year, after taxation, amounted to £12,711,000 (2021 - £4,338,000).

The Company paid a dividend of £65,000,000 in the year (2021 - £nil). The dividend was paid on 29 October 2021 to ordinary shareholders.

Directors

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

A Berrisford (appointed 3 February 2022)
S I Bottcher (appointed 3 February 2022)
W B Hicks
C S McIntyre (resigned 29 April 2022)
J S Melia (resigned 3 February 2022)
J P C Silk (resigned 3 February 2022)

Political contributions

No political contributions were made during the year (2021: £nil).

Financial and other risk management objectives and policies

The Directors meet periodically to discuss financial and other risks. Key price risk and credit risk are discussed during periodic reviews of the business. As a business we try to match our prices with our raw material costs. Where required, hedging instruments are entered into by the Company with the ultimate parent company, DS Smith Plc. Liquidity and cash flow risks are not considered material as the Company can utilise Group Treasury to access funding from the ultimate parent company if required.

Fibre pricing

We are constantly managing the risk associated with fibre pricing by managing our mix of UK and overseas purchases and the effect of regulatory changes in China.

Energy and carbon reporting

The Company is included in the Group reporting of the ultimate parent company which has provided its consolidated CO2 emissions and energy consumption on page 33 of the Strategic report in the Group's 2022 annual report.

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

Going concern

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is as shown in the statement of financial position on page 13. At 30 April 2022 the Company reported net current liabilities of £78,212,000 (2021: £44,730,000) and net assets of £21,590,000 (2021: net assets £73,879,000).

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

Future developments

Please refer to the future developments section in the Strategic report.

Engagement with employees

Please refer to Section 172(1) of the Companies Act 2006 in the Strategic report for further details.

Disabled employees

Please refer to Section 172(1) of the Companies Act 2006 in the Strategic report for further details.

Director's indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 s418 of the Companies Act 2006.

DS SMITH RECYCLING UK LIMITED

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

Post balance sheet events

There are no post balance sheet events to disclose.

Auditor

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

This report was approved by the board on 2 November 2022 and signed on its behalf.

W B Hicks
Director

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

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, including United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 RECYCLING UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of DS Smith Recycling UK Limited (the 'Company'):

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- statement of changes in equity; and
- the related notes 1 to 30.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is

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

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 material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

DS SMITH RECYCLING UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DS SMITH RECYCLING UK 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.

David Hedditch (Senior statutory auditor)

for and on behalf of

Deloitte LLP

5 Callaghan Square
Cardiff
United Kingdom
CF10 5BT
2 November 2022

DS SMITH RECYCLING UK LIMITED

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

	Note	2022 £000	2021 £000
Revenue	4	265,875	197,284
Cost of sales		(216,067)	(146,029)
Gross profit		49,808	51,255
Distribution costs		(27,079)	(29,504)
Administrative expenses		(10,422)	(12,445)
Adjusting items	13	-	(3,008)
Operating profit	5	12,307	6,298
Interest receivable	9	1,419	673
Interest payable and similar expenses	10	(878)	(952)
Other finance income		49	48
Profit before tax		12,897	6,067
Income tax expense	11	(186)	(1,729)
Profit for the financial year		12,711	4,338

There were no recognised gains and losses for 2022 or 2021 other than those included in the income statement and therefore no separate statement of comprehensive income has been presented. Results from the current and prior year and from continuing operations.

The notes on pages 16 to 38 form part of these financial statements.

DS SMITH RECYCLING UK LIMITED
REGISTERED NUMBER: 00214967

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2022

	Note	2022 £000	As restated 2021* £000
Non-current assets			
Intangible assets	14	4,192	93
Property, plant and equipment	15	18,496	24,568
Trade and other receivables	17	151,307	105,056
		<u>173,995</u>	<u>129,717</u>
Current assets			
Inventories	16	1,362	759
Trade and other receivables	17	27,370	22,040
Cash at bank and in hand	18	366	7,616
		<u>29,098</u>	<u>30,415</u>
Trade and other payables	20	(103,737)	(70,903)
Provisions	24	(3,573)	(4,242)
Net current liabilities		<u>(78,212)</u>	<u>(44,730)</u>
Total assets less current liabilities		95,783	84,987
Trade and other payables	21	(74,193)	(11,108)
		<u>21,590</u>	<u>73,879</u>
Net assets		<u>21,590</u>	<u>73,879</u>
Capital and reserves			
Called-up share capital	25	9,295	9,295
Profit and loss account		12,295	64,584
		<u>21,590</u>	<u>73,879</u>

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 APRIL 2022

*The 2021 comparative has been restated as explained in note 17.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 November 2022.

W B Hicks
Director

The notes on pages 16 to 38 form part of these financial statements.

DS SMITH RECYCLING UK LIMITED

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

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 May 2020	9,295	60,246	69,541
Comprehensive income for the year			
Profit for the year	-	4,338	4,338
Total comprehensive income for the year	-	4,338	4,338
At 1 May 2021	9,295	64,584	73,879
Comprehensive income for the year			
Profit for the year	-	12,711	12,711
Total comprehensive income for the year	-	12,711	12,711
Dividends: Equity capital (note 12)	-	(65,000)	(65,000)
At 30 April 2022	9,295	12,295	21,590

The notes on pages 16 to 38 form part of these financial statements.

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

1. General information

DS Smith Recycling UK Limited ("the Company") is a private limited company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales whose shares are not publicly traded. The registered office is located at 350 Euston Road, London, NW1 3AX.

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.

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 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 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).

The following principal accounting policies have been applied:

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

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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

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 at least 12 months from the date the financial statements are expected to be authorised for issue.

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2.4 Impact of new international reporting standards, amendments and interpretations

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

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

The adoption of the amendments has not had a material effect on the results for the year or the financial position at the year end. Where relevant, equivalent disclosures have been made in the Group accounts.

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

2. Accounting policies (continued)

2.5 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.

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

2.7 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease

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

2. Accounting policies (continued)

2.7 Leases (continued)

term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. [Provide an explanation how the incremental borrowing rate is determined].

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.15.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.8 Interest income

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

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

2. Accounting policies (continued)

2.9 Finance costs

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

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 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.

2.12 Current and deferred taxation

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

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

For the year ended 30 April 2022 and onwards, DS Smith Group entities will no longer receive payment for current year tax losses surrendered or make payment for group relief claimed at the rate of tax prevailing in the year.

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.

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

2. Accounting policies (continued)

2.13 Adjusting items

Adjusting items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.14 Intangible assets

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

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.

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

2.15 Tangible fixed assets

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

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	- 10 - 50 years
Plant and machinery	- 2 - 25 years

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

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

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, inventories 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.

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

2. Accounting policies (continued)

2.17 Trade and other receivables

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 Trade and other payables

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Provisions for liabilities

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

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

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

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

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

In applying the Company's accounting policies, which are described above, 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 the current and future periods.

There are no critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Revenue

Analysis of turnover by country of destination:

	2022	<i>2021</i>
	£000	<i>£000</i>
United Kingdom	210,543	<i>149,781</i>
Rest of Europe	24,089	<i>13,469</i>
Rest of the world	31,243	<i>34,034</i>
	265,875	<i>197,284</i>
	265,875	<i>197,284</i>

All revenue relates to the Company's principal activities, being the collecting, transporting, sorting and selling of recyclable waste paper and other dry mixed recyclables.

DS SMITH RECYCLING UK LIMITED

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

5. Operating profit

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

	2022	<i>2021</i>
	£000	<i>£000</i>
Depreciation of right of use assets	3,011	<i>3,579</i>
Depreciation of tangible fixed assets	1,148	<i>887</i>
Amortisation of intangible assets, including goodwill	308	<i>48</i>
Cost of inventories recognised as an expense	201,150	<i>131,636</i>
Net foreign exchange losses/(gains)	139	<i>(36)</i>
	=====	<i>=====</i>

6. Auditor's remuneration

	2022	<i>2021</i>
	£000	<i>£000</i>
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual financial statements	101	<i>104</i>
	=====	<i>=====</i>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group accounts of the parent company.

DS SMITH RECYCLING UK LIMITED

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

7. Employees

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

	2022	<i>2021</i>
	£000	<i>£000</i>
Wages and salaries	11,310	<i>12,709</i>
Social security costs	982	<i>1,135</i>
Cost of defined contribution scheme	882	<i>1,028</i>
	13,174	<i>14,872</i>

Wages and salaries include £69,501 (2021: £152,582) in respect of share options granted by the ultimate parent Company during the financial year. The Company's management participates in the performance share plan of the parent Company. For further details see note 28.

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

	2022	<i>2021</i>
	No.	<i>No.</i>
Production	177	<i>229</i>
Management and administration	130	<i>150</i>
	307	<i>379</i>

8. Directors' remuneration

	2022	<i>2021</i>
	£000	<i>£000</i>
Directors' emoluments	232	<i>376</i>
Company contributions to money purchase pension schemes	8	<i>12</i>
Reuneration as executives (including pension contributions)	240	<i>388</i>

The highest paid Director received remuneration of £107,000 (2021 - £130,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £5,331 (2021 - £6,500).

DS SMITH RECYCLING UK LIMITED

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

9. Interest receivable

	2022	<i>2021</i>
	£000	<i>£000</i>
Interest receivable from group companies	1,419	673
	1,419	<i>673</i>
	1,419	<i>673</i>

10. Interest payable and similar expenses

	2022	<i>2021</i>
	£000	<i>£000</i>
Bank interest payable	100	58
Interest on lease liabilities	677	805
Factoring costs	101	89
	878	<i>952</i>
	878	<i>952</i>

11. Income tax expense

	2022	<i>2021</i>
	£000	<i>£000</i>
Corporation tax		
Current tax on profits for the year	-	960
Adjustments in respect of previous periods	130	(364)
	130	<i>596</i>
	130	<i>596</i>
Total current tax	130	<i>596</i>
Deferred tax		
Origination and reversal of timing differences	341	294
Changes to tax rates	(115)	-
Adjustment in respect of prior years	(170)	839
	56	<i>1,133</i>
	56	<i>1,133</i>
Taxation on profit on ordinary activities	186	<i>1,729</i>

DS SMITH RECYCLING UK LIMITED

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

11. Income tax expense (continued)

Factors affecting tax charge for the year

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

	2022	<i>2021</i>
	£000	<i>£000</i>
Profit on ordinary activities before tax	12,897	<i>6,067</i>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	2,450	<i>1,153</i>
Effects of:		
Permanent differences	13	<i>101</i>
Effect of change in corporation tax rate	(33)	<i>-</i>
Adjustments in respect of prior years	(40)	<i>475</i>
Group relief	(2,204)	<i>-</i>
Total tax charge for the year	186	<i>1,729</i>

Factors that may affect future tax charges

Finance Act 2021 included a 6% increase in the main UK corporation tax rate to 25% from 1 April 2023, which was substantially enacted on 10 June 2021. Accordingly, the deferred tax balances have been remeasured in the current year.

12. Dividends

	2022	<i>2021</i>
	£000	<i>£000</i>
Dividends paid	65,000	<i>-</i>
	65,000	<i>-</i>

A dividend of £65,000,000 was paid to the Company's immediate parent company on 29 October 2021. The dividend paid per share was £6.99 (2021: £nil).

DS SMITH RECYCLING UK LIMITED

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

13. Adjusting items

	2022	<i>2021</i>
	£000	<i>£000</i>
Restructuring and impairment charge	-	3,008
	-	3,008
	-	3,008

Prior year restructuring costs were related to continuing site rationalisation.

14. Intangible assets

	Computer software
	£000
Cost	
At 1 May 2021	1,871
Additions - external	1,545
Reclassification	2,863
Disposals	(1)
At 30 April 2022	6,278
Amortisation	
At 1 May 2021	1,779
Charge for the year on owned assets	308
Disposals	(1)
At 30 April 2022	2,086
Net book value	
At 30 April 2022	4,192
<i>At 30 April 2021</i>	93

Amortisation is included within cost of sales in the income statement.

DS SMITH RECYCLING UK LIMITED

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

15. Property, plant and equipment

	Freehold property £000	ROU Long- term leasehold property £000	Plant and machinery £000	ROU Motor vehicles £000	ROU Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost or valuation							
At 1 May 2021	7,033	11,907	12,775	5,874	1,896	3,227	42,712
Additions	-	-	-	456	3	916	1,375
Reclassification	-	-	-	-	-	(2,863)	(2,863)
Disposals	(838)	(23)	(2,007)	(1,481)	(215)	-	(4,564)
Transfers between classes	10	-	565	-	-	(575)	-
At 30 April 2022	<u>6,205</u>	<u>11,884</u>	<u>11,333</u>	<u>4,849</u>	<u>1,684</u>	<u>705</u>	<u>36,660</u>
Depreciation							
At 1 May 2021	5,254	1,944	7,076	2,959	911	-	18,144
Charge for the year on owned assets	335	-	813	-	-	-	1,148
Charge for the year on right-of-use assets	-	1,017	-	1,547	447	-	3,011
Disposals	(621)	(23)	(1,887)	(1,438)	(170)	-	(4,139)
At 30 April 2022	<u>4,968</u>	<u>2,938</u>	<u>6,002</u>	<u>3,068</u>	<u>1,188</u>	<u>-</u>	<u>18,164</u>
Net book value							
At 30 April 2022	<u>1,237</u>	<u>8,946</u>	<u>5,331</u>	<u>1,781</u>	<u>496</u>	<u>705</u>	<u>18,496</u>
At 30 April 2021	<u>1,779</u>	<u>9,963</u>	<u>5,699</u>	<u>2,915</u>	<u>985</u>	<u>3,227</u>	<u>24,568</u>

The net book value of land and buildings may be further analysed as follows:

	2022 £000	2021 £000
Freehold	1,237	1,781
Long leasehold	8,946	9,963
	<u>10,183</u>	<u>11,744</u>

DS SMITH RECYCLING UK LIMITED

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

15. Property, plant and equipment (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	2022	<i>2021</i>
	£000	<i>£000</i>
Tangible fixed assets owned	7,273	10,706
Right-of-use tangible fixed assets	11,223	13,862
	18,496	<i>24,568</i>
	18,496	<i>24,568</i>

Information about right-of-use assets is summarised below:

Net book value

	2022	<i>2021</i>
	£000	<i>£000</i>
Property	8,946	9,962
Fixtures and fittings	496	985
Motor vehicles	1,781	2,915
	11,223	<i>13,862</i>
	11,223	<i>13,862</i>

Depreciation charge for the year ended

	2022	<i>2021</i>
	£000	<i>£000</i>
Property	1,017	1,028
Fixtures and fittings	447	495
Motor vehicles	1,547	2,056
	3,011	<i>3,579</i>
	3,011	<i>3,579</i>

16. Inventories

	2022	<i>2021</i>
	£000	<i>£000</i>
Raw materials and consumables	370	341
Finished goods and goods for resale	992	418
	1,362	<i>759</i>
	1,362	<i>759</i>

DS SMITH RECYCLING UK LIMITED

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

17. Trade and other receivables

	2022	<i>As restated</i> 2021
	£000	£000
Non-current		
Amounts owed by group undertakings	151,166	104,859
Deferred tax asset	141	197
	151,307	105,056
	151,307	105,056
	2022	<i>As restated</i> 2021
	£000	£000
Current		
Trade debtors	2,728	2,918
Amounts owed by group undertakings	17,709	13,529
Other debtors and VAT	4,379	2,737
Prepayments and accrued income	2,554	2,856
	27,370	22,040
	27,370	22,040

Non-current amounts owed by group undertakings previously included balances of £13,529,000 which were expected to be repaid within 12 months, being the entity's normal operating cycle. These therefore did not meet the criteria to be classified as non-current assets and have been reclassified to current assets.

Interest is charged on amounts owed by the ultimate parent undertakings of £148,373,000 at 1 month LIBOR plus 0.92%. Amounts owed by group undertakings have no fixed date of repayment and have therefore been presented as due after more than one year.

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.

18. Cash at bank and in hand

	2022	2021
	£000	£000
Cash at bank and in hand	366	7,616
	366	7,616
	366	7,616

DS SMITH RECYCLING UK LIMITED

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

19. Bank overdraft

	2022	<i>2021</i>
	£000	<i>£000</i>
Bank overdraft	(331)	-
	(331)	-
	(331)	-

20. Trade and other payables - current

	2022	<i>2021</i>
	£000	<i>£000</i>
Bank overdrafts	331	-
Trade creditors	77,829	55,653
Amounts owed to group undertakings	16,369	5,261
Income tax payable to group undertakings	403	1,406
Lease liabilities	2,774	3,356
Other creditors	194	264
Accruals and deferred income	5,837	4,963
	103,737	<i>70,903</i>
	103,737	<i>70,903</i>

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

21. Trade and other payables - non-current

	2022	<i>2021</i>
	£000	<i>£000</i>
Lease liabilities	9,193	11,108
Amounts owed to group undertakings	65,000	-
	74,193	<i>11,108</i>
	74,193	<i>11,108</i>

Amounts owed to group undertakings bear interest at LIBOR plus 4.56% and have a maturity date of 30 September 2026.

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.

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

22. Leases

Company as a lessee

The Company has leases in respect to land and buildings and plant and machinery.

Lease liabilities are due as follows:

	2022 £000	2021 £000
No less than one year	2,774	3,356
Between one year and five years	5,060	6,301
Later than five years	4,133	4,802
	<u>11,967</u>	<u>14,459</u>

	2022 £000
Lease liabilities	
At 1 May 2021	14,459
Additions	459
Disposals	(88)
Accretion of interest	677
Payments	(3,540)
At 30 April 2022	<u>11,967</u>

23. Deferred taxation

	2022 £000	2021 £000
At beginning of year	197	1,330
Charged to profit or loss	(56)	(1,134)
At end of year	<u>141</u>	<u>196</u>

DS SMITH RECYCLING UK LIMITED

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

23. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2022	<i>2021</i>
	£000	<i>£000</i>
Depreciation in excess of capital allowances	141	<i>196</i>
	141	<i>196</i>
	141	<i>196</i>

24. Provisions

	Dilapidations and onerous leases £000
At 1 May 2021	4,242
Utilised in year	(669)
At 30 April 2022	3,573
	3,573

The dilapidations and onerous lease provision relate to obligations on a number of leasehold properties which are expected to be utilised in the next 12 months.

25. Called-up share capital

	2022	<i>2021</i>
	£000	<i>£000</i>
Authorised, allotted, called up and fully paid		
9,294,500 (<i>2021 - 9,294,500</i>) Ordinary shares of £1.00 each	9,295	<i>9,295</i>
	9,295	<i>9,295</i>

The Company has one class of ordinary shares which carry no right to fixed income.

Retained earnings represents accumulated profits and losses that the Company has made since incorporation, less any dividends paid in that time.

26. 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.

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

27. Pension commitments

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

The amount recognised as an expense for the defined contribution scheme in the year, relating to current period contributions, was £881,774 (2021: £1,028,015).

As at 30 April 2022, contributions of £nil (2021:£nil) due in respect of the current reporting period had not been paid over to the scheme and are included in other payables.

28. Share based payments

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

(i) Performance Share Plan (PSP)

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

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

Awards made in 2016 are subject to three performance measures:

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

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

(a) Two performance measures:

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

(b) Three performance measures:

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

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

(ii) Deferred Share Bonus Plan (DSBP)

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

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FOR THE YEAR ENDED 30 APRIL 2022

28. Share based payments (continued)

three years after the grant of the award.

(iii) International Sharesave Plan

A Sharesave Plan was introduced in the UK in January 2014 with further invitations being made in subsequent years. All employees of the Company and participating subsidiaries were eligible to participate in this Plan or an HMRC approved UK Sharesave Plan. Options are granted to participants who have contracted to save up to a maximum of £250 (or local currency equivalent) across all open invitations per month over a period of three years, at a discount of up to 20% to the average closing mid-market price of a DS Smith Plc ordinary share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this Plan. The provisions of this Plan are subject to minor country specific variances. Options are granted to participants who have contracted to save up to the equivalent of £250 per month over a period of two years at a discount of up to 15% to the higher of the mid-market average price on the day before invitation and the mid-market average on the day before grant of a DS Smith Plc ordinary share.

Options outstanding and exercisable under share arrangements at 30 April 2022 were:

	Performance Share Plan	Deferred Share Bonus Plan
	Weighted average exercise price (p)	Weighted average exercise price (p)
	Options '000	Options '000
Exercised	Nil	Nil
At 30 April 2022	-	46
	Nil	-

	Sharesave Plan
	Weighted average exercise price (p)
	Options '000
Exercised	370.5
At 30 April 2022	51
	308.8
	209

Details of the share options exercised during the prior year and outstanding at 30 April 2021 are as follows:

Performance Share Plan	Deferred Share Bonus Plan
Weighted average exercise price (p)	Weighted average exercise price (p)
Options '000	Options '000

DS SMITH RECYCLING UK LIMITED

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FOR THE YEAR ENDED 30 APRIL 2022**

28. Share based payments (continued)

<u>Exercised</u>	<u>Nil</u>	<u>-</u>	<u>Nil</u>	<u>-</u>
At 30 April 2021	Nil	16	Nil	55

			Sharesave Plan	
			Weighted average exercise price Options (p) '000	
<u>Exercised</u>			<u>370.5</u>	<u>25</u>
At 30 April 2021			306.9	293

29. Post balance sheet events

There are no subsequent events after the reporting date requiring disclosure.

30. Controlling party

The Company's immediate parent company is DS Smith Packaging Holding BV, a company incorporated in the Netherlands.

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

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

The Company does not have any subsidiary undertakings.