
DS SMITH RECYCLING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2023

DS SMITH RECYCLING UK LIMITED

COMPANY INFORMATION

Directors	A Berrisford S I Bottcher W B Hicks
Company secretary	Z W Stone
Registered number	00214967
Registered office	Level 3 1 Paddington Square London United Kingdom W2 1DL
Independent auditor	Ernst & Young LLP The Paragon Counterslip Bristol United Kingdom BS1 6BX
Bankers	National Westminster Bank Plc Bristol BS3 1JA
Solicitors	Slaughter & May One Bunhill Row London EC1Y 8YY

DS SMITH RECYCLING UK LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 6
Directors' Responsibilities Statement	7
Independent Auditor's Report	8 - 11
Profit and Loss Account	12
Statement of Comprehensive Income	13
Statement of Financial Position	14 - 15
Statement of Changes in Equity	16
Notes to the Financial Statements	17 - 40

DS SMITH RECYCLING UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2023

Introduction

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

Business review

DS Smith Recycling UK Limited ('the Company') is a subsidiary of DS Smith Packaging Holding BV and operates as part of the DS Smith Group ('the Group'). 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 decreased by 12% from the prior year to £232,707,000 (2021/22: £265,875,000). The Company reported a loss before income tax of £6,311,000 (2021/22: Profit £10,886,000). Although exports were marginally higher than 2022, demand for recycled fibre was lower resulting in a 12% decrease in revenue. While operating costs were reduced by the closure of the Cambridge depot in February 2023, at the end of the year management announced a strategic review of the business and a provision was made for further depot closures and headcount reductions. While underlying performance was positive, this resulted in a total operating loss.

The net assets of the Company, as shown in the statement of financial position on page 14, decreased from £19,579,000 at 30 April 2022 to £13,711,000 at 30 April 2023.

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 2023 the business used 1,348k tonnes (2021/22: 1,452k tonnes) of fibre and revenue decreased by 12% reflecting lower volumes.

Return on sales, being operating profit before adjusting items expressed as a percentage of revenue, decreased from 4.6% in 2022 to -1.9% in 2023 reflecting higher input costs in the year and provisions for further depot closures and headcount reductions.

Future developments

Economic conditions have continued to be volatile in 2022/23 impacted by inflationary pressures, especially due to the wider economic consequences of the war in Ukraine, and the cost of living crisis. However, the Company has demonstrated resilience in this high cost environment and our strong customer relationships, together with the investments we are making to drive cost efficiencies and growth, give us confidence for the future.

DS SMITH RECYCLING UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2023

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 263 people at 30 April 2023. We provide development opportunities for all and recognition of personal development, regardless of gender, ethnicity, age, sexual orientation, disability or religion. We encourage feedback and have mechanisms through our employee works councils, biennial employee survey and more regular pulse surveys, which inform local action plans and sharing of best practice. We are committed to ensuring our employees work in a safe, fair and productive environment and invest in their development. We base our approach to, and expectation of, our employees on our five DS Smith values (Be caring, Be challenging, Be responsive, Be trusted and Be tenacious).

The Group launched a global wellbeing survey this year to understand local initiatives and activities against our wellbeing framework. The survey confirmed every site has an active programme with examples such as physical and mental health support, phased retirement programmes, site risk assessments for employees with a disability and workplace assessments. In 2023/24 the Group will launch a wellbeing week to promote activities that will help every employee with their wellbeing.

During 2022/23 leaders ran listening sessions with their teams to explore the results from the October 2021 employee survey. Over 700 actions were taken to address feedback on topics such as communication, health and safety, customer focus, work organisation and inclusion. To assess the impact of the engagement survey actions and pilot an improved approach to listening, we ran a series of targeted pulse surveys between January and March 2023. The Group's recognition programme, The Smithies, helps to engage employees by celebrating what they do. We have monthly local awards, and an annual online global awards ceremony celebrating finalists and winners across seven categories. In 2023/24, we will continue to engage our people and plan to build on the success of the pilot to run targeted pulse surveys more frequently, to give opportunities for our employees to provide regular feedback and drive action.

During 2022/23 we saw the reaffirmation of our health and safety (H&S) Vision Zero, which underpins our safety culture across the Company to empower our employees to act proactively to identify and eliminate risks.

Dependent upon their skills and abilities, the Company applies the same criteria to disabled persons as it does to other employees whether in selection, promotion or training. If any employee becomes disabled during employment with the Company, every effort is made to find suitable continuing employment.

We are committed to increasing the diversity of our workforce to better reflect the communities in which we operate. Together, we are building an inclusive environment where everyone can realise their potential and thrive. During 2022/23 colleagues in DS Smith worked together to create three new ERGs. We are now proud to support our LGBTQ+ and allies, culture and ethnic diversity, gender diversity and disability and allies networks. Colleagues working in our sites receive regular updates via posters and through manager briefings. Our Equal Opportunities & Anti-Discrimination policy is being embedded through training and awareness campaigns.

DS SMITH RECYCLING UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2023

Customers

The Company continues to supply both external customers and internal customers, principally the Group's UK Paper Division which comprised c. 63% of the Company's revenue in 2022/23. The Company forms an integral part of the Group's UK supply chain which has largely fast moving consumer goods (FMCG) companies as its customers. These customers are increasingly concerned about sustainability, both in terms of recyclable packaging materials and reducing overall lifecycle impact, including optimisation in the supply chain. 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.

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

The Group remains committed to reducing its Scope 1,2 and 3 Green House Gas (GHG) emissions by 46 per cent by 2030, compared to 2019 and to reach Net Zero GHG emissions by 2050. The Company monitors its impact on the environment and is working to ensure it contributes to achieving these ambitious targets. The Company also actively plays its role in contributing to the progress on the Group's Now and Next Sustainability Strategy, such as its target to manufacture 100 per cent recyclable or reusable packaging.

This report was approved by the board on 29 April 2024 and signed on its behalf.

W B Hicks
Director

DS SMITH RECYCLING UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2023

The Directors present their report and the financial statements for the year ended 30 April 2023.

Results and dividends

The loss for the year, after taxation, amounted to £5,887,000 (2022 - profit £10,700,000).

The Directors have not proposed or paid a dividend in the year ended 30 April 2023 (2022 - £65,000,000). No dividends have been declared or paid post year end and to the date of authorising the financial statements.

Directors

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

A Berrisford
S I Bottcher
W B Hicks

Political contributions

No political contributions were made during the year (2022: £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 63 of the Strategic report in the Group's 2023 annual report.

DS SMITH RECYCLING UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2023

Going concern

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic report. The financial position of the Company is as shown in the statement of financial position on page 14. At 30 April 2023 the Company reported net current liabilities of £65,633,000 (2022: £78,212,000) and net assets of £13,711,000 (2022: net assets £19,579,000).

The financial statements have been prepared using the going concern basis of accounting. The Company has been issued a support letter from its ultimate parent company, DS Smith Plc, confirming ongoing financial support in meeting liabilities as they fall due for a period of 12 months from the day of approval of accounts. DS Smith Plc has undertaken its own assessment of going concern, which it has confirmed and this is disclosed on page 12 of the DS Smith Plc Half Year Report for the period ended 31st October 2023. The Directors are satisfied that no events took place after the release of the DS Smith Plc Half Year Results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of at 12 months from the day of approval of accounts and accordingly 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.

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 2023**

Post balance sheet events

Following the closure of five depots during the year ended 30 April 2023, four depots (Leeds, Bolton, Avonmouth and Birmingham) sites were sold on 08 September 2023 to a third party resulting to a profit of £4 million. Effective 09 September 2023, the third party has legal title to the freeholds and leaseholds linked to those locations. All the associated assets and machinery have been transferred and any directly linked staff have moved across under a TUPE arrangement. As a result of the gain recognised on the sale of site assets and other adjusting events post year end, the related costs and provisions recognised as of and for the year ended 30 April 2023 have been adjusted to reflect actual amounts realised and incurred.

Auditor

Ernst & Young LLP (EY) were appointed as external Auditor to the Company in 2023 and will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board on 29 April 2024 and signed on its behalf.

W B Hicks
Director

DS SMITH RECYCLING UK LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including United Kingdom Accounting Standards and applicable law and 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.

DS SMITH RECYCLING UK LIMITED

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of DS SMITH RECYCLING UK LIMITED (the 'Company') for the year ended 30 April 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 April 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating 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 12 months from the date the financial statements are expected to issue.

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

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial

DS SMITH RECYCLING UK LIMITED

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may

DS SMITH RECYCLING UK LIMITED

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

involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and Companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, employees, data protection and anti-bribery and corruption.
- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We also understood the controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the programmes and controls that the Company has established to address the risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes and correspondence with relevant authorities, where applicable, and inquiries of company and DS Smith PLC group management and those charged with governance, legal counsel, and internal audit. Based on procedures performed, we have not identified any actual or possible instances of non-compliance with laws and regulations.

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

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.

Sarah Pocock (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP

The Paragon
Counterslip
Bristol
United Kingdom
BS1 6BX
29 April 2024

DS SMITH RECYCLING UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2023**

	Note	2023 £000	<i>As restated*</i> 2022 £000
Turnover	5	232,707	265,875
Cost of sales		(194,908)	(216,067)
Gross profit		37,799	49,808
Distribution costs		(25,789)	(27,079)
Administrative expenses		(16,565)	(10,422)
Operating (loss)/profit	6	(4,555)	12,307
Interest receivable and similar income	10	4,526	1,419
Interest payable and similar expenses	11	(6,302)	(2,889)
Other finance income		20	49
(Loss)/profit before tax		(6,311)	10,886
Tax on (loss)/profit	12	424	(186)
(Loss)/profit for the financial year		(5,887)	10,700

The notes on pages 17 to 40 form part of these financial statements.

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

DS SMITH RECYCLING UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

		2023	* As restated 2022
	Note	£000	£000
(Loss)/profit for the financial year		(5,887)	10,700
Other comprehensive income:			
Gain on designated cash flow hedges		203	-
Reclassification from cash flow hedge reserve to income statement		(178)	-
Deferred tax on designated cash flow hedges		(6)	-
		19	-
Total comprehensive (loss)/income for the year		(5,868)	10,700

The notes on pages 17 to 40 form part of these financial statements.

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

DS SMITH RECYCLING UK LIMITED
REGISTERED NUMBER: 00214967

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023

	Note	2023 £000	*As restated 2022 £000
Non-current assets			
Intangible assets	14	5,145	4,192
Property, plant and equipment	15	12,489	18,496
Trade and other receivables	17	141,976	151,307
		159,610	173,995
Current assets			
Inventories	16	956	1,362
Trade and other receivables	17	19,878	27,370
Cash at bank	18	-	366
		20,834	29,098
Current liabilities			
Trade and other payables	19	(82,324)	(103,737)
Provisions	23	(4,143)	(3,573)
		(65,633)	(78,212)
Total assets less current liabilities		93,977	95,783
Non-current liabilities			
Trade and other payables	20	(80,266)	(76,204)
		13,711	19,579
Capital and reserves			
Called-up share capital	25	9,295	9,295
Hedging reserves	24	19	-
Profit and loss account		4,397	10,284
		13,711	19,579

DS SMITH RECYCLING UK LIMITED
REGISTERED NUMBER: 00214967

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 APRIL 2023

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 April 2024.

W B Hicks
Director

The notes on pages 17 to 40 form part of these financial statements.

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

DS SMITH RECYCLING UK LIMITED

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

	Called up share capital £000	Hedging reserves £000	Profit and loss account £000	Total equity £000
At 1 May 2021	9,295	-	64,584	73,879
Comprehensive income for the year				
Profit for the year (*as restated)	-	-	10,700	10,700
Total comprehensive income for the year	-	-	10,700	10,700
Dividends: Equity capital	-	-	(65,000)	(65,000)
At 1 May 2022 (*as restated)	9,295	-	10,284	19,579
Comprehensive loss for the year				
Loss for the year	-	-	(5,887)	(5,887)
Deferred tax on designated cash flow hedges	-	(6)	-	(6)
Reclassification from cash flow hedge reserve to income statement	-	(178)	-	(178)
Gain on designated cash flow hedges	-	203	-	203
At 30 April 2023	9,295	19	4,397	13,711

The notes on pages 17 to 40 form part of these financial statements.

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

DS SMITH RECYCLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2023

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 Level 3, 1 Paddington Square, London, United Kingdom, W2 1DL.

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 4).

The following principal accounting policies have been applied:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

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.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

2. Accounting policies (continued)

2.3 Going concern

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic report. The financial position of the Company is as shown in the statement of financial position on page 14. At 30 April 2023 the Company reported net current liabilities of £65,633,000 (2022: £78,212,000) and net assets of £13,711,000 (2022: net assets £19,579,000).

The financial statements have been prepared using the going concern basis of accounting. The Company has been issued a support letter from its ultimate parent company, DS Smith Plc, confirming ongoing financial support in meeting liabilities as they fall due for a period of 12 months from the day of approval of accounts. DS Smith Plc has undertaken its own assessment of going concern, which it has confirmed and this is disclosed on page 12 of the DS Smith Plc Half Year Report for the period ended 31st October 2023. The Directors are satisfied that no events took place after the release of the DS Smith Plc Half Year Results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of 12 months from the day of approval of accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

2. Accounting policies (continued)

2.5 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 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. The following criteria must also be met before revenue is recognised:

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.

2.6 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 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. If this rate cannot be readily determined, the Company uses its incremental borrowing rate, being the rate that the Company would have to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

2. Accounting policies (continued)

2.6 Leases (continued)

The lease liability is included in 'Trade and other payables' 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 'Tangible Fixed Assets' line, 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.

2.7 Interest income

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

2.8 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.

2.9 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

2. Accounting policies (continued)

2.10 Pensions

Defined contribution pension plan

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

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

2.11 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.

Since the year ended 30 April 2022 and onwards, DS Smith Group entities 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.

2.12 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

2. Accounting policies (continued)

2.13 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.

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

2.14 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.

2.15 Impairment of fixed assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

2. Accounting policies (continued)

2.16 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.

2.17 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.

2.18 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.

2.19 Provisions for liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

2. Accounting policies (continued)

2.20 Derivative financial instruments

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

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

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

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

2.21 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

2. Accounting policies (continued)

2.21 Financial instruments (continued)

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.22 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.

3. Prior year restatement

The prior year comparatives have been restated to correct a misstatement of interest charged on an amount owed to a group undertaking. This change has impacted the Profit and Loss Account, the Statement of Financial Position and the related notes. The table below analyses the adjustment:

	Previously stated balance	Adjustment	Restated Balance
	£000	£000	£000
At 1 May 2022			
Interest Payable and similar expenses			
Interest payable to group undertakings	-	2,011	2,011
Trade and other payables - non-current			
Amounts owed to group undertakings	(65,000)	(2,011)	(67,011)
Capital and reserves			
Profit and loss account	12,295	(2,011)	10,284

DS SMITH RECYCLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2023

4. 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

Impairment

Assumptions are made when reviewing assets for any impairment indicators. It is possible that if key assumptions were changed adversely, impairment would need to be recognised.

Restructuring provisions

Provisions have been recognised for redundancy and costs arising on site closures based on reliable estimates of the amount of obligations that would arise. It is possible that the outcome of these estimates could change based on actual circumstances and costs at the time these site closures happen.

5. Revenue

Analysis of turnover by country of destination:

	2023	<i>2022</i>
	£000	<i>£000</i>
United Kingdom	175,383	<i>210,543</i>
Rest of Europe	10,625	<i>24,089</i>
Rest of the world	46,699	<i>31,243</i>
	232,707	<i>265,875</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 2023**

6. Operating (loss)/profit

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

	2023	<i>2022</i>
	£000	<i>£000</i>
Depreciation of right of use assets	2,227	<i>3,011</i>
Depreciation of tangible fixed assets	892	<i>1,148</i>
Amortisation of intangible assets	361	<i>308</i>
Impairment of tangible assets	5,415	<i>-</i>
Impairment of ROU assets	126	<i>-</i>
Cost of inventories recognised as an expense	176,578	<i>201,150</i>
Net foreign exchange losses	280	<i>139</i>
Restructuring	5,614	<i>-</i>
	=====	<i>=====</i>

7. Auditor's remuneration

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

	2023	<i>2022</i>
	£000	<i>£000</i>
Auditors' remuneration	110	<i>101</i>

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

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

8. Employees

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

	2023	<i>2022</i>
	£000	<i>£000</i>
Wages and salaries	12,056	<i>11,310</i>
Social security costs	1,008	<i>982</i>
Cost of defined contribution scheme	804	<i>882</i>
	13,868	<i>13,174</i>

Wages and salaries include £43,988 (2022: £69,501) 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.

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

	2023	<i>2022</i>
	No.	<i>No.</i>
Production	146	<i>177</i>
Management and administration	117	<i>130</i>
	263	<i>307</i>

9. Directors' remuneration

	2023	<i>2022</i>
	£000	<i>£000</i>
Directors' emoluments	335	<i>232</i>
Company contributions to money purchase pension schemes	4	<i>8</i>
	339	<i>240</i>

The highest paid Director received remuneration of £204,000 (2022 - £163,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £8,000 (2022 - £5,000).

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

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

10. Interest receivable

	2023	<i>2022</i>
	£000	<i>£000</i>
Interest receivable from group undertakings	4,526	<i>1,419</i>
	<u>4,526</u>	<u><i>1,419</i></u>

11. Interest payable and similar expenses

	2023	<i>*As restated 2022</i>
	£000	<i>£000</i>
Bank interest payable	142	<i>100</i>
Interest payable to group undertakings	5,442	<i>2,011</i>
Interest on lease liabilities	550	<i>677</i>
Other interest - on factored debts	168	<i>101</i>
	<u>6,302</u>	<u><i>2,889</i></u>

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

12. Income tax expense

	2023	<i>2022</i>
	£000	<i>£000</i>
Corporation tax		
Adjustments in respect of previous periods	-	<i>130</i>
	<u>-</u>	<u><i>130</i></u>
Total current tax	<u>-</u>	<u><i>130</i></u>
Deferred tax		
Origination and reversal of timing differences	212	<i>341</i>
Changes to tax rates	60	<i>(115)</i>
Adjustment in respect of prior years	(696)	<i>(170)</i>
	<u>(424)</u>	<u><i>56</i></u>
Taxation on (loss)/profit on ordinary activities	<u>(424)</u>	<u><i>186</i></u>

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

12. Income tax expense (continued)

Factors affecting tax charge for the year

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

	2023	<i>2022</i>
	£000	<i>£000</i>
(Loss)/profit on ordinary activities before tax	(6,311)	<i>10,885</i>
	<u><u>(6,311)</u></u>	<u><u>10,885</u></u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2022 - 19%)	(1,231)	<i>2,068</i>
Effects of:		
Permanent differences	89	<i>13</i>
Effect of change in corporation tax rate	60	<i>(33)</i>
Adjustments in respect of prior years	(696)	<i>(40)</i>
Group relief	1,354	<i>(1,822)</i>
	<u><u>(424)</u></u>	<u><u>186</u></u>
Total tax (credit)/ charge for the year	(424)	<i>186</i>

Factors that may affect future tax charges

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

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

13. Dividends

	2023	<i>2022</i>
	£000	<i>£000</i>
Dividends paid	-	<i>65,000</i>
	<u><u>-</u></u>	<u><u>65,000</u></u>

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.

DS SMITH RECYCLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023

14. Intangible assets

	Computer software £000
Cost	
At 1 May 2022	6,278
Additions	1,314
At 30 April 2023	<u>7,592</u>
Amortisation	
At 1 May 2022	2,086
Charge for the year on owned assets	361
At 30 April 2023	<u>2,447</u>
Net book value	
At 30 April 2023	<u>5,145</u>
At 30 April 2022	<u>4,192</u>

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 2023

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	Assets under construction £000	Total £000
Cost or valuation							
At 1 May 2022	6,205	11,884	11,333	4,849	1,684	705	36,660
Additions	126	655	328	135	-	1,667	2,911
Disposals	-	-	-	(2,212)	(56)	-	(2,268)
At 30 April 2023	<u>6,331</u>	<u>12,539</u>	<u>11,661</u>	<u>2,772</u>	<u>1,628</u>	<u>2,372</u>	<u>37,303</u>
Depreciation							
At 1 May 2022	4,968	2,938	6,002	3,068	1,188	-	18,164
Charge for the year on owned assets	349	-	543	-	-	-	892
Charge for the year on right-of-use assets	-	1,013	-	804	410	-	2,227
Disposals	-	-	-	(1,954)	(56)	-	(2,010)
Impairment charge	-	4,885	530	126	-	-	5,541
At 30 April 2023	<u>5,317</u>	<u>8,836</u>	<u>7,075</u>	<u>2,044</u>	<u>1,542</u>	<u>-</u>	<u>24,814</u>
Net book value							
At 30 April 2023	<u>1,014</u>	<u>3,703</u>	<u>4,586</u>	<u>728</u>	<u>86</u>	<u>2,372</u>	<u>12,489</u>
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>

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

	2023 £000	2022 £000
Freehold	1,014	1,237
Long leasehold	3,703	8,946
	<u>4,717</u>	<u>10,183</u>

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

15. Property, plant and equipment (continued)

The net book value of owned and leased assets included as "Property, Plant and Equipment" in the Statement of Financial Position is as follows:

	2023	2022
	£000	£000
Tangible fixed assets owned	7,972	7,273
Right-of-use tangible fixed assets	4,517	11,223
	<u>12,489</u>	<u>18,496</u>

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

Net book value

	2023	2022
	£000	£000
Property	3,703	8,946
Fixtures and fittings	86	496
Motor vehicles	728	1,781
	<u>4,517</u>	<u>11,223</u>

Depreciation charge for the year ended

	2023	2022
	£000	£000
Property	1,013	1,017
Fixtures and fittings	410	447
Motor vehicles	804	1,547
	<u>2,227</u>	<u>3,011</u>

16. Inventories

	2023	2022
	£000	£000
Raw materials and consumables	281	370
Finished goods and goods for resale	675	992
	<u>956</u>	<u>1,362</u>

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

17. Trade and other receivables

	2023	<i>2022</i>
	£000	<i>£000</i>
Due after more than one year		
Amounts owed by group undertakings	141,417	<i>151,166</i>
Deferred tax asset	559	<i>141</i>
	141,976	<i>151,307</i>
	141,976	<i>151,307</i>
	2023	<i>2022</i>
	£000	<i>£000</i>
Due within one year		
Trade debtors	3,429	<i>2,728</i>
Amounts owed by group undertakings	11,759	<i>17,709</i>
Other debtors	2,658	<i>4,379</i>
Prepayments and accrued income	1,982	<i>2,554</i>
Derivative financial instruments	50	<i>-</i>
	19,878	<i>27,370</i>
	19,878	<i>27,370</i>

Interest is charged on amounts owed by the ultimate parent undertakings of £138,990,000 at 1 month SONIA 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 as management does not expect this to be settled within 12 months from the balance sheet date.

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

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

18. Cash at bank

	2023	<i>2022</i>
	£000	<i>£000</i>
Cash at bank	-	<i>366</i>
	-	<i>366</i>
	-	<i>366</i>

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

19. Trade and other payables - current

	2023	<i>2022</i>
	£000	<i>£000</i>
Bank overdraft	704	331
Trade creditors	45,919	77,829
Amounts owed to group undertakings	21,366	16,369
Income tax payable to group undertakings	403	403
Lease liabilities	1,879	2,774
Other creditors	218	194
Accruals and deferred income	11,835	5,837
	82,324	<i>103,737</i>
	82,324	<i>103,737</i>

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

20. Trade and other payables - non-current

	2023	<i>*As restated</i>
	£000	<i>2022</i>
		<i>£000</i>
Lease liabilities	7,803	9,193
Amounts owed to group undertakings	72,453	67,011
Derivative financial instruments	10	-
	80,266	<i>76,204</i>
	80,266	<i>76,204</i>

Amounts owed to group undertakings bear interest at SONIA 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 were applied to intercompany loans within the DS Smith Group that were impacted by the reform. To ensure the economics of the transactions were consistent before and after the transition a credit adjustment spread was applied to the risk free rates.

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

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

21. Leases

Company as a lessee

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

Lease liabilities are due as follows:

	2023	<i>2022</i>
	£000	<i>£000</i>
No less than one year	1,879	2,774
Between one year and five years	4,254	5,060
Later than five years	3,549	4,133
	9,682	<i>11,967</i>
	9,682	<i>11,967</i>
		2023
		£000
Lease liabilities		
At 1 May 2022		11,967
Additions		135
Disposals		(284)
Accretion of interest		550
Payments		(2,686)
At 30 April 2023		9,682
		9,682

22. Deferred taxation

	2023	<i>2022</i>
	£000	<i>£000</i>
At beginning of year	141	197
Charged/ (Credit) to profit or loss	424	(56)
Charged to other comprehensive income	(6)	-
At end of year	559	<i>141</i>
	559	<i>141</i>

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

22. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2023	<i>2022</i>
	£000	<i>£000</i>
Depreciation in excess of capital allowances	565	<i>141</i>
Derivative financial instruments	(6)	<i>-</i>
	559	<i>141</i>

Deferred tax assets are recognised for all deductible temporary differences on the basis it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

23. Provisions

The dilapidations relate to obligations on a leasehold property and the restructuring to obligating business activities costs as a result of the depot closures.

	Dilapidations and restructuring £000
At 1 May 2022	3,573
Charged to profit or loss	1,358
Utilised in year	(788)
At 30 April 2023	4,143

Due to a change in customer profile and decreasing profitability in the smaller depots, a major restructuring announcement was made to all staff on the 26th and 27th April 2023. The announcement confirmed 5 of the 6 depots and parts of the head office would be closed down and employees to be made redundant. These depots ceased trading in October 2023. As a result, impairment charge of £5,541,000 and restructuring costs amounting to £5,614,000 were recognised in the income statement, and £3,674,000 of related provisions are outstanding as of 30 April 2023

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

24. Financial Instruments

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

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

DS SMITH RECYCLING UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023**

24. Financial Instruments (continued)

follows:

	Assets	Liabilities
	2023	2023
	£000	£'000
Derivatives held to hedge future transactions:		
Energy - current	50	-
Energy - non current	-	10
	50	10
	50	10

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

	Hedging reserves
Balance at 1 May 2022	-
Loss on designated cash flow hedges	203
Gain reclassified to the income statement	(178)
Deferred tax	(6)
At 30 April 2023	19

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

25. Called-up share capital

	2023	2022
	£000	£000
Authorised, allotted, called up and fully paid		
9,294,500 (2022 - 9,294,500) Ordinary shares of £1.00 each	9,295	9,295

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.

DS SMITH RECYCLING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2023

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. Further information can be found in the Group's annual report which does not form part of this report.

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 £804,466 (2022: £881,774).

As at 30 April 2023, contributions of £nil (2022:£nil) due in respect of the current reporting period had not been paid over to the scheme and are included in other payables.

28. Post balance sheet events

Following the closure of five depots during the year ended 30 April 2023, four depots (Leeds, Bolton, Avonmouth and Birmingham) sites were sold on 08 September 2023 to a third party resulting to a profit of £4 million. Effective 09 September 2023, the third party has legal title to the freeholds and leaseholds linked to those locations. All the associated assets and machinery have been transferred and any directly linked staff have moved across under a TUPE arrangement. As a result of the gain recognised on the sale of site assets and other adjusting events post year end, the related costs and provisions recognised as of and for the year ended 30 April 2023 have been adjusted to reflect actual amounts realised and incurred.

29. 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 Level 3, 1 Paddington Square, London, United Kingdom, W2 1DL.

The Company does not have any subsidiary undertakings.