Registered number: 00214967

DS SMITH RECYCLING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2024

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

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2024

Introduction

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

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 Plc 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 35% from the prior year to £151,477,000 (2022/23: £232,707,000). The Company reported a profit before income tax of £17,674,000 (2022/23: loss of £6,311,000). Exports were 27% down on 2022/23 which is the main driver of the decrease in external revenue. Demand for recycled fibre within the Group was marginally down on 2022/23 at 1% while lower selling prices accounted for the large decrease in intercompany revenue of 28%. Depot closures and headcount reductions in the year have improved the gross profit margin form 16% in 2022/23 to 23% in 2023/24 and resulted in a gain of £7,601,000 reported within 'administrative expenses'.

The net assets of the Company, as shown in the statement of financial position on page 16, increased from £13,711,000 at 30 April 2023 to £26,859,000 at 30 April 2024 driven by profit of £13,171,000 in the year.

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 2024 the business used 1,198k tonnes (2022/23: 1,348k tonnes) of fibre and revenue decreased by 35% reflecting lower volumes.

Return on sales, being operating profit expressed as a percentage of revenue, increased from -1.9% in 2023 to 11.8% in 2024 reflecting the gain on depot closures in the year and headcount reductions.

Future Developments

There continues to be global uncertainty within the macroeconomic environment as a result of the war in Ukraine and the Middle East and the cost of living crisis. Raw material and other input costs also remain high although energy prices have started to decline. However, these are mitigated by effective supplier arrangements, long term hedging arrangements and rising packaging prices. The Group continues to carefully manage our cost base and is confident for the year ahead that sufficient methods are in place to mitigate these increased costs.

Combination with International Paper

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

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

The Board (comprising the Managing Director (Recycling North Region), the Finance Director (Transformation) and the Group Chief Accountant) aims to promote the success of the Company for the benefit of its shareholder and the wider Group as a whole, taking into account the long-term consequences of its decisions and looking at those decisions through a variety of lenses. This involves the Board and management considering in detail and discussing the interests of the Company's and Group's stakeholders the importance of maintaining our reputation for high standards of business conduct; and the impact of the Company's operations on the community and environment.

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

Employees

The Company employed 98 people at 30 April 2024. We are working to realise the potential of our people, which focuses on creating a safe, diverse and inclusive workforce, as a fundamental foundation for a successful company. Our people want to work for a Purpose-led organisation that resonates, and that they are proud to be a part of. They contribute to a supportive culture, in which they feel safe, recognised and rewarded. We are committed to ensuring that our workplace is safe, diverse and inclusive. By giving everyone a voice, we promote a meritocracy with development opportunities for all, and recognition of achievement regardless of gender, ethnicity, age or religion. We encourage feedback through our Employee Works Councils and employee pulse surveys and celebrate successes with our Smithies awards.

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

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

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

Employees (continued)

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

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

Fostering of business relations with suppliers, customers and others

Customers

Our customers are predominantly large, global fast moving consumer goods (FMCG) brands that typically sell goods in supermarkets and via e-commerce channels. We produce corrugated recyclable packaging for these brands and sell paper and recycling materials to third parties. Customers are concerned about sustainability, particularly the circularity, including recyclability, and the carbon footprint of their packaging. They are interested in supply chain transparency, legal and regulatory compliance, and competitive pricing, in addition to product quality and meeting their sustainability goals. We aim to delight our customers, from understanding their needs to providing innovative solutions through long-term strategic partnerships. We continue to bring new solutions to market, increasing recyclability, and reducing the carbon footprint using our Circular Design Metrics.

Our recycling and waste management services help our customers waste less and recycle more. From municipalities to some of the best-known brands and retailers in the world, our expertise help our customers maximise their recycling strategies.

The paper and cardboard we collect for recycling feeds our own paper mills as part of our closed loop recycling business model, while also being sold into our global network of third-party paper mills. By working with our customers to build recyclability into their supply chains, we are helping to provide sustainable solutions that the wider society demands from organisations.

Suppliers

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

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

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

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

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

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

Task Force on Climate-related Financial Disclosures (TCFD)

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

Principal risks and uncertainties

Macroeconomic impacts are one of the key principal risks facing the Company. The ongoing war following Russia's invasion of Ukraine, and the conflict in the Middle East, continue to cause uncertainty at a geopolitical level and the thoughts of the Directors and employees of the Company remain with all those that are suffering as a result. Political and economic factors, such as rising interest rates and weakening major economies, impact the level of end-consumer spend and customer demand for the Company's packaging products. This risk is managed through the Company's secure supply chain and a customer offering focussed on innovative sustainable packaging solutions which remains compelling to our resilient customer base of FMCG multi-national companies.

Volatile commodity pricing for the Company's main input cost, CCM, can cause a short-term challenge to capture appropriate returns by aligning raw material costs to packaging sales revenues. All significant contracts have indexation mechanisms to mitigate this risk, albeit there can be a delay between the purchase of paper and the recovery through indexation.

Inflation rates have risen sharply during the course of the financial year. An agreement has been reached with the unions that represent our workforce to address labour inflation, and our Procurement team continue to work with suppliers to manage inflationary pressures in our other input costs.

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

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

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

W B Hicks
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2024

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

Results and dividends

The profit for the year, after taxation, amounted to £13,171,000 *(2023 - loss of £5,887,000)*.

The Directors have not proposed or paid a dividend in the year ended 30 April 2024 (2023: £nil). 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 (2023: £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 CO_2 emissions and energy consumption on page 76 of the Strategic report in the Group's 2024 annual report.

Going concern

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic report. The financial position of the Company is as shown in the statement of financial position on page 16. At 30 April 2024 the Company reported net current liabilities of £56,789,000 (2023: £65,633,000) and net assets of £26,859,000 (2023: £13,711,000).

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 19 of the DS Smith Plc Half Year Report for the period ended 31 October 2024. The Directors are satisfied that no events took place after the release of the DS Smith Plc Half Year Results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of at 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.

Auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

W B Hicks
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2024

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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

We have audited the financial statements of DS SMITH RECYCLING UK LIMITED (the 'Company') for the year ended 30 April 2024 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26, including material accounting policy information. 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 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating 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.

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 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.

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.

Luke Little (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP

The Paragon
Counterslip
Bristol
United Kingdom
BS1 6BX
16 January 2025

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2024

	Note	2024 £000	2023 £000
Turnover	4	**151,477**	*232,707*
Cost of sales		**(116,290)**	*(194,908)*
Gross profit		**35,187**	*37,799*
Distribution costs		**(21,154)**	*(25,789)*
Administrative expenses		**3,789**	*(16,565)*
Operating profit/(loss)	5	**17,822**	*(4,555)*
Interest receivable and similar income	9	**7,893**	*4,526*
Interest payable and similar expenses	10	**(8,015)**	*(6,302)*
Other finance (expense)/income		**(26)**	*20*
Profit/(loss) before tax		**17,674**	*(6,311)*
Tax on profit/(loss)	11	**(4,503)**	*424*
Profit/(loss) for the financial year		**13,171**	*(5,887)*

The notes on pages 19 to 42 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2024

	Note	2024 £000	2023 £000
Profit/(loss) for the financial year		**13,171**	*(5,887)*
Other comprehensive (loss)/income:			
(Loss)/gain on designated cash flow hedges		**(16)**	*203*
Reclassification from cash flow hedge reserve to income statement		**(15)**	*(178)*
Deferred tax on designated cash flow hedges		**8**	*(6)*
Other comprehensive (loss)/income		**(23)**	*19*
Total comprehensive income/ (loss) for the year		**13,148**	*(5,868)*

The notes on pages 19 to 42 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2024

	Note		2024 £000		2023 £000
Fixed assets					
Intangible assets	12		**7,019**		*5,145*
Property, plant and equipment	13		**5,177**		*12,489*
Trade and other receivables	15		**147,313**		*141,976*
			159,509		*159,610*
Current assets					
Inventories	14	**512**		*956*	
Trade and other receivables	15	**15,997**		*19,878*	
Cash at bank	16	**2,576**		-	
		19,085		*20,834*	
Current liabilities					
Trade and other payables	17	**(72,346)**		*(82,324)*	
Provisions	21	**(3,618)**		*(4,143)*	
Net current liabilities			**(56,879)**		*(65,633)*
Total assets less current liabilities			**102,630**		*93,977*
Non-current liabilities					
Trade and other payables	18		**(75,771)**		*(80,266)*
Net assets			**26,859**		*13,711*
Capital and reserves					
Called up share capital	23		**9,295**		*9,295*
Hedging reserves	22		**(4)**		*19*
Profit and loss account			**17,568**		*4,397*
			26,859		*13,711*

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

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

W B Hicks
Director

The notes on pages 19 to 42 form part of these financial statements.

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

	Called up share capital	Hedging reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 May 2022	**9,295**	**-**	**10,284**	**19,579**
Comprehensive income for the year				
Profit 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 1 May 2023	**9,295**	**19**	**4,397**	**13,711**
Comprehensive loss for the year				
Profit for the year	**-**	**-**	**13,171**	**13,171**
Deferred tax on designated cash flow hedges	**-**	**8**	**-**	**8**
Reclassification from cash flow hedge reserve to income statement	**-**	**(15)**	**-**	**(15)**
Loss on designated cash flow hedges	**-**	**(16)**	**-**	**(16)**
At 30 April 2024	**9,295**	**(4)**	**17,568**	**26,859**

The notes on pages 19 to 42 form part of these financial statements.

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 3).

The following principal accounting policies have been applied:

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

2. Accounting policies (continued)

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions (continued)

- 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 2024 and these financial statements may be obtained from Level 3, 1 Paddington Square, London, W2 1DL, United Kingdom.

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 16. At 30 April 2024 the Company reported net current liabilities of £56,879,000 (2023: £65,633,000) and net assets of £26,859,000 (2023: £13,711,000).

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 19 of the DS Smith Plc Half Year Report for the period ended 31 October 2024. The Directors are satisfied that no events took place after the release of the DS Smith Plc Half Year Results that give rise to any uncertainties relating to going concern, and accordingly the directors considered it is appropriate to rely upon this support in making their going concern assessment for these financial statements. The Directors are satisfied that the Company has adequate resources to meet its operational needs for a period of 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. Accounting policies (continued)

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.

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 at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services and the fulfilment of the related performance obligations.

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

2. Accounting policies (continued)

2.6 Leases (continued)

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, 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;

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. Accounting policies (continued)

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.

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.

The Pillar Two Income tax rules will apply to the DS Smith Group and subsidiaries for the financial year commencing on 1 May 2024. The Company has applied the exemption from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes as required in the amendments to FRS 101 International Tax reform - Pillar two model rules effective 1 January 2023.

2. Accounting policies (continued)

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

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 self constructed asset is measured by directly attributable costs including direct materials, direct labour costs and unavoidable costs that are directly attributable to the construction activity. Once the asset under construction is ready for use or sale then it is reclassified into its appropriate asset category and depreciation shall commence.

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. Accounting policies (continued)

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.

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

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

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

2. Accounting policies (continued)

2.20 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.

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.

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

Impairment

Assumptions are made when reviewing assets for any impairment indicators, primarily within the latest approved financial forecast which is used as the basis for this assessment. It is possible that if key assumptions were changed adversely, impairment would need to be recognised.

3. Judgements in applying accounting policies (continued)

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.

4. Revenue

Analysis of turnover by country of destination:

	2024 **£000**	*2023* *£000*
United Kingdom	**142,954**	*175,383*
Rest of Europe	**3,420**	*10,625*
Rest of the world	**5,103**	*46,699*
	151,477	*232,707*

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.

5. Operating profit/(loss)

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

	2024 **£000**	*2023* *£000*
Depreciation of tangible fixed assets (note 13)	**1,664**	*3,119*
Impairment of tangible fixed assets (note 13)	**1,612**	*5,541*
Amortisation of intangible assets, including goodwill (note 12)	**460**	*361*
Exchange differences	**(180)**	*280*
Cost of stocks recognised as an expense	**108,728**	*176,578*
Restructuring	**(7,140)**	*5,614*

The gain on restructuring of £7,140,000 (2023: expense £5,614,000) is in relation to the closure of depots in the year.

6. Auditor's remuneration

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

	2024 £000	2023 £000
Fees payable to the Company's auditor and its associates in respect of:		
Internal audit services	**99**	*110*

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

7. Employees

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

	2024 £000	2023 £000
Wages and salaries	**6,401**	*12,056*
Social security costs	**719**	*1,008*
Cost of defined contribution scheme	**598**	*804*
	7,718	*13,868*

Wages and salaries include £86,931 (2023: £43,988) in respect of share options granted by DS Smith Plc, 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:

	2024 No.	2023 No.
Production	**72**	*146*
Management and administration	**82**	*117*
	154	*263*

8. Directors' remuneration

	2024 £000	*2023 £000*
Directors' emoluments	313	*335*
Company contributions to money purchase pension schemes	-	*4*
	313	*339*

The highest paid Director received remuneration of £177,000 *(2023) - £204,000*).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £22,000 *(2023 - £8,000)*.

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

9. Interest receivable

	2024 £000	*2023 £000*
Interest receivable from group undertakings	7,893	*4,526*

10. Interest payable and similar expenses

	2024 £000	*2023 £000*
Bank interest payable	182	*142*
Interest payable to group undertakings	7,489	*5,442*
Interest on lease liabilities	333	*550*
Other interest - on factored debts	11	*168*
	8,015	*6,302*

11. Income tax expense

	2024 £000	2023 £000
Corporation tax		
Current tax on profits for the year	4,760	-
	4,760	-
Total current tax	4,760	-
Deferred tax		
Origination and reversal of timing differences	(428)	212
Changes to tax rates	-	60
Adjustment in respect of prior years	171	(696)
Total deferred tax	(257)	(424)
Taxation on profit/(loss) on ordinary activities	4,503	(424)

11. Income tax expense (continued)

Factors affecting tax charge for the year

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

	2024 £000	*2023 £000*
Profit/(loss) on ordinary activities before tax	**17,674**	*(6,311)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 - 19.5%)	**4,418**	*(1,231)*
Effects of:		
Permanent differences	**(86)**	*89*
Effect of change in corporation tax rate	**-**	*60*
Adjustments in respect of prior years	**171**	*(696)*
Group relief	**-**	*1,354*
Total tax charge for the year	**4,503**	*(424)*

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.

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

12. Intangible assets

	Computer software £000
Cost	
At 1 May 2023	**7,592**
Additions - external	**2,413**
Disposals	**(193)**
At 30 April 2024	**9,812**
Amortisation	
At 1 May 2023	**2,447**
Charge for the year on owned assets	**460**
On disposals	**(114)**
At 30 April 2024	**2,793**
Net book value	
At 30 April 2024	**7,019**
At 30 April 2023	*5,145*

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

13. Property, plant and equipment

	Freehold & leasehold 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 2023	**6,331**	**12,539**	**11,661**	**2,772**	**1,628**	**2,372**	**37,303**
Additions	**105**	**1,073**	**1,638**	**192**	**-**	**-**	**3,008**
Disposals	**(3,945)**	**(3,664)**	**(10,063)**	**(2,271)**	**(1,528)**	**-**	**(21,471)**
Transfers between classes	**2,372**	**-**	**-**	**-**	**-**	**(2,372)**	**-**
At 30 April 2024	**4,863**	**9,948**	**3,236**	**693**	**100**	**-**	**18,840**
Depreciation							
At 1 May 2023	**5,317**	**8,836**	**7,075**	**2,044**	**1,542**	**-**	**24,814**
Charge for the year on owned assets	**441**	**-**	**(87)**	**-**	**-**	**-**	**354**
Charge for the year on right-of-use assets	**-**	**710**	**-**	**549**	**51**	**-**	**1,310**
Disposals	**(2,533)**	**(2,337)**	**(6,078)**	**(1,951)**	**(1,528)**	**-**	**(14,427)**
Transfers between classes	**(1,395)**	**-**	**1,395**	**-**	**-**	**-**	**-**
Impairment charge	**-**	**1,612**	**-**	**-**	**-**	**-**	**1,612**
At 30 April 2024	**1,830**	**8,821**	**2,305**	**642**	**65**	**-**	**13,663**
Net book value							
At 30 April 2024	**3,033**	**1,127**	**931**	**51**	**35**	**-**	**5,177**
At 30 April 2023	*1,014*	*3,703*	*4,586*	*728*	*86*	*2,372*	*12,489*

The impairment charge of £1,612,000 on the right-of-use long-term leasehold property relates to the termination of the Uxbridge depot lease.

13. Property, plant and equipment (continued)

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

	2024 **£000**	*2023* *£000*
Freehold	**3,033**	*1,014*
Long leasehold	**1,127**	*3,703*
	4,160	*4,717*

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

	2024 **£000**	*2023* *£000*
Tangible fixed assets owned	**2,351**	*7,972*
Right-of-use tangible fixed assets	**2,826**	*4,517*
	5,177	*12,489*

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

Net book value

	2024 **£000**	*2023* *£000*
Property	**2,740**	*3,703*
Fixtures and fittings	**36**	*86*
Motor vehicles	**50**	*728*
	2,826	*4,517*

Depreciation charge for the year ended

	2024 **£000**	*2023* *£000*
Property	**710**	*1,013*
Fixtures and fittings	**51**	*410*
Motor vehicles	**549**	*804*
	1,310	*2,227*

14. Inventories

	2024 £000	*2023 £000*
Raw materials and consumables	**33**	*281*
Finished goods and goods for resale	**479**	*675*
	512	*956*

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

15. Trade and other receivables

	2024 £000	*2023 £000*
Due after more than one year		
Amounts owed by group undertakings	**146,489**	*141,417*
Deferred tax asset (note 20)	**824**	*559*
	147,313	*141,976*

	2024 £000	*2023 £000*
Due within one year		
Trade debtors	**1,650**	*3,429*
Amounts owed by group undertakings	**11,680**	*11,759*
Other debtors	**1,689**	*2,658*
Prepayments and accrued income	**978**	*1,982*
Derivative financial instruments (note 22)	**-**	*50*
	15,997	*19,878*

Interest is charged on amounts owed by the ultimate parent undertakings of £143,851,000 at 1 month SONIA plus 0.71%. 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 be 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.

16. Cash at bank

	2024 £000	*2023* *£000*
Cash at bank	2,576	*-*
Bank overdrafts	-	*(704)*
	2,576	*(704)*

17. Trade and other payables - current

	2024 £000	*2023* *£000*
Bank overdraft	-	*704*
Trade creditors	31,233	*45,919*
Amounts owed to group undertakings	34,405	*21,366*
Income tax payable to group undertakings	-	*403*
Lease liabilities	813	*1,879*
Other creditors	166	*218*
Accruals and deferred income	5,724	*11,835*
Derivative Financial Instruments (note 22)	5	*-*
	72,346	*82,324*

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

18. Trade and other payables - non-current

	2024 £000	2023 £000
Lease liabilities	438	7,803
Amounts owed to group undertakings	75,333	72,453
Derivative financial instruments (note 22)	-	10
	75,771	80,266

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.

19. 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:

	2024 £000	2023 £000
Less than one year	813	1,879
Between one year and five years	86	4,254
Later than five years	352	3,549
	1,251	9,682

19. Leases (continued)

	2024 £000
Lease liabilities	
At 1 May 2023	**9,682**
Additions	**1,265**
Disposals	**(6,629)**
Accretion of interest	**333**
Payments	**(1,504)**
At 30 April 2024	**3,147**

20. Deferred taxation

	2024 £000	*2023 £000*
At beginning of year	**559**	*141*
Charged to profit or loss	**257**	*424*
Charged to other comprehensive income	**8**	*(6)*
At end of year	**824**	*559*

The deferred tax asset is made up as follows:

	2024 £000	*2023 £000*
Depreciation in excess of capital allowances	**822**	*565*
Derivative financial instruments	**2**	*(6)*
	824	*559*

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.

21. Provisions

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

	Dilapidations and restructuring £000
At 1 May 2023	4,143
Charged to profit or loss	2,051
Utilised in year	(2,576)
At 30 April 2024	**3,618**

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

22. Financial Instruments

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

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

	Assets 2024 £000	Liabilities 2024 £'000	Assets 2023 £'000	Liabilities 2023 £'000
Derivatives held to hedge future transactions:				
Energy - current	-	5	50	-
Energy - non current	-	-	-	10
	-	5	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.

22. Financial Instruments (continued)

	Hedging reserves
Balance at 1 May 2023	*19*
Loss on designated cash flow hedges	*(16)*
Gain reclassified to the income statement	*(15)*
Deferred tax	*8*
At 30 April 2024	**(4)**

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

23. Called-up share capital

	2024 £000	*2023 £000*
Authorised, allotted, called up and fully paid		
9,294,500 *(2023 - 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.

24. 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.

25. 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 £598,308 (2023: £804,466).

As at 30 April 2024, contributions of £nil (2023:£nil) due in respect of the current reporting period had not been paid over to the scheme and are included in other payables.

26. 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.