Annual Report 2011

D S Smith Plc

Becoming the leader in **recycled packaging for consumer goods**

We will succeed by focusing on our strategy and through employing our energy and expertise to deliver it.

Miles Roberts, Group Chief Executive

Improving our business mix

p4 to drive growth, reduce cyclicality and improve our return on capital.

Differentiating by adding value

p6 and by focusing on our customers' needs.

A sustainable approach

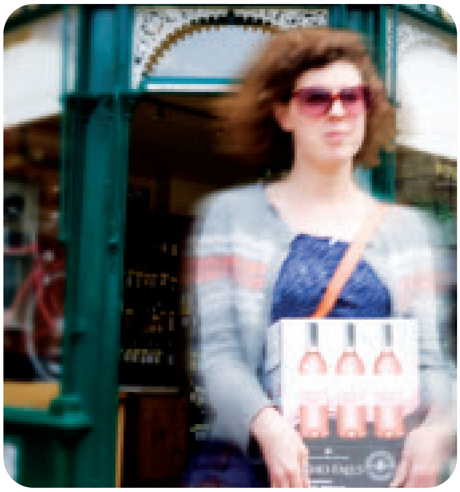
p31 Our business model is about sustainable solutions. We take our own corporate and social responsibilities seriously.

Effective governance

p40 Full details of our corporate governance approach are set out here.

Strong financials

p60 2010/11 has been a successful year of change for DS Smith. Full details are in these financial statements.



DS Smith Plc at a glance

DS Smith has revenue of £2.5 billion and employs over 12,000 people

Our business

Packaging

DS Smith is focused on becoming the leading supplier of recycled packaging for consumer goods

UK Packaging

DS Smith operates an integrated model in the UK, from waste paper collection, through the manufacture of recycled paper, to the design and production of corrugated packaging.

Revenue: £917.7 million
Employees: c. 5,000
Manufacturing locations: 47
Market positions:

- No1 in the UK for collection of waste paper
- No1 in the UK for recycled paper manufacture
- No1 in the UK for corrugated packaging

Continental European Corrugated Packaging

On the continent we have corrugated packaging manufacturing in France, Italy, Poland, Czech Republic and Slovakia. Our footprint in France has expanded this year with the acquisition of Otor, now DS Smith Packaging France. We also have an associate corrugated packaging business in Ukraine.

Revenue: £599.4 million
Employees: c. 3,800
Manufacturing locations: 27
Market positions:

- No1 in France for corrugated packaging supplied to fast moving consumer goods (FMCG) customers
- No1 in Ukraine for corrugated packaging
- Strong local positions in Italy, Poland and Slovakia

Plastic Packaging

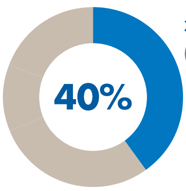
DS Smith focuses on two plastic packaging markets:

- Returnable transit packaging (RTP), which are reusable container and pallet systems, extruded sheet, and bottle crates;
- Liquid packaging and dispensing (LP&D), being the bags and taps for bag-in-box packaging systems.

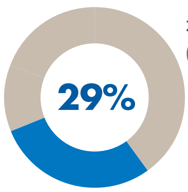
Revenue: £242.2 million
Employees: c. 1,500
Manufacturing locations: 21
Market positions:

- A leading European supplier in the RTP market
- No 2 globally in bag-in-box systems and injection-moulded taps and dispensers

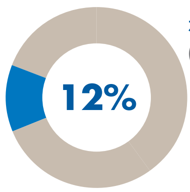
Contribution to Group operating profit (excluding exceptional items and amortisation)



£54.2 million
(2009/10: £37.0 million)



£39.8 million
(2009/10: £23.1 million)

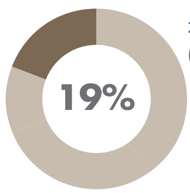


£16.9 million
(2009/10: £16.6 million)

Office Products Wholesaling

Spicers is the leading European wholesaler of office products, with leading market positions in the UK, France, Ireland and the Benelux region, and with developing businesses in Germany, Spain and Italy. Spicers provides a wholesaling service to its customer base of office products dealers and re-sellers, who themselves supply small and medium sized offices. Spicers supplies approximately 15,000 active re-sellers throughout the business, and has a range of over 20,000 products.

Revenue: £715.2 million
Employees: c. 1,900
Distribution centres: 21

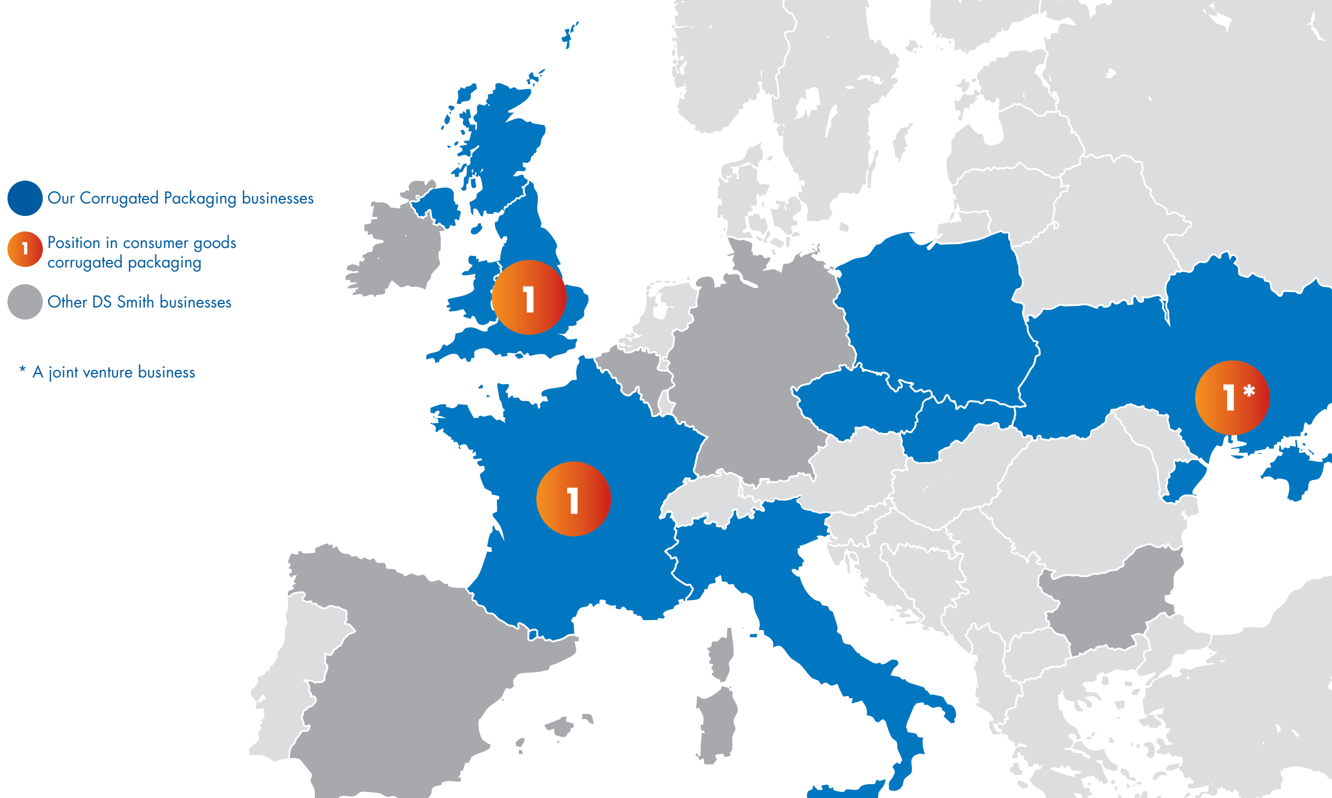


£25.2 million
(2009/10: £21.4 million)

Growing with our customers

DS Smith's current packaging operations are focused in the UK and France, with a growing geographic footprint in Central and Eastern Europe, which we plan to expand further. We are focused on developing with our customers, the fast moving consumer goods companies, who themselves are seeing good growth in this region.

Our plastic packaging business also operates in the US and Australasia and our Office Products Wholesaling business operates throughout Western Europe.



Some of our key partners

Britvic plc · Cadbury · Chivas Brothers Pernod Ricard · Danone · Ferrero · Interserve · Groupe Lactalis · Peacocks · Procter & Gamble · Reckitt Benckiser · Sainsbury's · Tesco · United Biscuits

Efficiency

p8 by restructuring and integrating operations.

Developing a winning culture, building on our foundations

p10 to align our people with our strategy and position DS Smith for the future.

Contents

Our Strategy

"When I joined DS Smith in May 2010 I knew that it had the potential to be a great company with much better financial returns for shareholders. Following work with the senior management team, I explained the new strategy for the Group in December 2010. The aim of this strategy is to make DS Smith operate as one business and to transform the profile of our financial returns. DS Smith will be a Group that delivers consistent growth ahead of GDP, has reduced cyclicality, higher margins and a return on capital above our cost of capital. Set out over the next few pages is how we will achieve that."

Our aims

I want DS Smith to deliver financial returns that are sustainable and attractive to shareholders. That means organic volume growth in excess of GDP growth, less cyclicality in profitability and returns, higher margins to make the Group more financially resilient, and consistent delivery of a return on capital above our cost of capital.

In order to evaluate the business, the Group management team have first reviewed our current business mix and critically considered which markets and businesses will provide the sort of sustainable returns that are attractive to shareholders and those that will not. We have then considered how we differentiate ourselves, so that we win in the markets in which we choose to compete, and how we match our offering with our customers' needs. These factors will drive margins and produce greater resilience across the business. Next we have considered the efficiency and effectiveness of the Group, including cost efficiency, capital efficiency and the structure of our business organisation as well as our commercial contracts. We have further considered the culture of the organisation and also how to align our employees with the tasks ahead. Finally, we have considered how to achieve this while minimising implementation risk.

Our focus

The Group aspires to be the leading supplier of recycled packaging for consumer goods. This is the area of the business that we will seek to develop through investment of our time and capital.

In order to achieve this we intend to focus on our packaging business, particularly building on our fast moving consumer goods (FMCG) customers. We will expand our recycling business that supports and is integral to our recycled packaging. We will reduce our exposure to paper manufacturing where it is not aligned with packaging, and look to streamline the Group. We will also realise significant cost and capital efficiencies through changing the organisational structure and ways of working.

The next few pages take you through each of these themes in turn, showing why we think that recycled packaging for consumer goods is the right business to achieve our aims, how we will differentiate ourselves and the steps that we are taking to deliver the efficiency, cultural shift and risk management that we need.

Miles Roberts
Group Chief Executive

How we should be measured

We have set testing targets for the next three years. We aim to satisfy our four stakeholders – customers, employees, the environment and shareholders – by creating a higher margin business with reduced cyclicality, and returns on capital that consistently exceed our cost of capital.

	Metric	FY 2009/10	FY 2010/11	Target
Customer service	On-time, in-full delivery	94%	**96%**	**97%**
Financial	Like-for-like volume growth	Flat	**+3%**	**+3%**
	Return on sales	4.7%	**5.5%**	**6 – 8%**
	Return on capital employed	10.1%	**12.7%**	**12 – 15%**
	Net debt/EBITDA	1.4x	**1.6x**	**≤2.0x**
	Operating cash flow[1]/operating profit	>150%	**125%**	**>120%**
Employee	Accident frequency rate	7.7	**7.2**	**nil**
Environmental	CO_2/revenue (kg/£'000)	426	**369**	**-20% in 10 years**

1 before growth capital expenditure

Overview

- Improving our business mix
- Differentiating by adding value
- Efficiency
- Developing a winning culture, building on existing foundations

How our strategy is delivering the financial profile that we aim for

Financial aim	Strategic aim	Achievements in 2010/11
Consistent GDP+ growth	• Drive the use of retail-ready packaging by our FMCG customers • Build our business in Eastern Europe	• Underlying volume growth in packaging +8% • Underlying Group volume growth +3% • Underlying revenue growth +10%
Reduced cyclicality	• Target FMCG customers – who themselves tend to see consistent demand for their products – to reduce volume cyclicality • Reduce exposure to paper production, which is subject to cyclicality in both price and volume • Reduce the price-review period in contracts – to reduce cyclicality in our profits • Increase the recycling business, which tends to deliver consistent returns	• FMCG customer base expanded with Otor acquisition • Consultation started on proposed closure of one paper mill in the UK, potentially reducing annual output by 95 thousand tonnes • Contractual price review periods reduced to four months • Recycling business has started work on its expansion into Central and Eastern Europe
Higher operating profit margins	• Focus on delivering a high quality product differentiated by service, quality and innovation • Improve efficiency	• Operating profit margin up 80 basis points (bps) to 5.5% • Customer service, measured by our Group on-time, in-full performance, up from 94% to 96% • On track to deliver cost savings totalling £20 million from the UK business and from procurement over the next three years
Returns on capital above our cost of capital	• Grow our packaging and recycling businesses, which have higher returns on capital • Reduce working capital by c. £75 million from 8% to 5% of revenue • Reduce the proportion of paper manufacturing in the Group – the most capital-intensive and low return area of the business – where strategically possible	• Otor acquisition moved our business mix towards corrugated packaging • Working capital productivity improved by £24 million • ROACE up 260bps to 12.7%

Our Strategy continued

Improving our business mix

to drive growth, reduce cyclicality and improve our return on capital.

We will invest our time and capital in markets where the opportunities for growth and for consistent returns are greatest. Therefore we will build our packaging and recycling businesses while reducing our exposure to non-integrated paper production.

We see sustained growth in corrugated packaging for consumer goods

We believe that there is considerable sustainable growth potential in our corrugated packaging businesses, both in Western Europe and in Central and Eastern Europe. The corrugated packaging sector has growth prospects in excess of GDP growth. The use of retail-ready packaging is being driven by major retailers and FMCG companies, for whom it helps to reduce costs and build sales. We have identified opportunities within the UK and France to drive further adoption of higher quality retail-ready packaging and for greater use of corrugated packaging, in substitution for other materials that are less easily recycled. In Central and Eastern Europe, consumption of corrugated packaging for FMCG is growing on the back of increased domestic consumption, and of growing export volumes. It is our aim to grow our businesses in this region in absolute terms and to increase the proportion of profits they bring to the Group. This will be achieved by organic growth and, where appropriate, by acquisition.

Recycling gives us access to our raw material

Our recycling business gives us security of supply of our essential raw material, waste paper. This is our urban forest. The recycling business also connects us with the end-user of our packaging, the retailer, facilitating the use of corrugated packaging. The model of owning our recycling business has proved successful in the UK and we plan to expand it in continental Europe in conjunction with our customers.

The Plastic Packaging business has a similar customer base to the corrugated packaging business and has some synergies with it. We will continue to invest in Plastic Packaging where appropriate.

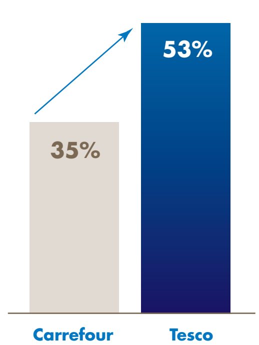
We will focus on our strategic priorities

Our facilities for production of paper used for corrugated packaging will be maintained where integrated supply is strategically beneficial, such as in the UK. Paper production for external sale will be reduced. For example, we have announced the start of consultation in respect of the proposed closure of one mill in the UK (capacity 95 thousand tonnes per annum).

Our Office Products Wholesaling business has no synergies with the packaging business and has the lowest margins in the Group. We have strengthened the management team to realise the opportunities to improve performance, in order to maximise shareholder value.

Retail-ready packaging benefits retailers

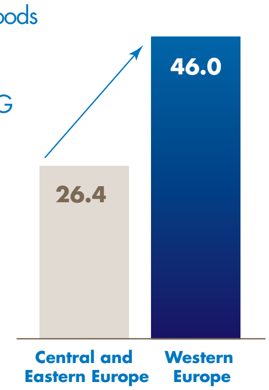
- Reduces their costs
  - faster shelf-stacking
  - less transit packaging
  - faster packing lines
  - easier to dispose of
- Drives sales through easier product identification, fewer stock-outs
- Is 100% recyclable



% use of retail-ready packaging on store shelves

Significant potential for growth in Central and Eastern Europe

- Increased consumption of consumer goods
- Growth of international retailers
- Low cost manufacturing base for FMCG



corrugated consumption per capita (kg/per capita)

Acquiring Otor was a significant first step in improving our business mix

On 1 September 2010 DS Smith acquired the business of Otor, a corrugated packaging business with six main sites in France and a strong FMCG customer base.

Otor has a tradition of excellent service and of innovation, demonstrated by the 50 patents they hold. Otor has historically delivered consistent high returns without significant cyclicality – the average return on sales for the three years prior to acquisition was 8.6%. Acquiring Otor was a significant first step in improving our business mix, by increasing our exposure to the attractive FMCG market for corrugated packaging.

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Our Strategy continued

Differentiating by adding value

and by focusing on our customers' needs.

We will build our market share by delivering to our customers' high standards of service, quality and innovation in the sustainable packaging solutions we offer.

We will meet our customers' high standards for service, quality and innovation

We aim to differentiate our corrugated packaging products through the service, quality and innovation that we offer to our customers. We will continue to invest in, and focus on, delivering short lead times and high quality products. These qualities are necessary to win and keep the high quality but demanding FMCG customers which we have today and which we are targeting for the future. We aim to match the service requirements that they are expected to deliver to their own customer, the retailer. We work continuously with customers to ensure our solutions add value to, and reduce costs in, the supply chain of which they form a part.

High standards of service are essential to be a trusted business partner

Service is measured by the proportion of orders that we deliver to our customer on-time, in-full, essential to being a trusted business partner. This metric is now reported on regularly by all parts of the Group. While we have made considerable progress over the year 2010/11, improving from 94% to 96%, we aim to continue to improve to a 97% target level in 2011/12.

Innovation delivers solutions to our customers

We aim to drive sales through offering innovative products that solve the packaging needs of our customers. The acquisition of Otor has accelerated this process due to the strong legacy of innovation within Otor, with products such as the "Otor 8" – a box with angled corners for greater strength. In the UK, R-Flute® was first launched in 2009 and over the year 2010/11 we have been marketing it to customers with considerable success. Work is ongoing to ensure that innovation designed in one part of the business is effectively leveraged by the whole organisation. R-Flute® is now being rolled out into continental Europe to fulfil demand from our largest customers.

By offering our customers innovative solutions that help them cut their costs and their carbon footprint, we aim to maintain and build our competitive position.

We offer our customers sustainable solutions

We differentiate DS Smith from our competition with our recycling proposition. Through DS Smith Recycling, we are able to offer a "cradle-to-cradle" service, recycling waste packaging rather than sending it to landfill. We have a strong relationship with many of the largest retailers in the UK who use DS Smith Recycling to manage their recycling. We offer our customers a 24/7/365 service, making sure that corrugated packaging fits easily in their supply chain. The recycling proposition is an important point of differentiation as consumer goods companies and retailers seek to fulfil their environmental commitments. It also facilitates the use of corrugated board as a packaging material and secures our supply of this valuable resource.

R-Flute® drives sales, lowers costs and reduces carbon emissions

Thicker corrugated board is usually the strongest, whilst board where the fluting is close together gives a better surface for printing. DS Smith has designed and registered a new type of corrugated board, R-Flute®, that delivers the best of both in terms of strength and print quality, ideal for retail-ready packaging.

20% fewer vehicles

The Saucy Fish Co. receives more packaging per delivery, resulting in 20% fewer vehicles on the road.

Benefits:

- Packaging is 20% thinner, meaning more packaging can be delivered per pallet and per vehicle, with less warehousing required – all of which saves cost and carbon in the supply chain
- Reported improved packing line efficiency
- High quality print finish – attractive to consumers
- Better quality perforations give cleaner edges for an attractive retail display

Customer focused

Cadbury has been an important customer of DS Smith for a number of years. We are committed to delivering the highest standards of service and quality to them. For example, we ensure that the iconic Cadbury purple colour is consistent on all the packaging we produce for them, throughout Europe.

8

sites producing packaging for Cadbury

Our Strategy continued

Efficiency

by restructuring and integrating operations.

We will build a more efficient Group, with the aim of operating as one business. It is not just about cost synergies – by working together more effectively we can improve our customer service and reduce inventory levels too.

We will drive the efficiency and effectiveness of the business

We will be improving further the efficiency of the Group, in respect of both operations and capital. Operational efficiencies will come from a change in the structure of the Group, with businesses more closely integrated to eliminate duplicate overheads and to drive revenue growth through co-ordinated customer management and shared best practice in innovation. Annual cost savings of £10 million are expected to be realised by April 2014 from the changes in structure to the UK businesses, and are expected to cost £10 million to achieve in cash terms. We expect to deliver £3 million of these savings in 2011/12.

There are opportunities to reduce costs in purchasing

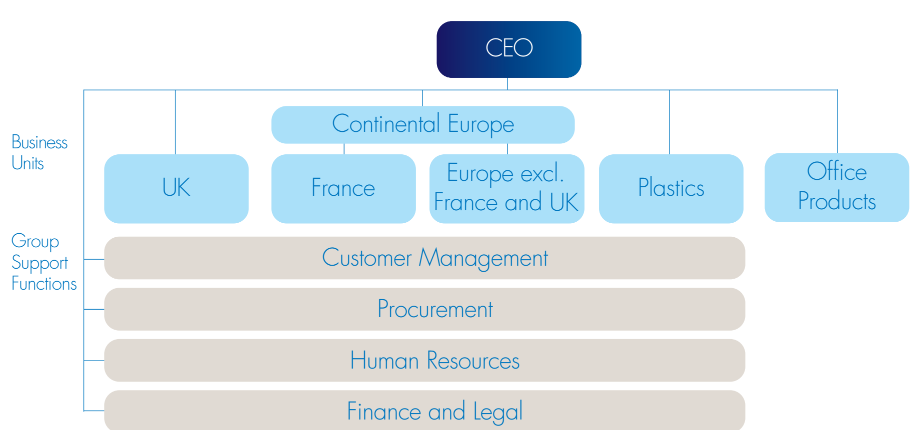
Further, we are targeting annual cost savings from procurement of £10 million by April 2012, by building a central purchasing team. Work has been underway since January 2011 and progress is being made, with a total of £6 million (split between operational and capital expenditure) expected to be delivered in 2011/12.

We are improving our capital efficiency too

We will also improve our capital efficiency in relation to working capital and investment. We face a significant challenge in working capital as rising prices increase the carrying value of inventories and debtors. On working capital, our targeted savings are for a reduction in working capital as a percentage of revenue from 8% to 5% over the three years to April 2014, equivalent to c. £75 million. £24 million has been achieved by 30 April 2011.

Capital investments will be made on a strategic basis, with an emphasis on the packaging businesses and market sectors that have historically delivered higher and less cyclical operating margins.

A new structure to support the business functions...



...and to drive financial performance

Through adopting a new structure and adding expertise in areas such as procurement, we expect to make material savings in cost and capital

- £10 million from UK structural costs by April 2014
- £10 million from procurement by April 2012
- £75 million from working capital by April 2014

Becoming one DS Smith

We are re-branding those parts of the business that have not previously used the DS Smith name. Severnside Recycling has become DS Smith Recycling whilst St Regis has become DS Smith Paper. Meanwhile in France, the Otor business and existing French corrugated packaging operations are now trading as DS Smith Packaging France. It is now visible to our customers, employees and local communities that we are one business.

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Our Strategy continued

Developing a winning culture, building on our foundations

to align our people with our strategy and position DS Smith for the future.

Our people are essential in the successful implementation of the strategy. We are working, therefore, to ensure that everyone understands the part they play, underpinned by a strong management team.

We are developing our people

We are undertaking a series of steps to improve engagement among employees with the corporate goals and to align our employees with the aims of the Group. A new Group-wide development appraisal programme is being rolled out so that everyone understands the part they play in the organisation. We have also conducted our first Group-wide employee survey to understand how to develop our people further.

Employees are being aligned with shareholders

Our people are also being offered the opportunity to be shareholders in the Group, with the roll-out of a Sharesave Plan to UK employees in early 2011. There are plans to extend similar offers to employees in other regions.

In 2010/11 DS Smith completed its first Group-wide engagement survey, with 79% of employees taking the time to participate. This is a very high level of participation for a first survey, which reflects the dedication and commitment of the Group's employees. The engagement survey is an opportunity to listen to the structured feedback and views of our employees. The results have been analysed and communicated, and priorities for improvement have been identified by management teams with action plans developed for the coming year. A further survey will be completed in 2012 to monitor the progress made against these plans. The Group has also embarked on a programme to communicate and engage all its employees with the new corporate strategy. This programme will ensure that all employees know the Group's vision and values, its strategic goals and the role they can play.

We aim to be a great – and safe – place to work

Safety at work is always our first priority. We are delighted with the progress that has been made this year to improve further on our record – for example we recorded a 9% reduction in lost time accidents and a 7% reduction in the accident frequency rate for the Group as a whole. The acquisition of Otor presents us with the challenge and opportunity to bring their safety record into line with that of the rest of the Group.

Senior management has been enhanced

Senior management in the Group has been strengthened, for example, with the creation of the new role of Divisional Chief Executive of the UK Packaging business, encompassing the recycling, paper and corrugated packaging businesses, and a Group Procurement Officer. Senior managers now have a major element of their annual remuneration linked both to profit and to return on average capital employed in order to align their interests with those of shareholders.

The Group Steering Team has been established (chaired by Miles Roberts), to manage the progress of the Group as a whole.

Managing our execution risk

The execution risk associated with this business strategy is being managed by ensuring that our actions are rooted in our existing capabilities and customers. Opportunities for investment will be critically assessed on the basis of demand from our existing group of customers, with care taken that no individual customer accounts for too large a proportion of our revenue.

Customers are at the centre of our new structure

We have put in place a pan-European customer management team to ensure that we take care of our largest customers in a co-ordinated way across the Group. This team comprises account executives and senior regional managers, who work together to ensure that these customers are offered a seamless service and that we organise our business to deliver to them in the most effective manner.

62

sites had no lost time accidents

Our overall goal is to have no lost time accidents in the Group – a significant target for a manufacturing business. 62 of our 128 sites achieved this stretching target in 2010/11, testimony to a relentless focus on safe working practices. In the Group's engagement survey, 84% of respondents agreed that health and safety was taken seriously at their workplace.

Financial Highlights

We have had a strong year and our focus on recycled consumer packaging is proving successful:

- Turnover up 19.5%, 10.0% excluding Otor
- Operating profit[1] up 38.7%, 20.0% excluding Otor
- Profit before tax up 85.8% to £102.2 million
- ROACE[1] up 260 bps to 12.7%
- Free cash flow up 31.1%
- Adjusted EPS[1] up 36.0%
- Dividend up 41.3%

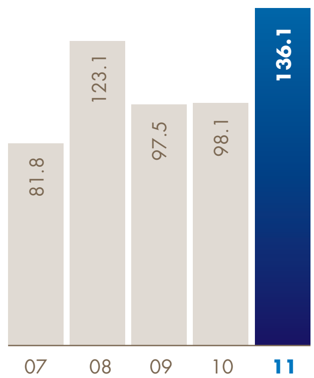
We are delivering on our strategy and have gained market share through our focus on service, quality and innovation.

Operational performance has improved and Otor is performing very well, delivering cost savings from synergies ahead of targets.

1 before exceptional items and amortisation

Adjusted operating profit

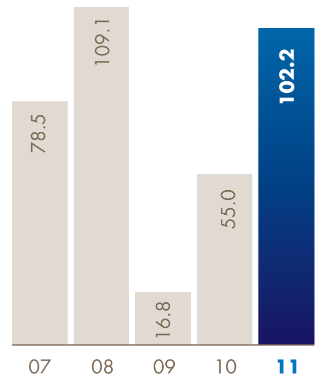
£136.1m
2010: £98.1m



Definition
Operating profit before tax excluding amortisation and exceptional items

Profit before tax

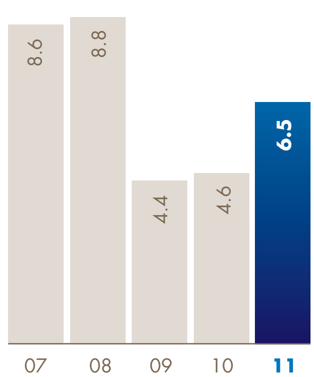
£102.2m
2010: £55.0m



Definition
Profit before income tax

Total dividend per share

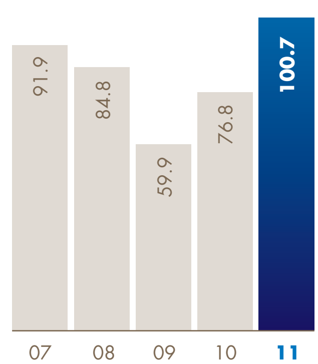
6.5p
2010: 4.6p



Definition
Total dividends declared in the financial year and payable to Group shareholders

Free cash flow

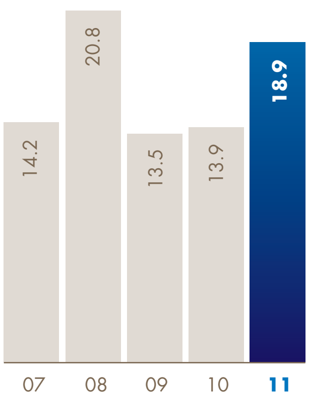
£100.7m
2010: £76.8m



Definition
Cash generated from operations before exceptional items, less capital expenditure payments, tax paid and net interest plus proceeds from sale of assets and investments

Adjusted earnings per share

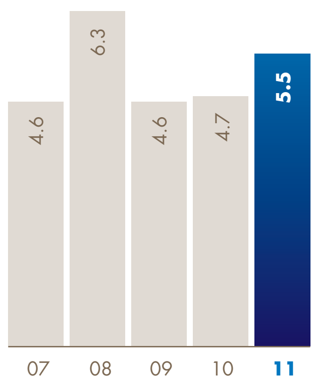
18.9p
2010: 13.9p



Definition
Earnings divided by weighted average number of shares, adjusted to exclude amortisation and exceptional items

Adjusted return on sales

5.5%
2010: 4.7%

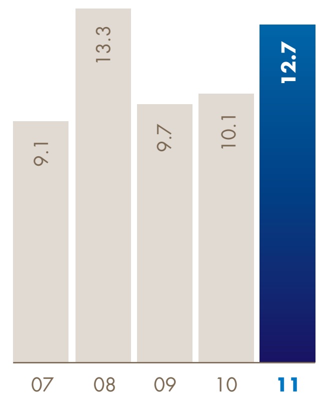


Definition
Adjusted operating profit as a percentage of revenue

Target
6% – 8%

Adjusted return on average capital employed

12.7%
2010: 10.1%

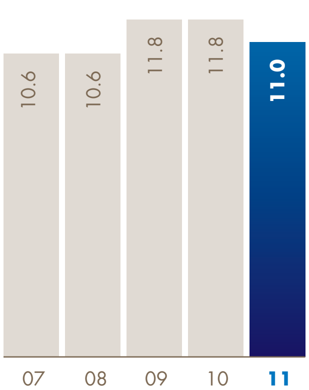


Definition
Adjusted operating profit as a percentage of average monthly capital employed

Target
12% – 15%

Weighted average cost of capital

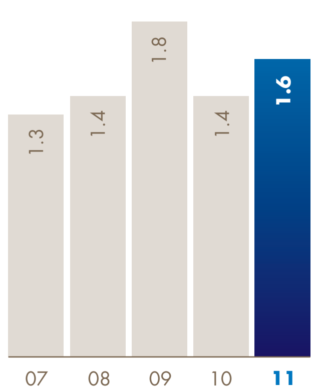
11.0%
2010: 11.8%



Definition
Weighted average of the cost of medium term debt and cost of equity

Net debt/EBITDA

1.6 times
2010: 1.4 times



Definition
Net debt as a ratio to EBITDA, including a full year of EBITDA for all acquisitions

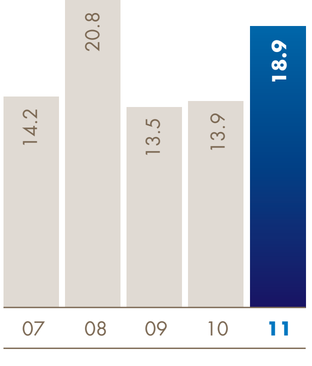
Target
≤2.0x

Chairman's Statement

"The full year dividend has been increased by 41.3%. I am confident that the coming year will be one of considerable further progress."

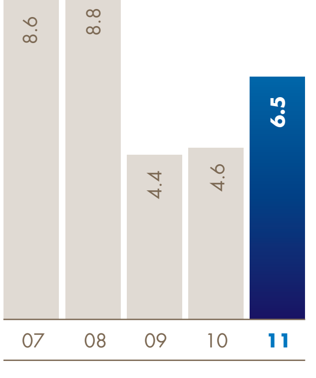
Adjusted earnings per share

18.9p
2010: 13.9p



Total dividend per share

6.5p
2010: 4.6p



I am delighted to report on the considerable progress achieved during 2010/11 under our new Group Chief Executive, Miles Roberts, who joined on 4 May 2010. Trading performance improved significantly, a new and ambitious strategic vision was set, performance measures are established which will generate significant shareholder value, and major corporate developments have been delivered, not least the acquisition of Otor in France.

Corporate developments and strategy

In July 2010 we announced that DS Smith had agreed to purchase Otor, a leading packaging business in France. The acquisition was completed on 1 September 2010. To maintain prudent levels of debt, we issued an additional 39.3 million shares at the time of agreement. This share issue was heavily oversubscribed and placed at a discount of less than 1% to the opening share price on the day. The combined operations in France have been re-branded as DS Smith Packaging France under a management team drawn from both businesses. This transaction has exceeded our expectations both in terms of financial returns and the support we have received from customers.

In December 2010 Miles presented his strategic vision for the Group to our investors. That vision is set out in the preceding pages of this document and will transform the financial profile of the business. The management team have made a strong start in implementing the plan and the results for the year show that this strategy is already yielding results. The Otor acquisition, though it pre-dated the strategic announcement, fits squarely into the vision, as it accelerates our leadership in corrugated packaging solutions for consumer goods customers.

Trading performance

The restructuring and repositioning of the DS Smith Group in the recent difficult years has enabled us to benefit fully from the recovery in the European economy. Our focus on fast moving consumer goods customers, central to the Group's strategy, has served us well as we report like-for-like volume growth of 8% in our packaging business for the year. This growth, together with the benefits of tight cost control, resulted in an adjusted operating profit of £136.1 million, an increase of 38.7% year-on-year, or 20.0% excluding the benefit of the Otor acquisition. This improvement has been achieved despite significant input cost increases, which we have recovered through pricing. Adjusted earnings per share rose 36.0% to 18.9 pence (2009/10: 13.9 pence).

Dividend

The Board considers the dividend to be an important component of shareholder returns. As part of the review of business strategy, we re-defined our dividend policy to reflect the expected change in our financial profile. In considering dividends, the Board will be mindful of the Group's debt levels, earnings growth potential and opportunities for profitable growth. To sustain a progressive dividend policy, the Board anticipates that dividend cover should average 2.0 to 2.5 times through the cycle.

Accordingly, the Board recommends a final dividend for the year 2010/11 of 4.5 pence per share which, together with the interim dividend of 2.0 pence, gives a total dividend for the year of 6.5 pence (2009/10: 4.6 pence). This represents an increase of 41.3% over the prior year, a cover of 2.9 times in relation to our adjusted earnings per share (2009/10: 3.0 times), and is a significant first step towards our target.

Board changes

DS Smith has a very strong Board. This reflects the exciting potential the Company has for growth in the coming years.

In addition to welcoming Miles Roberts, our Group Chief Executive, at the start of the financial year, we have had two other Board changes. We are delighted that Gareth Davis joined the Board on 1 June 2010, having previously been Chief Executive of Imperial Tobacco PLC from 1996 to 2010. He also is Chairman of Wolseley plc and of William Hill PLC. As expected, he has brought a great deal of vigour as well as highly relevant experience to the Board discussions.

Bob Beeston retired from the Board in December 2010 having served for ten years, for much of that period as Senior Independent Director. I would like to thank him for his ceaseless challenge and support.

I am also pleased to congratulate another non-Executive Director, Philippe Mellier, on his appointment as Group Chief Executive Officer of De Beers.

After ten years as our Company Secretary, Carolyn Cattermole will be leaving the Group on 30 June 2011. I would like to thank her for the tremendous support she has given the Board and particularly me over these years and wish her well in her future career. I am pleased to report that Matthew Jowett will be joining the Group as Company Secretary and General Counsel, taking over the role from 1 July 2011. He brings substantial international and business experience and we look forward to working with him.

Finally, on behalf of the Board, I would like to thank all our colleagues across the business for their continued hard work and commitment. It has been their support for our efforts to recover rising input costs and sustain growth by focusing on delivering the service, quality and innovation our customers demand that has enabled us to deliver our profit performance.

I am confident that the coming year will be one of considerable further progress.

Peter Johnson
Chairman

Operating Review
Group Chief Executive's Statement

Overview
In the year to 30 April 2011 DS Smith grew revenue by 19.5% (10.0% excluding Otor, the French corrugated packaging business acquired on 1 September 2010), improved adjusted operating profit margin by 80bps to 5.5% (2009/10: 4.7%) and increased adjusted operating profit by 38.7% (20.0% excluding Otor) to £136.1 million (2009/10: £98.1 million).

The Group increased its market share in its key markets and recovered rising input costs in line with our expectations. This progress was achieved by focusing on what matters to our customers – service, quality and innovation – and relentless attention to pricing for input cost recovery.

This has also been a year of significant change for the business, with initiation of our new strategy – to become the leading supplier of recycled packaging for consumer goods – in December 2010 and the acquisition of Otor. With this acquisition we are now the leading supplier of corrugated packaging for fast moving consumer goods (FMCG) customers in France. Otor has also brought with it a number of patented innovations that are now being offered to our customers throughout the Group.

The Group was strongly cash generative in the year, with free cash flow of £100.7 million (2009/10: £76.8 million). Net debt increased by £111.5 million to £351.0 million (2009/10: £239.5 million) due to expenditure of £203.2 million to purchase Otor (including acquired net debt), partly offset by strong operating cash flow and funds raised through the issue of equity in July 2010.

I am very pleased to report that the Group's adjusted return on average capital employed (ROACE) increased substantially in 2010/11 to 12.7% (2009/10: 10.1%), exceeding the Group's estimated cost of capital of around 11.0% on the current business mix. This reflects the improved profitability of the Group and a significant focus on capital management. Divisional management now have their remuneration aligned to return on capital measures as well as to profit.

Delivery against our strategic goals
In December 2010 I set out our strategy to become the leading supplier of recycled packaging for consumer goods, and the resultant expected improvement in our medium-term financial performance. I am pleased that these results demonstrate an encouraging first step towards our financial goals. I also said that we would deliver our strategy through focusing on improving our business mix, differentiating ourselves from our competition, and at the same time concentrating on our efficiency, culture and implementation risk management.

Cost and carbon savings for Kellogg's Nutri-Grain

R-Flute® has helped to achieve consumer impact and significant savings in cost and carbon for Kellogg's Nutri-Grain range. A previous pack was reported to look 'washed out'. The new R-Flute® pack stands out on the shelf, and is easy to find back-of-store, helping to drive on-shelf availability. The change to R-Flute® means that Kellogg's receives 911 fewer pallets of inbound packaging, equating to a massive 24 full loads per year.

24 full lorry loads saved per year

I have been pleased with the progress we have already made on implementing our strategy over the year.

With regard to business mix, the biggest change has been the acquisition of Otor, which transforms our focus on FMCG customers in continental Europe and raises the proportion of revenue from FMCG customers across the packaging business. Our recycling business, another key area for growth, has made considerable progress developing its activities organically in the UK and undertaking preparatory work in Central and Eastern Europe, in advance of further expansion. Our capital expenditure has been applied in line with our strategy, with 80% of our net capital expenditure spent in either packaging or recycling.

We have also made progress in reducing our involvement in non-integrated paper manufacturing, which is also part of our strategy to change our business mix. As previously announced, we plan to reduce our net capacity by c. 250 thousand tonnes per annum. We are making progress on this objective and have announced the commencement of consultation regarding the proposal that we close a UK paper mill and make an investment in our Kemsley Mill, with capital expenditure in line with depreciation, to make high performance papers to support our growing recycled retail-ready packaging offering across Europe. Together, these proposed changes would reduce output by approximately 95 thousand tonnes per annum whilst maintaining Kemsley's position as one of the most efficient production sites across Europe, offering leading standards of service, quality and innovation.

The Group has focused on its customer differentiation over the year, with customer service, as measured by the proportion of orders delivered on-time, in-full (OTIF), now a key performance measure for all parts of the Group. While many parts of the Group were already providing excellent service, considerable focus has been given to this area resulting in our Group average OTIF now standing at 96%, up 2% from 94% at the end of the prior year. We believe that this focus on customer service has been instrumental in growing our packaging volumes ahead of growth in the market as a whole.

The Otor acquisition has broadened the range of innovative designs we are able to offer as Otor brings with it 50 patents and 10 licences. Our UK business has its own innovative packaging products and materials, most notably R-Flute®, a thinner corrugated board ideal for retail-ready packaging. We have begun the work to integrate our innovation know-how to leverage it across the Group. Corrugating equipment to manufacture R-Flute® is now being rolled out in continental Europe.

In terms of efficiency, we are on target to deliver the planned cost savings, as previously announced, totalling £20 million (£10 million per annum by 30 April 2014, from improving the effectiveness of the UK operations and £10 million per annum by 30 April 2012 from co-ordinated procurement). In the current year 2011/12 we expect to see a £3 million benefit from UK efficiency savings and a £6 million benefit from procurement (split equally between operational expenditure and capital expenditure). We are also now able to increase our estimate of the cost savings we expect from the Otor acquisition from our original estimate of €9.3 million to €13.0 million (currently equivalent to £11.6 million), and we expect those savings to be delivered by April 2013, one year earlier than originally expected. With regard to capital efficiency, as at 30 April 2011 we had achieved an improvement in working capital of c. £24 million.

Our actions to reduce cyclicality in our profits and margins, through changes to our pricing review periods within customer contracts, have progressed to plan. The average price renewal period in the UK and continental Europe, excluding Otor, is now at four months, down from six months, meaning that we can recover rising input costs more promptly. We expect to make continued progress on this as contracts come up for renewal.

Whilst I am pleased with the progress to date, I believe that there is substantially further to go to realise the full potential of the Group. Over the coming year, I plan to focus further on business mix – building the recycled packaging business in our target regions and reducing non-core activities. The actions to improve our differentiation through service, quality and innovation are now underway and we continue to pay significant attention to pricing to recover rising costs. On efficiency, engaging our people and risk management, I have been very encouraged by the first steps and expect further ideas for improvement to arise as our management teams develop their work in these areas.

Our people

DS Smith employs dedicated, skilled, hard-working people and I have been delighted with the effort and commitment shown in the past year by our employees. We have put in place this year a number of programmes to support the development of our people to fulfil their potential, such as appraisal and talent management programmes. We have undertaken an extensive two-way communication programme to explain our goals and to listen to the issues faced by our employees in delivering to our customers. The feedback from this has been very constructive. I would like to thank them all for their efforts.

Outlook

The strong momentum in the business seen at the end of the prior year is continuing into the current financial year, where trading has started very well. The Group expects to continue to make further significant progress towards its financial objectives in the financial year 2011/12, with our confidence in the future reflected in the decision of the Board to increase the dividend by 41.3%. This progress is driven by the successful integration of Otor combined with the continued implementation of our proven strategy.

Operating Review
UK Packaging

	2010/11	2009/10
Revenue – £m	**917.7**	750.2
Adjusted operating profit – £m	**54.2**	37.0
Adjusted return on sales – %	**5.9**	4.9
Adjusted return on average capital employed – %	**10.3**	6.9

Market and business background

- In the UK, DS Smith operates three businesses, being corrugated packaging, paper manufacturing and waste paper collection. We operate from 28 corrugated packaging factories, 4 paper mills and 15 recycling depots.
- DS Smith in the UK manufactures c. 1.125 billion m^2 of corrugated packaging and board; the UK market size is estimated at c. 4.1 billion m^2. We also manufacture c. 770 thousand tonnes of corrugated case material (CCM) (the UK market is estimated at c. 2.1 million tonnes) and we make an additional c. 260 thousand tonnes of other paper grades, principally plasterboard liner. Of the CCM that we manufactured in 2010/11, approximately 300 thousand tonnes was used within our packaging business.
- DS Smith Recycling collects c. 1.8 million tonnes of old corrugated containers and other used paper per year, the majority of which is used by our recycled paper manufacturing operations. The market size for all types of recycled materials in the UK is 7.9 million tonnes.
- Our customer base for our corrugated box products is approximately 75% FMCG, with our largest UK Packaging customer comprising under 3% of the revenue of the division.

Packaging

The market for corrugated packaging in Europe grew 3% year-on-year (Source: FEFCO (European Federation of Corrugated Board Manufacturers), year to 31 March 2011) with growth in the UK market being 1% for the same period. We have been able to grow ahead of the market due to our strategy of focusing on recycled packaging for FMCG customers.

Volume growth of 8% across the packaging businesses (excluding the impact of Otor) was achieved through our approach to winning and retaining business by delivering high levels of customer service, quality and innovation which enabled us to gain new customers and expand our position with existing customers.

Increases in input costs have been substantial, with, for example, the market price of recovered fibre rising year-on-year by 75%. Our total input costs in the Packaging business have increased 26% year-on-year, and we have raised prices to recover these costs. Our profit performance, with improved return on sales margins, demonstrates the discipline that has been employed in cost recovery and the mix benefit from the higher proportion of FMCG business. We have been successful in recovering our costs due to the constructive commercial relationships we have with our customers, where our ability to meet their high standards has been instrumental in differentiating our packaging offering.

UK Packaging

Our UK Packaging operations, which include our recycling business, UK paper manufacturing and our UK corrugated packaging businesses, have delivered revenue growth of 22.3%, driven by volume growth as well as pricing to recover rising costs. The resilience and growth demonstrated by our FMCG customers has provided an attractive market, which we have targeted with our focus on service, quality and innovation.

For example, this year has seen the successful commercialisation of the innovative R-Flute® design, offering our customers optimised performance whilst minimising material content and thickness, with commensurate savings in transportation and storage costs. Some of our major customers have converted entirely to R-Flute®. The UK corrugated packaging business has maintained its high levels of customer service, which has enabled us to expand our position with key customers.

In the recycling business, annual sales volumes grew 5.5% on the previous year. During 2010/11, we gained additional business from an existing large retail customer such that we are now their sole collector of fibre in the UK; this position was won due to our service and our carbon impact analysis tool. We are currently working with a number of our large retail customers to deliver front-of-store recycling collection services; again, we won this business due to our commitment to high standards of service.

The UK paper business has given significant attention to improving its service levels, with their OTIF performance increasing substantially over the course of the year. The business has also invested in improving its customer management procedures. The paper business has seen good year-on-year progression, particularly at our major plant at Kemsley.

The UK Packaging business has undergone structural change in the year with the recycling, paper and corrugated packaging businesses now all managed as a single enterprise in order to support the corrugated packaging activities. The recycling business is now rebranded as DS Smith Recycling (formerly Severnside Recycling) and the paper business is now DS Smith Paper (formerly St Regis). The UK Packaging business is run by a new Divisional Chief Executive who is leading a programme to make the UK operations more effective and cost efficient, with a target to achieve £10 million annual savings from improved effectiveness by April 2014.

Adjusted operating profit margin in the UK Packaging business increased 100bps to 5.9% (2009/10: 4.9%) and adjusted operating profit increased 46.5% to £54.2 million (2009/10: £37.0 million). ROACE improved to 10.3% (2009/10: 6.9%) reflecting both improved profitability and a reduction in working capital.

Looking ahead to 2011/12, we are confident that our chosen target market of FMCG customers will remain resilient. Collaborative action within our business will deliver further innovation, closely aligned to our customers' needs. For example, adaptation of Otor's extensive range of design and technology will offer valuable new options for UK customers. Our recycling business expects to expand further overseas and we expect to extend our coverage to customers in France, Hungary and Poland over the course of the financial year.

Cadbury Nibbles

DS Smith together with customer Cadbury won the Retail-Ready Packaging award at the UK Packaging Awards in November 2010 for the Cadbury Nibbles box. The judging panel said it was "a perfect example of how retail-ready packaging benefits the brand, supermarket and, importantly, the consumer".

Award Winning Packaging

Operating Review
Continental European Corrugated Packaging

	2010/11	2009/10
Revenue – £m	**599.4**	355.4
Adjusted operating profit – £m	**39.8**	23.1
Adjusted return on sales – %	**6.6**	6.5
Adjusted return on average capital employed – %	**12.5**	12.0

Market and business background

- The market for corrugated board across continental Europe is estimated at c. 30 billion m² (Source: FEFCO (European Federation of Corrugated Board Manufacturers)) of which France and Poland comprise c. 15% and c. 7.5% respectively.
- Our continental European business now includes the operations purchased as part of the Otor acquisition. In total we now have 27 sites throughout Europe, in France, Italy, Poland, Czech Republic and Slovakia. DS Smith in continental Europe produces c. 1.3 billion m² of corrugated board on an annualised basis. DS Smith also manufactures recycled paper, with annualised output of c. 300 thousand tonnes, approximately half of which is CCM, largely used by our corrugated packaging operations, and the remainder is solid board, sold externally.
- Our customer base for our corrugated packaging is 65% FMCG, with our largest customer in continental Europe comprising under 4% of the revenue of the division.

Revenue for the period was up 68.7% (up 13.2% excluding the eight months' contribution from Otor), and volumes were up 8.7% year-on-year, excluding the contribution from Otor. Pricing increased to recover rising input costs. Our service levels remained consistently high, facilitating our ability to recover costs promptly.

Otor was acquired on 1 September 2010 and the two principal DS Smith corrugated packaging sites previously owned in France are now combined with the six principal sites from Otor, run as one business under the name DS Smith Packaging France. In the eight months of ownership, Otor delivered an adjusted operating profit margin of 9.4% and an annualised return on invested capital (being the return on the consideration paid plus debt assumed on acquisition) of 13.6%. The integration is now expected to deliver cost savings of €13.0 million (estimated at €9.3 million at the time of acquisition) by April 2013 (currently equivalent to £11.6 million and £8.3 million respectively). €3 million (£2.7 million equivalent) has been delivered in the financial year 2010/11 and we are confident of delivering the targeted savings in full.

Whilst the acquisition due diligence had led us to expect some commercial synergies, we have been very pleased by the commercial response and pace of synergies, with existing Otor customers now buying from the wider DS Smith network, and with DS Smith customers expanding their position with us in France.

In Poland and Italy we have invested in printing machinery to deliver higher value-added products, and these businesses have continued to deliver strong returns in the year. In Ukraine, where we operate as part of a joint venture, volume and revenue growth has been good with effective cost recovery, due to a mix of improved performance from local customers and from servicing international customers.

Adjusted operating profit margin of the division is up 10bps due to the mix benefit of Otor, partially offset by the usual c. three month delay in cost recovery in some parts of the business. Adjusted operating profit increased 72.3% and ROACE is up 50bps to 12.5% due to the mix benefit of Otor.

Looking ahead to 2011/12, we expect to see continued pressure on costs and consequently will continue to seek to recover these, securing our position with customers by the excellent service and innovative solutions that we offer. We will also be rolling out further innovation with corrugators in France now equipped to make R-Flute® and there are plans to extend this capacity to our operations in Poland.

High specification design

This 8 corner box for retail-ready display was developed for Lactalis "President" camembert boxes to allow the product to be transported flat and displayed vertically. The box is specially designed to be packed at 35 cases per minute and is constructed to enable easy cooling of the products as they are packed warm. It is also eco-friendly as the new packaging represents a 10% weight saving and fits 20% more products on each transport pallet.

20% more on each transport pallet

Operating Review
Plastic Packaging

	2010/11	2009/10
Revenue – £m	**242.2**	231.3
Adjusted operating profit – £m	**16.9**	16.6
Adjusted return on sales – %	**7.0**	7.2
Adjusted return on average capital employed – %	**14.9**	13.4

Market and business background

- Our Plastic Packaging division comprises returnable transit packaging (RTP) and liquid packaging and dispensing (LP&D) products.
- RTP is used across the retail, automotive, electronics and beverage sectors, with demand being driven by overall industry activity levels. It operates from 10 locations in the UK, France, Belgium, Spain, Poland and Slovakia.
- LP&D is used in the beverage sector, for alcoholic, dairy and fruit-based soft drinks, plus use in industrial solutions such as oils and in-home and personal care products, such as laundry detergents. The global market for LP&D products is estimated at £500 million. DS Smith has a number 2 position in the global market, with a particularly strong position in the US. It operates from 11 manufacturing locations in the UK, USA, Germany, France, Bulgaria, Slovakia, Russia, Australia and New Zealand. Our Plastic Packaging business also includes StePac, based in Israel, which makes specialised modified atmosphere packaging for the transportation of fruit and vegetables.
- Plastic Packaging has a diverse customer base, with the largest customer comprising c. 3% of the revenue of the division.

Revenue grew 4.7% and adjusted operating profits increased by 1.8% year-on-year. Excluding the disposal of the Demes business in January 2010, revenue grew 11.0% and adjusted operating profit grew 8.6%. Revenue growth was driven by volume growth of 9.4%, and price increases to cover rising input costs. The business has grown its volumes through a focus on commercialising its innovative products, marketed at the retail, FMCG and fast-food sectors. For example, the LP&D business has brought out a number of new products, such as bag and tap solutions for serving beverages, which has driven sales to existing key customers. The returnable transit packaging business has continued to make consistent progress, benefiting from prior year cost reductions and commercialisation of a new innovative mobile pallet solution for retailers. The adjusted operating profit margin remained high at 7.0% and ROACE is excellent at 14.9% due to improved working capital.

Collaborative design

DS Smith Plastics has developed an innovative bag-in-box solution for Millers Oil premium oil range. The design of the pack with a tamper proof, twin walled, sealed bag placed within a branded cardboard box makes it easier to handle, stack and transport, while the sturdy box offers additional protection for the contents. The easy-access tap ensures safe dispensing with no glugging and minimal spillage and product waste. These benefits make the pack highly practical in a workshop environment. The bag, box and tap are all made by DS Smith.

All made by DS Smith

Operating Review
Office Products Wholesaling

	2010/11	2009/10
Revenue – £m	**715.2**	733.7
Adjusted operating profit – £m	**25.2**	21.4
Adjusted return on sales – %	**3.5**	2.9
Adjusted return on average capital employed – %	**22.4**	17.9

Market and business background

- The office supplies markets in the UK, France, Germany and Benelux are estimated at £6.8 billion, €9.8 billion, €13.3 billion and €4.5 billion respectively. Spicers has a number one position in the UK and France, a strong position in Germany, particularly in non-electrical office supplies, and is the leading wholesaler in Belgium. The dealer and re-seller market that Spicers addresses comprises c. 35% of the total office products markets in the countries in which Spicers operates.
- Spicers operates from a network of 21 distribution centres based in the UK, Ireland, France, Benelux, Germany, Spain and Italy.
- Spicers sells to 15,000 active re-sellers and stocks up to 20,000 product lines.

Revenue in constant currency was broadly flat year-on-year, with a strong performance in continental Europe offset by more challenging trading conditions in the UK. Successful initiatives during the year included further expansion of our facilities management product range, and further extension of our own label brand 5 Star. Our popular Calipage dealer formula has been rolled out into Germany and we now have c. 500 Calipage dealers in Europe. The management team has been strengthened, including a new Divisional Chief Executive. Profit was up 17.8% to £25.2 million (2009/10: £21.4 million) due to tight cost control, particularly in the UK, and initiatives based on the strategy to supply "everything for the office". Adjusted operating profit margin increased to 3.5% (2009/10: 2.9%) showing the benefits of a disciplined approach to margins achieved through a combination of product mix and pricing. The business has made targeted investments to improve its supply chain efficiency, which have been more than funded by continued improvements in working capital.

In 2011/12 the business will continue to focus on its service levels to customers, realising cost efficiencies and margin management.

Calipage roll-out

Calipage is growing across Europe as we initiate a range of marketing programmes in Benelux, France, Spain and Germany. In April 2011 we launched our new integrated e-commerce platform in France, Calipage.com.

c. 500 Calipage dealers

Financial Review

We have delivered strong volume growth, despite increasing prices to recover rising input costs. Our returns are improving and Otor is performing well.

Overview

The Group has achieved a strong financial performance despite an environment of significant input cost pressures. The results reflect the success of our pricing strategy to recover increased input costs faster and incorporate the eight months' results from the acquisition of Otor. Excluding Otor, our underlying adjusted operating profit (excluding amortisation and exceptional items) increased by £19.5 million compared to 2009/10. Otor generated adjusted operating profit of €21.7 million with a return on sales of 9.4% and an annualised return on invested capital of 13.6%. Free cash flow was higher than in 2009/10 due to improved management of working capital despite the impact of price increases and higher volumes.

Trading results

The Group's trading results for the year to 30 April 2011 are summarised in Table 1.

The major drivers of the 2010/11 results were: improved performance in our UK Packaging businesses, the acquisition of Otor in September 2010, and an improvement in performance from the Office Products Wholesaling segment.

Revenue for the financial year ended 30 April 2011 increased by 19.5% compared with the prior year; it was 15.3% higher in the first half of the year and 23.5% higher in the second half. Excluding the effect of the acquisition of Otor, revenue was up 10.0% on 2009/10.

Adjusted Group operating profit in 2010/11 increased by £38.0 million. UK Packaging was up by £17.2 million at £54.2 million, whilst Continental European Corrugated Packaging increased by £16.7 million to £39.8 million, of which Otor accounted for £18.5 million offset by the loss of profit from the disposal of the Group's business in Turkey. This performance was supported by Plastic Packaging which increased operating profit by £0.3 million to £16.9 million, and Office Products Wholesaling which was £3.8 million ahead of last year at £25.2 million. The Group's adjusted return on sales increased by 80 basis points to 5.5%.

The Group's adjusted pre-tax return on capital employed (which is defined as the adjusted operating profit divided by the average capital employed) increased from 10.1% in 2009/10 to 12.7% in 2010/11, above the Group's estimated pre-tax cost of capital of 11.0%. The increase in the Group's return on capital employed reflected higher returns in 2010/11 across all of our business segments.

Exceptional items

The Group recorded net exceptional gains before tax of £1.2 million during the year (2009/10: charge of £13.3 million). A curtailment gain primarily arising from the closure of the UK defined benefit pension scheme of £35.3 million has been recorded as exceptional income.

Restructuring costs were £8.4 million. Impairments included the impairment of the carrying value of fixed and intangible assets within UK Packaging of £14.3 million on certain under-performing assets and the impairment of intangible assets within Plastic Packaging of £1.6 million.

Costs related to the acquisition of Otor were treated as exceptional items amounted to £7.2 million. The disposal of the Group's business in Turkey and the sale of certain small packaging businesses in the UK resulted in a net loss of £2.6 million.

Operating profit after exceptional items was £129.4 million (2009/10: £80.7 million).

Interest, tax and earnings per share

Net interest expense increased from £14.4 million in 2009/10 to £19.8 million in 2010/11, mainly reflecting increased net debt following the Otor acquisition. The employment benefit net finance expense, which is a non-cash item, was £7.4 million (2009/10: £11.5 million), reflecting a lower opening deficit on the defined benefit schemes. For 2011/12, due to the reduction in liabilities following the closure of the UK pension scheme to future accrual, it is anticipated that there will be a further decrease in the employment benefit finance charge to c. £3.0 million.

In 2008/09 the Group took the decision to impair fully its investment in Rubezhansk, the Group's associate business in Ukraine. Consequently, the Group has not recorded any income in respect of profit achieved by the business. Negotiations are continuing between Rubezhansk and lenders regarding the restructuring of Rubezhansk's US$80 million loan. There is no recourse to the Group for the loan held by Rubezhansk.

Adjusted profit before tax (excluding amortisation and exceptional items) was £108.9 million (2009/10: £72.4 million). Profit before tax after amortisation and exceptional items was £102.2 million (2009/10: £55.0 million).

The Group's effective tax rate, excluding exceptional items and associates, at 28.2%, was higher than the previous year's rate of 26.1% mainly as a result of higher profits arising in France. A tax credit on exceptional items of £2.7 million resulted from tax allowances for restructuring costs, and a tax credit of £4.1 million for asset impairment. The curtailment gain on the closure of the pension scheme gave rise to a £9.8 million exceptional tax charge.

Adjusted basic earnings per share were 18.9 pence (2009/10: 13.9 pence). Basic earnings per share were 16.6 pence (2009/10: 9.7 pence).

Financial Review continued

Table 1 – Trading results summary

	First half		Second half		Full-year	
	2010/11	2009/10	**2010/11**	2009/10	**2010/11**	2009/10
Revenue – £m	**1,174.2**	1,018.0	**1,300.3**	1,052.6	**2,474.5**	2,070.6
Adjusted operating profit – £m*	**60.5**	50.7	**75.6**	47.4	**136.1**	98.1
Adjusted return on sales*	**5.2%**	5.0%	**5.8%**	4.5%	**5.5%**	4.7%
Adjusted return on average capital employed*	**11.9%**	9.2%	**13.4%**	9.8%	**12.7%**	10.1%

* before amortisation and exceptional items

Table 2 – Cash flow

	2010/11 £m	2009/10 £m
Adjusted operating profit	**136.1**	98.1
Depreciation	**70.7**	67.9
Adjusted EBITDA	**206.8**	166.0
Working capital movement	**7.6**	(2.4)
Other	**(23.0)**	(9.7)
Cash generated from operations	**191.4**	153.9
Capital expenditure payments	**(66.6)**	(52.6)
Sales of assets	**10.1**	13.0
Tax paid	**(18.6)**	(21.3)
Net interest paid	**(15.6)**	(16.2)
Free cash flow[1]	**100.7**	76.8
Exceptional cash costs	**(17.0)**	(18.4)
Dividends	**(22.6)**	(12.9)
Net (acquisitions)/disposals	**(165.1)**	(1.0)
Net cash flow	**(104.0)**	44.5
Shares issued less own shares purchased	**43.6**	–
Net debt acquired	**(36.6)**	(0.9)
Foreign exchange and fair value movements	**(14.5)**	8.4
Net debt movement	**(111.5)**	52.0

1 before net acquisitions/(disposals) of equity in subsidiaries, exceptional cash costs and dividends

Dividend
The proposed final dividend is 4.5 pence (2009/10: 3.1 pence), giving a total dividend for the year of 6.5 pence (2009/10: 4.6 pence). Dividend cover before amortisation and exceptional items was 2.9 times in 2010/11 (2009/10: 3.0 times). After amortisation and exceptional items, the dividend was covered 2.6 times (2009/10: 2.1 times).

Cash flow
The Group generated free cash flow of £100.7 million (2009/10: £76.8 million). Adjusted EBITDA rose by £40.8 million to £206.8 million. Despite the increases in prices of paper, energy and boxes, our tight control of working capital resulted in a working capital cash inflow of £7.6 million (2009/10: outflow of £2.4 million). Given the increase in revenue of £207 million, excluding acquisitions and disposals, the expected working capital impact would have been, at an average working capital to revenue of 8%, an outflow of £16.6 million. Therefore, the working capital inflow represents a productivity improvement of £24.2 million. Cash generated from operations (before exceptional items) was £191.4 million (2009/10: £153.9 million).

Capital expenditure payments were £66.6 million (2009/10: £52.6 million). Net interest paid at £15.6 million was £0.6 million lower than 2009/10, mainly due to timing of interest payments. Tax payments were £18.6 million (2009/10: £21.3 million).

Acquisitions included the acquisition of the Otor Group for £203.2 million (including net debt acquired). Also during the year the Group disposed of its subsidiary Çopikas in Turkey, and a small UK packaging business.

Cash dividend cover, defined as free cash flow divided by dividends declared for the year, was 3.6 times, down from 4.3 times in 2009/10.

The cash outflow in respect of exceptional costs was £17.0 million (including cash outflows related to exceptional charges made in 2009/10), compared with a cash outflow of £18.4 million in 2009/10.

In respect of pension payments, the contributions into the UK Group pension scheme were £30.1 million in 2010/11 (2009/10: £15.6 million) comprising £15.6 million in respect of the historical agreed annual contributions, and an additional one-off payment of £14.5 million, in respect of the agreed new contribution to the pension scheme deficit, following agreement with the trustees to close the UK Group pension scheme and for the future financing of the pension scheme.

Overall, the Group had an increase in net debt of £111.5 million compared to a reduction in net debt of £52.0 million in 2009/10.

Financial position
Shareholders' funds totalled £586.3 million at 30 April 2011, up from £474.8 million at 30 April 2010, due to the increase in share capital and profit for the year in excess of dividends. Net assets per share were 138.3 pence (30 April 2010: 121.0 pence). The profit attributable to the shareholders was £70.1 million (2009/10: £37.9 million) and dividends of £22.6 million (2009/10: £12.9 million) were paid during the year. In addition, actuarial gains of £14.4 million on the Group's defined benefit pension schemes were credited to reserves through the Consolidated Statement of Comprehensive Income. Other items recognised directly in equity included currency translation gains of £1.9 million movements on cash flow hedges of £15.4 million, and a tax charge on these items of £10.3 million.

The Group has committed facilities to November 2012 of £709.0 million. The closing net debt was £351.0 million, £111.5 million higher than at the start of the year, reflecting the net cash outflow during the year of £97.0 million and non-cash movements, principally exchange differences and related fair value movements, of £14.5 million. Gearing, defined as net debt as a percentage of net assets, was 60.1% (30 April 2010: 50.6%); the movement reflected the increase in borrowings from the Otor acquisition. Adjusted Interest Cover (as defined in the loan agreements) was 7.6 times, compared with 6.9 times last year. The higher cover reflected the higher adjusted operating profit. The ratio of net debt to EBITDA (before exceptional items) was 1.6 times (2009/10: 1.4 times). This includes a full year for EBITDA from Otor, as specified in the Group's borrowing agreements.

The Group's banking covenants for the syndicated loan and the private placements specify an Adjusted Interest Cover of not less than 3.0 times, a maximum ratio of net debt to EBITDA of 3.25 times and net assets to be in excess of £360 million. The covenant calculations exclude from the income statement exceptional items and the net interest income/charge arising from the defined benefit pension schemes. The calculation of net assets excludes the net asset or liability arising from the defined benefit pension schemes. As at 30 April 2011, the most sensitive covenant is the Adjusted Interest Cover and this had an Adjusted Profit headroom of £84.0 million (30 April 2010: £56.6 million).

Energy costs

The high level of energy costs continued to be a significant factor for the Group in 2010/11. The Group's total costs for gas, electricity and diesel fuel increased from c. £109 million in 2009/10 to c. £126 million in 2010/11. The Group continued with its strategy of hedging energy costs with suppliers and financial institutions, the purpose of which is to reduce the volatility of energy costs and provide the Group with a degree of certainty over future energy costs.

Capital structure and treasury management

The Group funds its operations from the following sources of cash: operating cash flow, borrowing, shareholders' equity and disposals of peripheral businesses where appropriate. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in immediate and medium-term funding so as to accommodate material investments or acquisitions. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having a range of maturities and borrowing from a variety of sources.

The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage financial risks. The Group's treasury strategy is controlled through the Treasury Committee, which meets regularly and includes the Group Chief Executive, the Group Finance Director, the Group Financial Controller and the Group Treasurer. The Group Treasury function operates in accordance with policies and procedures approved by the Board and controlled by the Group Treasurer. The function arranges funding for the Group, provides a service to operations and implements strategies for interest rate, foreign exchange and energy exposure management.

The Group's main borrowing facilities are shown in Table 3. At 30 April 2011, the Group's total committed borrowing facilities were £727.4 million. The total gross borrowings (including the impact of cross-currency swaps) drawn under all these facilities at the year end was £422.1 million. At 30 April 2011, the Group's borrowing facilities had a weighted-average maturity of four years and two months.

Table 3 – Borrowing facilities

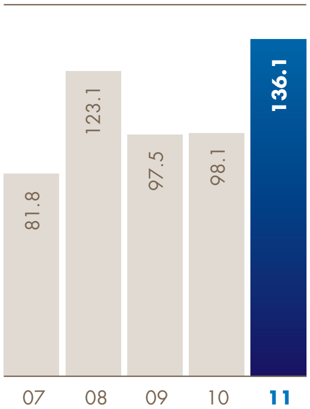
Facility	Committed funds million	Maturity
Private placement	US$105.0	2012
Private placement	£25.0	2012
Private placement	US$105.0	2014
Private placement	US$95.0	2016
Syndicated revolving credit facility	£287.5	2013
Syndicated term loan	€81.0	2013
Private placement	€59.0	2018
Private placement	€59.0	2020

The major treasury risks to which the Group is exposed relate to movements in interest and foreign exchange rates and volatility of market prices for energy. The overall objective of the Treasury function is to control these exposures whilst striking an appropriate balance between mitigating risks and controlling costs. Financial instruments, including derivatives, may be used in implementing hedging strategies but the speculative use of financial instruments, including derivatives, is not permitted.

The Group manages the risks associated with its purchases of energy in the UK through its Energy Procurement Group, which operates

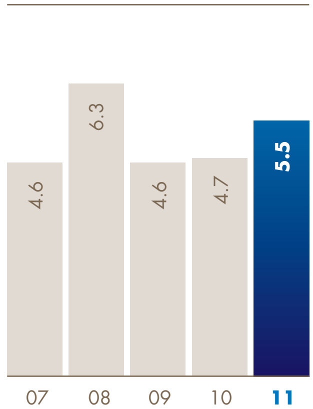
Adjusted operating profit

£136.1m
2010: £98.1m



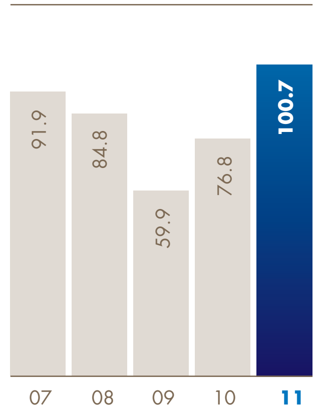
Adjusted return on sales

5.5%
2010: 4.7%



Free cash flow*

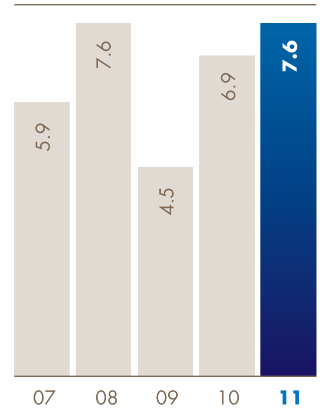
£100.7m
2010: £76.8m



* before exceptional items

Adjusted interest cover

7.6 times
2010: 6.9 times



Financial Review continued

under the oversight of the Treasury Committee. UK purchases of energy represent the significant majority of the Group's overall energy costs.

The Treasury Committee regularly reviews the Group's exposure to interest rates and considers whether to borrow on fixed or floating terms. Fixed-rate borrowing, taking into account the effect of related swaps, comprised 58% of total borrowing at 30 April 2011 (30 April 2010: 44%).

The Group has a net investment in major overseas subsidiary companies' foreign currency assets and liabilities, in particular those whose functional currency is the euro. The Group's policy is to hedge a large part of the resulting exposure to movements in foreign currency rates, by means of debt in the same currency, to a level determined by the Treasury Committee. The overseas net assets hedged through euro borrowing increased from 76% at 30 April 2010 to 87% at 30 April 2011, as a proportion of the Group's euro net investment.

The Group's foreign currency debt may be put in place either in the currency itself or through the use of cross-currency swaps on differently denominated borrowing. The Group applies hedge accounting under IAS 39, 'Financial Instruments: Recognition and Measurement', to its hedges of its net investment of foreign currency subsidiaries and records exchange differences arising on the net investments and the related foreign currency borrowing directly in equity. In addition, the Group's operations make product sales and purchases of raw materials in foreign currencies; here, cash flow hedges are taken out to reduce the risk associated with these transactions.

Impairment

When applying IAS 36, 'Impairment of Assets', the Group compares the carrying amounts of goodwill and intangible assets with the higher of their net realisable value and their value in use to determine whether an impairment exists. The value in use is calculated by discounting the future cash flows expected to be generated by the assets or group of assets being tested for impairment. At the year-end, a series of tests were undertaken to determine whether there had been any impairment to the balance sheet carrying values of goodwill and other intangible assets. The key assumptions behind the calculations can be found in note 10 to the financial statements. In summary, the tests indicated that the goodwill and other intangible assets of certain small packaging businesses within the UK Packaging and Plastic Packaging segments required impairment by £2.2 million. A further impairment of £1.2 million against research and development assets was recorded within Plastic Packaging.

An impairment of £10.8 million has been made to the fixed assets of certain under-performing paper-making facilities in order to reflect the estimated reduction in the useful economic life of these assets.

Additionally, an impairment of £1.7 million has been made to the fixed assets of a small under-performing packaging business in the UK.

These costs were recorded as exceptional items and in total comprised impairments against intangible assets of £3.4 million and £12.5 million charged to property, plant and equipment. Whilst the Board considers that its assumptions are realistic, it is possible that impairment would be identified if any of the key assumptions were changed significantly. The net book value of goodwill and other intangibles at 30 April 2011 was £344.8 million (30 April 2010: £221.2 million).

Approximately 45% of the carrying value of the Group's goodwill is allocated to UK Packaging, and 39% to Continental European Corrugated Packaging.

Note 10 to the financial statements sets out additional information regarding the Group's annual impairment exercise including the details of the carrying value headroom for the key cash-generating units that hold goodwill, together with sensitivity analysis.

Pensions

IAS 19, 'Employee Benefits', requires the Group to make assumptions including, but not limited to, future asset returns, rates of inflation, discount rates and current and future life expectancies. The use of different assumptions could have a material effect on the accounting values of the relevant assets and liabilities, which in turn could result in a change to the cost of such liabilities as recognised in the income statement over time. The assumptions involved are subject to periodic review.

The Group operates one defined benefit pension scheme in the UK, and also has some small overseas arrangements. The aggregate gross assets of the schemes at 30 April 2011 were £731.5 million and the gross liabilities at 30 April 2011, calculated under IAS 19, were £879.0 million, resulting in the recognition of a gross balance sheet deficit of £147.5 million (30 April 2010: £203.1 million), a net deficit of £111.8 million (30 April 2010: £146.1 million) after the establishment of a deferred tax asset of £35.7 million (30 April 2010: £57.0 million). The decrease in the gross balance sheet deficit of £55.6 million was principally due the curtailment gain of £35.3 million arising from the closure of the UK scheme to future accrual, and the actuarial gain of £40.0 million from the change of indexation for future pensions from using the retail price index to using the consumer price index.

In order to better control the future financial obligations of these schemes, the Group's UK defined benefit pension scheme was closed to future accrual on 30 April 2011. The current service cost in 2010/11, amounted to £7.6 million compared with £6.7 million in 2009/10. The Group's annual cash contributions to the main UK scheme were £30.1 million including the service cost of £7.6 million (2009/10: £15.6 million). A triennial valuation of the main UK scheme was carried out as at 30 April 2010. The Group has agreed that cash contributions will in future be £14.8 million per annum, rising by 2% per annum for the remaining 10 years, with a view to closing the deficit within a 10 year recovery period.

Note 25 to the financial statements sets out additional information regarding the Group's pension and post-retirement benefits.

Steve Dryden
Group Finance Director

Risk Management

The Group maintains rigorous procedures for understanding and managing its risks.

The Group has various risks, both external and internal, which could have a material impact on its performance. The Group's exposure is mitigated to some extent by the range of geographies and markets served that constitute the business of the Group, and by the broad customer base. The principal Group-wide risks, their impact on the Group and how we mitigate those risks, are set out below.

There are further references to risks faced by the Group, in the Financial Review, Corporate Governance section and in the Notes to the Consolidated Financial Statements of this report. The Group seeks to mitigate insurable risks through an insurance programme that covers property and liability risks where it is relevant and cost-effective to do so.

Key risks

Availability and volatile pricing of raw materials

Impact

In 2010/11 the Group spent c. £925 million on purchasing paper, plastics and other raw materials. The Group also spent c. £126 million on energy. These costs have increased substantially over the prior year, and to date the Group has largely recovered these costs in pricing, typically with the usual three to six month delay depending on the business. However, in the event that, due to competitor behaviour or other factors, DS Smith were unable to recover further price increases on a similar time-scale, the profitability of the Group would be substantially reduced.

Mitigation

The Group is seeking to improve the speed with which we are contractually able to recover input costs, by bringing the UK contract structures, typically with six month price-review periods, in line with our continental European operations which operate on a three month price-review structure. We also seek to differentiate our packaging through a focus on adding value to our customers' supply chains by focusing on service, quality and innovation. A description of our exposure to energy costs specifically is given later in this Risk Management section.

Acquisition risk

Impact

The Group aims to grow through a combination of organic investment and acquisition. Were the Group not to be able to find suitable acquisition targets available at prices that enable the Group to achieve its strategic return on capital targets, or were the Group unable to integrate the acquired businesses effectively, this could curtail the growth of the Group.

Mitigation

The management team of DS Smith is being developed with additional resource, both from within the Group and externally, dedicated to acquisition and integration activities. There is considerable experience of this work within the senior team, gained both within the Group and from their previous roles.

The continued availability of competitively priced borrowing facilities

Impact

The Group has committed facilities of £727 million (30 April 2010: £566.5 million) of which, as at 30 April 2011, £422 million was drawn down. The average interest rate paid in 2010/11 was 5.1%. Were events, either specific to DS Smith, or to the financial systems externally, to mean that capital was not available at competitive rates, this could have a material impact on the profitability of the Group. A one percentage point change in the interest rate paid by the Group would increase interest costs by c. £4 million.

Mitigation

The average term of the facilities committed is 4.2 years and 58% of the Group's debt is at fixed rates for a period of 12 months or more. The Group sources its debt finance from a mixture of private placements with institutional investors and bank debt from a syndicate of seven institutions. The counterparty risk is carefully monitored such that the failure of one lender would not materially impact on the Group's access to capital. Cash deposits are placed with institutions with credit rating A or above. In countries where this is not possible, deposits are held with strong local banks.

The funding position of the Group's UK defined benefit pension scheme

Impact

The Group's UK defined benefit pension scheme is sensitive to a number of key factors: the value of the assets, the discount rate used to calculate the scheme's liabilities (based on corporate bond yields) and the mortality assumptions for the members of the scheme. The tri-ennial valuation of the Group's various pension schemes as at 30 April 2010, of which the UK scheme makes up the largest proportion, estimated the deficit of the schemes to be £147.5 million. While the UK scheme is now closed to future accrual, changes in these assumptions could mean that the deficit increases further.

Mitigation

On 30 April 2011 the Group's UK defined benefit pension scheme closed to future accrual. This decision was taken by the trustees in light of the growing deficit of the scheme and the trustees' responsibility to safeguard the accrued benefits to existing members. The Group also reached agreement with the trustees for a profile of future payments to repay the deficit, being annual payments of £14.8 million starting in 2011/12, increasing by 2% per annum, for ten years plus an initial payment of £14.5 million in 2010/11 in addition to a pre-agreed top-up payment of £8.0 million.

Risk Management continued

Key risks continued

Environmental risks

Impact	Mitigation
Were a material environmental incident to occur at a DS Smith site, this could result in material financial costs and reputational damage that could undermine our commercial position as a provider of environmental solutions.	As set out in the Corporate Responsibility Review section of this Annual Report, the Group has detailed processes in place at all sites to ensure that, as a minimum, we comply with all relevant environmental rules and regulations.

Other risks

Fall in demand

Impact	Mitigation
The profitability of the Group is sensitive to the volume, the mix of sales and product pricing. Over the last three years, the market has proved volatile, and visibility at some points has been limited. A 5% reduction in corrugated packaging volumes across the Group would theoretically result in a fall in Group operating profit by around £25 million, to the extent not mitigated by cost control.	In the event of falling demand, the Group would take prompt action to address its cost base. Further, the strategy of the Group is to focus on developing packaging for fast moving consumer goods (FMCG) as this sector has historically shown substantially less volatility in demand during periods of economic downturn, than industrial users of packaging.

UK concentration

Impact	Mitigation
Approximately 50% of the Group's revenue and 30% of the Group's operating profit is derived from its operations in the UK. Were the economy in the UK to return to recession, the profitability of the Group could be adversely impacted.	The Group is expanding in continental Europe, notably with the acquisition of Otor on 1 September 2010, which substantially strengthens the Group in France. As set out above, the Group is also focused on FMCG customers, who have historically experienced less volatility in demand for their products than some other industry sectors.

Changes in the UK paper market

Impact	Mitigation
DS Smith is the largest producer of corrugated case material (CCM) in the UK, and also the largest producer of corrugated packaging. In the event of material new paper production capacity being installed by our competitors, this could impact the market for CCM, which is largely a commoditised product, which could in turn influence pricing in the corrugated packaging market.	We aim to develop long-standing relationships with our customers based on the value that we add to their supply chain, and to differentiate DS Smith by the service, quality and innovation that we offer. DS Smith has also expanded its business in continental Europe by the acquisition of Otor in France and has a strategy to expand further in continental Europe, therefore diluting our exposure to the UK market. We are also implementing plans to reduce our costs in the UK Packaging division and to improve procurement.

Energy costs

Impact	Mitigation
The Group's exposure to energy costs is set out in the Financial Review in this Annual Report. The most significant energy risk relates to the purchase of gas in the UK, where a 10 pence per therm increase represents an increase in operating costs of £10 million.	The Group aims to mitigate its exposure to energy costs by a combination of diversifying away from fossil fuels and, where this is not possible, through long-term purchasing strategies. The Group is looking to maximise in-house energy generation from its combined heat and power (CHP) plants in the UK and France. We are also taking steps, in partnership with E.ON and Wheelebrator, to develop a waste-to-energy plant on the site of our paper mill at Kemsley. This is going through the planning processes at present. The Group has a range of energy efficiency programmes in place. The Group operates a centralised approach to purchasing energy in the UK and France. The impact of energy costs is managed through the use of long-term contracts and through hedging techniques. The Group monitors its hedging instruments to ensure that it is not overly reliant upon any single counterparty.

Other risks continued

Customer credit risk and key customer exposure

Impact

While the Group has a broad base of customers, the loss of, or financial failure of, one or more of the Group's key customers may have a material impact on the results in a particular segment and result in a significant loss of future business.

Mitigation

We closely monitor credit risk across our customer base. The potential impact of the loss of a customer or their financial failure is limited as no single customer represents more than 2% of the Group's revenue.

IT systems and controls or facilities failure

Impact

Like most businesses, the Group depends on its IT systems and controls for the management of its operations. Were these to fail for a material length of time, this could disrupt the Group from transacting its business. We operate 128 sites, ranging in size from 5 to c. 600 employees. Were an incident such as a fire to happen at a major site, this could impact on the operations and financial performance of the Group.

Mitigation

The Group manages its IT through a combination of experienced staff and contracted-out teams. The Group has back-up arrangements in place at all its major sites. The Group operates to the highest standards of safety at its facilities. The Group is also insured against losses arising from certain incidents that might impact on the operations of our facilities.

Competition

Impact

The Group operates in a market controlled by laws governing competitive behaviour. Penalties for breaching competition laws could result in substantial fines.

Mitigation

The Group has a rigorous programme of training for all relevant employees, to ensure that they fully understand the applicable laws and the high standards to which they are expected to operate. Furthermore, the Group operates a Workplace Malpractice helpline in those jurisdictions where this is permissible, providing a confidential route for employees to report perceived malpractice of any type.

Industrial relations breakdown

Impact

The Group employs over 12,000 people. Were an issue to arise that caused a material breakdown in industrial relations, such that there was a prolonged strike or other industrial action within a part of the business, this could have a material impact on the financial performance of the Group.

Mitigation

The Group maintains good relationships with all significant organisations that seek to represent its employees. Furthermore, the Group aims to provide employees with a safe working environment and a culture that fosters excellent performance and encourages self-development. Through being an employer of choice, we aim to avoid material industrial relations issues arising.

Employee safety

Impact

Employee safety is the Group's top priority. Were an incident to arise where unsafe practice was found to be taking place, this could potentially result in the interruption of some of our operations for a period of time and the Group could incur financial penalties and reputational damage.

Mitigation

The Group has a very detailed and extensive health and safety programme, which is embedded in all its operations. Further details of this programme are set out in the section on Corporate Responsibility in this Annual Report.

Taxation

Impact

The amount of taxation paid by the Group is dependent on the applicable tax law in the jurisdictions in which we operate and on the geographic mix of the business. Were the tax rate to be increased in those jurisdictions, or the geographic mix of the business to change to be skewed towards higher tax jurisdictions, then the overall tax rate of the Group may rise, impacting on the profits that may be distributed to shareholders.

Mitigation

The Group actively manages its tax affairs in order to minimise the tax paid, within the scope of the tax laws where we operate.

Risk Management continued

Other risks continued

Associates/minorities

Impact	Mitigation
The Group has two businesses that are not wholly owned and two joint ventures, where shares in those companies are also held by third parties. In these companies, the Group does not have complete control and therefore there is greater potential for financial returns not to be consistent from these businesses.	These non-wholly owned businesses are insignificant in respect of the Group operating profit.

Foreign exchange rate movements

Impact	Mitigation
Approximately 50% of the Group's revenues and 70% of the Group's operating profit are derived from non sterling currencies. The Group does not hedge for currency translation effects on revenue or operating profit. As described in the Financial Review section of the Annual Report the Group's debt is mainly denominated in euros and this acts as a net investment hedge of the Group's euro net assets.	In relation to currency translation, the conversion rate which is material to the Group is sterling to the euro. A decrease in the value of the euro by 10 cents would reduce operating profit by £3.8 million and, after a benefit to the interest cost of £1.2 million, pre-tax profit by £2.6 million.

Other social and environmental matters

Impact	Mitigation
The Group's management of other social and environmental risks is described in the Corporate Responsibility Review in this Annual Report.	As described in the Corporate Responsibility Review.

Corporate Responsibility Review

A sustainable approach

DS Smith collects waste paper, makes recycled paper, then turns it into packaging – the full recycled loop. We play our part by helping our customers meet their environmental targets. DS Smith also has its own targets that we strive to achieve and exceed.

Our Corporate Responsibility approach

Health and safety

Aims

- Ensure the safety of our staff and others affected by our operations
- Reduce the number of accidents with the ultimate goal of zero accidents

2010/11 actions and progress

Health and safety is our top priority – in all senior operational meetings, it is the first item on the agenda.

In 2010/11 (excluding Otor):

- Lost time accidents (LTAs) down 9%
- Accident frequency rate (AFR) down 7%
- Accident severity rate down 8%
- 62 sites had no LTAs in 2010/11

Environment

Aims

- Reduce our emissions by 20% over the next 10 years, relative to production
- Contribute to optimising resource usage and minimising waste throughout our supply chains

2010/11 actions and progress

DS Smith has set the target of reducing CO_2 water and landfill usage, relative to production, by 20% over the next 10 years. Each of our businesses has targets as part of their business plans to achieve this.

- Energy usage per £'000s revenue down 9%
- CO_2 emissions per £'000s revenue down 13%
- Water usage per £'000s revenue down 14%
- Waste sent to landfill down to 13% from 14%

Employees

Aims

- Develop our employees to fulfil their potential
- Promote the alignment of the Group's talent behind the corporate strategy through communication, engagement and effective people management

2010/11 actions and progress

The first Group-wide employee engagement survey was completed in October 2010 with 79% of employees participating – a very high response rate for a first survey.

- A Sharesave Plan has been rolled out to UK employees to facilitate wider ownership of shares among employees. We have plans to extend similar schemes to employees in other regions.

Community involvement

Aims

- Develop and maintain good relations with our local communities

2010/11 actions and progress

DS Smith seeks to focus its charitable activity on projects local to our operations that foster engagement with and between our employees and our communities.

- Our businesses work closely with local schools and colleges.
- We participate in liaison groups and hold open days.
- We support good causes in local communities.

Environment

DS Smith's business model is built on sustainability – by providing corrugated packaging that is largely made of recycled material, and that is fully recyclable. Our plastics products, such as bag-in-box, also offer significant environmental benefits over alternative packaging materials. Therefore for DS Smith, sustainability is part of our business model.

External recognition for DS Smith in the field of sustainability:

Green Apple Awards 2010:
DS Smith Recycling received the Green Apple Award for Environmental Best Practice "Champion of Champion" prize, in partnership with customer Marks & Spencer, in November 2010. DS Smith Recycling has been working with Marks & Spencer to deliver their "Plan A" environmental initiative.

Financial Times PLC awards 2010:
DS Smith Plc received the award for Achievements in Sustainability at the PLC awards 2010, presented at an awards ceremony in March 2011. The awards recognise achievement among FTSE250 and smaller companies.

Our principles and approach to corporate responsibility

DS Smith aims to deliver attractive and sustainable returns to its shareholders. Our business is the production and supply of recycled packaging – an essential part of the supply chain for many goods. We are also the largest collector of used cardboard and paper in the UK. Our customers look to DS Smith to provide solutions – to reduce both their costs and their carbon footprint – by ensuring optimum performance of the packaging they need. As we help our customers in their businesses reach their environmental targets, we also seek to set high standards within our own business.

Our corporate responsibility (CR) approach covers health and safety, the environment, our employees, and our communities.

The Board considers risks to the Group's short and long-term value arising from CR matters as part of its regular review of the key risks to the Group's operations. It ensures that the Group has in place effective policies and systems for managing any significant CR risks and it receives regular reports on performance. The Group Chief Executive is the Director responsible for CR matters and he reports to the Board on these. It is the responsibility of the Divisional Chief Executives and general managers of the individual businesses to communicate and to apply the policies, to ensure compliance and to review procedures, taking account of local legislation and potential risks.

The Group has a Workplace Malpractice Policy, under which employees may report in confidence any perceived wrongdoing within the Group on matters relating to safety, the environment, unethical business conduct or breaches of Group policies, the law or other regulations. This policy is reinforced by a confidential Employee Concern Helpline and e-mail facility which we aim to make available to our employees worldwide as local legal and regulatory issues are resolved; to date, it has been extended to employees in nine countries. Any concerns reported are appropriately investigated.

DS Smith continues to be selected as a constituent of the FTSE4Good UK Index of companies deemed to meet globally recognised corporate responsibility standards.

How packaging helps a sustainable society

Packaging is often perceived as a negative part of our economy – filling up our bins, and in turn landfill sites and consuming valuable natural resources. What is less well understood is the role packaging plays in reducing waste, by ensuring that products – for example food, household products or electrical goods – reach us in good condition. For example, it is estimated that in some developing countries 30 – 50% of food does not reach consumers due to wastage, while in the UK less than 3% of food goes to waste between production and retail depot (Source: Industry Council for Packaging and the Environment – INCPEN). In the UK, taking food as an example, the energy used in packaging, on average, is 10% of the total energy input, compared to the energy used in production of the food of over 50% (Source: INCPEN). Therefore it makes sense to use packaging appropriate to the product, in order not to waste the materials and carbon already invested in it.

Packaging is designed to be eye-catching and therefore is something we tend to notice. However, of the average weekly load of household waste in the UK, 18% is used packaging, while waste food comprises 25%. Of that packaging, 85% of it is commonly recyclable (Source: INCPEN).

With the cost of raw materials rising, there are strong commercial pressures to reduce the amount of material in packaging while still delivering the functionality it is designed for. Looking at the UK, the amount of packaging used per person has stayed the same in weight since 1998, despite the increase in consumption since then (source: INCPEN).

Appropriate packaging, therefore, plays its part in a sustainable society by protecting our goods and reducing waste – particularly when that packaging is made from recycled material, and can be fully recycled itself.

How DS Smith plays its part in a sustainable economy

Corrugated packaging produced by DS Smith has attractive environmental characteristics, being both made from recycled raw material and recyclable.

We work closely with our customers to reduce the carbon footprint of the packaging they require – and at the same time, to save costs. We look at the cost and carbon impact of the whole supply chain, taking into consideration the transportation, wastage on the packing line, and the materials used in the packaging. For example, DS Smith has been developing light-weight solutions for some time. Our latest innovation in corrugated board, R-Flute®, significantly improves the carbon footprint in the supply chain. While it has similar strength properties to alternative types of corrugated board, it is 20% thinner. That means that 20% more boxes can be fitted in one lorry from our factory to that of our customer, so fewer lorry journeys are needed. This is a simple example of saving our customers cash and carbon in their supply chain. We have a range of products under our "PackRight" tools that help the design of optimal packaging to help our customers realise these savings.

DS Smith Recycling is the largest collector and recycler of used paper and cardboard in the UK. DS Smith Recycling also collects other types of waste and works with commercial partners to recycle it. We are different from our main competitors in the UK as, unlike them, we do not own landfill sites. Therefore customers of our recycling services know that our commitment lies in landfill diversion.

Corrugated packaging has good environmental characteristics and we see substantial opportunities to continue the expansion of its use as a substitute for other forms of packaging material.

For example, our bag-in-box technology is used for a wide range of products in substitution for rigid plastic containers, bottles, or other packaging formats. The cardboard box is readily recyclable, while the plastic content in the bag and tap is often significantly less than the amount of material used in the production of an alternative plastic bottle. The benefits continue through the supply chain as boxes of liquids can be packed in a more space-efficient manner and the weight of the packaging is less – often making it cheaper and less energy intensive to transport. These benefits of bag-in-box packaging have been independently verified by PIRA (the Paper and Board, Printing and Packaging Association) and are promoted to customers by our Plastic Packaging business.

Environmental management and regulation

The environmental performance and activities of the divisions are reviewed at the Group Environment Committee, which is chaired by the Group Chief Executive.

Each of our sites is required to implement an environmental management system (EMS) which is appropriate to its activity. DS Smith has 64 sites accredited under the ISO 14001 standard and 45 that have in place a simplified EMS, appropriate to their lower level of potential environmental impact. As part of their EMS, many Group businesses have procedures in place for assessing their suppliers' environmental policies and management systems, as appropriate.

The Group had a number of minor environmental incidents during the year, following which prompt corrective action and steps to prevent any recurrence were taken. As previously reported, in 2010 the Environment Agency brought a case against DS Smith Paper Limited (formerly St Regis Paper Company Limited) in relation to alleged breaches of the Higher Kings Mill's Pollution Prevention and Control (PPC) permit that occurred between December 2005 and March 2008. The charges primarily related to the training of staff, record keeping and the operation of the mill's effluent treatment plant. A detailed environmental survey has indicated that these breaches did not result in any significant environmental impact. At the court hearing in October 2010, DS Smith Paper Limited pleaded guilty to a number of the offences, generally relating to record keeping, and pleaded not guilty to charges of intentionally making false entry in a required Environmental Agency record. DS Smith Paper Limited was found guilty on all charges. It is appealing against three of the 19 charges, being those charges

Corporate Responsibility Review continued

(and related fines) of intentionally making false entries in a required Environmental Agency record. The appeal is expected to be heard at the Court of Appeal later in 2011. In relation to this incident, DS Smith Paper Limited has received fines totalling £387,100, of which £120,000 relate to the charges being appealed.

In accordance with our general practice relating to any regulatory breaches, at the time of the incident a full investigation was promptly undertaken of all our UK paper mills to ensure that nothing similar arose. As a result we implemented a range of actions to strengthen our systems including increasing the scope and frequency of our internal audits.

The Group's paper manufacturing operations account for c. 75% of the Group's environmental impact, particularly because their manufacturing process uses large quantities of energy and water. The UK paper mills are regulated through PPC permits under which they each have specific improvement programmes and targets. DS Smith Paper's overall compliance with its environmental permits rose to 99% in 2010/11 (2009/10: 94%) principally due to better performance of the effluent treatment plants at both Kemsley and Higher Kings Mills. DS Smith Paper is a key participant in the UK paper sector Climate Change Levy (CCL) Agreement with the Department of Environment, Food and Rural Affairs under which the industry has undertaken to achieve energy consumption reduction targets. DS Smith Paper met the final target of the existing scheme with future targets yet to be identified awaiting Government revision of the scheme.

The Group's UK and French paper operations are subject to the terms of their respective national schemes for implementing the EU Emissions Trading Directive. We expect the Group's emissions to be slightly below our emissions allocations during EU ETS Phase 2. The effects of subsequent phases from 2013 onwards are likely to be more onerous, being dependent upon the details of the emissions allocations and the market price of carbon under future phases of the scheme.

Environmental performance

DS Smith this year has set a target of a 20% reduction in carbon dioxide (CO_2) emissions, water use and of waste to landfill, relative to the activity level of the business, over the next 10 years. Given the businesses activities carried on within the Group the activity metric employed by each part of the business has been chosen to be that which is the most relevant to them. For example, for the corrugated packaging businesses, the relative metric is the quantity of corrugated board produced, in m^2.

Our businesses include their environmental impact in their budgeting plans in order to track their progress against their targets.

During the year, we again employed independent consultants, Bureau Veritas, to review our environmental data collection and reporting process in order to ensure the robustness and accuracy of the Group's environmental performance indicators. This review concluded that overall there was a good level of process control and reporting at the sites but identified some areas for improvement which are being considered and, as appropriate, implemented.

On 1 September 2010 the Group acquired the French corrugated packaging business, Otor. Accordingly, the environmental performance figures for the Group in 2010/11 include Otor's operations from that date. This approach has been adopted in order to be consistent with the consolidation of the financial returns from Otor. This is necessary as our relative financial performance measure is revenue, the one common metric across our diverse business.

The Group consumed 9% more energy in 2010/11 compared with the previous year. This increase was almost entirely due to the inclusion of Otor in the business. On a per £'000s revenue basis, energy usage fell 9%, reflecting the change in mix of the business away from energy intensive paper manufacture to less energy intensive corrugated packaging manufacturing, plus the effect of price inflation on revenue. The Group's paper mills reduced their energy usage per tonne of paper produced by 3%, due to improved operational efficiencies at our Wansborough Mill in the UK and increased use of our combined heat and power (CHP) plant at Kemsley. The Group's total water usage was 3% higher than in 2009/10, principally as a result of the inclusion of Otor, but lower relative to revenue by 14%, also reflecting mix and price inflation. The proportion of waste generated by the Group which was sent to landfill fell from 14% to 13%.

Energy efficiency

Our two largest paper mills, at Kemsley in the UK and Kaysersberg in France have on-site CHP plants. These CHP facilities provide energy more efficiently, with lower CO_2 emissions and at significantly lower cost than if it were to be sourced from the external grid. In addition, Kemsley Mill recycles, in the form of energy recovery, a substantial proportion of the reject material, such as plastic and polystyrene, which enters its process mixed in with the waste paper and is separated out during paper manufacture. The mill's own waste-to-energy plant efficiently recovers the energy to produce steam for use in the mill's operations. Further, we applied in April 2010 for planning permission for a sustainable energy plant at Kemsley to reduce the mill's reliance on fossil fuels. The proposed fuel for this plant is hard-to-recycle materials, sourced and pre-treated offsite, which might otherwise go to landfill. The power plant would be built by energy company E.ON and by waste specialist Wheelebrator, with DS Smith providing the site. Kent County Council gave their agreement for this plant in April 2011. The project is now subject to other consents, principally in relation to environmental permitting by the Environment Agency. If the necessary consents and permits are obtained, it is expected that the plant may be operational by 2016.

Environmental Performance Indicators

	2010/11	2009/10
Energy consumption[1]		
Gigawatt hours	**3,492**	3,212
Megawatt hours/£'000 revenue	**1.41**	1.55
Carbon dioxide (CO_2) emissions[2]		
Scope 1 (direct) emissions – '000 tonnes	**311**	279
Scope 2 (indirect) emissions – '000 tonnes	**604**	602
Total Scopes 1 and 2 emissions – '000 tonnes	**915**	881
Kilograms/£'000 revenue	**369**	426
Water usage		
Million cubic metres	**14.5**	14.2
Cubic metres/£'000 revenue	**5.9**	6.8
Waste management[3]		
Waste recycled – '000 tonnes	**223**	150
Waste sent to landspread – '000 tonnes	**162**	144
Waste-to-Energy – '000 tonnes	**99**	105
Waste sent to landfill – '000 tonnes	**71**	65
Total waste generated	**555**	464
Kilograms/£'000 revenue	**224**	224
% of total waste sent to landfill	**13%**	14%

Methodology: The Group aims to collect and report its environmental data in accordance with the guidelines specified by the Global Reporting Initiative and the Greenhouse Gas Protocol (GHGP), to the extent that this is currently practicable. The figures reported above include data from all of the Group's wholly-owned or majority-owned operations and sites worldwide. The methodology used is consistent for 2009/10 and 2010/11.

1 The energy figures relate to the usage of all fuels used in fixed installations on the Group's sites plus the diesel fuel used for freight transport.

2 The CO_2 emissions have been calculated using the energy data, as defined above. The factors used for converting gas, coal, fuel oil and diesel usage into CO_2 emissions are the latest factors for each year as published by the UK Department for the Environment and Rural Affairs (DEFRA) in the Guidelines to DEFRA's GHG Conversion Factors. The factors used for converting electricity usage are the national figures for each country in which the Group operates, also sourced from DEFRA; these factors therefore reflect the mix of fuels used for electricity generation in each country. As required by the GHGP, Scope 1 and Scope 2 CO_2 emissions are reported separately. Scope 1 (direct) emissions are those arising from combustion of fuel in installations or vehicles owned by the Group; Scope 2 (indirect) emissions are those arising from bought-in energy (i.e. electricity or steam) where the combustion has been carried out by another company. The 2010/11 Scope 1 emissions included 60,000 tonnes (2009/10: 57,000 tonnes) of CO_2 which were associated with the production of electricity which was sold to the grid from one of our CHP plants. Scope 3 emissions from sources external to DS Smith but involved in the supply chains for the Group's products and services are not included.

3 The waste figures relate to waste generated by our operations; they do not include waste that is collected from external sources for recycling within our paper and plastic packaging operations.

Verification Statement from Bureau Veritas UK Ltd

For the third year we have worked with DS Smith Plc to provide an independent opinion on the Environmental Performance Indicators presented on this page of its 2011 Annual Report. Having completed a process incorporating site visits, document review and interrogation of associated management and reporting systems, it is our opinion that the presented performance indicators provide a fair and accurate representation of DS Smith Plc's performance.

DS Smith Plc should be commended on their approach to data collection, which continues to remain consistent across the divisions with a clear understanding of required processes demonstrated by those with responsibilities in this regard at both divisional and site level. It is clear that DS Smith Plc is constantly looking to improve these processes; both via internal mechanisms, and as demonstrated in the proactive manner in which the company has continued to engage Bureau Veritas on this project.

As with last year Bureau Veritas encourages DS Smith Plc to continue to improve the monitoring of its performance by initiating a half-yearly review of consolidated performance data.

A full verification statement including our methodology, basis for our opinion, additional recommendations, limitations and a statement of Bureau Veritas independence can be found on the DS Smith Plc website (http://www.dssmith.uk.com/pages/CorporateResponsibility.asp).

June 2011
Bureau Veritas UK Ltd
London

Corporate Responsibility Review continued

Health and safety

Safety is our highest priority. In 2010/11 we have made good progress, improving our safety performance in each of our three KPIs.

The safety of our staff and those affected by our operations is our highest priority. In 2010/11 the Group continued to improve its safety performance. Our businesses benchmark their safety performance internally and through the use of external data. Information on safety performance, including statistics related to our key performance indicators (KPIs), is reported to the Board quarterly. The overall goal is to achieve zero accidents and our divisions set interim targets against their KPIs, which reflect the nature of their business and their previous performance. In 2010/11, our continuing emphasis on safety was reflected in a 9% reduction in Lost Time Accidents (LTAs); these are accidents that resulted in one shift or more of working time being lost. There was a 7% reduction in the accident frequency rate (AFR), which measures LTAs in proportion to the number of hours worked. There was an 8% improvement in the accident severity rate, which measures the hours lost as a result of accidents as a percentage of the total hours worked. The improvements in the Group's safety record reflect the leadership shown by the Group's managers and the ongoing commitment of our employees to working safely. As a Group we remain resolute in our determination to realise a zero accident culture and to continue to build on the progress we have made to date.

The Group's progress towards a zero accident culture is evidenced by 62 of the Group's 128 sites having no LTAs in 2010/11. In the Group's engagement survey, 84% of respondents agreed that health and safety was taken seriously at their workplace.

It was also encouraging that 84% of respondents felt empowered to raise concerns about unsafe practices. The Group's safety communications programme, operating under the slogan 'Think Safe, Be Safe', aims to raise awareness of key issues, to challenge unsafe attitudes and behaviour and to promote a collective responsibility for maintaining a safe working environment.

The Group has a well established safety audit programme conducted by internal specialists and external consultants. These audits are used to ensure sites' consistent adherence to safety standards and to investigate possible areas of concern. The resulting action plans set a clear pathway for improvement. Further progress in spreading best practice across the Group has been made by integrating safety into the new operational improvement forum. Through this forum, the Group is raising awareness around issues such as re-engineering processes to improve safety, and the safety aspects of procurement decisions.

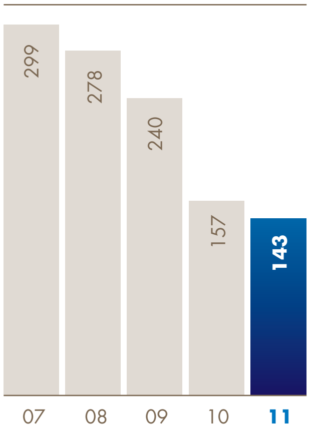
All accidents and situations that might have resulted in an accident are investigated to ensure we learn from these incidents and take steps to prevent a recurrence. In addition to focusing on specific risks, through techniques of risk assessment and root cause analysis, the Group also undertakes extensive safety training programmes at all levels of the organisation.

In 2011/12 the major challenge in health and safety will be the integration of the former Otor businesses. The Otor sites have an AFR over four times higher than the Group average. This represents a very significant challenge, but a comprehensive audit of the Otor sites has been completed and detailed action plans have been developed and are being implemented to transform the safety performance over the coming years.

Safety performance indicators

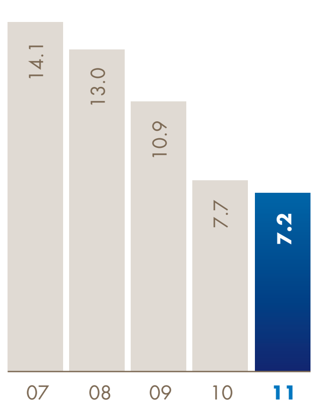
Lost time accidents
Numbers of accidents resulting in lost time of one shift or more

143
2010: 157



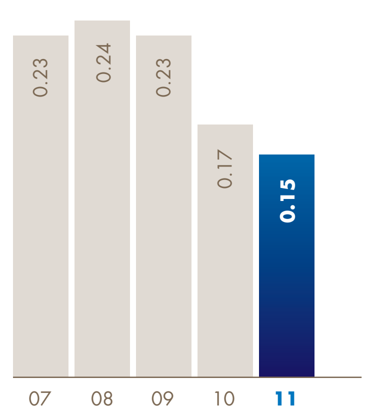
Accident frequency rate
Number of lost time accidents per million hours worked

7.2
2010: 7.7



Accident severity rate
Working hours lost as a result of accidents as a percentage of hours worked

0.15%
2010: 0.17%



Employees

DS Smith employees are skilled, dedicated and hardworking. We are engaging with our employees to deliver the Group strategy.

Employee engagement is central to the delivery of the Group's strategy. In 2010/11, DS Smith completed its first Group wide engagement survey with 79% of employees taking the time to participate. This is a very high level of participation for a first survey which reflects the dedication and commitment of the Group's employees. The engagement survey is an opportunity to listen to the structured feedback and views of our employees. The results have been analysed and communicated, and priorities for improvement have been identified by management teams with action plans developed for the coming year. A further survey will be completed in 2012 to monitor the progress made against these plans. The Group has also embarked on a programme to communicate and engage all its employees with the new corporate strategy. This programme will ensure that all employees know the Group's vision and values, its strategic goals and the role they can play.

A new Sharesave Plan for UK employees was rolled out in 2011 with the aim of promoting ownership of DS Smith shares amongst employees. There are plans to extend similar schemes to employees in other regions.

Training programmes are carried out by the Group's businesses in response to their specific operational performance requirements. The individual training and development needs of employees are met through a variety of schemes including: management development programmes, which in some cases involve external accreditation; support for studying external vocational and professional qualifications; and schemes for coaching and mentoring managers, using both external and internal resources. New recruitment and development initiatives, designed to ensure the Company has the skills available to meet its growth targets, are being implemented. In 2009, DS Smith initiated a two year development programme for c. 70 of its senior business leaders. The programme has been designed and run in partnership with Warwick Business School with bespoke content combining the latest academic thinking with practical application to the Group's businesses.

The Group is committed to ensuring equal opportunities in all recruitment and employment practices. It is also committed, as a minimum, to meeting the labour rights and legislation requirements in each of the countries in which it operates; in practice the Group often exceeds the local and international requirements. As DS Smith's operations are almost entirely located in member countries of the OECD, human rights matters are not perceived as a significant Group risk.

Community involvement

DS Smith actively works with local communities, recognising the position we have in the locations where we operate.

We seek to develop and maintain good relations in the local communities in which we operate; this is particularly important as in many of the locations where we operate we are one of the largest employers. As well as providing significant employment opportunities, we aim to make positive contributions to our communities and build a reputation as a good neighbour and employer. Our businesses work closely with local schools and colleges providing training, mentoring, work experience placements and other opportunities for pupils to learn about industry and business. The Group is involved in a wide range of other local community activities including sponsorship of community projects or sports teams and provision of adult skills training. Our businesses participate in liaison groups with local residents, particularly at locations where there is a need to review ways in which we can reduce any inconvenience to neighbours from our operations as a result of traffic movements, odour or noise. Some sites hold open days to foster relationships with their local communities. The Group supports charitable fundraising activities through modest cash contributions or staff time. The majority of the money donated by the Group is given by individual business units, principally to good causes in their local communities.

Directors

Peter Johnson
Chairman (c)

Appointed to the Board on 8 December 1999 as a non-Executive Director. He became Chairman of the Board on 1 January 2007 and is Chairman of the Nomination Committee. He is a Member of the Supervisory Board of Wienerberger AG and is Chairman of Electrocomponents plc. He was previously a non-Executive Director of SSL International plc, Chief Executive of George Wimpey Plc and prior to that Chief Executive of The Rugby Group PLC. Age 63.

Miles Roberts
Group Chief Executive (b),(c)

Appointed to the Board on 4 May 2010 as Group Chief Executive. He was previously Chief Executive of McBride plc from July 2005 until April 2010, having originally joined as its Group Finance Director in January 2002. He was a non-Executive Director of Care UK plc until May 2010. Age 47.

Steve Dryden
Group Finance Director (b)

Appointed to the Board on 1 April 2008 as Group Finance Director. He is a non-Executive Director of Fiberweb plc. He previously held the position of Finance Director of Filtrona plc following its demerger from Bunzl plc in 2005. Prior to that he was divisional Finance Director of the Filtrona businesses and held other senior finance positions within Bunzl plc. He began his career at Price Waterhouse and has also held various finance roles within Rolls-Royce plc. Age 43.

Christopher Bunker
Senior Independent Director (a),(c),(d),(e)

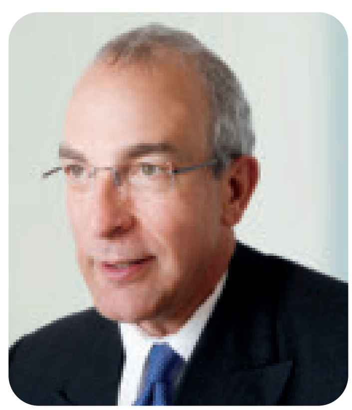
Appointed to the Board on 9 December 2003 as a non-Executive Director. He is the Senior Independent Director and until recently was Chairman of the Audit Committee. He was previously Group Finance Director of Thames Water Plc, Tarmac Plc and Westland Group Plc. He is a non-Executive Director of Travis Perkins plc and was a non-Executive Director of Mowlem Plc, Baltimore Technologies plc and Xansa plc. Age 64.

Gareth Davis
(a),(c),(d),(e)

Appointed to the Board on 1 June 2010 as a non-Executive Director and is Chairman of the Remuneration Committee. He is the Chairman of both William Hill PLC and Wolseley plc. He was previously Group Chief Executive of Imperial Tobacco Group PLC. Age 61.

Philippe Mellier
(a),(d)

Appointed to the Board on 7 September 2006 as a non-Executive Director. He will be joining De Beers Group in July 2011 as Group Chief Executive Officer. He is currently President of Alstom Transport and an Executive Vice-President of Alstom Group. Previously, he was Chairman and CEO of Renault Trucks and a Member of the Executive Committee of AB Volvo, and prior to that held senior management positions with Renault S.A. and Ford Motor Company. Age 55.



Jonathan Nicholls
(a),(c),(e)

Appointed to the Board on 1 December 2009 as a non-Executive Director and is the Chairman of the Audit Committee. He was previously Group Finance Director of Hanson Plc and, most recently, Group Finance Director of Old Mutual Plc. He is a non-Executive Director and Chairman of the Audit Committees of Great Portland Estates plc and SIG plc and was a non-Executive Director of Man Group Plc. Age 53.

(a) – non-Executive Director
(b) – member of General Purposes Committee
(c) – member of Nomination Committee
(d) – member of Remuneration Committee
(e) – member of Audit Committee

Group Steering Team

The Group Steering Team, chaired by Miles Roberts, has been established to bring together the running of the Group as a whole, to ensure a joined-up approach so that the strategy is implemented effectively throughout the business. The Group Finance Director, Steve Dryden, and the Group General Counsel and Company Secretary, Matthew Jowett, are also members of this team.

Peter Damman
Divisional Chief Executive, Spicers

Joined DS Smith in February 2011. Peter has broad global experience in the office products industry gained from a 22 year career in the industry. He has held a number of senior commercial management positions including Vice President Office Depot Europe, President Corporate Express Europe and Vice President Tech Depot. Dutch.

Paul Harridine
Chief Procurement Officer

Joins DS Smith in July 2011. Previous experience includes senior purchasing and supply chain roles in the automotive, aerospace and construction industries as well as positions on the operating boards of Oxford Instrument plc and De La Rue plc. British.

Nigel Hayter
Group Human Resources Director

Joined DS Smith in September 1992. Nigel has been Group Human Resources Director since 1999. In that role he is responsible for health and safety and for pensions, as well as managing all aspects of the development of the employee base. Prior to that, within DS Smith, he was Human Resources Director for the UK Packaging division. British.

Jean Lienhardt
Divisional Chief Executive, DS Smith Kaysersberg

Joined DS Smith in January 1994. Jean has been Divisional Chief Executive of DS Smith Kaysersberg since October 2006. Prior to that he was finance director of that division, with additional responsibilities for the operations in Poland and other parts of the continental European business. French.

Jean-Marie Paultes
Divisional Chief Executive, DS Smith Packaging France

Joined DS Smith in September 2010. Jean-Marie joined DS Smith in September 2010 on the acquisition by DS Smith of Otor. He had been General Manager of Otor for the previous six years. French.

Gary Saunders
Divisional Chief Executive, DS Smith Packaging UK

Joined DS Smith in November 2010. Gary has substantial experience gained from a 30 year career in fast moving consumer goods and retail companies. He has had a range of senior operational roles with Quaker Oats, Nestle, Sainsbury's, RHM (now Premier Foods) and McBride plc. British.

Mark Smith
Divisional Chief Executive, DS Smith Plastics, Liquid Packaging and Dispensing

Joined DS Smith in September 2001. Mark became Divisional Chief Executive of DS Smith Plastics, Liquid Packaging and Dispensing, in November 2010, following a series of senior positions within the Liquid Packaging and Dispensing business in the US, progressing from Research Director to heading the US operations of the business. US citizen.

Corporate Governance

The Company is committed to the principle and application of sound corporate governance. This report explains the key features of the Group's governance structure, how it applies the principles set out in the Code of Best Practice set out in Section 1 of the FRC Combined Code on Corporate Governance issued in June 2008 (the 'Combined Code') and the extent to which the Company has complied with the provisions of the Combined Code. The UK Corporate Governance Code was published in May 2010 and will apply to the Company for the financial year 2011/12. The Company expects to be broadly in compliance with the Code. Having considered the recommendations of the UK Corporate Governance Code, the Board has resolved that the Chairman and non-Executive Directors will retire and stand for re-election at the forthcoming Annual General Meeting on 6 September 2011 and currently intends to repeat this process annually thereafter. The Board has resolved, however, that the Executive Directors who have already been elected by the Company in general meeting will continue to retire from office at least once every three years, and offer themselves for re-election, in accordance with the Company's Articles of Association. This practice will be kept under review. The Board considers that the Chairman and non-Executive Directors are accountable to shareholders for the performance of the Executive Directors and that it is in the best interests of the Company for any change to the Executive Directors to be part of a controlled succession planning process.

The Company has complied throughout the financial year with all the provisions of the Combined Code, except in respect of Mr R G Beeston's membership of various Board committees for the period from 1 May 2010 to the end of June 2010, as disclosed below. The Board has an ongoing review of its corporate governance policy. Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' Remuneration Report. The Company's Auditors have reviewed the compliance with those provisions of the Combined Code specified for their review.

Board and Board Committees

The role of the Board

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board's role is to provide leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives, and reviews management performance.

In addition, the Board sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Board currently comprises the Chairman, two Executive and four non-Executive Directors. The offices of Chairman and Group Chief Executive are held separately. During the year, each of the non-Executive Directors has at all times acted independently of management and has no relationships which would materially interfere with the exercise of their independent judgement and decision-making.

It is recognised that Mr Beeston was not considered a fully independent non-Executive Director after 5 December 2009 because of his length of service. Mr Beeston retired as a non-Executive Director of the Company on 8 December 2010.

The Board meets a minimum of eight times per year. During the year under review it met eight times. All Board members attend all Board and relevant Committee meetings unless exceptional circumstances prevent them from attending. During the year, Mr S W Dryden did not attend the September 2010 Board meeting and the Annual General Meeting due to a bereavement of a close family friend; Mr G Davis did not attend the Board meeting and the Audit and Nomination Committee meetings held in December 2010 due to

Summary of Board changes in the year

Month	Change
May 2010	Mr M W Roberts was appointed to the Board as Group Chief Executive and as a member of the Nomination Committee. Mr A D Thorne retired as Group Chief Executive and from the Board and Nomination Committee.
June 2010	Mr G Davis was appointed as a non-Executive Director and became a member of the Remuneration, Audit and Nomination Committees. Mr Davis became Chairman of the Remuneration Committee at the end of June 2010. Mr J C Nicholls became Chairman of the Audit Committee at the end of June 2010. Mr R G Beeston stepped down from his membership of the Remuneration, Nomination and Audit Committees.
December 2010	Mr Beeston retired as a non-Executive Director.

previous commitments. Mr P J-C Mellier did not attend the December 2010 Board meeting due to ill health or the additional April 2011 Remuneration Committee meeting due to previous commitments. For these meetings these Directors gave full consideration to the matters being discussed and provided their input to the Chairman. There were no other absences from any Board or Committee meetings by any Director. In addition to formal Board meetings, the Chairman and Group Chief Executive maintain regular contact with all Directors and hold informal meetings with non-Executive Directors to discuss issues affecting the Company. Individual Directors are encouraged to make site visits during the year. The Board reviews the performance of the Group and undertakes a strategic review on an annual basis. There is a formal schedule of matters reserved for consideration and approval by the Board. These include the annual budget, substantial acquisitions and disposals, the approval of the full-year and half-year results and a review of the overall system of internal control and risk management.

The Board and its Committees, as detailed below, receive timely information of a quality that enables them to carry out their roles effectively. All Directors have access to the advice and services of the Company Secretary. A procedure is in place for any Director to take independent professional advice in the furtherance of his duties at the Company's expense. No such advice was sought by any Director during the year. The Directors are provided with opportunities for training to ensure that they are kept up to date on relevant new legislation and regulation changes, corporate governance developments and changing commercial risks. On appointment, new Directors are given appropriate induction training, tailored to their specific needs, taking into account their individual qualifications and experience, which includes individual time with the Chairman, Group Chief Executive and Group Finance Director and site visits to major business units.

The Board carried out a comprehensive appraisal of its performance and that of the Committees and the individual Directors in February 2011 which was led by the Chairman and the Senior Independent Director. It was decided to conduct the review internally as there had been an independent review in 2009. The review comprised feedback from a questionnaire and individual discussions. All Directors and the Company Secretary participated in the exercise. The results were discussed by the Board at its meeting in March 2011.

The review concluded that the main purpose of the Board over the next few years is to ensure that the agreed strategy is fully implemented. Action points from Board meetings should focus on strategy delivery. The strategy away day had been a success. Future strategy meetings should be around a more granular strategic plan with more detail on action and resources.

The Board is well balanced with good diversity of experience and perspective. This must be maintained with future Board appointments. If an appropriate candidate were able to be identified a female director would be welcomed, and more overseas experience is essential.

Non-Executive Directors need more contact with the senior management team, in a relaxed as well as formal environment. The Board will ideally hold one meeting each year at a UK site and one overseas.

The Board should address environmental matters as a strategic and not solely a compliance issue.

The Executive Directors are open and honest in their dealings with the Board and generally respect its views and listen to its concerns. Non-Executive Directors address the right issues and are both challenging and supportive. The Group Chief Executive and all non-Executive Directors should ensure they maintain a dialogue outside meetings.

The responsibilities of the Audit Committee and Board are appropriately drawn. The Remuneration Committee will focus on ensuring the remuneration policy consistently reflects the business strategy and goals. The Nomination Committee has handled Board succession effectively, and should continue its focus on both this and on the calibre of the management team.

In addition, the Senior Independent Director conducted a review of the performance of the Chairman which concluded that the Chairman had led the Board effectively. The non-Executive Directors met separately with the Chairman in March and all the non-Executive Directors and the Executive Directors met in March to give them the opportunity to discuss any matters they wished to raise in the absence of the Chairman.

Following this evaluation the Board recommends the re-election of those Directors who are standing for re-election at the 2011 Annual General Meeting.

Board Committees

The principal Committees of the Board are the Audit, Remuneration and Nomination Committees. All Board Committees have written terms of reference agreed by the Board. These are available on the Company's website at http://www.dssmith.uk.com/about-us/corporate-governance or are available on request to the Company Secretary. The Audit Committee is chaired by Mr J C Nicholls (and was previously chaired by Mr C J Bunker). The Remuneration Committee is chaired by Mr Davis (and was previously chaired by Mr Beeston). The Nomination Committee is chaired by Mr P M Johnson. The membership of each Committee and the experience of its members can be seen on page 38. The Audit and Remuneration Committees comprised independent non-Executive Directors for the majority of the year. However, Mr Beeston was not considered an independent non-Executive Director from December 2009 by reason of his length of service (Combined Code C.3.1 and B.2.1). The Nomination Committee comprised a majority of independent non-Executive Directors for most of the year. According to Combined Code A.4.1, Mr Beeston was not considered an independent non-Executive Director since December 2009 by reason of his length of service. As mentioned in the Chairman's Statement on page 15, Mr Beeston retired from the Board on 8 December 2010.

Audit Committee

In addition to the Committee members listed on page 38, the Chairman, the Group Chief Executive, the Group Finance Director, representatives from Internal Audit and the Group Financial Controller attend parts of these meetings by invitation. Mr Beeston ceased to be a member of the Committee on 30 June 2010. The Board is satisfied that Mr Nicholls has both current and relevant financial experience.

The terms of reference of the Audit Committee, which meets at least three times a year, include all the matters indicated by the Combined Code except the oversight of business risks which is the direct

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responsibility of the Board. The primary objective of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to:

- the accounting principles, policies and practices adopted in the Group's accounts;
- external financial reporting and associated announcements;
- the appointment, independence, effectiveness and remuneration of the Group's Auditors;
- the resourcing, plans and effectiveness of the Internal Audit performed on behalf of the Company by a major accountancy firm, independent from the Group's Auditors;
- the adequacy and effectiveness of the financial control environment; and
- the Group's compliance with the Combined Code on Corporate Governance.

The Committee receives and reviews regular reports from the external Auditors, Internal Audit and the Group Finance Director. Under its terms of reference the Committee is empowered to seek independent external advice but did not do so during the year.

The Committee meets with the external Auditors to determine annually their qualifications, expertise, resources, independence, objectivity, and effectiveness. The Audit Committee receives written confirmation from the external Auditors as to any relationships that might have a bearing on their independence, whether they consider themselves independent within the meaning of the UK regulatory and professional requirements, their quality control processes and ethical standards.

In order to ensure the independence and objectivity of the Auditors, the Committee maintains and regularly reviews the Auditor Independence Policy which covers services which may be provided by, and fees paid to, auditors. Audit fees are negotiated with the Group Finance Director and approved by the Audit Committee. The policy on the supply of non-audit services by external auditors is as follows. The Group should not employ the Auditors to provide non-audit services where either the nature of the work or the extent of such services might impair the Auditors' independence or objectivity. The external Auditors are permitted to undertake some non-audit services, providing they have the skill, competence and integrity to carry out the work in the best interests of the Group, on, for example, advisory services and due diligence activities associated with potential acquisitions and disposals and major changes in accounting regulations. Non-audit services and fees are reported to the Audit Committee twice a year. For guidance, annual non-audit fees payable to the external Auditors should not exceed 75% of the annual Group audit fee without prior formal approval of the Committee. During 2010/11, total non-audit fees were 107% of the annual Group audit fee. The most significant element related to the acquisition of Otor; the use of external auditors in relation to the acquisition of Otor having been approved by the Audit Committee. Approval for permitted non-audit services is sought as required by this Policy which specifies that individual projects which would cost over £100,000 must be referred to the Chairman of the Committee for prior approval. The outcome of these reviews was not only that performance of the relevant non-audit work by the Auditors was the most cost-effective way of conducting business but also that no conflicts of interest existed between such audit and non-audit work. In addition £2.4 million was paid to other accounting firms for non-audit work, including £0.9 million for work relating to Internal Audit.

Deloitte LLP, a leading international audit partnership, was first appointed as Auditor to the Group companies in 2006 and its fees are regularly compared with peer companies by the Committee. There are no contractual restrictions on the Group with regard to its appointment. In accordance with professional standards, the partner responsible for the audit is changed every five years.

During the year, the Committee met on four occasions. Mr Davis was unable at attend the meeting December 2010 due to previous commitments, but otherwise there were no absences. On each of these occasions the Committee also met privately with the external Auditors. The Chairman of the Audit Committee also held separate private meetings during the year with the external Auditors, representatives from Internal Audit and the Group Finance Director. The Committee received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities. The Committee is satisfied that the Group's executive compensation arrangements do not prejudice robust controls and good stewardship.

At its meeting in June 2010, the Committee reviewed the annual financial statements of the Company and received reports from Group Operational Audit on internal control matters and from the external Auditors on the conduct of their audit, their review of accounting policies, areas of judgement and the financial statements and their comments on statements concerning risk and internal control. A similar review was undertaken in December 2010 when the half-year results were considered. At these meetings and the meeting in April 2011, the Committee dealt with the following particular matters:

- at the year-end a series of tests were undertaken to determine whether there had been any impairment to the balance sheet carrying values of goodwill and other intangible assets. The key assumptions behind these calculations can be found in note 10 to the financial statements;
- at the meeting in June it received a report from Internal Audit covering, amongst other things, the work undertaken by the Internal Audit function and management responses to proposals made in the audit reports issued by the function during the year;
- it considered the effectiveness of systems for monitoring and reporting on risks faced by the Group;
- it carried out an appraisal of the effectiveness of the Audit Committee (as part of the Board evaluation process referred to on page 41), the external Auditors and Group Operational Audit, the results of which were reported to the Board. The Committee concluded that each area operated satisfactorily during the year;
- at the meeting in December 2010 the Committee was consulted on plans to outsource the Group Operational Audit function; and
- it oversaw the continuing development and the operation of the Group's Workplace Malpractice Policy.

Nomination Committee

Mr Roberts became a member of the Committee in May 2010 and Mr Davis became a member in June 2010. Mr Thorne ceased to be a member of the Committee when he resigned from the Board on 4 May 2010 and Mr Beeston ceased to be a member on 30 June 2010. The Nomination Committee evaluates the balance of skills, knowledge and experience (including the length of service of each Director) of the Board, develops role specifications, considers the appointment of Directors, reviews succession planning and diversity at Board level, identifies the skills required of future directors and makes recommendations to the Board as a whole. A rigorous process is in place for the appointment of new Directors, involving the use of external recruitment consultants followed by meetings both with the Committee and then with the Board. The Committee met four times during the year and, apart from Mr Davis' absence from the December meeting noted above, there were no absences.

The performance of the Committee was evaluated as part of the Board performance evaluation process described above.

Remuneration Committee

The Chairman and the Group Chief Executive attend these meetings by invitation, except when their remuneration is being discussed.

The Remuneration Committee is responsible for determining the remuneration of the Executive Directors, the Chairman and the Company Secretary and for advising on the remuneration of senior management. The Remuneration Report is set out on pages 45 to 53. During the year, the Committee met five times. Mr Mellier did not attend the additional meeting in April 2011 due to previous commitments, but otherwise there were no absences.

The performance of the Committee was evaluated as part of the Board performance evaluation process described above.

Other Board Committees

The Board has delegated certain powers, mainly of a routine nature, to the General Purposes Committee, which comprises the Group Chief Executive and the Group Finance Director under the chairmanship of the Group Chief Executive.

Conflicts of interest

The Company's Articles of Association permit the Board of Directors to authorise a conflict of interest or potential conflict of interest notified by a Director provided that the Board considers this to be in the best interests of the Company.

Each of the Directors in office review their individual positions regularly and new Directors review their individual position prior to joining the Board. Directors are reminded from time to time of their obligations. The Company has put procedures in place via the Company Secretary whereby the Directors can notify any future conflicts or potential conflicts of interest that may arise so that the Board can consider whether authorisation is appropriate. Any notifications are considered at the next Board meeting and, if considered appropriate, authorised. Directors do not participate in the discussion, or vote regarding their own conflicts. If authorised, any conflicts are entered in the Conflicts Register.

An annual review of conflicts is carried out and this is incorporated into the year-end process of verifying Directors' interests. The procedures continue to operate effectively.

Relations with shareholders

The Company has a programme of regular meetings (which sometimes includes the Chairman and the Senior Independent Director), site visits and results briefings with its major institutional shareholders, which provides opportunities to discuss the progress of the business. Presentations are conducted in accordance with the Financial Services Authority's Disclosure and Transparency Rules on the dissemination of inside information to ensure the protection of such information that has not already been made available generally to the Company's shareholders. The Board also receives feedback from major shareholders in the form of independently prepared reports. Together, the Chairman, Group Chief Executive, Group Finance Director, and Head of Investor Relations ensure the Board is fully briefed on shareholders' views such that any issues or concerns are fully understood and considered by the Board. The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.

The Annual General Meeting is used as an opportunity to communicate with private shareholders, including a short presentation on the business and current trading position as well as an opportunity for questions from investors to the Chairman of the Board and the chairmen of the Audit and Remuneration Committees. All Directors who attend the Annual General Meeting make themselves available to meet shareholders after the formal business of the meeting. To ensure compliance with the Code, separate resolutions are proposed on each discrete subject. The Directors have resolved that the Chairman and non-Executive Directors will retire and stand for re-election at the forthcoming Annual General Meeting and currently intend to repeat this process annually thereafter. The number of proxy votes for, against and withheld for each resolution are displayed at the Meeting after a vote on a show of hands has been taken. The final results are published through a Regulatory Information Service and on the website following the Meeting.

Regular communication with shareholders also takes place through the full-year and half-year reports and via the Company's website, www.dssmith.uk.com. In addition, the Company provides Interim Management Statements and Trading Updates.

Internal control

The Board has overall responsibility for the Group's system of internal control, including financial, operational and compliance controls, and risk management systems, and for reviewing its effectiveness. Such a system, however, can only be designed to manage rather than to eliminate risk and therefore can provide only reasonable and not absolute assurance against material misstatement or loss. In accordance with the Turnbull guidance, the Company has in place the procedures necessary to ensure that there is an ongoing process for identifying, evaluating and managing the significant risks to the Group. These procedures have been in place for the whole of the financial year ended 30 April 2011 and up to the date of the approval of these financial statements and have been reviewed by the Board during the year. A Group Risk Committee, comprising the Group Steering Team (the Group Chief Executive, the Group Finance Director, Company Secretary, Group Human Resources Director, Chief Procurement Officer and Divisional Chief Executives) meets regularly. The Group Risk Committee discusses the key risks facing the Group and whether there are any material new risks, and the adequacy and suitability of the mitigation arrangements in place to manage those risks.

The Board determines the objectives and broad policies of the Group. It meets regularly and there is a schedule of matters which are required to be brought to it for decision. The Board has delegated to management the responsibility for establishing a system of internal control appropriate to the business environments in which the Group operates. Key elements of this system include:

- a clearly defined divisionalised organisation structure for monitoring the conduct and operations of individual business units;
- clear delegation of authority throughout the Group, starting with the matters reserved for the Board;

Corporate Governance continued

- a formal process for ensuring that key risks affecting all the Group's operations are identified and assessed on a regular basis, together with the controls in place to mitigate these risks. Risk consideration is embedded in decision-making processes. The most significant risks are periodically reported to the Board and considered by it;
- the preparation and review of comprehensive annual divisional and Group budgets and an annual review and approval by the Board of the corporate strategy;
- the monthly reporting of actual results and their review against budget, forecasts (including bank covenant headroom) and the previous year, with explanations obtained for all significant variances;
- clearly defined policies for capital expenditure and investment, including appropriate authorisation levels, with larger capital projects, acquisitions and disposals requiring Board approval;
- procedures manuals laying down common control procedures and policies to apply throughout the Group;
- formal monthly meetings between the Group Chief Executive, the Group Finance Director and divisional management to discuss strategic, operational and financial issues; and
- Key Corporate Values have been communicated to all employees.

The Group's Internal Audit function undertakes regular reviews of the individual businesses' operations and their systems of internal control, makes recommendations to improve controls and follows up to ensure that management implement the recommendations made. The Internal Audit plan is determined on a risk assessment basis and is reviewed and approved by the Audit Committee. Internal Audit's findings are reported to Group and business area management as well as to the Audit Committee.

The Board can confirm that it has carried out an annual review of the overall effectiveness of the Group's system of internal control and risk management procedures, during the year and up to the date of approval of this annual report. This included a process of self-certification by senior divisional management in which they were asked to confirm that their divisions have complied with Group policies and procedures and to report any significant control weaknesses identified during the past year. In addition, it involved reviewing the results of the work of the Group's Internal Audit function and the risk identification and management processes identified above.

Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 18 and 22 in the Group Chief Executive's review of the year. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, the accompanying Notes to the Consolidated Financial Statements on pages 60 to 110 and in the Financial Review on pages 23 to 26. Further information concerning the Group's objectives, policies and process for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk can be found in the section covering risk management on pages 27 to 30.

Management's review of liquidity and the adherence to banking covenants takes into account the Group's budget and forecasts for the next two financial years. Furthermore, the forecasts have been subjected to a number of 'downside' and mitigation scenarios in order to evaluate the impact on liquidity and adherence to banking covenants if the Group's plans are not achieved. A summary of the outcome of this evaluation by management has been provided to, and discussed with, the Board.

In arriving at their opinion, the Directors have taken into account the risks and uncertainties which arise as a result of the current economic environment. These risks are described in the section covering risk management (pages 27 to 30). The planning assumptions and sensitivities of these risks are covered on pages 27 to 30. The principal risks and uncertainties which would have a direct impact on liquidity and banking covenants are summarised below:

- changes in the demand for, or pricing of, the Group's products and services as a result of general economic conditions or market-specific factors;
- volatility of pricing and availability of globally-traded raw materials;
- volatile energy prices;
- movements in foreign exchange rates and interest rates;
- the funding position of the Group's UK defined benefit pension scheme;
- the continuing availability of banking facilities, including compliance with borrowing covenants; and
- customer credit risk.

The Directors consider that the Group has the flexibility to react to changing market conditions.

The Board has considered the risks and uncertainties as summarised above and, after making enquiries, including a review of recent performance, the Directors have formed a judgement at the time of approving the Consolidated Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Remuneration Report

In accordance with section 439 of the Companies Act 2006, shareholders' approval of the Remuneration Report will be sought at the forthcoming Annual General Meeting (AGM). The Remuneration Report has been approved by the Board of Directors.

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (Schedule 8) and the Listing Rules of the Financial Services Authority.

(A) Composition and role of the Remuneration Committee (the 'Committee')

The members of the Committee during the year under review were Mr G Davis (Chairman), Mr C J Bunker, Mr P J-C Mellier and Mr R G Beeston (until 30 June 2010).

With the exception of Mr Beeston, all the members are considered independent. Mr Beeston was no longer considered independent because of his length of service (Combined Code B.2.1).

The members of the Committee have no personal financial interest, other than as shareholders of the Company, in the matters to be decided by the Committee, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

The Committee operates under written terms of reference agreed by the Board which are available on the Company's website, http://devdssmith.chalkward.co.uk/sites/default/files/RemunerationCommittee.pdf. The Committee is responsible for determining the remuneration of Executive Directors, the Chairman of the Company and the Company Secretary. It also considers the remuneration of senior executives reporting to the Group Chief Executive (taking into account recommendations from him).

(B) Compliance

The Board, in conjunction with the Committee, has taken the necessary steps to ensure that the Company complies with the provisions of the Combined Code, except in relation to the independence of Mr Beeston as explained above, which relate to Directors' remuneration. Certain disclosures in this Report fall within the scope of matters for review by the Auditors.

(C) Advisers to the Committee

Hewitt New Bridge Street (a brand of Aon Hewitt Limited) has been appointed by the Committee to provide advice on the remuneration of Executive Directors and other senior executives. Hewitt New Bridge Street also provides advice to the Company in connection with the operation of the Company's share-based incentive schemes. The Committee consults with the Chairman of the Company and with the Group Chief Executive, who may attend meetings of the Committee, although they are not involved in deciding their own remuneration. The Committee is assisted by the Company Secretary and the Group Human Resources Director, and also receives advice from Mercer Limited, the Actuary to the Company's pension scheme, in relation to Executive Directors' pensions. Hewitt New Bridge Street is a signatory to the Code of Conduct for Remuneration Advisers. Neither Hewitt New Bridge Street nor any other part of Aon Hewitt provided any other services to the Company during the year.

(D) General policy on remuneration

The Committee's overall policy is to ensure that the remuneration packages enable the Company to attract, retain and motivate Executive Directors and other senior managers of sufficient calibre to meet the Company's needs. In addition, the remuneration packages are designed to align the interests of executives and shareholders and to link a significant proportion of executives' remuneration to performance. To achieve this, the Company operates cash and share-based incentive schemes which are linked to the achievement of short-term and long-term performance targets. As in previous years, the main elements of the remuneration policy in 2011/12 will be as follows:

- basic salary;
- pension provision;
- annual bonus scheme; and
- long-term incentives, comprising the Performance Share Plan.

Basic salaries and pension provision are not linked to performance (except when basic salaries are reviewed), whilst payments under the annual bonus scheme and any long-term incentive scheme operated by the Company are wholly dependent upon performance against agreed targets. Only basic salary is pensionable.

Variable performance-related remuneration for Mr M W Roberts and Mr S W Dryden for 2011/12 will account for approximately 57% of total target remuneration (excluding pensions and benefits).

In addition, it is proposed to introduce a Share Matching Plan for senior executives, including the Executive Directors, and the first award of matching shares will occur in 2012/13. The adoption of this Plan is subject to the approval of shareholders at the Annual General Meeting and details about the Plan are set out in the Notice of Meeting.

The Board is ultimately accountable for executive remuneration but delegates responsibility to the Committee. The Committee addressed the following main issues during the year:

- the annual review of the Chairman's and Executive Directors' remuneration for 2010;
- the executive bonus arrangements and targets for 2010;
- long-term incentive award levels and targets for 2010 awards;
- oversight of remuneration policy for senior management and employees;
- policy changes for 2011/12 including the proposal to adopt a Share Matching Plan; and
- the disclosures in this Report.

When setting Executive Directors' remuneration, the Committee looks at the pay and conditions in the rest of the workforce. The Group Finance Director's basic salary was increased by 2% on 1 August 2010 and other senior executives' basic salaries were increased by an average of 2% from 1 August 2010. This compares to an average increase of 2.5% for the rest of the workforce. The Group Chief Executive's basic salary was agreed on appointment and was not subject to review on 1 August 2010. Whilst there is no overall policy on the relationship between Executive Directors' pay and that of the workforce, the Company aims to pay fairly across the business.

During 2010, following the recruitment of the Group Chief Executive, the Company undertook a major review of strategy. The primary objective of the new strategy is to create a growing business that is more focused, generating higher margins and returns and with reduced cyclicality. As well as delivering strong performance in the past 12 months, going forward the strategy

Remuneration Report continued

leads the Company to have ambitious objectives which will be reflected further in strong growth in earnings, return on capital and superior shareholder returns.

Against this background, the Remuneration Committee has been considering how to ensure that key management performance and remuneration is aligned with the interests of our investors. The Remuneration Committee believe this can best be achieved by having key management well rewarded for achieving truly stretching objectives, and furthermore that the shape of this reward should emphasise the development of a significant shareholding in the Company by those key managers.

To deliver this objective the Remuneration Committee is proposing four changes to the current remuneration policy:

- increase in the amount of bonus deferred into shares;
- introduction of a Share Matching Plan;
- strengthening the existing share ownership guidelines; and
- introduction of claw back provisions into all management incentive plans.

The Company consulted with its major shareholders, the Association of British Insurers and RREV prior to finalising the proposals.

(E) Basic salaries

The basic salaries of Executive Directors are reviewed annually on 1 August, in conjunction with other aspects of remuneration. The basic salary for each Executive Director is targeted at the rates of salary for similar roles within a selected group of UK businesses of similar size with substantial overseas operations. When determining the level of salary, the Committee takes into account market salary levels, the relative performance of the Group and of the individual Director, together with his experience in the particular job. The Committee also considers relevant information on the remuneration of other senior executives and the pay of employees elsewhere in the Group and, where appropriate, communicates its views on the levels of such remuneration to the Group Chief Executive. During its deliberations, the Committee has regard to salary levels in other countries where this is relevant for any non-UK based senior executive. The table of emoluments of the Directors is set out on page 49. The current basic salaries of Mr Roberts and Mr Dryden are £535,000 and £336,600 respectively. These were fixed on appointment on 4 May 2010 and following a review on 1 August 2010 respectively. The Executive Directors' base salaries have been reviewed recently and, from 1 August 2011, will be increased by 6.5% to £570,000 for Mr Roberts (his first review since his appointment) and by 6.0% to £357,000 for Mr Dryden. In making these changes the Committee carefully considered the excellent achievement of each Director as well as the Company's strong performance. It also noted that the new base salaries will position both Directors around the mid-market. Other senior executives' basic salaries will be increased by typically no more than 3% from 1 August 2011.

(F) Annual bonus

The Executive Directors participate in an annual bonus scheme which has been approved by the Committee. Following discussions with investors in 2010, for the financial year 2010/11 the maximum bonus payable was 100% of basic salary.

For 2010/11 the first 25% of annual basic salary is payable in cash and with the excess bonus split equally between cash and deferred shares. The deferred shares vest three years after they are awarded and are held pursuant to the Deferred Share Bonus Plan. At that point, the Director receives the shares and a payment equal to the value of dividends payable on the vested shares during the deferral period. If the Director ceases employment with the Group during the deferral period, he will lose his right to the shares unless he is a defined 'good leaver' or the Committee considers that vesting is appropriate in the circumstances. The shares will vest in the event of a change of control or voluntary winding-up.

The annual bonus payable to Mr Roberts and Mr Dryden for the financial year 2010/11 was 50% based on profit before tax with the other 50% based on return on capital employed. The outcome of the results for the financial year 2010/11 means that Mr Roberts earned a bonus of 100% of salary (£535,000) and Mr Dryden earned a bonus of 100% of salary (£336,600). Full bonus was achieved for the profit before tax and return on capital employed targets and this required the Executive Directors to exceed the top end of the range of financial targets, a financial performance significantly ahead of what was anticipated at the start of the year and a very significant improvement on the results for 2009/10.

The Committee has reviewed the maximum potential bonus for 2011/12, and the maximum bonus potential for 2011/12 for the Executive Directors remains 100% of basic annual salary. However, going forward the deferred element will be increased to 50% of the entire bonus earned. The bonus will continue to be based on the Group profit before tax and return on capital employed. The Committee has set a range of demanding targets. The threshold above which payment starts to be made will be significantly above 2010/11 actual performance and target performance will be significantly ahead of the Group's historic best performance. Full bonus will require performance significantly ahead of target. At target, 50% of the maximum bonus will be payable.

For 2010/11, the annual bonus maximum for the other most senior executives was either 60% or 70% of basic salary and the bonus metrics were based on a mix of Group profit before tax, return on capital employed and Business Segment operating profit, subject to the achievement of a cash flow hurdle, as relevant to each individual's job. This policy will be continued in 2011/12 and, as will be the case for the Executive Directors, 50% of the entire bonus will be subject to deferral.

The annual bonus schemes are not contractual and bonuses under the schemes are not eligible for inclusion in the calculation of the participating executives' pension scheme benefits. It is proposed to introduce claw back provisions into the Annual Bonus Plan and the Deferred Share Bonus Plan so that individuals are liable to repay/forfeit some or all of their bonus if there is a material misstatement of results or if there is serious misconduct.

(G) Share awards

The Company operates a Performance Share Plan ('PSP') which was approved by shareholders in 2008. The individual grant limit under this Plan is 150% of basic salary per annum. In exceptional circumstances this may be increased to 200% of basic salary.

(G) Share awards continued

The 2010 award to Executive Directors was 150% of salary. Award levels for the other most senior executives were generally at the 100% of salary level. It is intended to award at the same levels in 2011.

Under the PSP, the Committee has the power to vary the metrics used each year and their relative weightings. It also has the power to review the specific targets for each award to ensure that they remain appropriate, but the new targets must be at least as challenging in the circumstances as the original targets were when they were set.

It is proposed that for the 2011 awards the same balance of metrics as for the 2010 awards will be used. The total shareholder return ('TSR') targets will remain the same and these, together with the revised average adjusted earnings per share ('EPS') and average adjusted return on average capital employed ('ROACE') targets, are set out in the table below:

Percentage vesting as a proportion of that element of the award	Relative TSR[1] (50% of award)	Average EPS[2] (25% of award)	Average adjusted ROACE[3] (25% of award)
100%	Upper quartile	25p	15%
Between 25% and 100%	Between median and upper quartile	Between 22p and 25p	Between 12.5% and 15%
25%	Median	22p	12.5%

1 The Industrial Goods and Services Supersector within the FTSE 250 currently contains over 50 companies and is considered to provide a better basis for comparison than the FTSE 250 as a whole. The Committee considers there are too few publicly quoted competitors to DS Smith to form a more bespoke group.

2 Average adjusted EPS as disclosed in the Annual Report except that the Committee may adjust this figure in exceptional circumstances.

3 Average adjusted Group operating profit divided by the monthly average of capital employed in each year. The ROACE calculation will be based on the average ROACE for the forthcoming three financial years, commencing with the financial year starting immediately prior to the award.

Each element operates independently and is capable of vesting regardless of the Company's performance in respect of the other elements. The Committee considers that the targets are significantly more demanding than those set in previous years and achieving significant vesting will require performance which is better than anything achieved previously.

As previously disclosed, to facilitate the recruitment of Mr Dryden and Mr Roberts in 2008 and 2010 respectively, they were granted conditional share awards under plans which were formed specifically for this purpose and were granted under Listing Rule 9.4.2R(2). Full details of the share awards are set out in sections (P) and (Q) below.

Currently, senior executives are expected to retain in shares half of the after-tax gains on the vesting of long-term incentive plan awards until they have built up a holding of 100% of base salary in the case of the Executive Directors and 50% of base salary for others. Going forwards, it is proposed to increase this to 150% of base salary for the Group Chief Executive, 100% for the Group Finance Director and 75% for the rest of the Group Steering Team. There will also be a 50% of base salary target for other senior executives. In addition, and as a new requirement, irrespective of the retention of shares, the Committee expects that these levels of share ownership should normally be achieved within the next four years. If these levels are not achieved, the Committee reserves the right not to make, or to scale back, further awards.

It is proposed to introduce claw back provisions into the PSP and the Share Matching Plan so that individuals are liable to repay/forfeit some or all of their awards if there is a material misstatement of results or if there is serious misconduct.

The interests of the Directors in the share capital of the Company and awards made under the PSP (last award 2010) and Deferred Share Bonus Plan (last award 2010) are shown on pages 49 to 50.

(H) Benefits in kind

Benefits in kind include provision of a company car, free fuel, permanent health insurance, life cover and private medical cover.

(I) Pensions

Mr Roberts receives a pension allowance of 30% of salary per annum plus death in service cover equal to four times basic salary.

Mr Dryden participates in the Company's Registered Defined Contribution Scheme with death in service cover equal to four times basic salary. Members of this scheme are required to contribute a minimum of 3% of their basic salary to qualify for matching Company contributions, with higher levels of Company contributions payable (up to a maximum of 6%) if the members pay a higher contribution. Mr Dryden has elected to pay contributions at a level that qualifies for the maximum Company contribution. Mr Dryden also receives a cash supplement of £65,000 per annum. This payment is not pensionable and is not considered to be salary for the purpose of calculating any bonus payment.

During his employment Mr Thorne participated in a funded contributory defined benefit pension scheme with death in service. As disclosed in last year's report, Mr Thorne began to take his pension from 31 March 2010. Accordingly, no additional pension accrued to Mr Thorne in 2010/11.

(J) Service contracts and compensation

The Committee's general policy is that the notice periods for Executive Directors appointed in future will not exceed one year, although on appointment it may be necessary in exceptional cases to offer a longer initial period which reduces to one year or less after a specific date.

Remuneration Report continued

The service contracts for Mr Roberts and Mr Dryden are dated 4 May 2010 and 1 April 2008 respectively. The service contracts may be terminated by 12 months' notice by the Company, and by the Executive Director. The Company may terminate the contract with immediate effect by making a payment equal, in Mr Roberts' case, to basic salary and pensions allowance for any unexpired period of notice and, in Mr Dryden's case, to basic salary for any unexpired period of notice. The Company may make such payment in a lump sum or in monthly instalments from the termination date. These monthly payments will be reduced to take account of any alternative employment or consultancy income during the period over which such instalments are payable.

As set out in last year's report, Mr Thorne was given 12 months notice under his service contract on 30 October 2009 and his employment was terminated on 18 May 2010. The compensation payable to Mr Thorne in connection with the termination of his employment in lieu of notice is set out in section (M).

(K) Policy on external appointments

Executive Directors are allowed to accept external appointments as a non-Executive Director of up to two other companies provided that these are not with competing companies and are not likely to lead to conflicts of interest. In normal circumstances, the Group Chief Executive may not accept more than one external appointment. Executive Directors are normally allowed to retain the fees paid from these appointments.

Mr Roberts has no external appointments. Mr Dryden is a non-Executive Director of Fiberweb plc and received fees of £38,000 for the year to 30 April 2011 (from date of appointment on 1 June 2009 – 30 April 2010: £34,833).

(L) Fees for non-Executive Directors and the Chairman

The remuneration for non-Executive Directors consists of annual fees for their services as members of the Board and, where relevant, for their work on selected Committees. Non-Executive Directors have letters of appointment for a term of three years whereupon they are normally renewed but generally for no more than three terms in aggregate.

The Chairman's remuneration consists of an annual fee for his service as Chairman of the Board and his letter of appointment is for a term of three years. His appointment may be terminated by three months' notice by the Company and by the Chairman.

As noted in the Corporate Governance report on page 40, having considered the recommendations of the UK Corporate Governance Code, the Board has resolved that the Chairman and non-Executive Directors will retire and stand for re-election at the forthcoming AGM on 6 September 2011 and currently intend to repeat this process annually thereafter. Their appointment may be terminated immediately if not re-elected to the Board. Their respective dates of appointment are shown on page 38.

The letters of appointment detail the time commitment expected of each non-Executive Director and are available for viewing at the registered office during normal business hours and prior to and at the AGM.

The rates for the Chairman's and non-Executive Directors' fees will be as follows from 1 August 2011:

Chairman's and non-Executive Directors' fees	Base fee (£)	Senior Independent non-Executive Director fee (£)	Chairman of Audit Committee fee (£)	Chairman of Remuneration Committee fee (£)	**Total (£)**
P M Johnson	190,000	–	–	–	**190,000**
C J Bunker	47,500	7,500	–	–	**55,000**
G Davis	47,500	–	–	7,500	**55,000**
P J-C Mellier	47,500	–	–	–	**47,500**
J C Nicholls	47,500	–	8,500	–	**56,000**

The fees for the Chairman and the non-Executive Directors were increased modestly with effect from 1 August 2010 and, following a comprehensive review, will be increased again as set out in the table above. The review took into account market practice with reference to the comparator group. The total amounts in the table include the following changes from 1 August 2011: the Chairman's fees will be increased by £18,500 and the non-Executive Directors' base fees will be increased by £1,500. The fee for the Senior Independent Director will rise from £2,500 to £7,500. Mr Mellier's base fee will reduce to the same level as the other non-Executive Directors following his move to London this summer.

Neither the non-Executive Directors nor the Chairman are eligible for pension scheme membership and they do not participate in any of the Group's annual bonus or other incentive arrangements.

The Company's Articles of Association enable the Board to set the remuneration of Directors within the limits set by shareholders. The current aggregate limit is £750,000 and the aggregate amount paid in the financial year to the non-Executive Directors was £229,595. Executive Directors are remunerated in respect of their executive appointments, under the terms of their service contracts, and receive no additional fees for serving as Directors.

Non-Executive Directors are expected to build up and then maintain a shareholding that is equivalent to 50% of their annual fee from the Company within two years of their date of appointment. The Directors' interests in shares can be seen on page 53.

(M) Directors' emoluments (auditable)

	Salary/fees £'000	Annual bonus £'000	Deferred bonus £'000	Substitute Cash Bonus Award £'000	Benefits £'000	Pensions supplement £'000	**2011 total £'000**	2010 total £'000
Chairman								
P M Johnson	171	–	–	–	23	–	**194**	191
Group Chief Executive								
M W Roberts+	532	334	201	188	21	159	**1,435**	–
Group Finance Director								
S W Dryden	335	210	126	–	29	65	**765**	671
Non-Executives								
C J Bunker	50	–	–	–	–	–	**50**	54
G Davis*	48	–	–	–	–	–	**48**	–
P J-C Mellier	50	–	–	–	–	–	**50**	49
J C Nicholls	53	–	–	–	–	–	**53**	19
	1,239	544	327	188	73	224	**2,595**	984

+ Appointed 4 May 2010

* Appointed 1 June 2010

Past Directors	Salary/fees £'000	Annual bonus £'000	Deferred bonus £'000	Benefits £'000	Compensation for loss of office £'000	**2011 total £'000**	2010 total £'000
A D Thorne	524	–	–	1	–	**525**	967
R G Beeston	29	–	–	–	–	**29**	54
Total	553	–	–	1	–	**554**	1,021

Mr Thorne stepped down as Group Chief Executive on 4 May 2010 and his employment was terminated on 18 May 2010. Mr Thorne received a maximum of £498,800 in connection with the termination of his employment in lieu of notice, determined by reference to the terms of his service contract, paid in instalments, and subject to a reduction for certain other earnings for the period prior to 30 October 2010. The Company also procured that the car which was made available for Mr Thorne's use was transferred to him following his termination at no cost.

Mr Roberts was paid a Substitute Cash Bonus Award as compensation for loss of his cash bonus entitlement with his previous employer for the year 2009/10 as a result of his recruitment by the Company. He received a cash sum of £187,500 paid on 2 September 2010. The sum of £187,500 was calculated to reflect the proportion of the period of 12 calendar months beginning on 1 July 2009 during which Mr Roberts was actively employed by McBride plc and was based on an assessment of the likely bonus which would have become payable to him had he remained employed by McBride plc.

Mr Dryden received a non-pensionable cash supplement during the year. The total emoluments, excluding the deferred bonus, of Mr Roberts for 2010/11 were £1,234,000 (2009/10: £nil). The total emoluments, excluding the deferred bonus, of Mr Dryden were £639,000 (2009/10: £588,000).

(N) Directors' interests under the Performance Share Plan (auditable)

Details of the Directors' interests in the PSP, which is described in more detail on pages 46 and 47, are as follows:

Executive Directors	Interests under the PSP at 30 April 2010	Awards granted/ commitments made during year	Awards lapsed/crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	**Interests under the PSP at 30 April 2011***	Vesting date if performance conditions met
M W Roberts	–	570,768	–	16 Jul 10	140.6	–	**570,768**	16 Jul 13
S W Dryden	370,786	–	–	17 Sep 08	133.5	–	**370,786**	17 Sept 11
	464,788	–	–	22 Jul 09	71.0	–	**464,788**	22 Jul 12
	–	352,062	–	16 Jul 10	140.6	–	**352,062**	16 Jul 13
Past Director								
A D Thorne	619,325	–	–	17 Sept 08	133.5	–	**619,325**	17 Sept 11
	776,338	–	–	22 Jul 09	71.0	–	**776,338**	22 Jul 12

* or date of cessation

Remuneration Report continued

The vesting of each award granted in 2008 is split into equal thirds, based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, average adjusted EPS and average ROACE. 25% of the TSR part vests if the Company is ranked median, rising until 100% vests if the Company is ranked in the upper quartile. The threshold (at which 25% vests) and maximum targets are 16.5p and 19.0p for EPS and 11.5% and 12.5% for ROACE.

The vesting of each award granted in 2009 is split 80% based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, and 20% based on the average ROACE. 25% of the TSR part vests if the Company is ranked median, rising until 100% vests if the Company is ranked in the upper quartile. The threshold (at which 25% vests) and maximum targets are 10.3% and 11.5% for ROACE.

The vesting of each award granted in 2010 is split 50% based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, 25% based on average adjusted EPS and 25% based on the average ROACE. 25% of the TSR part vests if the Company is ranked median, rising until 100% vests if the Company is ranked in the upper quartile. The threshold (at which 25% vests) and maximum targets are 14.8p and 17.6p for EPS and 11.1% and 12.2% for ROACE.

Mr Thorne stepped down from the Board on 4 May 2010 and his employment terminated on 18 May 2010. The performance conditions attached to the award granted in 2008 were not met as at 18 May 2010. Accordingly the award lapsed. The performance conditions for the 2009 award (awarded on 22 July 2009) were tested by reference to 18 May 2010. 100% of the TSR element vested on 24 June 2010, subject to a time pro-rata reduction to reflect the unexpired portion of the performance period at cessation. Accordingly, 216,753 shares were released to Mr Thorne on 24 June 2010 (share price on 24 June 2010 was 121.2p). The remaining shares lapsed. In accordance with the rules of the PSP £7,152.84 was paid on 24 June 2010 in respect of the time pro-rated dividends earned since the award was made.

(O) Directors' interests under the Deferred Share Bonus Plan (auditable)

Details of the Directors' interests in the Plan are as follows:

Executive Directors	Interests under the Plan at 30 April 2010	Awards granted/ commitments made during year	Awards lapsed/crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	**Interests under the Plan at 30 April 2011***	Vesting date if performance conditions met
S W Dryden	–	58,710	–	16 Jul 10	140.5	–	**58,710**	16 Jul 13
Past Director								
A D Thorne	69,473	–	–	26 Jul 07	238.7	–	**69,473**	26 Jul 10
	153,122	–	–	23 Jul 08	115.3	–	**153,122**	23 Jul 11

* or date of cessation

Mr Thorne stepped down from the Board on 4 May 2010 and his employment terminated on18 May 2010. His interests under the Plan as disclosed above vested in full on 24 June 2010 (share price on 24 June 2010 was 121.183p). In accordance with the rules of the Plan £32,908.66 was paid on the same date in respect of the dividends earned since the awards were made.

(P) Directors' interests under the Replacement Deferred Share Bonus Plan (auditable)

Executive Directors	Interests under the Plan at 30 April 2010	Awards granted/ commitments made during year	Awards lapsed/crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	**Interests under the Plan at 30 April 2011**	Vesting date
S W Dryden	74,674	–	74,674	1 Apr 08	156.5	204.5	**–**	1 Mar 11

In recognition of the loss of his entitlement to deferred share bonus awards relating to his previous employment, Mr Dryden was made an award of 143,404 shares (which is neither pensionable nor transferable) on 1 April 2008, the date on which he joined DS Smith Plc. The Committee made this award, in exceptional circumstances, to facilitate the recruitment of Mr Dryden as the new Group Finance Director. The number of shares awarded was determined by reference to the value of the entitlement to shares he forfeited under his previous arrangements.

The first two tranches vested on 1 March 2009 and 1 March 2010, as reported in the 2009 and 2010 accounts respectively, and the final tranche vested on 1 March 2011 and 74,674 shares were transferred to Mr Dryden on 14 March 2011 (allowing time for the market to assimilate the Interim Management Statement). At the same time, Mr Dryden sold 38,161 of the acquired shares at a price of 204.5p per share in order to pay the income tax, NIC and dealing expenses due following the vesting.

(Q) Directors' interests under the Replacement 2007 LTIP, Replacement 2008 LTIP, Replacement Deferred Shares Award, Recruitment Award and Substitute Share Bonus Award

Executive Directors	Scheme	Awards granted/ commitments made during year	Awards lapsed/ crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	**Interests as at 30 April 2011**	Vesting date if performance conditions met
M W Roberts	Replacement 2007 LTIP	224,039	224,039	16 Jul 10	140.52	161.5p	**–**	10 Oct 10
	Replacement 2008 LTIP	432,432	–	16 Jul 10	140.52	–	**432,432**	17 Oct 11
	Replacement Deferred Shares Award	106,685	–	16 Jul 10	140.52	–	**106,685**	1 Sep 12
	Recruitment Award	570,768	–	16 Jul 10	140.52	–	**570,768**	19 Oct 12
	Substitute Share Bonus Award	80,014	–	16 Jul 10	140.52	–	**80,014**	1 Sep 13

As disclosed last year, in order to facilitate the recruitment of Mr Roberts in unusual circumstances, and to ensure that his interests were directly and immediately aligned with those of the Company's shareholders, the Company granted several conditional share awards as detailed below principally as compensation for lost entitlements to bonus, deferred share awards and long-term share incentive awards relating to his previous employer, McBride plc.

The awards made to him were as follows:

- Substitute Share Bonus Award as compensation for loss of his share bonus entitlement with his previous employer for the year 2009/10 as a result of his recruitment by the Company. The value of shares awarded reflects the proportion of the period of 12 calendar months beginning on 1 July 2009 during which Mr Roberts was actively employed by McBride plc and was based on an assessment of the likely bonus which would have become payable to him had he remained employed by McBride plc;
- Replacement Deferred Shares Award. This award reflects the value of shares as at October 2009 which Mr Roberts forfeited as a result of his recruitment by the Company. As this award replaces an award with vesting dependent only on continued employment, the vesting of the Replacement Deferred Shares Award is not subject to performance conditions;
- The Replacement 2007 LTIP and Replacement 2008 LTIP (the latter being subject to performance conditions as detailed below) were awarded in respect of awards that were made by his previous employer and were forfeited as a result of his recruitment. The value of these awards was based on the value of shares under award at October 2009 and in the case of the Replacement 2007 LTIP adjusted for the likelihood of achieving the attached performance conditions which were near vesting at this date. The Replacement 2008 LTIP award is subject to a performance condition measuring the TSR of McBride plc up to the date Mr Roberts joined the Company and thereafter the Company's TSR against a comparator group of companies comprising the FTSE 250 Index (excluding investment trusts) constituted as at the date of grant of the award over a three-year performance period commencing on 1 July 2008. The award will vest in full if the TSR is ranked in the upper quartile of the comparator group and on a straight-line basis if the TSR is ranked between median and upper quartile. This performance condition reflects the primary features of the performance condition applying to the original award it replaces, to the extent those features can be measured in relation to the Company as well as McBride plc; and
- The Recruitment Award (subject to the 2010 PSP performance conditions as described in section (G) of this report) was made to facilitate his recruitment and in lieu of the 2009 LTIP award which he would have been granted at McBride plc if he had remained in employment. The value of an award was based on the normal grant policy of 150% of his basic salary.

Remuneration Report continued

(R) Directors' interests in share options (auditable)

Following shareholder approval of the PSP in September 2008, the Executive Share Option Scheme ceased to be operated, the last award having been made in 2007. Directors' interests in share options over ordinary shares are as follows:

Past Director	Options held at 30 April 2010	Options granted during year	Options exercised during year	Options lapsed during year	**Options held at date of cessation as a Director**	Exercise price (p)	Dates from which exercisable	Expiry date
A D Thorne	243,979	–	–	–	**243,979**	135.23	26 Jul 05	25 Jul 12
	241,245	–	–	–	**241,245**	149.22	31 Jul 06	30 Jul 13
	207,500	–	–	–	**207,500**	159.00	2 Aug 08	1 Aug 15
	239,050	–	–	–	**239,050**	149.00	1 Aug 09	31 Jul 16
	155,600	–	–	–	**155,600**	240.00	31 Jul 10	30 Jul 17

All of the above options were granted for £nil consideration. The market price of the ordinary shares at 30 April 2011 was 216.9p and the range during the year was 108p to 226p. Aggregate gains made by Directors on exercise of share options in the year were £123,599.42 (2009/10: £nil).

Following Mr Thorne's termination of employment on 18 May 2010, options granted in 2002, 2003, 2005 and 2006, having satisfied the requirement of real growth in EPS of 2% per annum in 2008 or 2009, were capable of exercise until 18 November 2010. Mr Thorne exercised these options on 13 October 2010 when the share price was 161.5p. The options granted in 2007 failed their performance conditions and therefore lapsed.

(S) Directors' interests under the Long-Term Incentive Plan (auditable)

Executive Directors	Interests under the Plan at 30 April 2010	Awards granted/ commitments made during year	Awards lapsed/crystallised in year	Date of award	Market price on date of award (p)	Market price at date of vesting (p)	**Interests under the Plan at date of cessation as a Director**	Vesting date if performance conditions met
A D Thorne	156,768	–	–	26 Jul 07	238.2	–	**156,768**	26 Jul 10

The vesting of awards made under the LTIP was based on the Company's TSR compared to the TSR of the constituents of the FTSE 250 Index (excluding investment trusts). If the Company's TSR was ranked at the upper quartile of the group or higher, the full award would have vested reducing on a straight-line basis to 30% of the award vesting for median performance. None of the award would vest for below median performance. TSR performance is measured over a single period of three financial years starting with the year in which the award is made.

In addition to the TSR condition, no awards would vest, irrespective of TSR performance, unless the Company's EPS growth matches or exceeds the growth in the Retail Prices Index over the three-year period.

The awards made under the LTIP in 2007 lapsed during the year as the performance conditions were not met.

(T) All-employee share schemes

In the UK a Sharesave Plan was introduced in January 2011. Executive Directors are eligible (along with all UK employees of the Company and participating subsidiaries of the Group) to participate in this Plan. Under this HMRC approved Plan options are granted to participants who have contracted to save up to £250 per month over a period of three years at a discount of up of 20% to the average closing mid-market price of a DS Smith Plc ordinary share on the three dealing days prior to invitation. Options cannot normally be exercised until a minimum of three years has elapsed. In common with most plans of this type there are no performance conditions applicable to options granted under this Plan. A similar Plan is planned to be rolled out to other regions.

Executive Directors	Options held at 30 April 2010	Options granted during year	Options exercised in year	Options lapsed in year	**Options held at 30 April 2011**	Exercise price (p)	Dates from which exercisable	Expiry date
M W Roberts	–	5,202	–	–	**5,202**	173.0	1 Apr 13	30 Sep 13
S W Dryden	–	5,202	–	–	**5,202**	173.0	1 Apr 13	30 Sep 13

(U) Directors' interests in shares

The beneficial interests of the Directors and their families in the ordinary shares of the Company were as shown below:

Name of Director	30 April 2010* Beneficial	30 April 2010* Non-beneficial	**30 April 2011 Beneficial**	**30 April 2011 Non-beneficial**
P M Johnson	255,000	–	**255,000**	**–**
M W Roberts	–	–	**109,549**	**–**
S W Dryden	55,481	–	**91,994**	**–**
C J Bunker	20,000	–	**20,000**	**–**
G Davis	–	–	**40,000**	**–**
P J-C Mellier	20,000	–	**20,000**	**–**
J C Nicholls	19,130	–	**19,130**	**–**

* or at date of appointment

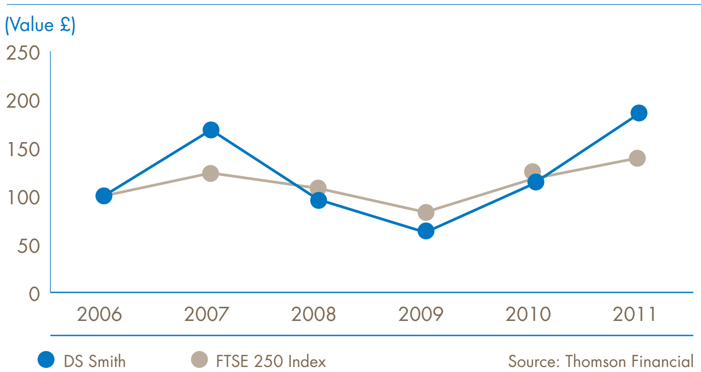
There have been no changes to the shareholdings set out above between the financial year end and the date of the Report. It is currently intended that any ordinary shares required to fulfil entitlements under the Performance Share Plan, the Deferred Share Bonus Plan, the Substitute Share Bonus Award, the Replacement Deferred Share Award, the Replacement 2007 LTIP, the Replacement 2008 LTIP, the Recruitment Award and the Replacement Deferred Share Bonus Plan will be provided by the David S Smith Group General Employee Benefit Trust (the 'Trust'), which buys shares on the market to do so. The Trust will also be used to fulfil certain entitlements under the Executive Share Option Scheme and the new Sharesave Plan (along with new issue shares for other entitlements).

(V) Total shareholder return performance

The following graph illustrates the Company's total shareholder return performance since 1 May 2006, in accordance with paragraph 4 of the Directors' Remuneration Report Regulations 2002, relative to the FTSE 250 Index.

The Company is a member of the FTSE 250 Index and, accordingly, this index is considered to be the most appropriate comparator group for this purpose.

Total shareholder return



This graph looks at the value, by 30 April 2011, of £100 invested in DS Smith over the last five financial years compared with that of £100 invested in the FTSE 250 Index. The other points plotted are the values at intervening financial year ends.

On behalf of the Board

Gareth Davis
Chairman of the Remuneration Committee
22 June 2011

Directors' Report

The Directors submit their Annual Report and the audited financial statements for the financial year ended 30 April 2011. The Directors' Statement as to disclosure of information to auditors, as required by Section 418(2) of the Companies Act 2006, is on page 57.

Principal activities

The Company acts as the holding company of a group, which, during 2010/11, was engaged in the supply of recycled packaging for consumer goods and the wholesaling of office products.

A full review of the activities during the financial year ended 30 April 2011 is set out on pages 2 to 37. The principal risks and uncertainties facing the Group are discussed on pages 27 to 30. A discussion of future developments and key performance indicators that management use is set out in the Business Review on page 2. The principal subsidiary undertakings are listed in note 33 on page 109.

Business review

The information that fulfils the requirements of the Business Review can be found in the Business Review on pages 2 to 37, which are incorporated in this report by reference.

Corporate Governance statement

The information that fulfils the requirements of the Corporate Governance Statement can be found in the Corporate Governance section on pages 40 to 44 (and is incorporated into this report by reference) with the exception of the information referred to in the Financial Services Authority Disclosure and Transparency Rules 7.2.6, which is located in this Directors' Report.

Cautionary statement

The purpose of the Annual Report is to provide information to the members of the Company, as a body, and no-one else. The Company, its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disdained. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Results for the year

The financial results are shown on pages 59 to 110.

Dividends

An interim dividend of 2.0 pence net per ordinary share was paid on 1 March 2011 and the Directors recommend a final dividend of 4.5 pence net per ordinary share, making a total dividend to be paid for the year of 6.5 pence (2009/10: 4.6 pence) net per ordinary share. Subject to approval of shareholders at the Annual General Meeting to be held on 6 September 2011, the final dividend will be paid on 13 September 2011 to shareholders on the register at the close of business on 12 August 2011. The dividends per ordinary share stated above are those actually paid or to be paid.

Share capital

Details of the issued share capital and the rights and restrictions attached to the shares, together with details of movements in the Company's issued share capital during the year are shown in note 24. Following the Placing announced on 7 July 2010, 39,296,253 new ordinary shares were issued at a price of £1.20 per share, resulting in total proceeds on issue of approximately £47.2 million. These new shares ranked equally in all respects with the existing ordinary shares. Pursuant to the Company's employee share option schemes, 2,929,144 ordinary shares of 10p each were issued during the year. No shares pursuant to the Company's employee share option schemes were issued between 30 April 2011 and 22 June 2011 inclusive. The Company has not utilised its authority to make market purchases of shares granted to it at the 2010 Annual General Meeting but will be seeking to renew such authority at this year's Meeting.

Substantial shareholders

At 22 June 2011, the Company has been informed of the following notifiable interests in its issued ordinary share capital in accordance with the Disclosure and Transparency Rules of the Financial Services Authority:

	Ordinary shares held	%
Standard Life Investments Ltd	65,240,234	14.98%
Schroder Investment Management Ltd	32,798,847	7.53%
Lloyds Banking Group plc	26,147,491	6.00%
Legal & General Group plc	15,712,580	3.61%

Acquisitions and disposals

Otor

On 1 September 2010, the Group acquired 100% of the voting share capital of Otor Finance S.A., a holding company which owns and controls 80% of Otor S.A. On this date and as part of the same acquisition, the Group acquired an additional 15% of the voting share capital of Otor S.A.. Otor S.A. is a leading fast moving consumer goods focused corrugated packaging company in France. As a result, the Group's total voting and ownership interest in Otor S.A. at acquisition date was 95%. Total consideration transferred comprised cash of £156.6 million. As noted below, in October 2010 the Group increased its ownership interest to 100%.

Acquisition of non-controlling interests

In October 2010, the Group acquired an additional 5% interest in Otor S.A. for £8.5 million in cash, increasing its ownership in the Otor Group from 95% to 100%. The Group recognised a decrease in non-controlling interests of £3.3 million and a decrease in retained earnings of £5.2 million, to reflect this transaction.

Disposals

On 1 October 2010, the Group sold its subsidiary in Turkey, DS Smith Çopikas A.S., for a consideration of £4.8 million.

On 30 April 2011 the Group sold its business in the UK, DS Smith Sacks, for a consideration of £1.1 million.

Research and development

One of the key ways in which the Group seeks to differentiate itself with customers is the quality of its innovation and how that can be reflected in the packaging designs offered. Research is conducted into new types of corrugated packaging and innovative applications of it, such as R-Flute®, which is then rolled out through the organisation. The acquisition of Otor has increased the quality of innovation in the Group as this business had a number of patented designs that are now offered to customers across the business.

Directors

The biographies of the present Directors are on page 38. All the Directors served throughout the year except as follows. Mr M W Roberts joined the Board as Group Chief Executive on 4 May 2010 and Mr A D Thorne retired from the Board on the same date. Mr G Davis joined the Board as a non-Executive Director on 1 June 2010. Mr Beeston retired from the Board on 8 December 2010. Other than as previously disclosed in this Report and in respect of existing service agreements, no Director, either during or at the end of the financial year, has been materially interested in any significant contract or arrangement in relation to the Group's business.

In accordance with Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors disclose that the rules regarding the appointment and replacement of Directors are contained in the Company's Articles of Association (Articles), which may only be amended with shareholder approval in accordance with relevant legislation. The powers of the Directors are contained in the Company's Memorandum of Association and Articles. The Articles give the Directors powers, subject to relevant legislation, to authorise the issue and buy-back of the Company's shares by the Company, subject to authority being given to the Directors by shareholders in general meeting. The Company annually seeks the authority of shareholders to authorise the exercise by Directors of these powers.

Re-election of Directors

The Articles require that all Directors who have either been appointed by the Board since the last Annual General Meeting, or for whom the forthcoming Annual General Meeting is the third Annual General Meeting since they were elected or last re-elected by the Company in general meeting, retire from office but they are eligible to submit themselves for re-election by the shareholders. However, following the publication of the UK Corporate Governance Code, which recommends that all directors of FTSE 350 companies be subject to annual re-election, the Directors have resolved that the Chairman and non-Executive Directors will retire and stand for re-election at the forthcoming Annual General Meeting on 6 September 2011 and annually thereafter. The Board has resolved, however, that the Executive Directors will remain subject to the three year rotation under the Articles of Association. The Board considers that the Chairman and non-Executive Directors are accountable to shareholders for the performance of the Executive Directors and that it is in the best interests of the Company for any change to the Executive Directors to be part of a controlled succession planning process. Mr Dryden is therefore retiring at this year's Annual General Meeting, as it is the third Annual General Meeting since he was elected, and will offer himself for re-election.

Formal performance evaluation has confirmed that the individual performance of the Directors offering themselves for re-election has been effective and they have demonstrated commitment to the role.

Directors' interests in shares

The interests of the Directors and their immediate families in the ordinary shares of 10 pence each of the Company, (in terms of shares, options and conditional share awards) were as shown in the tables on pages 49 to 53.

Directors' indemnities

The Company has entered into qualifying third-party indemnity arrangements for the benefit of its Directors in a form and scope which comply with the requirements of the Companies Act 2006.

Employee involvement and communications

The Group is committed to frequent and effective employee communications to promote the understanding and involvement of all its employees in the Group's business objectives and performance. Communications and personnel policies have been developed to reflect the philosophy of operating management. Information is regularly communicated by briefings and newsletters. The Group operates a European Works Council, with representatives drawn from across the entire workforce in the EU countries in which the Group operates. Meetings are held to provide an exchange of information of transnational importance and to consult with employees on the strategy and direction of the Company. At each meeting, presentations are made on the Group's business strategy, financial results, health and safety and environmental performance. The Group also has a number of divisional national Consultation Forums which promote information exchange, consultation and representation between the Group and its employees. Business decisions concerning capital investment, employment and training take into account the Group's public and local responsibilities. The Group supports the involvement of its operations in local community activities.

Equal opportunities

DS Smith is an equal opportunities employer. The Group is firmly committed to both the principle and realisation of equal opportunities and its policies are designed to provide such equality irrespective of age, disability, sex, sexual orientation, race, religion or nationality. Every possible step is taken to ensure that individuals are treated equally and fairly. The Group applies the same criteria to people with disabilities as it does to other employees. Where appropriate, facilities are adapted and retraining is offered to any employee who develops a disability during their employment.

Pension fund

The Group had, in the year under review, four UK pension arrangements: one defined benefit scheme (which is closed to new employees), one defined contribution scheme, which was introduced for new employees joining the Group on or after 1 May 2005, one Group personal pension plan and a statutory Stakeholder arrangement. The defined benefit scheme is a trust-based arrangement and the investments of the assets are managed on a discretionary basis by a number of Investment Managers, either in segregated or pooled arrangements.

The defined contribution scheme is a trust-based arrangement offering members a range of investments. In September 2010, Resolution Life completed the acquisition of Axa Sun Life plc, which was merged with Friends Provident and rebranded as Friends Life. Thereafter, the trustees of the defined contribution scheme undertook a market and terms review of providers and following that review, selected Friends Life as the preferred provider. The Group personal pension plan is a contract-based arrangement offering members a range of investments with Norwich Union Life and other external investment fund managers, and the Stakeholder arrangement is provided through Investment Solutions Limited. All such assets are held independently from the

Directors' Report continued

Group. The trustees of the defined benefit scheme and the defined contribution scheme send an Annual Report to all members of the respective schemes. The Trustee Company of the defined benefit scheme has an Investment Sub-Committee, established in line with the recommended guidelines of the Myners Report. Peter Murray of Allenbridge Investment Consultants is appointed as an independent adviser to the Investment Sub-Committee of the defined benefit scheme.

In August 2010, the Group commenced a consultation process with its employees, proposing to close the defined benefit scheme to future accrual with effect from 30 April 2011. The proposal was around concerns of the sizable shortfall in the defined benefit scheme in terms of the money needed to pay for future pension benefits and to secure the benefits already earned. Affected members of the defined benefit scheme were offered membership of the Group's defined contribution scheme for future service.

In December 2010, the Trustee agreed in principle to consent to the closure of the defined benefit scheme. As part of the decision, the Group agreed to provide some additional security for members of the defined benefit scheme. The Group and Trustee agreed how to work towards eliminating the deficit over 10 years and to move toward self-sufficiency.

In April 2011, the Group and Trustee documented their agreement to the defined benefit scheme closure and the terms of the additional security and self sufficiency. This included an additional £14.5 million employer contribution, which was paid into the defined benefit scheme in April 2011.

Health and safety

The Group recognises its responsibilities and continues to promote all aspects of health and safety in the interests of its employees and members of the public. A Health and Safety Policy Statement has been approved by the Board.

Significant agreements

The Company is required to disclose any significant agreements that take effect, alter or terminate on a change of control of the Company. The Company has a number of borrowing and related derivative facilities provided by various lenders. These facilities agreements generally include change of control provisions which, in the event of a change of ownership of the Company, could result in renegotiation or withdrawal of these facilities. These significant agreements are as set out in note 20.

On 3 March 2005, the Company, DS Smith Paper Limited and BPB United Kingdom Limited (now part of the Saint-Gobain Group) (Saint-Gobain) entered into a supply agreement for the manufacture and supply of plasterboard liner paper to Saint-Gobain. Saint-Gobain may terminate the agreement if there is a change of control in the Company.

There are a number of other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts and joint venture agreements. None is considered to be significant in terms of their potential impact on the business of the Group as a whole.

Payment to suppliers

Although the Company does not follow any formal code or standard on payment practice, the Company agrees terms and conditions in the UK with each supplier, which include terms of payment. The Company pays each supplier accordingly, subject to all the terms and conditions of the order being satisfied by such supplier. As DS Smith Plc is a holding company, whose principal business is to hold shares in Group companies, it has no trade creditors.

Charitable and political donations

The Group contributed £76,000 (2009/10: £72,000) to charities. No payments were made to political parties. Donations were made by operating divisions to support their local communities. The Group also supported a number of other charities across a range of causes.

Annual General Meeting

The notice of the Annual General Meeting of the Company to be held on 6 September 2011, together with explanations of the Resolutions to be proposed and details of the proxy appointment deadline and voting record date, appears at the back of this Annual Report.

Auditors

Each Director confirms that:

(a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he has taken all the steps he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Resolutions to re-appoint Deloitte LLP as auditors of the Company and to authorise the Directors to determine their remuneration will be put to the Annual General Meeting.

By Order of the Board

Steve Dryden
Group Finance Director
22 June 2011

Directors' responsibilities statement

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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Miles Roberts
Group Chief Executive
22 June 2011

Steve Dryden
Group Finance Director
22 June 2011

Index to the Financial Statements and Five-Year Financial Summary

Independent Auditor's Report to the members of DS Smith Plc

We have audited the financial statements of DS Smith Plc for the year ended 30 April 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet, the related notes 1 to 34 to the Consolidated Financial Statements and the related notes 1 to 12 to the parent Company Balance Sheet. The financial reporting framework that has been applied in the preparation of the Consolidated Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1(a) to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Standards Board (IASB).

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement contained within Corporate Governance in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Colin Hudson FCA

(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

22 June 2011

FINANCIAL STATEMENTS

Consolidated Income Statement

For the year ended 30 April 2011

	Note	**Before exceptional items 2011 £m**	**Exceptional items (note 4) 2011 £m**	**After exceptional items 2011 £m**	Before exceptional items 2010 £m	Exceptional items (note 4) 2010 £m	After exceptional items 2010 £m
Revenue	2	**2,474.5**	**–**	**2,474.5**	2,070.6	–	2,070.6
Cost of sales		**(1,884.9)**	**(1.0)**	**(1,885.9)**	(1,558.4)	–	(1,558.4)
Gross profit		**589.6**	**(1.0)**	**588.6**	512.2	–	512.2
Operating expenses	3,4	**(453.5)**	**2.2**	**(451.3)**	(414.1)	(13.3)	(427.4)
Operating profit before amortisation	2,3	**136.1**	**1.2**	**137.3**	98.1	(13.3)	84.8
Amortisation of intangible assets	3,10	**(7.9)**	**–**	**(7.9)**	(4.1)	–	(4.1)
Operating profit	2,3	**128.2**	**1.2**	**129.4**	94.0	(13.3)	80.7
Finance income	5	**1.2**	**–**	**1.2**	1.5	–	1.5
Finance costs	5	**(21.0)**	**–**	**(21.0)**	(15.9)	–	(15.9)
Employment benefit net finance expense	25	**(7.4)**	**–**	**(7.4)**	(11.5)	–	(11.5)
Net financing costs		**(27.2)**	**–**	**(27.2)**	(25.9)	–	(25.9)
Profit after financing costs		**101.0**	**1.2**	**102.2**	68.1	(13.3)	54.8
Share of profit of associates	12	**–**	**–**	**–**	0.2	–	0.2
Profit before income tax and amortisation		**108.9**	**1.2**	**110.1**	72.4	(13.3)	59.1
Amortisation of intangible assets	3,10	**(7.9)**	**–**	**(7.9)**	(4.1)	–	(4.1)
Profit before income tax		**101.0**	**1.2**	**102.2**	68.3	(13.3)	55.0
Income tax (expense)/credit	7	**(28.5)**	**(3.0)**	**(31.5)**	(17.8)	0.9	(16.9)
Profit for the financial year		**72.5**	**(1.8)**	**70.7**	50.5	(12.4)	38.1
Profit for the financial year attributable to:							
Owners of the parent		**71.9**	**(1.8)**	**70.1**	50.3	(12.4)	37.9
Non-controlling interests		**0.6**	**–**	**0.6**	0.2	–	0.2
Earnings per share							
Basic – adjusted for amortisation	8	**18.9p**	**(0.4)p**	**18.5p**	13.9p	(3.2)p	10.7p
Diluted – adjusted for amortisation	8	**18.5p**	**(0.4)p**	**18.1p**	13.6p	(3.1)p	10.5p
Basic	8	**17.0p**	**(0.4)p**	**16.6p**	12.9p	(3.2)p	9.7p
Diluted	8	**16.7p**	**(0.4)p**	**16.3p**	12.6p	(3.1)p	9.5p
Dividend per share							
– interim, paid	9			**2.0p**			1.5p
– final, proposed	9			**4.5p**			3.1p

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2011

	Note	2011 £m	2010 £m
Actuarial gains/(losses) on defined benefit pension schemes	25	**14.4**	(10.3)
Currency translation gains		**1.9**	7.9
Movements in cash flow hedges		**15.4**	(14.0)
Income tax on other comprehensive income		**(10.3)**	4.8
Other comprehensive income/(expense) for the year, net of tax		**21.4**	(11.6)
Profit for the year		**70.7**	38.1
Total comprehensive income for the year		**92.1**	26.5
Total comprehensive income attributable to:			
Owners of the parent		**91.4**	26.4
Non-controlling interests		**0.7**	0.1

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Consolidated Statement of Financial Position

As at 30 April 2011

	Note	2011 £m	2010 £m
Assets			
Non-current assets			
Intangible assets	10	**344.8**	221.2
Property, plant and equipment	11	**640.5**	590.8
Investments in associates	12	**–**	–
Other investments	13	**0.3**	0.8
Deferred tax assets	22	**59.6**	81.4
Other receivables	15	**3.8**	0.8
Derivative financial instruments	21	**13.2**	11.9
Total non-current assets		**1,062.2**	906.9
Current assets			
Inventories	14	**226.4**	174.8
Other investments	13	**0.2**	0.2
Income tax receivable		**1.6**	2.3
Trade and other receivables	15	**450.4**	380.5
Cash and cash equivalents	19	**114.3**	55.1
Derivative financial instruments	21	**8.5**	6.3
Assets classified as held for sale	17	**–**	8.1
Total current assets		**801.4**	627.3
Total assets		**1,863.6**	1,534.2
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	20	**(407.9)**	(256.4)
Post-retirement benefits	25	**(147.5)**	(203.1)
Other payables	16	**(9.3)**	(3.9)
Provisions	23	**(9.6)**	(7.9)
Deferred tax liabilities	22	**(62.9)**	(60.5)
Derivative financial instruments	21	**(36.2)**	(26.0)
Total non-current liabilities		**(673.4)**	(557.8)
Current liabilities			
Bank overdrafts	19	**(26.1)**	(22.3)
Interest-bearing loans and borrowings	20	**(4.4)**	(5.7)
Trade and other payables	16	**(535.7)**	(430.4)
Income tax liabilities		**(24.4)**	(17.1)
Provisions	23	**(8.2)**	(12.9)
Derivative financial instruments	21	**(7.2)**	(8.7)
Liabilities classified as held for sale	17	**–**	(6.1)
Total current liabilities		**(606.0)**	(503.2)
Total liabilities		**(1,279.4)**	(1,061.0)
Net assets		**584.2**	473.2
Equity			
Issued capital		**43.6**	39.3
Share premium		**309.1**	263.1
Reserves		**233.6**	172.4
Total equity attributable to equity shareholders of the Company		**586.3**	474.8
Non-controlling interests		**(2.1)**	(1.6)
Total equity		**584.2**	473.2

Approved by the Board of Directors of DS Smith Plc, (company registered number 1377658) on 22 June 2011 and signed on its behalf by

M W Roberts, Director S W Dryden, Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2011

	Note	Share capital £m	Share premium £m	Hedging reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total reserves attributable to equity shareholders £m	Non-controlling interests £m	Total equity £m
Balance at 1 May 2009		**39.3**	**263.1**	**2.7**	**27.4**	**(4.2)**	**129.7**	**458.0**	**(1.6)**	**456.4**
Profit for the period		–	–	–	–	–	37.9	37.9	0.2	38.1
Actuarial losses on defined benefit pension schemes	25	–	–	–	–	–	(10.3)	(10.3)	–	(10.3)
Foreign currency translation differences		–	–	–	8.0	–	–	8.0	(0.1)	7.9
Changes in the fair value of cash flow hedges	21	–	–	(2.7)	–	–	–	(2.7)	–	(2.7)
Movement from cash flow hedge reserve to income statement		–	–	(11.3)	–	–	–	(11.3)	–	(11.3)
Income tax on other comprehensive income		–	–	3.9	(2.4)	–	3.3	4.8	–	4.8
Total comprehensive income		–	–	(10.1)	5.6	–	30.9	26.4	0.1	26.5
Acquisitions	31	–	–	–	–	–	–	–	0.3	0.3
Share-based payment expense	26	–	–	–	–	–	2.9	2.9	–	2.9
Dividends paid to Group shareholders	9	–	–	–	–	–	(12.9)	(12.9)	–	(12.9)
Transactions with non-controlling interests (Toscana Ondulati SpA)	24	–	–	–	–	–	0.4	0.4	(0.4)	–
Other changes in equity in the year		**–**	**–**	**–**	**–**	**–**	**(9.6)**	**(9.6)**	**(0.1)**	**(9.7)**
Balance at 30 April 2010		**39.3**	**263.1**	**(7.4)**	**33.0**	**(4.2)**	**151.0**	**474.8**	**(1.6)**	**473.2**
Profit for the period		–	–	–	–	–	70.1	70.1	0.6	70.7
Actuarial gains on defined benefit pension schemes	25	–	–	–	–	–	14.4	14.4	–	14.4
Foreign currency translation differences		–	–	–	1.8	–	–	1.8	0.1	1.9
Changes in the fair value of cash flow hedges	21	–	–	18.5	–	–	–	18.5	–	18.5
Movement from cash flow hedge reserve to income statement	21	–	–	(3.1)	–	–	–	(3.1)	–	(3.1)
Income tax on other comprehensive income		–	–	(5.0)	3.0	–	(8.3)	(10.3)	–	(10.3)
Total comprehensive income		**–**	**–**	**10.4**	**4.8**	**–**	**76.2**	**91.4**	**0.7**	**92.1**
Acquisitions/divestments		–	–	–	–	–	–	–	2.5	2.5
Acquisition of non-controlling interests without a change in control		–	–	–	–	–	(5.2)	(5.2)	(3.3)	(8.5)
Issue of share capital	24	4.3	46.0	–	–	–	–	50.3	–	50.3
Ordinary shares purchased		–	–	–	–	(6.5)	–	(6.5)	–	(6.5)
Employee share trust		–	–	–	–	1.3	–	1.3	–	1.3
Share-based payment expense	26	–	–	–	–	–	2.4	2.4	–	2.4
Dividends paid to Group shareholders	9	–	–	–	–	–	(22.6)	(22.6)	–	(22.6)
Transactions with non-controlling interests (Toscana Ondulati SpA)	24	–	–	–	–	–	0.4	0.4	(0.4)	–
Other changes in equity in the year		**4.3**	**46.0**	**–**	**–**	**(5.2)**	**(25.0)**	**20.1**	**(1.2)**	**18.9**
Balance at 30 April 2011		**43.6**	**309.1**	**3.0**	**37.8**	**(9.4)**	**202.2**	**586.3**	**(2.1)**	**584.2**

The above should be read in conjunction with note 24.

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Consolidated Statement of Cash Flows

For the year ended 30 April 2011

	Note	2011 £m	2010 £m
Operating activities			
Cash generated from operations	27	**174.4**	135.5
Interest received		**0.4**	0.8
Interest paid		**(16.0)**	(17.0)
Tax paid		**(18.6)**	(21.3)
Cash flows from operating activities		**140.2**	98.0
Investing activities			
Acquisition of subsidiary businesses and joint ventures, net of cash and cash equivalents acquired	31	**(158.9)**	(1.0)
Disposal of subsidiary business, net of cash and cash equivalents	31	**4.8**	8.1
Capital expenditure payments		**(66.6)**	(52.6)
Proceeds from the sale of property, plant and equipment and intangible assets		**4.8**	4.8
Proceeds from the sale of investments in associates and other investments, net of additions of £nil (2010: £0.8m)		**0.5**	0.1
Cash flows from/(used in) investing activities		**(215.4)**	(40.6)
Financing activities			
Proceeds from issue of share capital		**50.1**	–
Purchase of own shares		**(6.5)**	–
Acquisition of non-controlling interest		**(9.3)**	–
Increase in/(repayment of) borrowings		**121.5**	(65.9)
Repayment of finance lease obligations		**(3.0)**	(0.4)
Dividends paid to Group shareholders	9	**(22.6)**	(12.9)
Cash flows used in financing activities		**130.2**	(79.2)
Increase/(decrease) in cash and cash equivalents		**55.0**	(21.8)
Net cash and cash equivalents at 1 May		**32.8**	54.1
Exchange gains on cash and cash equivalents		**0.4**	0.5
Net cash and cash equivalents at 30 April	19	**88.2**	32.8

Notes to the Consolidated Financial Statements

1. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs'), and has also applied IFRSs as issued by the International Accounting Standards Board (IASB). The Company has elected to prepare its parent Company financial statements in accordance with UK GAAP; these are presented on pages 111 to 116.

The consolidated financial statements are presented in sterling millions, rounded to one decimal place, unless otherwise indicated. They are prepared on the historical cost basis except that assets and liabilities of certain financial instruments, defined benefit pension plans and share-based payments are stated at their fair value.

The consolidated financial statements have been prepared on a going concern basis as set out on page 44 of the Corporate Governance section.

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect whether and how policies are applied and affect the reported amounts of assets and liabilities, income and expenses. Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in accounting policy (w).

No changes have been made to the Group's accounting policies in the year to 30 April 2011 other than the adoption of IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements.

The main impact of these revised standards on the consolidated financial statements for the year ended 30 April 2011 was as follows:

- In the year to 30 April 2011, acquisition-related costs have been recognised as an operating cost in the income statement whereas previously they were capitalised. Prior periods have not been restated as this change in accounting is required to be applied prospectively from 1 May 2010;
- The term ''minority interest'' has been changed to ''non-controlling interest'';
- Equity interests held prior to control being obtained are re-measured to fair value at the acquisition date, with any resulting gain or loss recognised in the income statement;
- Changes in ownership interest in a subsidiary that does not result in a change of control are treated as transactions among equity holders and are reported within equity shareholders' funds. No gain or loss is recognised on such transactions and goodwill is not re-measured; and
- Cash consideration for non-controlling interests is classified as a financing activity rather than an investing activity in the cash flow statement.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group entities.

(b) Basis of consolidation

(i) Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

(iii) Joint ventures

The consolidated financial statements include the Group's proportionate share of its joint ventures' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Non-controlling interests

The share of profit attributable to non-controlling interests is shown as a component of profit for the period in the income statement. Non-controlling interests are shown as a component of equity in the statement of financial position net of the value of options over interests held by minorities in the Group's subsidiaries.

(c) Revenue

Revenue comprises the fair value of the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(d) Government grants

(i) Emission quotas

The Group participates in Phase II of the EU Emissions Trading Scheme. Emission quotas received in a period are initially recognised at a nominal value of nil. As a result, no asset or liability is recognised on the statement of financial position at initial recognition. A provision is recognised if there is any anticipated shortfall in the level of quotas received or purchased when compared with actual emissions in any given period, measured at the market price of such quotas at the statement of financial position date. Excess emission quotas acquired as part of a business combination are recognised as an intangible asset at their fair value on the date of acquisition.

(ii) Other

Other government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are offset against the expenses in the same periods in which the expenses are incurred.

(e) Dividends

Dividends attributable to the equity holders of the Company paid during the year are recognised directly in equity.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

(f) Foreign currency translation

Transactions in foreign currencies are translated into sterling at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into sterling at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

The assets and liabilities of all the Group entities that have a functional currency other than sterling are translated at the closing exchange rate at the date of the statement of financial position. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions). On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, and other financial instruments designated as hedges of such investments, are recognised in the translation reserve. On the disposal of foreign currency entities, the cumulative exchange difference recorded in the translation reserve is taken to the income statement as part of the gain or loss on disposal.

(g) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill (positive and negative) arising on the acquisition of subsidiaries, associates and joint ventures, represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less accumulated impairment losses (refer to accounting policy (i)). The useful life of goodwill is considered to be indefinite. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised immediately in the income statement.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i)).

(iii) Computer software

Computer software that is integral to a related item of hardware is included within tangible fixed assets. All other computer software is treated as an intangible asset.

(iv) Intellectual property

Intellectual property is stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i)).

(v) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (i)).

(vi) Amortisation

Amortisation of intangible assets (excluding goodwill) is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets (other than goodwill) are amortised from the date they are available for use. The estimated useful lives are as follows:

Intellectual property	Up to 20 years
Customer relationships	10 years
Computer software	3 – 5 years

Goodwill is systematically tested for impairment at each statement of financial position date, and when there is an indication of impairment.

(h) Property, plant and equipment and other investments

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (i)). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment, and major components that are accounted for separately (or in the case of leased assets, the lease period, if shorter). Land is not depreciated.

The estimated useful lives are as follows:

Freehold and long leasehold properties	10 – 50 years
Plant and equipment, fixtures and fittings (including IT hardware)	3 – 20 years
Motor vehicles	3 – 5 years

Other investments consist of available for sale investments in unquoted equity and debt securities and are carried at cost, less any impairment.

(i) Impairment

The carrying amounts of the Group's assets, including tangible and intangible non-current assets, other than inventories (refer to accounting policy (l)) and deferred tax assets (refer to accounting policy (t)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

1. Significant accounting policies continued

(i) Impairment continued

(i) Calculation of recoverable amount

The recoverable amount of the Group's assets is calculated as the value in use, being the present value of expected future cash flows, using a pre-tax discount rate that reflects the current assessment of the time value of money, or the net selling price, if greater. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses in respect of goodwill are not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Derivative financial instruments

The Group uses derivative financial instruments, primarily interest rate, currency and commodity swaps, to manage interest rate, currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not; undertake any speculative activity in these instruments.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into 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.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk. Any gains or losses arising from the hedging instruments are offset against the hedged items.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with either a statement of financial position item or a highly probable forecast transaction; or
- hedges of the net investment in a foreign entity.

Any gains or losses arising from changes in the fair value of all other derivatives are taken to the income statement. These may arise from derivatives for which hedge accounting is not applied because they are not effective as hedging instruments.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship as follows:

Fair value hedges: the carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both are taken to the income statement. The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Cash flow hedges: 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 when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or roll-over, 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 or to the initial carrying amount of a non-financial asset liability as above. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

Hedges of net investment in a foreign entity: 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 when the foreign entity is sold.

The net present value of the expected future payments under options over interests held by minorities in the Group's subsidiaries are shown as a financial liability. At the end of each period, the valuation of the liability is reassessed with any changes recognised in the profit or loss for the period.

(k) Trade and other receivables

Trade and other receivables are stated at their cost less impairment provisions (refer to accounting policy (i)).

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(n) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(o) Borrowings

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with borrowing costs being accounted for on an accruals basis in the income statement using the effective interest method.

At the reporting date, accrued interest is recorded separately from the associated borrowings within current liabilities.

(p) Employee benefits

(i) Defined contribution schemes

Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

(ii) Defined benefit schemes

The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value amount and recognised in the income statement as personnel expense; a corresponding liability for all future benefits is established on the statement of financial position and the fair value of any schemes' assets is deducted.

The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating to the duration of the schemes' obligations. The calculation is performed by a qualified actuary using the projected unit method.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

(iii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

(iv) Share-based payment transactions

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

For options remaining outstanding under the Executive Share Option Scheme (1999), which ceased to be operated from September 2008 (see note 26), non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. It is probable that an outflow of economic benefits will be required to settle the obligation and are discounted to present value where the effect is material.

(q) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and a reliable estimate can be made of the amount of the obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation and are discounted to present value where the effect is material.

(r) Trade and other payables

Trade and other payables are stated at their cost.

(s) Leases

Property, plant and equipment acquired under a lease that transfers substantially all of the risks and rewards of ownership to the Group are capitalised as tangible fixed assets. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(t) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to 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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the statement of financial position 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 following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the Group is able to control the reversal of such temporary differences. 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 statement of financial position 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.

1. Significant accounting policies continued

(u) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(v) Critical accounting policies

The application of the Group's accounting policies requires management to make estimates and assumptions; these estimates and assumptions affect the reported assets and liabilities and financial results of the Group. Actual outcomes could differ from the estimates and assumptions used.

The Group's accounting policies that are most critical to an understanding of the results and position of the Group, and the judgements involved in their application, are as follows:

(i) Impairments

When applying IAS 36, 'Impairment of Assets', the Group compares the carrying value of goodwill and intangible assets with the higher of their net realisable value and value in use to determine whether an impairment exists.

Value in use is calculated by discounting the cash flows expected to be generated by the asset/group of assets being tested for evidence of impairment. The use of different estimates, assumptions and judgements, in particular those involved in (a) determining a value based on our current expectations of future conditions and the associated cash flows from the Group's operations, (b) our determination of the level at which groups of assets can be reasonably tested for impairment separately from other parts of the business and (c) our treatment of centrally held assets, could each result in materially different carrying values of assets and assessments of impairment. See note 10 for additional information.

(ii) Pensions and other post-retirement benefits

IAS 19, 'Employee Benefits', requires the Group to make assumptions including, but not limited to, future asset returns, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in the income statement over time. These assumptions are subject to periodic review. See note 25 for additional information.

(iii) Accounting for carbon dioxide (CO_2) emissions

There are currently no accounting standards that specifically address accounting for emission allowances. The Group has applied a 'net liability' approach. Under a 'net liability' approach, no assets or government grants are recognised when allowances are initially received. This is because they are ascribed a nominal value of nil. As allowances granted to the Group are used to offset the liability from CO_2 emissions, no accounting entries are required so long as the related emissions generated are within the allowance received from the government. If such emissions are in excess of the allowance received (known as a shortfall position) a provision is made at the current market price for carbon credits. In the case where emission quotas are acquired through an acquisition, any surplus emission quotas are fair valued in accordance with IFRS 3 'Business Combinations.'

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements continued

1. Significant accounting policies continued

(w) IFRS standards and interpretations in issue but not yet effective

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations with an effective date after the date of these financial statements. Unless where stated, the Group does not anticipate that the adoption of those standards and interpretations that are effective for the financial year ending 30 April 2012 will have a material effect on its financial statements on initial adoption. The standards and interpretation to be adopted by the Group include:

International Financial Reporting Standards (IFRS/IAS)		Effective date – financial years ending
Revised IAS 24	Related Party Disclosures changed to the definition of a related party	30 April 2012
IFRIC 14	Amendments to treatment of prepayments of a Minimum Funding Requirement	30 April 2012
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	30 April 2012
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures (not yet endorsed by the EU)	30 April 2013
IAS 12	Amendments to IAS 12 Income Taxes, Deferred tax: Recovery of Underlying Assets (not yet endorsed by the EU)	30 April 2013
IAS 19	Amendments to IAS 19 Employee Benefits (not yet endorsed by the EU)	30 April 2014
IFRS 9	Financial Instruments (not yet endorsed by the EU)	30 April 2014
IFRS 10	Consolidated Financial Statements (not yet endorsed by the EU)	30 April 2014
IFRS 13	Fair Value Measurements and Disclosures (not yet endorsed by the EU)	30 April 2014
Improvements to IFRS issued May 2010		

2. Segment reporting
Operating segments

For the year ended 30 April 2011	UK Packaging £m	Continental European Corrugated Packaging £m	Plastic Packaging £m	Packaging Sub-total £m	Office Products Wholesaling £m	Total Group £m
External revenue (sales of goods)	917.7	599.4	242.2	1,759.3	715.2	2,474.5
Adjusted operating profit[1]	54.2	39.8	16.9	110.9	25.2	136.1
Amortisation	(2.6)	(3.1)	(1.1)	(6.8)	(1.1)	(7.9)
Exceptional items (note 4)	9.5	(8.4)	(0.2)	0.9	0.3	1.2
Segment result	61.1	28.3	15.6	105.0	24.4	129.4
Analysis of total assets and total liabilities						
Segment assets	703.4	566.8	161.1	1,431.3	234.6	1,665.9
Unallocated items						
Investments, associates and other assets						0.5
Derivative financial instruments						21.7
Cash and cash equivalents						114.3
Tax balances						61.2
Total assets						1,863.6
Segment liabilities	(211.0)	(168.9)	(46.9)	(426.8)	(126.1)	(552.9)
Unallocated items						
Borrowings and accrued interest						(448.3)
Derivative financial instruments						(43.4)
Tax balances						(87.3)
Post-retirement benefits						(147.5)
Total liabilities						(1,279.4)
Other segment items:						
Adjusted return on sales[1]	5.9%	6.6%	7.0%	6.3%	3.5%	5.5%
Adjusted EBITDA – £m[1]	88.0	63.0	26.8	177.8	29.0	206.8
Adjusted EBITDA margin[1]	9.6%	10.5%	11.1%	10.1%	4.1%	8.4%
Year-end capital employed – £m[2]	492.4	397.9	114.2	1,004.5	108.5	1,113.0
Average capital employed – £m[2]	527.9	319.4	113.6	960.9	112.6	1,073.5
Adjusted return on average capital employed[1, 2]	10.3%	12.5%	14.9%	11.5%	22.4%	12.7%
Capital expenditure – £m[3]	30.8	28.6	8.4	67.8	4.8	72.6
Depreciation and amortisation – £m	36.6	26.2	11.0	73.8	4.8	78.6

1 before exceptional items and amortisation

2 year-end and average capital employed is defined on page 73

3 capital expenditure represents additions to intangible assets and property, plant and equipment

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Notes to the Consolidated Financial Statements continued

2. Segment reporting continued

Operating segments continued

For the year ended 30 April 2010	UK Packaging £m	Continental European Corrugated Packaging £m	Plastic Packaging £m	Packaging Sub-total £m	Office Products Wholesaling £m	Total Group £m
External revenue (sales of goods)	750.2	355.4	231.3	1,336.9	733.7	2,070.6
Adjusted operating profit[1]	37.0	23.1	16.6	76.7	21.4	98.1
Amortisation	(1.6)	(0.2)	(1.1)	(2.9)	(1.2)	(4.1)
Exceptional items (note 4)	(4.5)	(7.1)	0.1	(11.5)	(1.8)	(13.3)
Segment result	30.9	15.8	15.6	62.3	18.4	80.7

Analysis of total assets and total liabilities						
Segment assets	703.1	268.9	158.8	1,130.8	244.4	1,375.2
Unallocated items						
Investments, associates and other assets						2.0
Derivative financial instruments						18.2
Cash and cash equivalents						55.1
Tax balances						83.7
Total assets						1,534.2
Segment liabilities	(199.1)	(81.2)	(43.4)	(323.7)	(129.7)	(453.4)
Unallocated items						
Borrowings and accrued interest						(292.2)
Derivative financial instruments						(34.7)
Tax balances						(77.6)
Post-retirement benefits						(203.1)
Total liabilities						(1,061.0)

Other segment items:						
Adjusted return on sales[1]	4.9%	6.5%	7.2%	5.7%	2.9%	4.7%
Adjusted EBITDA – £m[1]	74.4	38.7	27.6	140.7	25.3	166.0
Adjusted EBITDA margin[1]	9.9%	10.9%	11.9%	10.5%	3.4%	8.0%
Year-end capital employed – £m[2]	504.0	187.7	115.4	807.1	114.7	921.8
Average capital employed – £m[2]	538.6	192.4	123.2	854.2	119.4	973.6
Adjusted return on average capital employed[1, 2]	6.9%	12.0%	13.4%	9.0%	17.9%	10.1%
Capital expenditure – £m[3]	20.0	12.7	5.4	38.1	3.1	41.2
Depreciation and amortisation – £m	38.9	15.8	12.1	66.8	5.2	72.0

1 before exceptional items and amortisation

2 year-end and average capital employed is defined on page 73

3 capital expenditure represents additions to intangible assets and property, plant and equipment

2. Segment reporting continued

IFRS 8 'Operating Segments', requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group Chief Executive (who is the Chief Operating Decision Maker as defined by IFRS 8). Further details of these business segments are given in the Business Review on pages 2 to 30. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Central administration costs are allocated to the individual segments on a consistent basis year-on-year. Assets and liabilities have been analysed by segment at a capital employed level. Capital employed excludes items of a financing nature, taxation balances, post-retirement benefit liabilities and non-current asset investments; segmental capital employed comprises identifiable segment assets less segmental liabilities. Average capital employed is the average monthly capital employed. The adjusted return on average capital employed is defined as operating profit before exceptional items divided by average capital employed. Debt and associated interest is managed at a Group level and therefore has not been allocated across the business areas.

In presenting information by geographical area, external revenue is based on geographical location of customers. Non-current assets exclude investments and derivative financial instruments and are based on the geographical location of the assets.

Geographical areas

	External revenue		Non-current assets		Capital expenditure	
Year ended 30 April	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
UK	**1,268.0**	1,106.3	**566.3**	614.3	**34.8**	23.5
France	**689.6**	449.3	**314.7**	111.8	**23.3**	5.0
Rest of Western Continental Europe	**328.2**	335.8	**83.3**	83.1	**5.5**	4.1
Eastern Continental Europe	**110.7**	108.6	**48.6**	46.1	**5.4**	6.7
Rest of the World	**78.0**	70.6	**35.8**	38.9	**3.6**	1.9
	2,474.5	2,070.6	**1,048.7**	894.2	**72.6**	41.2

3. Operating profit

	2011 £m	2010 £m
Operating expenses		
Distribution expenses	**252.8**	223.5
Administrative expenses (includes amortisation of intangible assets)	**206.4**	208.0
	459.2	431.5

Details of exceptional items recorded within operating profit are set out in note 4.

Operating profit is stated after charging/(crediting) the following:

	2011 £m	2010 £m
Depreciation – owned assets	**69.0**	67.1
– leased assets	**1.7**	0.8
Amortisation of intangible assets	**7.9**	4.1
Hire of plant and machinery	**13.5**	12.6
Other operating lease rentals	**14.1**	13.3
Research and development	**3.8**	1.8
Gains/(losses) on the sale of land and buildings	**0.7**	(2.4)
Amounts paid to Deloitte LLP	**2.9**	1.4

A description of the work of the Audit Committee is set out in the Corporate Governance section on pages 41 to 42 and includes an explanation of how the auditors' objectivity and independence is safeguarded when non-audit services are provided by the auditors.

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Notes to the Consolidated Financial Statements continued

3. Operating profit continued

Auditors' remuneration	2011 UK £m	2011 Overseas £m	2011 Total £m	2010 UK £m	2010 Overseas £m	2010 Total £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**0.2**	**–**	**0.2**	0.2	–	0.2
Fees payable to the Company's auditors and their associates for other services:						
The audit of the Company's subsidiaries, pursuant to legislation	**0.4**	**0.8**	**1.2**	0.4	0.5	0.9
Corporate finance services	**1.2**	**–**	**1.2**	–	–	–
Tax and other services	**0.1**	**0.2**	**0.3**	0.2	0.1	0.3
	1.9	**1.0**	**2.9**	0.8	0.6	1.4

Total non-audit fees were £1.5m (2009/10: £0.3m).

4. Exceptional items

Items are presented as 'exceptional' in the financial statements where they are significant items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the trading and financial results achieved by the Group.

	2011 £m	2010 £m
Restructuring costs		
UK Packaging	**(0.9)**	–
Continental European Corrugated Packaging	**(2.3)**	(1.2)
Plastic Packaging	**(0.5)**	0.3
Office Products Wholesaling	**(4.7)**	(1.8)
Total restructuring costs	**(8.4)**	(2.7)
Acquisition related costs	**(7.2)**	–
Pension curtailment	**35.3**	–
Impairment	**(15.9)**	(10.2)
Disposal costs	**(2.6)**	(0.4)
Total exceptional items recognised in operating profit	**1.2**	(13.3)
Total pre-tax exceptional items	**1.2**	(13.3)
Income tax (charge)/credit on exceptional items	**(3.0)**	0.9
Total exceptional tax items	**(3.0)**	0.9
Total post-tax exceptional items	**(1.8)**	(12.4)

2010/11

The UK Packaging restructuring costs of £(0.9)m relate to two small packaging plants in the UK; Plastic Packaging costs of £(0.5)m relate to restructuring in France; restructuring costs of £(4.7)m within Office Products Wholesaling predominantly relate to Spicers France. Following the acquisition of Otor in September 2010, a restructuring programme was put in place in France to facilitate Otor's integration with the Group, this resulted in restructuring costs of £(2.3)m within Continental European Corrugated Packaging.

The acquisition related costs relate to the acquisition of Otor, for details see note 31. The pension curtailment gain primarily relates to the closure of the UK Group Scheme to future accrual and is described in note 25. Impairment charges relate to intangible assets and property, plant and equipment within the UK Packaging and the Plastic Packaging segments, see notes 10 and 11 for further details. Disposal costs predominantly relate to the disposal of Çopikas, the Group's subsidiary in Turkey, and a small packaging business in the UK.

2009/10

The Continental European Corrugated Packaging restructuring costs of £(1.2)m relate to restructuring in France; the Plastic Packaging restructuring of £0.3m relate to a gain on reversal of under-utilised provisions; restructuring costs of £(1.8)m within Office Products Wholesaling relate to Spicers UK; and disposal costs predominantly relate to the sale of Demes Logistics GmbH & Co KG.

Other impairments include £5.9m to reflect the estimated fair value of the Group's business in Turkey following the announcement on 28 May 2010, of the intention to dispose of this business. A further £4.3m has been incurred as an impairment of goodwill within UK Packaging.

5. Finance income and costs

	2011 £m	2010 £m
Interest on loans and overdrafts	**18.4**	14.8
Finance lease interest	**0.3**	0.1
Other	**2.3**	1.0
Finance costs	**21.0**	15.9
Interest income from financial assets	**(0.9)**	(0.7)
Other	**(0.3)**	(0.8)
Finance income	**(1.2)**	(1.5)

The increase in the fair value of the non-controlling shareholders' put options in Toscana Ondulati SpA (see note 24) is included within other finance costs.

Included within other finance costs is £1.2m (2009/10: a gain of £0.6m was included within other finance income) of hedge ineffectiveness on net investment hedges and fair value hedges. Note 21(c) provides further details of cash flow, fair value and net investment hedges.

6. Personnel expenses

	2011 £m	2010 £m
Wages and salaries	**349.0**	316.6
Social security costs	**37.4**	52.7
Contributions to defined contribution pension plans	**3.1**	2.6
Service costs for defined benefit schemes (see note 25)	**8.3**	8.5
Share-based payment expense (see note 26)	**2.9**	1.4
Personnel expenses	**400.7**	381.8

The average number of employees (full-time equivalents) during the financial year, analysed by geographical region was:

	2011 Number	2010 Number
UK	**6,231**	6,273
France	**3,159**	1,638
Rest of Western Continental Europe	**1,272**	1,337
Eastern Continental Europe	**1,120**	1,054
Rest of the World	**519**	474
Average number of employees	**12,301**	10,776

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Notes to the Consolidated Financial Statements continued

7. Income tax expense

Income tax expense recognised in the income statement

	2011 £m	2010 £m
Current tax expense		
Current year	**(25.6)**	(18.7)
Adjustment in respect of prior years	**0.1**	(8.7)
	(25.5)	(27.4)
Deferred tax (expense)/credit		
Origination and reversal of temporary differences	**(12.8)**	(2.2)
Reduction in UK tax rate from 28% to 26%	**2.7**	–
Adjustment in respect of prior years	**4.1**	12.7
	(6.0)	10.5
Total income tax expense in the income statement	**(31.5)**	(16.9)

During 2009/10, the Group undertook a review of its current and deferred tax balances primarily as a result of significant adjustments to its UK tax depreciation claims in submitted tax computations in earlier years. This review resulted in a net credit to the income statement of £4.0m and a significant movement between prior year current and deferred tax.

The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

	2011 £m	2010 £m
Profit before income tax	**102.2**	55.0
Less: share of profit of associates	**–**	(0.2)
Profit before tax and share of profit/(loss) of associates	**102.2**	54.8
Income tax calculated using the domestic corporation tax rate of 27.83% (2009/10: 28.0%)	**(28.4)**	(15.3)
Effect of tax rates in overseas jurisdictions	**(4.9)**	(2.8)
Non-deductible expenses	**(5.3)**	(3.9)
(Origination)/utilisation of tax losses not recognised	**(0.5)**	0.5
Adjustment in respect of prior years	**4.2**	4.0
Effect of change in UK corporation tax rate	**2.7**	–
Other	**0.7**	0.6
Income tax expense	**(31.5)**	(16.9)

The Emergency Budget on 22 June 2010 announced that the UK current tax rate will reduce from 28% to 24% over a period of four years from 2011. The first reduction from 28% to 26% was substantively enacted by 30 April 2010 and is effective from 1 April 2011. Accordingly the rate applying to UK assets and liabilities has also been reduced from 28% to 26%, creating a rate adjustment, which is partly reflected in the consolidated income statement, and partly in the consolidated statement of comprehensive income or equity.

The reduction in rate from 26% to 24% has not yet been substantively enacted; had it been, the effect would have been to reduce the net deferred tax liability by £0.2m, of which it is estimated that £4.6m would have been credited to the consolidated income statement and £4.4m would have been charged to the statement of comprehensive income.

7. Income tax expense continued

Tax on other comprehensive income and equity

	Gross 2011 £m	Tax credit/ (charge) 2011 £m	Net 2011 £m	Gross 2010 £m	Tax credit/ (charge) 2010 £m	Net 2010 £m
Actuarial gains/(losses) on defined pension schemes	**14.4**	**(8.3)**	**6.1**	(10.3)	3.3	(7.0)
Currency translation gains	**1.9**	**3.0**	**4.9**	7.9	(2.4)	5.5
Movements in cash flow hedges	**15.4**	**(5.0)**	**10.4**	(14.0)	3.9	(10.1)
Other comprehensive income/expense	**31.7**	**(10.3)**	**21.4**	(16.4)	4.8	(11.6)
Issue of share capital	**50.3**	**–**	**50.3**	–	–	–
Ordinary shares purchased	**(6.5)**	**–**	**(6.5)**	–	–	–
Share-based payment expense	**2.9**	**0.8**	**3.7**	1.4	1.5	2.9
Acquisitions/divestments	**2.5**	**–**	**2.5**	0.3	–	0.3
Acquisition of non-controlling interests without a change in control	**(8.5)**	**–**	**(8.5)**	–	–	–
Dividends paid to Group shareholders	**(22.6)**	**–**	**(22.6)**	(12.9)	–	(12.9)
Other comprehensive income/expense and equity	**49.8**	**(9.5)**	**40.3**	(27.6)	6.3	(21.3)

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Notes to the Consolidated Financial Statements continued

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 April 2011 is based on the profit attributable to ordinary shareholders of £70.1m (2009/10: £37.9m) and the weighted average number of ordinary shares outstanding during the year ended 30 April 2011 of 422.4m (2009/10: 391.0m). The number of shares excludes the weighted average number of the Company's own shares held as treasury shares during the year of 3.4m (2009/10: 2.4m).

	2011	2010
Profit attributable to ordinary shareholders	£70.1m	£37.9m
Weighted average number of ordinary shares at 30 April	422.4m	391.0m
Basic earnings per share	16.6p	9.7p

Diluted earnings per share

The calculation of diluted earnings per share at 30 April 2011 is based on profit attributable to ordinary shareholders of £70.1m (2009/10: £37.9m) and the weighted average number of ordinary shares outstanding during the year ended 30 April 2011, as adjusted for potentially issuable ordinary shares, of 431.0m (2009/10: 399.5m), calculated as follows:

	2011 £m	2010 £m
Profit attributable to ordinary shareholders	70.1	37.9

In millions of shares	2011	2010
Weighted average number of ordinary shares at 30 April	422.4	391.0
Potentially dilutive shares issuable under share-based payment arrangements	8.6	8.5
Weighted average number of ordinary shares (diluted) at 30 April	431.0	399.5
Diluted earnings per share	16.3p	9.5p

Adjusted earnings per share

The Directors believe that the presentation of an adjusted earnings per share amount, being the basic earnings per share adjusted for exceptional items, the exceptional tax charge and amortisation of intangible assets, helps to explain the underlying performance of the Group. A reconciliation of basic to adjusted earnings per share is as follows:

	2011			2010		
	£m	Basic – pence per share	Diluted – pence per share	£m	Basic – pence per share	Diluted – pence per share
Basic earnings	70.1	16.6p	16.3p	37.9	9.7p	9.5p
Add back amortisation	7.9	1.9p	1.8p	4.1	1.0p	1.0p
Add back exceptional items, after tax	1.8	0.4p	0.4p	12.4	3.2p	3.1p
Adjusted earnings	79.8	18.9p	18.5p	54.4	13.9p	13.6p

9. Dividends proposed and paid

	2011 Pence per share	2011 £m	2010 Pence per share	2010 £m
Interim dividend – paid	**2.0p**	**8.7**	1.5p	5.9
Final dividend – proposed	**4.5p**	**19.6**	3.1p	12.1
	6.5p	**28.3**	4.6p	18.0

	2011 £m	2010 £m
Paid during the year	**22.6**	12.9

A final dividend in respect of 2010/11 of 4.5 pence per share (£19.6m) has been proposed by the Directors after the statement of financial position date and has not been included as a liability in these financial statements.

10. Intangible assets

	Goodwill £m	Software £m	Intellectual property £m	Other £m	Total £m
Cost					
Balance at 1 May 2010	216.1	35.6	13.3	14.8	279.8
Acquisitions through business combinations	95.9	2.5	4.1	19.9	122.4
Additions	–	3.6	0.1	1.6	5.3
Disposals	(2.8)	(3.2)	–	–	(6.0)
Effect of movements in foreign exchange	7.1	0.9	0.5	1.8	10.3
Balance at 30 April 2011	**316.3**	**39.4**	**18.0**	**38.1**	**411.8**
Amortisation and impairment					
Balance at 1 May 2010	(19.0)	(31.2)	(5.8)	(2.6)	(58.6)
Amortisation for the year	–	(1.9)	(1.2)	(4.8)	(7.9)
Impairment	(2.2)	–	–	(1.2)	(3.4)
Disposals	–	3.3	–	–	3.3
Effect of movements in foreign exchange	–	(0.2)	(0.7)	0.5	(0.4)
Balance at 30 April 2011	**(21.2)**	**(30.0)**	**(7.7)**	**(8.1)**	**(67.0)**
Carrying amount					
Balance as at 1 May 2010	197.1	4.4	7.5	12.2	221.2
Balance as at 30 April 2011	**295.1**	**9.4**	**10.3**	**30.0**	**344.8**

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10. Intangible assets continued

	Goodwill £m	Software £m	Intellectual property £m	Other £m	Total £m
Cost					
Balance at 1 May 2009	214.4	36.4	13.1	11.0	274.9
Acquisitions through business combinations	0.7	–	–	–	0.7
Additions	–	1.8	0.2	4.4	6.4
Disposals	(0.3)	(2.3)	–	(0.4)	(3.0)
Effect of movements in foreign exchange	1.3	(0.3)	–	(0.2)	0.8
Balance at 30 April 2010	216.1	35.6	13.3	14.8	279.8
Amortisation and impairment					
Balance at 1 May 2009	(15.1)	(31.9)	(5.0)	(0.9)	(52.9)
Amortisation for the year	–	(1.7)	(0.8)	(1.6)	(4.1)
Impairment	(4.3)	–	–	–	(4.3)
Disposals	0.4	2.1	–	–	2.5
Effect of movements in foreign exchange	–	0.3	–	(0.1)	0.2
Balance at 30 April 2010	(19.0)	(31.2)	(5.8)	(2.6)	(58.6)
Carrying amount					
Balance as at 1 May 2009	199.3	4.5	8.1	10.1	222.0
Balance as at 30 April 2010	197.1	4.4	7.5	12.2	221.2

The amortisation charge for the year of £7.9m (2009/10: £4.1m) is included within administrative expenses. The impairment charge for the year of £3.4m (2009/10: £4.3m) is included within exceptional items. The other items above mainly relate to customer relationship. Also within other items are acquired emissions quotas which are capitalised as an asset when granted to the Group and treated as a disposal when used to satisfy the Group's obligations or sold, as explained in note 1.

Impairment tests for cash-generating units containing goodwill

The following segments have cash generating units (CGUs) containing significant carrying amounts of goodwill:

	2011 £m	2010 £m
UK Packaging	**137.3**	140.2
Continental European Corrugated Packaging	**110.2**	7.2
Plastic Packaging	**40.3**	40.8
	287.8	188.2
Segments with no CGUs containing individually significant goodwill	**7.3**	8.9
Total goodwill	**295.1**	197.1

Goodwill of £95.9m arose on the acquisition of Otor on 1 September 2010 and was allocated to the Continental European Corrugated Packaging operating segment.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations.

10. Intangible assets continued

Impairment tests for cash-generating units containing goodwill continued

The key assumptions in the value in use calculation were:

- cash forecasts derived from the latest budgets and forecasts for the two years ending 30 April 2013 as approved by the Directors. Cash flows for the following three years were extrapolated assuming an inflationary growth rate of 3% (2009/10: 3%); and
- the pre-tax discount rate for the Group is 11.0% (2009/10: 11.8%). The Group believes that the risk profiles across the significant markets in which it operates are not significantly different, hence the same discount rate is universally applied across all CGUs.

The headroom for the impairment tests for the CGUs containing significant carrying amounts of goodwill is summarised as follows:

Headroom	2011 £m	2010 £m
UK Packaging	**257.2**	114.5
Continental European Corrugated Packaging	**217.9**	1.5
Plastic Packaging	**110.5**	68.9

The headroom represents the difference between the calculated value in use and the net asset carrying value of the CGU.

Although management believe the assumptions are realistic, it is possible further impairment would be identified if any of the above key assumptions were changed significantly. For instance, factors which could cause impairment are:

- significant underperformance relative to the forecast results;
- changes to the way the assets are used or our strategy for the business;
- a further deterioration in the industry or the wider economy; and
- an increase in the Group's pre-tax discount rate.

The value in use is based upon anticipated discounted future cash flows. The Directors believe the assumptions used are appropriate, but in addition have conducted sensitivity analysis to determine the changes in assumptions that would result.

A one percentage point increase in the pre-tax discount rate to 12% would result in a reduction in the headroom for the CGUs containing significant carrying amounts of goodwill within UK Packaging, Continental European Corrugated Packaging, and Plastic Packaging to £175.0m, £168.1m, and £91.7m respectively.

Impairment – goodwill

The majority of the £2.2m impairment charge in goodwill in the year relates to Multigraphics, a UK business which provides printing services and display material for the retail sector. The slow recovery of the non food retail sector in the UK from the recession has resulted in the continuing under performance of this business below the Group's expectations. The carrying amount of Multigraphics CGU was determined to be higher than its recoverable amount, which was based on its value in use. This resulted in a full impairment of its goodwill of £1.8m which is recognised in exceptional items within the UK Packaging operating segment.

In order for there to be no further impairments within UK Packaging, adjusted operating profits will need to achieve circa £58m in 2016/17; this compares to £54.2m in 2010/11 and £35.4m in 2009/10. The assumptions underpinning UK Packaging adjusted operating profits reflect management's expectations of continuing improvements in levels of margins and profitability by 2016/17.

Impairment – other intangibles

The current and expected returns from a product in the Plastic Packaging segment indicate that no future economic benefits are expected to be generated. This results in a full impairment of the intangible asset relating to its research and development costs of £1.2m.

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11. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
Balance at 1 May 2010	328.2	1,116.2	58.3	15.4	1,518.1
Acquisitions through business combinations	30.4	26.7	0.7	3.9	61.7
Additions	1.1	46.7	2.0	12.9	62.7
Disposals	(4.6)	(9.3)	(4.0)	–	(17.9)
Transfers	1.3	6.5	0.3	(8.1)	–
Effect of movements in foreign exchange	7.6	15.7	0.7	0.3	24.3
Balance at 30 April 2011	**364.0**	**1,202.5**	**58.0**	**24.4**	**1,648.9**
Depreciation and impairment					
Balance at 1 May 2010	(89.1)	(790.9)	(47.3)	–	(927.3)
Depreciation charge for the year	(7.3)	(61.0)	(2.4)	–	(70.7)
Disposals	2.3	12.0	3.9	–	18.2
Impairment	(3.9)	(8.0)	–	(0.6)	(12.5)
Effect of movements in foreign exchange	(3.4)	(12.0)	(0.7)	–	(16.1)
Balance at 30 April 2011	**(101.4)**	**(859.9)**	**(46.5)**	**(0.6)**	**(1,008.4)**
Carrying amount					
Balance as at 1 May 2010	239.1	325.3	11.0	15.4	590.8
Balance as at 30 April 2011	**262.6**	**342.6**	**11.5**	**23.8**	**640.5**

Leased property, plant and equipment

The amounts above include land and buildings held under finance lease agreements. At 30 April 2011, the carrying amount of land and buildings held under finance leases was £16.9m (30 April 2010: £6.3m).

Property, plant and equipment under construction

Assets under construction mainly related to production machines being built for various sites across the Group.

Impairment of property, plant and equipment

During the year, impairment for property, plant and equipment reflects the estimated reduction in the useful economic life of certain fixed assets in the UK Packaging operating segment.

11. Property, plant and equipment continued

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Under construction £m	Total £m
Cost					
Balance at 1 May 2009	334.6	1,148.8	66.4	20.9	1,570.7
Acquisitions through business combinations	0.7	1.8	0.2	–	2.7
Additions	1.6	19.9	1.2	12.3	35.0
Disposals	(2.3)	(38.0)	(7.3)	–	(47.6)
Transfers	4.4	16.4	(2.9)	(17.9)	–
Reclassification to held for sale	(9.3)	(29.5)	(0.2)	–	(39.0)
Other reclassification	0.4	3.3	0.1	0.1	3.9
Effect of movements in foreign exchange	(1.9)	(6.5)	0.8	–	(7.6)
Balance at 30 April 2010	328.2	1,116.2	58.3	15.4	1,518.1
Depreciation					
Balance at 1 May 2009	(90.2)	(787.6)	(55.8)	–	(933.6)
Acquisitions through business combinations	(0.1)	(1.2)	(0.1)	–	(1.4)
Depreciation charge for the year	(7.2)	(58.1)	(2.6)	–	(67.9)
Disposals	1.1	30.8	7.1	–	39.0
Reclassification to held for sale	5.2	28.9	0.2	–	34.3
Other reclassification	(1.3)	(2.9)	0.3	–	(3.9)
Effect of movements in foreign exchange	3.4	(0.8)	3.6	–	6.2
Balance at 30 April 2010	(89.1)	(790.9)	(47.3)	–	(927.3)
Carrying amount					
Balance as at 1 May 2009	244.4	361.2	10.6	20.9	637.1
Balance as at 30 April 2010	239.1	325.3	11.0	15.4	590.8

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12. Investment in associates

	2011 £m	2010 £m
Balance at 1 May	–	0.3
Share of profit of associates after interest and tax	–	0.2
Intra-group profit elimination	–	–
Impairment	–	–
Transfer to a subsidiary	–	(0.5)
Exchange differences	–	–
Balance at 30 April	–	–

The share of profit from associates is in respect of Winfried Wirth GmbH, which became a subsidiary during 2009/10 and is therefore no longer accounted for using the equity method.

	Nature of business	Principal country of operation	Financial year end	Ownership interest 2011	Ownership interest 2010
OJSC Rubezhansk Paper and Packaging Mill (Rubezhansk)	Manufacturer of paper and packaging	Ukraine	31 December	**49.6%**	49.6%

Rubezhansk is accounted for using the equity method within these financial statements.

In 2008/09, the Group fully impaired the carrying value of its investment in Rubezhansk and recognised an exceptional loss of £5.1m, being the Group's share of the after-tax net loss at Rubezhansk incurred in the second half of 2008/09. This was as a result of foreign exchange losses on a US$87m loan, following the significant decline in the Ukrainian Hryvnia against the US dollar. Exchange rate movements resulted in Rubezhansk breaching its banking covenants.

In 2009/10 and 2010/11, negotiations have continued with Rubezhank's bankers following the breaching of the banking covenants. Whilst the uncertainty of the financial position continues at Rubezhansk, the Group has not recognised any profits in respect of its investment in the associate.

Summary of financial information in associate

	2011 £m	2010 £m
Rubezhansk		
Assets	**173.7**	120.6
Liabilities	**(62.1)**	(62.9)
Revenues	**93.5**	57.4
Profit after tax	**13.3**	1.7

13. Other investments

	2011 £m	2010 £m
Non-current investments	**0.3**	0.8
Current investments	**0.2**	0.2

Non-current investments comprise investments in the equity and debt securities of unlisted companies.

14. Inventories

	2011 £m	2010 £m
Raw materials and consumables	**96.4**	62.2
Work in progress	**5.4**	4.4
Finished goods	**124.6**	108.2
	226.4	174.8

The Group consumed £1,885.9m (2009/10: £1,558.4m) of inventories recognised as cost of sales during the year. Provisions against inventories totalled £20.9m (30 April 2010: £20.1m).

15. Trade and other receivables

	2011		2010	
	Non-current £m	Current £m	Non-current £m	Current £m
Trade receivables	–	427.4	–	366.5
Provisions for bad and doubtful receivables	–	(17.5)	–	(17.7)
Prepayments and other receivables	3.8	40.5	0.8	31.7
	3.8	450.4	0.8	380.5

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of trade receivables from the date credit was initially granted up to the reporting date. The fair value of trade and other receivables is not materially different from their carrying amounts above. Refer to note 21(d)(iii) for further quantitative and qualitative analysis of credit risk.

16. Trade and other payables

	2011		2010	
	Non-current £m	Current £m	Non-current £m	Current £m
Trade payables	–	363.2	–	307.3
Non-trade payables and accrued expenses	9.3	172.5	3.9	123.1
	9.3	535.7	3.9	430.4

The fair value of trade and other payables is not materially different from their carrying amounts shown above.

Non-current trade payables and accrued expenses relate to post-retirement benefits.

17. Assets and liabilities held for sale

2010/11

There were no assets or liabilities held for sale as at 30 April 2011.

2009/10

The Çopikas business, a corrugated packaging business in Turkey, within the Continental European Corrugated Packaging segment, is presented as a disposal group held for sale following the commitment of the Board, on 27 April 2010, to a plan to sell the business to focus on growing core businesses of scale within its portfolio. The sale of Çopikas for a cash consideration of £4.7m (payable on completion), which was agreed on 28 May 2010 with Olmuksa International Paper-Sabanci Ambalaj Sanayi Ve Ticaret A.S., is subject to the Turkish Competition Board's approval that is anticipated will take around six weeks. At 30 April 2010, the disposal group comprised assets of £7.4m, less liabilities of £5.7m.

An exceptional impairment loss of £5.9m on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in exceptional items, of which £4.7m has been allocated against property, plant and equipment and the remainder against inventories.

Additionally, assets of £0.7m less liabilities of £0.4m of a small packaging business within the UK Packaging segment were presented as assets and liabilities held for sale following the commitment of the Board, on 27 April 2010, to dispose of the business.

	2011 £m	2010 £m
Assets classified as held for sale		
Inventories	–	0.8
Trade and other receivables	–	7.3
	–	8.1

	2011 £m	2010 £m
Liabilities classified as held for sale		
Trade and other payables	–	(5.3)
Provisions	–	(0.2)
Post-retirement benefits	–	(0.6)
	–	(6.1)

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Notes to the Consolidated Financial Statements continued

18. Net debt

	2011 £m	2010 £m
Non-current liabilities	**407.9**	256.4
Current liabilities	**4.4**	5.7
Derivative financial instruments	**26.9**	10.2
Net cash and cash equivalents	**(88.2)**	(32.8)
Net debt	**351.0**	239.5
Net debt divided by EBITDA (before exceptional items and including full year EBITDA of the Otor Group)	**1.6x**	1.4x
Gearing (net debt expressed as a percentage of net assets)	**60.1%**	50.6%

The movement in Group net debt is as set out in the table below:

	At 1 May 2010 £m	Cash flow £m	Acquisitions and disposals £m	Foreign exchange and fair value movements £m	At 30 April 2011 £m
Cash and cash equivalents	55.1	58.6	(0.7)	1.3	**114.3**
Overdrafts	(22.3)	(0.5)	(2.4)	(0.9)	**(26.1)**
Net cash and cash equivalents	32.8	58.1	(3.1)	0.4	**88.2**
Interest-bearing loans and borrowings due after one year	(251.4)	(150.2)	(0.6)	3.1	**(399.1)**
Interest-bearing loans and borrowings due within one year	(5.0)	35.5	(31.4)	(0.5)	**(1.4)**
Non-current bank deposits	–	(6.8)	6.8	–	**–**
Finance leases	(5.7)	3.0	(8.3)	(0.8)	**(11.8)**
Derivative financial instruments					
– assets	11.3	–	–	(4.0)	**7.3**
– liabilities	(21.5)	–	–	(12.7)	**(34.2)**
	(272.3)	(118.5)	(33.5)	(14.9)	**(439.2)**
Total net debt	**(239.5)**	**(60.4)**	**(36.6)**	**(14.5)**	**(351.0)**

19. Cash and cash equivalents

	2011 £m	2010 £m
Bank balances	**97.0**	51.4
Short-term deposits	**17.3**	3.7
Cash and cash equivalents (consolidated statement of financial position)	**114.3**	55.1
Bank overdrafts	**(26.1)**	(22.3)
Net cash and cash equivalents (consolidated statement of cash flows)	**88.2**	32.8

20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 21.

	2011		2010	
	Current £m	Non-current £m	Current £m	Non-current £m
Borrowings measured at amortised cost				
Bank and other loans	**1.4**	**72.0**	5.0	13.5
Note purchase agreements	**–**	**149.7**	–	49.0
Finance lease liabilities	**3.0**	**8.8**	0.7	5.0
	4.4	**230.5**	5.7	67.5
Borrowings in a fair value hedge relationship				
Note purchase agreements	**–**	**177.4**	–	188.9
	4.4	**407.9**	5.7	256.4

Bank loans, other loans and overdrafts of certain subsidiaries totalling £1.5m (30 April 2010: £2.6m) are secured over the properties and machinery of these companies. The holder of the security does not have the right to sell or re-pledge the assets as security.

The repayment dates of the Group's borrowings are as follows:

	2011				
	1 year or less £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings					
Fixed-rate	**2.5**	**17.8**	**67.9**	**151.6**	**239.8**
Floating-rate	**1.9**	**78.3**	**76.4**	**15.9**	**172.5**
Total interest-bearing loans and borrowings	**4.4**	**96.1**	**144.3**	**167.5**	**412.3**

	2010				
	1 year or less £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings					
Fixed-rate	0.3	0.1	65.2	49.2	114.8
Floating-rate	5.4	2.2	122.7	17.0	147.3
Total interest-bearing loans and borrowings	5.7	2.3	187.9	66.2	262.1

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Notes to the Consolidated Financial Statements continued

20. Interest-bearing loans and borrowings continued

The Group's borrowings, after taking into account the effect of cross-currency swaps and interest rate swaps, are denominated in the following currencies:

	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
At 30 April 2011					
Interest-bearing loans and borrowings					
Fixed-rate	**44.9**	**179.0**	**15.9**	**–**	**239.8**
Floating-rate	**26.4**	**146.1**	**–**	**–**	**172.5**
	71.3	**325.1**	**15.9**	**–**	**412.3**
Net cash and cash equivalents (including bank overdrafts)					
Floating-rate	**(11.1)**	**(51.1)**	**(10.3)**	**(15.7)**	**(88.2)**
Net borrowings/(cash) at 30 April 2011	**60.2**	**274.0**	**5.6**	**(15.7)**	**324.1**

	Sterling £m	Euro £m	US dollar £m	Other £m	Total £m
At 30 April 2010					
Interest-bearing loans and borrowings					
Fixed-rate	49.3	65.5	–	–	114.8
Floating-rate	26.8	99.1	17.6	3.8	147.3
	76.1	164.6	17.6	3.8	262.1
Net cash and cash equivalents (including bank overdrafts)					
Floating-rate	(11.4)	(12.7)	(3.4)	(5.3)	(32.8)
Net borrowings/(cash) at 30 April 2010	64.7	151.9	14.2	(1.5)	229.3

Of the total borrowing facilities available to the Group, the undrawn committed facilities available at 30 April were as follows:

	2011 £m	2010 £m
Expiring within one year	**17.8**	19.1
Expiring between one and two years	**–**	17.4
Expiring between two and five years	**287.5**	274.5
	305.3	311.0

At 30 April 2011, 85% (30 April 2010: 66%) of the Group's net borrowings, after taking into account the effect of cross-currency swaps, were denominated in euros in order to hedge the underlying assets of the Group's relevant continental European operations. Interest rates on floating-rate borrowings are based on London Interbank Offered Rate (LIBOR), Euro Interbank Offered Rate (EURIBOR) or base rates.

Bank loan facilities

In August 2008, the Group entered into a syndicated revolving credit facility of £287.5m, which expires on 29 August 2013. Advances drawn down under the facility bear interest at a margin over LIBOR or EURIBOR.

In August 2010, the Group entered into a term loan facility of €81m with three banks, which will mature on 29 August 2013. Advances drawn down bear interest at a margin over EURIBOR.

Note purchase agreements

In November 2002, the Group entered into a note purchase agreement with a number of institutions that purchased US$105m of DS Smith Plc's 6.24% senior notes and £25m of 6.85% senior notes, which will mature on 14 November 2012. The Group entered into a swap transaction with a bank counterparty under which it made a payment of US$80m in return for €81.6m. The swap counterparty also agreed to pay fixed-rate dollar interest of 6.24% per annum in exchange for floating euro rate interest at rates linked to EURIBOR. In addition, swap counterparties also agreed to pay fixed-rate dollar interest of 6.24% per annum on a principal amount of US$25m in exchange for floating dollar interest linked to dollar LIBOR and fixed-rate sterling interest of 6.85% per annum on a principal of £25m in exchange for floating sterling interest linked to sterling LIBOR.

20. Interest-bearing loans and borrowings continued

Note purchase agreements continued

In August 2004, the Group entered into a further note purchase agreement with a number of institutions that purchased US$105m of DS Smith Plc's 5.66% senior notes and US$95m of 5.80% senior notes, which will mature on 25 August 2014 and 25 August 2016, respectively. The Group entered into swap transactions with a bank counterparty under which it made payments of US$105m and US$20m in return for €86.5m and €16.5m, respectively, and a payment of US$75m in return for £40.8m. The swap counterparty agreed to pay fixed-rate dollar interest of 5.66% per annum and 5.80% per annum, respectively, in exchange for floating euro rate interest at rates linked to EURIBOR and fixed-rate dollar interest of 5.80% per annum in exchange for fixed-rate sterling interest at rates of 6.21% per annum.

In August 2010, the Group issued €59m of 4.395% senior notes, which will mature on 13 August 2018 and €59m of 4.825% senior notes which will mature on 11 August 2020.

Finance lease liabilities

	2011			2010		
	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m	Future minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
Less than one year	**3.1**	**(0.1)**	**3.0**	0.8	(0.1)	0.7
Between one and five years	**6.0**	**(0.8)**	**5.2**	3.3	(0.9)	2.4
More than five years	**3.7**	**(0.1)**	**3.6**	2.7	(0.1)	2.6
Finance lease liabilities	**12.8**	**(1.0)**	**11.8**	6.8	(1.1)	5.7

21. Financial instruments

The Group's activities expose the Group to a number of key risks which have the potential to affect its ability to achieve its business objectives. A summary of the Group's key financial risks and the policies and objectives in place to manage these risks is set out in the Financial Review and Risk Management sections of the Business Review on pages 23 to 30.

The derivative financial instruments set out in this note have been entered into to help achieve the Group's risk management objectives.

The Group's treasury policy is not to engage in speculative transactions.

(a) Carrying amounts and fair values of financial assets and liabilities

Set out below is the accounting classification of the carrying amounts and fair values of all of the Group's financial assets and liabilities.

	2011		2010	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets				
Cash and cash equivalents	**114.3**	**114.3**	55.1	55.1
Available-for-sale:				
Other investments	**0.5**	**0.5**	1.0	1.0
Loans and receivables:				
Trade and other receivables	**454.2**	**454.2**	381.3	381.3
Derivative financial instruments:				
Other financial assets in designated hedge accounting relationships	**21.7**	**21.7**	18.2	18.2
Total financial assets	**590.7**	**590.7**	455.6	455.6

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Notes to the Consolidated Financial Statements continued

21. Financial instruments continued

(a) Carrying amounts and fair values of financial assets and liabilities continued

	2011		2010	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables	**(545.0)**	**(545.0)**	(434.3)	(434.3)
Bank and other loans	**(73.4)**	**(73.4)**	(18.5)	(18.5)
Note purchase agreements	**(327.1)**	**(346.1)**	(237.9)	(246.3)
Finance lease liabilities	**(11.8)**	**(11.8)**	(5.7)	(5.7)
Bank overdrafts	**(26.1)**	**(26.1)**	(22.3)	(22.3)
Derivative financial instruments:				
Other financial liabilities in designated hedge accounting relationships	**(43.4)**	**(43.4)**	(34.7)	(34.7)
Total financial liabilities	**(1,026.8)**	**(1,045.8)**	(753.4)	(761.8)

The fair value is the amount for which an asset or liability could be exchanged or settled on an arm's-length basis. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists. The Group uses forward prices for valuing forward foreign exchange and commodity contracts and uses valuation models with present value calculations based on market yield curves to value note purchase agreements, cross-currency swaps and interest rate swaps. All derivative financial assets and liabilities are shown at fair value on the statement of financial position. Under IAS 39 'Financial Instruments: Recognition and Measurement', hedge accounting rules, only portions of the note purchase agreements which form part of an effective fair value hedge are carried at fair value in the statement of financial position. The fair value of financial assets and liabilities which bear floating rates of interest is estimated to be equivalent to book value.

IFRS 7 'Financial Instruments: Disclosures' requires the classification of fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the assessments:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's financial instruments are Level 2 financial instruments. The Group does not hold any Level 1 or Level 3 financial instruments.

21. Financial instruments continued

(b) Derivative financial instruments

The Group enters into derivative financial instruments, primarily interest rate, currency and commodity swaps, to manage interest rate, currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. All derivatives have been designated as effective hedging instruments and are carried at their fair value.

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

	Assets		Liabilities		Net	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Derivatives held to						
Manage the interest rate and currency exposures on borrowings and net investments	**7.3**	11.3	**(34.2)**	(21.5)	**(26.9)**	(10.2)
Derivative financial instruments included in net debt	**7.3**	11.3	**(34.2)**	(21.5)	**(26.9)**	(10.2)
Derivatives held to						
Hedge future transactions – energy costs	**14.1**	5.3	**(7.9)**	(13.1)	**6.2**	(7.8)
Hedge future transactions – foreign exchange on purchases and sales of goods and services	**0.3**	1.6	**(1.3)**	(0.1)	**(1.0)**	1.5
Total derivative financial instruments	**21.7**	18.2	**(43.4)**	(34.7)	**(21.7)**	(16.5)
Current	**8.5**	6.3	**(7.2)**	(8.7)	**1.3**	(2.4)
Non-current	**13.2**	11.9	**(36.2)**	(26.0)	**(23.0)**	(14.1)
	21.7	18.2	**(43.4)**	(34.7)	**(21.7)**	(16.5)

(c) Cash flow, fair value and net investment hedges

(i) Cash flow hedging reserve movements

The following table identifies the movements in the cash flow hedging reserve during the year. All figures are post-tax.

	2011 £m	2010 £m
Balance at 1 May	**(7.4)**	2.7
Unrealised fair value (loss)/gain on designated cash flow hedges		
Forward exchange contracts	**(0.6)**	1.7
Cross-currency and interest rate swaps	**0.3**	–
Commodity contracts	**13.0**	(4.4)
(Gains)/loss in equity recycled to the income statement		
Forward exchange contracts	**(1.0)**	(1.4)
Cross-currency and interest rate swaps	**1.9**	–
Commodity contracts	**(3.2)**	(6.0)
Balance at 30 April	**3.0**	(7.4)

	2011 £m	2010 £m
Revenue	**0.6**	0.8
Cost of sales	**(3.7)**	(11.2)
Income tax	**0.8**	3.0
	(2.3)	(7.4)

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Notes to the Consolidated Financial Statements continued

21. Financial instruments continued

(ii) Fair value hedges

At 30 April 2011, the Group held interest rate and currency swap contracts as fair value hedges of the interest rate and currency risk on fixed rate debt payable by the Group. The receive leg of the swap contracts is largely identical for all critical aspects to the terms of the underlying debt and thus the hedging is highly effective. The pre-tax loss on the hedging derivative instruments taken to the income statement in the year was £13.5m (2009/10: loss of £6.2m) offset by a pre-tax gain on the fair value of the debt of £12.6m (2009/10: gain of £6.1m).

(iii) Hedges of net investments in foreign operations

The Group holds currency swap contracts as hedges of long-term investments in foreign subsidiaries. The pre-tax loss on the hedges recognised in equity in the year was £4.7m (2009/10: gain of £5.7m). The loss is matched by a similar gain in equity on the retranslation of the hedged foreign subsidiary's net assets. During the year, hedge ineffectiveness arising from hedges of net investments resulted in a loss of £0.3m recognised in the income statement (2009/10: gain of £0.7m).

(d) Risk identification and risk management

(i) Capital risk

The Group funds its operations from the following sources of cash: operating cash flow, borrowings, shareholders' equity and disposals of peripheral businesses, where appropriate. The Group's objective is to achieve a capital structure that results in an appropriate cost of capital whilst providing flexibility in immediate and medium-term funding so as to accommodate material investments or acquisitions. The Group also aims to maintain a strong statement of financial position and to provide continuity of financing by having a range of maturities and borrowings from a variety of sources.

The Group's overall treasury objectives are to ensure sufficient funds are available to carry out its strategy and to manage financial risks. The Group's treasury strategy is controlled through the Treasury Committee, which meets regularly and includes the Group Chief Executive, the Group Finance Director and the Group Treasurer. The Group Treasury Function operates in accordance with policies and procedures approved by the Board and controlled by the Group Treasurer. The function arranges funding for the Group, provides a service to operations and implements strategies for interest rate, foreign exchange rate and energy exposure management.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of a change in market prices. The Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices.

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with expectations of changes in interest rates; ensuring optimal hedging strategies are applied, by either positioning the statement of financial position or protecting interest rate expense through interest rate cycles. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

At 30 April 2011, 58% (30 April 2010: 44%) of the Group's interest-bearing loans and borrowings were fixed for a period of at least one year. The sensitivity analysis below shows the impact on profit and total equity of a 100 basis points rise in market interest rates (representing management's assessment of the reasonably possible change in interest rates) in all currencies in which the Group had variable rate borrowings at 30 April.

To calculate the impact on the income statement for the year, the interest rates on all external interest-bearing loans and cash deposits have been increased by 100 basis points, and the resulting increase in the net interest charge has been adjusted for the effect of the Group's interest rate derivatives. The effect on equity includes the above impact on the income statement and the impact of a 100 basis points increase in interest rates on the market values of the Group's interest rate derivatives.

The results are presented before non-controlling interests and tax.

	2011		2010	
	Impact on profit £m	**Impact on total equity £m**	Impact on profit £m	Impact on total equity £m
Increase in market interest rates by 100 basis points	**(0.8)**	**–**	(1.2)	–

Under interest rate swap contracts the Group agrees to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. At 30 April 2011, losses of £0.9m (30 April 2010: losses of £3.5m) (net of tax) are deferred in equity in respect of cash flow hedges of interest rate risk. This will be recycled to the income statement in the period in which the hedged item also affects the income statement, which will occur over time to 2016. During the year, losses of £1.9m deferred in equity were transferred to the income statement (2009/10: £nil).

21. Financial instruments continued

(d) Risk identification and risk management continued

Foreign exchange risk

Foreign exchange risk on investments

The Group is exposed to foreign exchange risk arising from net investments in Group entities, the functional currencies of which differ from the Group's presentational currency. The Group hedges this exposure through borrowings denominated in foreign currencies and through cross-currency swaps. Gains and losses for hedges of net investments are recognised in reserves.

Foreign exchange risk on borrowings

The Group is exposed to foreign exchange risk on borrowings denominated in foreign currencies. The Group hedges this exposure through cross-currency swaps designated as either cash flow or fair value hedges.

Foreign exchange risk on transactions

Foreign currency transaction risk arises where a business unit makes product sales and material purchases in a currency other than its functional currency. Part of this risk is hedged using foreign exchange contracts which are designated as cash flow hedges.

At 30 April 2011, losses of £0.6m (30 April 2010: gains of £1.8m) (net of tax) are deferred in equity in respect of cash flow hedges. This will be recycled to the income statement in the period in which the hedged item also affects the income statement, which occurs within two years. During the year, £1.0m of gains deferred in equity were transferred to the income statement (2009/10: gains of £1.4m).

The Group's main currency exposures are from the Euro and US dollar. The following significant exchange rates applied during the year:

	2011		2010	
	Average	Closing	Average	Closing
US Dollar	1.565	1.668	1.602	1.531
Euro	1.176	1.124	1.132	1.151

The following sensitivity analysis shows the impact on the Group's results of a 10% change in the year-end exchange rate of sterling against all other currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis is only on financial instruments denominated in a foreign currency and excludes the impact of financial instruments designated as net investment hedges. Loans that are treated as net investment hedges are not recorded within the impact on the Group's profit as the impact of foreign exchange movements on these are offset by equal and opposite movements in the foreign assets that the instruments hedge.

The results are presented before non-controlling interests and tax.

	2011		2010	
	Impact on profit £m	Impact on total equity £m	Impact on profit £m	Impact on total equity £m
10% strengthening of sterling	(0.5)	0.5	(0.8)	(0.6)
10% weakening of sterling	0.6	(0.7)	0.9	0.7

Commodity risk

The Group's main commodity exposures are to changes in UK gas and UK electricity prices. Part of this commodity price risk is managed by a combination of physical supply agreements and derivative instruments. At 30 April 2011, gains of £4.5m (30 April 2010: losses of £5.7m) (net of tax) is deferred in equity in respect of cash flow hedges in accordance with IAS 39. This will be recycled to the income statement in the period in which the hedged item also affects the income statement, which occurs within two years. During the year, gains of £3.2m deferred in equity were transferred to the income statement (2009/10: gains of £6.0m).

The following table details the Group's sensitivity to a 10% increase in these prices, which is management's assessment of the reasonably possible approximation of how much markets can move on average, over any given year. In some years prices will be less volatile and in others they may be more volatile. A decrease of 10% in these prices would produce an opposite effect on equity. As all of the Group's commodity financial instruments achieve hedge accounting under IAS 39, there is no impact on profit for either financial year.

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21. Financial instruments continued
(d) Risk identification and risk management continued
The results are presented before non-controlling interests and tax.

	2011 Impact on profit £m	2011 Impact on total equity £m	2010 Impact on profit £m	2010 Impact on total equity £m
10% increase in UK electricity prices	–	1.7	–	0.4
10% increase in UK gas prices	–	6.8	–	1.8

(iii) Credit risk
Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due, causing financial loss to the Group. In the current economic environment, the Group has placed increased emphasis on the management of credit risk. The carrying amount of financial assets at 30 April 2011 was £590.7m (30 April 2010: £455.6m) and is analysed in note 21(a). This represents the maximum credit exposure.

The majority of the Group's trade receivables are due for maturity within 90 days. Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diverse. Management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts (see note 15).

	Net carrying amount (see note 15) £m	Of which neither impaired nor past due £m	Of which past due but not impaired: 1 month or less £m	1–3 months £m	3–6 months £m	6–12 months £m	More than 12 months £m
The ageing of trade receivables							
As at 30 April 2011	**409.9**	**326.7**	**76.0**	**5.3**	**1.3**	**0.3**	**0.3**
As at 30 April 2010	348.8	280.4	63.7	3.0	1.0	0.3	0.4

	2011 £m	2010 £m
Movement in the allowance for bad and doubtful receivables		
Balance as at 1 May	**(17.7)**	(21.7)
Uncollectible amounts written off, net of receivables	**1.1**	6.3
Decrease/(increase) in allowance recognised in profit or loss	**1.8**	(3.3)
(Acquisitions)/disposals	**(2.5)**	0.7
Effect of movements in foreign exchange	**(0.2)**	0.3
Balance as at 30 April (see note 15)	**(17.5)**	(17.7)

Credit risk on financial instruments held with financial institutions is assessed through reference to the long-term credit ratings assigned to that counterparty by Standard & Poor and Moody's.

21. Financial instruments continued

(d) Risk identification and risk management continued

(iv) Liquidity risk

Liquidity risk is the risk that the Group, although solvent, will have difficulty in meeting its obligations associated with its financial liabilities as they fall due.

The Group manages its liquidity risk by maintaining adequate financial resources, by continuously monitoring forecasted and actual cash flows and by matching the maturity profile of financial assets and liabilities to these risks.

The following table is an analysis of the undiscounted contractual maturities of financial liabilities (including the effect of cross-currency and interest rate swaps).

		Contractual repayments			
As at 30 April 2011	**Carrying amount £m**	**Total £m**	**1 year or less £m**	**1–5 years £m**	**More than 5 years £m**
Non-derivative financial liabilities					
Trade and other payables	**545.0**	**545.0**	**535.7**	**9.3**	**–**
Bank and other loans	**73.4**	**73.4**	**1.4**	**72.0**	**–**
Note purchase agreements	**327.1**	**312.8**	**–**	**150.9**	**161.9**
Finance lease liabilities	**11.8**	**11.8**	**3.0**	**5.2**	**3.6**
Bank overdrafts	**26.1**	**26.1**	**26.1**	**–**	**–**
Total non-derivative financial liabilities	**983.4**	**969.1**	**566.2**	**237.4**	**165.5**

		Contractual repayments			
As at 30 April 2010	Carrying amount £m	Total £m	1 year or less £m	1–5 years £m	More than 5 years £m
Non-derivative financial liabilities					
Trade and other payables	434.3	434.3	430.4	3.9	–
Bank and other loans	18.5	18.5	5.0	13.5	–
Note purchase agreements	237.9	224.2	–	162.2	62.0
Finance lease liabilities	5.7	5.7	0.7	2.4	2.6
Bank overdrafts	22.3	22.3	22.3	–	–
Total non-derivative financial liabilities	718.7	705.0	458.4	182.0	64.6

The tables above exclude interest expense estimated to be £18.9m in 2011/12, £18.1m in 2012/13, £11.7m in 2013/14, £9.3m in 2014/15, £8.3m in 2015/16 and £18.8m in 2016/17 and thereafter (assuming interest rates with respect to variable rate debt remain constant and there is no change in the aggregate principal amount of debt other than as a result of repayment at scheduled maturity).

The above table does not include forecast data for liabilities which may be incurred in the future which are not contracted as at 30 April 2011.

Refer to note 29 for an analysis of the Group's future operating lease payments and to note 30 for a summary of the Group's commitments.

The following table is an analysis of the undiscounted contractual maturities of derivative financial liabilities. Where the payable and receivable legs of these derivatives are denominated in foreign currencies, the contractual payments/receipts have been calculated based on exchange rates as at the respective year ends.

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21. Financial instruments continued

(d) Risk identification and risk management continued

Where applicable, interest and foreign exchange rates prevailing at the reporting date are assumed to remain constant over the future contractual maturities.

		Contractual payments/(receipts)			
As at 30 April 2011	**Carrying amount £m**	**Total £m**	**1 year or less £m**	**1–5 years £m**	**More than 5 years £m**
Derivative financial liabilities					
Energy derivatives	**(6.2)**	**(6.2)**	**(2.4)**	**(3.8)**	**–**
Interest rate and currency swaps:					
Outflow	**34.2**	**241.6**	**11.1**	**173.5**	**57.0**
Inflow	**(7.3)**	**(211.6)**	**(13.4)**	**(139.6)**	**(58.6)**
Foreign exchange:					
Outflow	**1.3**	**40.3**	**37.8**	**2.5**	**–**
Inflow	**(0.3)**	**(39.3)**	**(36.8)**	**(2.5)**	**–**
Total net derivative financial liabilities/(assets)	**21.7**	**24.8**	**(3.7)**	**30.1**	**(1.6)**

		Contractual payments/(receipts)			
As at 30 April 2010	Carrying amount £m	Total £m	1 year or less £m	1–5 years £m	More than 5 years £m
Derivative financial liabilities					
Energy derivatives	7.8	7.8	4.2	3.6	–
Interest rate and currency swaps:					
Outflow	21.5	282.8	10.1	213.4	59.3
Inflow	(11.3)	(284.6)	(14.1)	(203.1)	(67.4)
Foreign exchange:					
Outflow	0.1	52.8	50.8	2.0	–
Inflow	(1.6)	(54.3)	(52.3)	(2.0)	–
Total net derivative financial liabilities/(assets)	16.5	4.5	(1.3)	13.9	(8.1)

22. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Property, plant and equipment and intangible assets	**–**	–	**(62.9)**	(60.5)	**(62.9)**	(60.5)
Employee benefits including pensions	**41.3**	61.1	**–**	–	**41.3**	61.1
Other items	**18.3**	20.3	**–**	–	**18.3**	20.3
Tax assets/(liabilities)	**59.6**	81.4	**(62.9)**	(60.5)	**(3.3)**	20.9

Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	Assets		Liabilities	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Tax losses	**4.4**	9.9	**–**	–
Total	**4.4**	9.9	**–**	–

All the tax losses above do not expire. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Analysis of movements in recognised deferred tax assets and liabilities during the year

	Property, plant and equipment and intangible assets		Employee benefits including pensions		Other items		Total	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Balance at 1 May	**(60.5)**	(70.5)	**61.1**	55.7	**20.3**	17.5	**20.9**	2.7
Acquired	**(7.6)**	–	**–**	–	**–**	–	**(7.6)**	–
Credit/(charge) for the year	**6.3**	9.9	**(12.3)**	0.6	**–**	–	**(6.0)**	10.5
Recognised directly in equity	**–**	–	**(7.5)**	4.8	**(2.0)**	2.8	**(9.5)**	7.6
Exchange adjustments	**(1.1)**	0.1	**–**	–	**–**	–	**(1.1)**	0.1
Balance at 30 April	**(62.9)**	(60.5)	**41.3**	61.1	**18.3**	20.3	**(3.3)**	20.9

At 30 April 2011, deferred tax assets and liabilities were recognised for all taxable temporary differences:

- except where the deferred tax liability arises on goodwill;
- except on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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23. Provisions

	Employee benefits £m	Restructuring £m	Other £m	Total £m
Balance at 1 May 2010	4.5	10.2	6.1	20.8
Provisions made during the year	(0.1)	5.9	0.8	6.6
Provisions used during the year	–	(5.4)	(2.8)	(8.2)
Provisions reversed during the year	(1.0)	(0.6)	–	(1.6)
Effect of movements in foreign exchange	–	0.2	–	0.2
Balance at 30 April 2011	**3.4**	**10.3**	**4.1**	**17.8**
Non-current	3.0	5.7	0.9	9.6
Current	0.4	4.6	3.2	8.2
	3.4	**10.3**	**4.1**	**17.8**

The provision for employee benefits mainly represents that for long-service awards. The restructuring provision includes amounts associated with the closures and restructuring costs described in note 4. Other provisions mainly relate to an acquired onerous service contract and to provisions for vacant leaseholds and various legal claims. The timing of the utilisation of these provisions is uncertain, except where the associated costs are contractual, in which case the provision is utilised over the time period specified in the contract.

24. Capital and reserves

Share capital

	Number of shares			
	2011 Millions	2010 Millions	**2011 £m**	2010 £m
Ordinary equity shares of 10 pence each:				
Authorised	**700.0**	410.0	**70.0**	41.0
Issued, allotted, called up and fully paid	**435.6**	393.4	**43.6**	39.3

During the year, the Company issued 39,296,253 ordinary shares of 10p at an issue price of £1.20 per share. The gross proceeds of the placing shares were £47.2m. A further 2,924,144 ordinary shares of 10p each were issued via a placing in respect of employee share options. The net movement in share capital and share premium are disclosed in the Consolidated Statement of Changes in Equity on page 63.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group (see below), all rights are suspended until those shares are reissued.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share premium

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The Group operates a General Employee Benefit Trust, which acquires shares in the Company that can be used to satisfy the requirements of the Executive Share Option Scheme, Performance Share Plan (PSP), Deferred Share Bonus Plan (DSBP), Replacement Deferred Share Bonus Plan (RDSBP). At 30 April 2011, the Trust held 5.2m shares (30 April 2010: 2.4m shares). The market value of the shares at 30 April 2011 was £11.3m (30 April 2010: £3.2m). Dividends receivable on the shares owned by the Trust have been waived.

Non-controlling interests

At the beginning of the year, the Group had a liability of £3.5m and a corresponding entry against non-controlling interests in respect of the non-controlling shareholders' put option in Toscana Ondulati SpA. This amount was calculated with reference to the recent profitability of the company using a multiple based formula. The fair value of the put options increased during the year by £0.4m (2009/10: £0.4m). This charge was recorded within finance costs through the income statement and then transferred out of retained earnings into non-controlling interests.

25. Post-retirement benefits

Liability for defined benefit obligations

The Group operates a funded, defined benefit scheme in the UK, the DS Smith Group Pension scheme ('the Group scheme'). On 30 April 2011, the Group scheme was closed for future accrual. The Group made an agreed contribution of £30.1m to the Group scheme in 2010/11 (2009/10: £15.6m). The Group operates various local pension arrangements for overseas operations and unfunded arrangements for senior executives; these are, in aggregate, not significant to the Group. The following financial information includes amounts related to these other arrangements, where appropriate. A charge over certain assets of the Group has been made as security for certain of the unfunded arrangements. The most recent full actuarial valuation of the Group scheme was as at 30 April 2010. All UK valuations used the projected unit method.

As a result of the closure of the Group scheme to future accrual, a curtailment gain of £35.3m was recorded. This has been treated as an exceptional item (see note 4).

Liability for defined benefit obligations

Principal actuarial assumptions are as follows:

	2011 %	2010 %	2009 %	2008 %	2007 %
Discount rate for scheme liabilities	**5.3%**	5.6%	6.4%	5.9%	5.4%
Inflation	**2.8%**	3.5%	3.3%	3.5%	2.9%
Future salary increases	**N/A**	4.5%	4.3%	4.5%	3.9%
Future pension increases for pre 30 April 2005 service	**2.8%**	3.5%	3.3%	3.5%	2.9%
Future pension increases for post 30 April 2005 service	**2.3%**	2.4%	2.3%	2.3%	2.3%
Expected return on plan assets	**5.8%**	6.5%	6.7%	6.7%	6.6%

The sensitivity of the liabilities in the main UK scheme to the key assumptions above is summarised below:

	Increase in pension liability £m
0.5% decrease in discount rate	**(75.0)**
0.5% increase in inflation	**(65.0)**
1 year increase in life expectancy	**(20.0)**

As part of the actuarial valuation exercise the mortality tables have been amended as follows:

	2011		2010	
	Male	**Female**	Male	Female
Life expectancy at age 65				
Pensioner currently aged 65	**21.0**	**23.2**	19.5	22.4
Member currently aged 45	**22.4**	**24.8**	21.3	24.1

A change in the statutory revaluation of deferred pension increases, which will be based on the Consumer Prices Index (CPI) (previously indexation was referenced to the Retail Prices Index (RPI)) has been reflected in the actuarial assumptions for the Group scheme. A similar change in assumptions has been made for future pension increases, but it should be noted that the Trustee of the Group scheme will keep this indexation under review.

The amounts recognised in the statement of financial position in respect of post-retirement benefits and the expected long-term rates of return applied to the schemes' assets in the relevant financial period, are as follows:

	2011		2010		2009		2008		2007	
	Expected rate of return %	**Market value £m**	Expected rate of return %	Market value £m	Expected rate of return %	Market value £m	Expected rate of return %	Market value £m	Expected rate of return %	Market value £m
Equities	**7.5%**	**435.9**	7.9%	420.1	7.4%	349.8	7.6%	490.8	7.4%	527.1
Bonds, gilts and cash (weighted average)	**4.5%**	**295.6**	4.9%	269.0	5.1%	205.5	4.4%	231.0	4.1%	210.8
Total market value of assets		**731.5**		689.1		555.3		721.8		737.9
Present value of schemes' liabilities		**(879.0)**		(892.2)		(746.6)		(797.7)		(756.5)
Deficit in the schemes		**(147.5)**		(203.1)		(191.3)		(75.9)		(18.6)
Related deferred tax asset		**35.7**		57.0		53.3		21.4		5.6
Net pension liability		**(111.8)**		(146.1)		(138.0)		(54.5)		(13.0)

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25. Post-retirement benefits continued

Movements in the liability for defined benefit schemes' obligations recognised in the statement of financial position

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Schemes' liabilities at 1 May	**(892.2)**	(746.6)	(797.7)	(756.5)	(756.4)
Interest cost	**(49.0)**	(46.7)	(46.4)	(40.1)	(38.1)
Service cost recognised in the income statement	**(9.3)**	(9.6)	(11.7)	(9.8)	(10.9)
Member contributions	**(4.4)**	(5.6)	(6.2)	(6.4)	(6.9)
Curtailment gains	**35.3**	–	–	–	–
Pension payments	**51.7**	47.4	31.6	28.0	31.3
Payments to the Pension Protection Fund	**1.0**	1.1	1.5	–	0.1
Actuarial gains/(losses) recognised in the consolidated statement of comprehensive income	**(1.1)**	(132.3)	84.0	(10.8)	24.2
Effect of movements in foreign exchange	**(0.5)**	(0.5)	(1.7)	(2.1)	0.2
Acquisition	**(10.5)**	–	–	–	–
Reclassification to held for sale	**–**	0.6	–	–	–
Schemes' liabilities at 30 April	**(879.0)**	(892.2)	(746.6)	(797.7)	(756.5)

Movements in the fair value of defined benefit schemes' assets recognised in the statement of financial position

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Schemes' assets at 1 May	**689.1**	555.3	721.8	737.9	706.1
Employer contributions	**32.3**	17.1	16.9	16.8	17.3
Member contributions	**4.4**	5.6	6.2	6.4	6.9
Other contributions	**–**	–	–	0.7	–
Expected return on schemes' assets	**41.6**	35.2	47.9	48.9	46.1
Actuarial gains/(losses) recognised in the consolidated statement of comprehensive income	**15.5**	122.0	(207.4)	(62.2)	(7.2)
Pension payments	**(51.7)**	(45.7)	(31.4)	(27.8)	(31.2)
Effect of movements in foreign exchange	**0.3**	(0.4)	1.3	1.1	(0.1)
Schemes' assets at 30 April	**731.5**	689.1	555.3	721.8	737.9

Expense recognised in the income statement

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Current service cost	**(8.3)**	(7.9)	(9.7)	(8.3)	(9.3)
Past service cost	**–**	(0.6)	(0.8)	(1.1)	(1.5)
Pension Protection Fund levy	**(1.0)**	(1.1)	(1.2)	(0.4)	(0.1)
Total service cost	**(9.3)**	(9.6)	(11.7)	(9.8)	(10.9)
Curtailment gains	**35.3**	–	–	–	–
Interest cost on schemes' liabilities	**(49.0)**	(46.7)	(46.4)	(40.1)	(38.1)
Expected return on schemes' assets	**41.6**	35.2	47.9	48.9	46.1
Employment benefit net finance (expense)/income	**(7.4)**	(11.5)	1.5	8.8	8.0

The expected rates of return on scheme assets have been derived based on the weighted average of the expected returns on the individual asset classes.

25. Post-retirement benefits continued

Analysis of amounts recognised in the statement of comprehensive income

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Actual return less expected return on pension schemes' assets	**15.5**	122.0	(207.4)	(62.2)	(7.2)
Experience gains/(losses) arising on schemes' liabilities	**–**	–	–	16.1	10.3
Changes in assumptions underlying present value of schemes' liabilities	**(1.1)**	(132.3)	84.0	(26.9)	13.9
Actuarial gains/(losses) recognised in the statement of comprehensive income	**14.4**	(10.3)	(123.4)	(73.0)	17.0

The cumulative amount of actuarial losses recognised in other comprehensive income since the date of transition to IFRS is £152.1m (2009/10: £166.5m).

History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Difference between expected and actual returns on schemes' assets	**15.5**	122.0	(207.4)	(62.2)	(7.2)
Above as a percentage of schemes' assets	**2%**	18%	(37%)	(9%)	(1%)
Experience gains/(losses) arising on schemes' liabilities	**–**	–	–	16.1	10.3
Above as a percentage of the present value of schemes' liabilities	**–**	–	–	2%	1%
Total amount recognised in the consolidated statement of comprehensive income	**14.4**	(10.3)	(123.4)	(73.0)	17.0
Above as a percentage of the present value of schemes' liabilities	**2%**	(1%)	(17%)	(9%)	2%

The actual return on scheme assets was £56.8m (2009/10: £156.2m). The Group expects to pay approximately £15m in contributions to the Group defined benefit pension schemes in the year ending 30 April 2012.

26. Share-based payment expense

The Group's share-based payment arrangements are as follows:

(i) A Performance Share Plan (PSP). Awards under the PSP normally vest after three years subject to remaining in service and the satisfaction of performance conditions measured over the three financial years commencing with the year of grant. Awards have been made under the PSP in 2008, 2009 and 2010. The performance conditions are as detailed below (see the Remuneration Report on pages 46 and 47).

- The 2008 award is subject to three equally-weighted performance measures:

  (i) the Company's total shareholder return (TSR) compared to the constituents of the Industrial Goods and Services Supersector within the FTSE 250;

  (ii) average adjusted earnings per share (EPS); and

  (iii) average adjusted return on average capital employed (ROACE).

  For those senior executives working in one of the four Business Segments, the three measures (equally weighted) are TSR (as above), average adjusted operating profit and average adjusted ROACE for the relevant segment.

- The 2009 award is subject to two performance measures:

  (i) 80% of each award based on a TSR component as per above; and

  (ii) 20% of each award based on average adjusted ROACE.

  For those senior executives working in one of the four Business Segments, the two measures are TSR and ROACE for the relevant segment.

- The 2010 award is subject to three performance measures:

  (i) 50% of each award based on a TSR component as per above;

  (ii) 25% of each award based on average adjusted EPS; and

  (iii) 25% of each award based on average adjusted ROACE.

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Notes to the Consolidated Financial Statements continued

26. Share-based payment expense continued

(ii) Replacement 2007 and 2008 Long Term Incentive Plans for Mr M W Roberts. The Replacement 2007 LTIP vested on 10 October 2010 and the Replacement 2008 LTIP is due to vest on 17 October 2011. The Replacement 2008 LTIP award is subject to a performance condition measuring the TSR of McBride plc up to the date Mr Roberts joined the Company and thereafter the Company's TSR against a comparator group of companies comprising the FTSE 250 Index (excluding investment trusts) constituted as at the date of grant of the award over a three-year performance period commencing on 1 July 2008. The award will vest in full if the TSR is ranked in the upper quartile of the comparator group and on a straight-line basis if the TSR is ranked between median and upper quartile. There were no performance conditions governing the vesting of the Replacement 2007 LTIP award. The Replacement 2007 LTIP was fully exercised in October 2010.

(iii) The Replacement Deferred Shares Award and the Substitute Share Bonus Award are subject to substantially the same terms as the Company's Deferred Share Bonus Plan, except that they will vest on 1 September 2012 and 1 September 2013 respectively. Mr Roberts will be entitled to a cash payment on vesting, representing a value equivalent to the dividends which would have been paid on his vested shares while they were subject to his awards. There are no performance conditions governing the vesting of the Replacement Deferred Shares Award and the Substitute Share Bonus Award because the awards they replicate had no performance conditions attaching to them.

(iv) The Recruitment Award is subject to substantially the same terms as the awards made under the Company's PSP in 2009. The award is due to vest on 19 October 2012.

(v) A Deferred Share Bonus Plan (DSBP) is operated for Executive Directors. Shares awarded to Directors under the Plan will vest automatically if the Director is still employed by the Company three years after the grant of the award.

(vi) An Executive Share Option Scheme (ESOS). This scheme ceased to be operated from September 2008. In normal circumstances, the vesting of any options granted under the ESOS is subject to remaining in service and that the growth in the Company's normalised earnings per share equals or exceeds the growth in the UK Retail Prices Index plus an average of 3% per annum over the three financial years commencing with the year of grant.

(vii) A Long-Term Incentive Plan (LTIP). This scheme ceased to be operated from September 2008. In normal circumstances LTIP awards vest on the third anniversary of grant subject to satisfaction of performance conditions and remaining in service. Performance is measured over a single period of three financial years (commencing with the year in which the award is made) and is based on the Company's total shareholder return performance relative to the constituents of the FTSE Mid 250 Index (excluding investment trusts). Full vesting occurs for a ranking of upper quartile or higher reducing on a straight-line basis to 30% of the award vesting for median performance. None of the award vests for below median performance. No awards will vest, irrespective of total shareholder return performance, unless the Company's earnings per share growth matches or exceeds the growth in the Retail Prices Index over the three-year period.

Full details of the awards described in (i), (ii), (iii), (iv) and (v) are set out in the Remuneration Report on pages 49 to 52.

The total number of options outstanding and exercisable under share arrangements as at 30 April 2011 was as follows:

	Options outstanding				Options exercisable	
	Number of shares	Option price range (p)	Weighted average remaining contract life (years)	Weighted average exercise price (p)	Number exercisable	Weighted average exercise price (p)
Executive Share Option Scheme (1999)	1,077,197	135.2-159	3.3	148.6	1,077,197	148.6
Performance Share Plan	11,719,284	Nil	1.3	Nil	Nil	Nil
Replacement 2008 Long-Term Incentive Plan	432,432	Nil	0.5	Nil	Nil	Nil
Replacement Deferred Shares Award	106,685	Nil	1.3	Nil	Nil	Nil
Recruitment Award	570,768	Nil	1.5	Nil	Nil	Nil
Substitute Share Bonus Award	80,014	Nil	2.3	Nil	Nil	Nil
Long-Term Incentive Plan	Nil	Nil	Nil	Nil	Nil	Nil
Deferred Share Bonus Plan	58,710	Nil	2.2	Nil	Nil	Nil
Replacement Deferred Share Bonus Plan	Nil	Nil	Nil	Nil	Nil	Nil

The effect on earnings per share of potentially dilutive shares issuable under share-based payment arrangements is shown in note 8.

26. Share-based payment expense continued

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

2011	Executive Share Option Scheme (1999)		Performance Share Plan		Replacement 2008 Long Term Incentive Plan		Replacement Deferred Shares Award	
	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)
Balance at 1 May 2010	161.6	5,188	Nil	9,939	Nil	–	Nil	–
Granted	Nil	–	Nil	4,096	Nil	432	Nil	107
Exercised	147.6	(2,929)	Nil	(217)	Nil	–	Nil	–
Lapsed	200.4	(1,182)	Nil	(2,099)	Nil	–	Nil	–
Balance at 30 April 2011	**148.6**	**1,077**	**Nil**	**11,719**	**Nil**	**432**	**Nil**	**107**
Exercisable at 30 April 2011	**148.6**	**1,077**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

2011 continued	Recruitment Award		Substitute Share Bonus Award		Long Term Incentive Plan		Deferred Share Bonus Plan	
	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)
Balance at 1 May 2010	Nil	–	Nil	–	Nil	691	Nil	222
Granted	Nil	571	Nil	80	Nil	–	Nil	59
Exercised	Nil	–	Nil	–	Nil	–	Nil	(222)
Lapsed	Nil	–	Nil	–	Nil	(691)	Nil	–
Balance at 30 April 2011	**Nil**	**571**	**Nil**	**80**	**Nil**	**Nil**	**Nil**	**59**
Exercisable at 30 April 2011	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

2011 continued	Replacement Deferred Share Bonus Plan	
	Weighted average exercise price (p)	Options ('000s)
Balance at 1 May 2010	Nil	75
Granted	Nil	–
Exercised	Nil	(75)
Lapsed	Nil	–
Balance at 30 April 2011	**Nil**	**Nil**
Exercisable at 30 April 2011	**Nil**	**Nil**

2010	Executive Share Option Scheme (1992)		Executive Share Option Scheme (1999)		Restricted Share Plan		Long-Term Incentive Plan	
	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)	Weighted average exercise price (p)	Options ('000s)
Balance at 1 May 2009	166.6	53	162.4	5,541	Nil	29	Nil	1,943
Granted	Nil	–	Nil	–	Nil	–	Nil	–
Exercised	Nil	–	Nil	–	Nil	(29)	Nil	–
Lapsed	166.6	(53)	175.1	(353)	Nil	–	Nil	(1,252)
Balance at 30 April 2010	Nil	Nil	161.6	5,188	Nil	Nil	Nil	691
Exercisable at 30 April 2010	Nil	Nil	148.5	4,478	Nil	Nil	Nil	Nil

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Notes to the Consolidated Financial Statements continued

26. Share-based payment expense continued

2010 continued	Deferred Share Bonus Plan Weighted average exercise price (p)	Deferred Share Bonus Plan Options ('000s)	Replacement Deferred Share Bonus Plan Weighted average exercise price (p)	Replacement Deferred Share Bonus Plan Options ('000s)	Performance Share Plan Weighted average exercise price (p)	Performance Share Plan Options ('000s)
Balance at 1 May 2009	Nil	222	Nil	113	Nil	4,090
Granted	Nil	–	Nil	–	Nil	6,247
Exercised	Nil	–	Nil	(38)	Nil	–
Lapsed	Nil	–	Nil	–	Nil	(398)
Balance at 30 April 2010	Nil	222	Nil	75	Nil	9,939
Exercisable at 30 April 2010	Nil	Nil	Nil	Nil	Nil	Nil

The average share price of the Company during the financial year was 169.6 pence (2009/10: 104.8 pence).

The total expense recognised as employee costs is as follows:

	2011 £m	2010 £m
Share-based incentive awards granted in 2007/08	–	0.1
Share-based incentive awards granted in 2008/09	0.4	0.5
Share-based incentive awards granted in 2009/10	0.5	0.8
Share-based incentive awards granted in 2010/11	2.0	–
Total expense recognised as employee costs	2.9	1.4

The fair value of awards granted in the period relates to the PSP, DSBP, Replacement Long-Term Incentive Plans and the Recruitment Award schemes.

The fair value of the PSP award granted during the period determined using the stochastic valuation model, was £4.0m. The significant inputs into the model were: a share price of £1.394 for the PSP at the grant date; the exercise prices shown above; an expected initial volatility of the share price of 40.8% and long term volatility of 28.7%; the scheme life disclosed above; an annual risk-free interest rate of 1.4% and an expected dividend yield of nil%. The volatility of share price returns measured as the standard deviation of expected share price returns is based on statistical analysis of average weekly share prices over a period of three years.

The fair value of the PSP award granted in 2009 using the stochastic valuation model was £2.2m. The significant inputs into the model were: a share price of £0.7 for the PSP at the grant date; the exercise prices shown above; an expected volatility of the share price of 54.1%; the scheme life disclosed above; an annual risk-free interest rate of 2.4% and an expected dividend yield of nil%. The volatility of share price returns measured as the standard deviation of expected share price returns is based on statistical analysis of average weekly share prices over a period of three years.

The fair value of the PSP award granted in 2008 using the stochastic valuation model was £1.2m. The significant inputs into the model were: a share price of £1.24 for the PSP at the grant date; the exercise price shown above, an expected volatility of the share price of 37.5%; the scheme life disclosed above; an annual risk-free interest rate of 4.2%; and an expected dividend yield of nil%. The volatility of share price returns measured as the standard deviation of expected share price returns is based on a statistical analysis of average weekly share prices over a period of three years.

The fair value of other options granted during the period, determined using the stochastic valuation model, was £1.4m. The significant inputs into the model were: a share price of £1.394; the exercise prices shown above; an expected initial volatility of the share price of 40.8% and long term volatility of 28.7% for the Replacement 2008 LTIP and Recruitment award; the options life disclosed above; an annual risk-free interest rate of 1.05% for LTIP and 0.7% for the Recruitment award; and an expected dividend yield of 3.3% for LTIP and nil for Recruitment. The volatility of share price returns measured as the standard deviation of expected share price returns was based on statistical analysis of daily share prices over a period of two years.

The fair value of options granted in 2008, determined using the stochastic valuation model, was £2.0m. The significant inputs into the model were: a share price of £2.37 for LTIP, and £2.44 for ESOS; the exercise prices shown above; a standard deviation of expected share price returns of 24.1% for LTIP and 26.6% for ESOS; the options life disclosed above; an annual risk-free interest rate of 5.5% for LTIP and 5.4% for ESOS; and an expected dividend yield of 3.6% for LTIP and 3.5% for ESOS. The volatility of share price returns measured as the standard deviation of expected share price returns was based on statistical analysis of daily share prices over a period of three to six years.

27. Cash generated from operations

	2011 £m	2010 £m
Profit for the financial year	**70.7**	38.1
Adjustments for:		
Exceptional items (credited)/charged to income statement	**(1.2)**	13.3
Cash outflow for exceptional items	**(17.0)**	(18.4)
Depreciation and amortisation	**78.6**	72.0
Profit on sale of non-current assets	**(0.7)**	(1.0)
Share of profit of associates	**–**	(0.2)
Employment benefit net finance expense	**7.4**	11.5
Share-based payment expense	**2.9**	1.4
Finance income	**(1.2)**	(1.5)
Finance costs	**21.0**	15.9
Other non-cash items	**0.5**	0.6
Income tax expense	**31.5**	16.9
	121.8	110.5
Changes in		
Inventories	**(13.3)**	(8.0)
Trade and other receivables	**(10.0)**	(36.3)
Trade and other payables	**30.9**	41.9
Provisions and employee benefits	**(25.7)**	(10.7)
	(18.1)	(13.1)
Cash generated from operations	**174.4**	135.5

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Notes to the Consolidated Financial Statements continued

28. Reconciliation of net cash flow to movement in net debt

	2011 £m	2010 £m
Operating profit before amortisation and exceptional items	**136.1**	98.1
Depreciation	**70.7**	67.9
Adjusted EBITDA	**206.8**	166.0
Working capital movement	**7.6**	(2.4)
Provisions and employee benefits	**(25.7)**	(10.7)
Other	**2.7**	1.0
Cash generated from operations before exceptional cash items	**191.4**	153.9
Capital expenditure payments	**(66.6)**	(52.6)
Proceeds from sales of assets and investments	**10.1**	13.0
Tax paid	**(18.6)**	(21.3)
Net interest paid	**(15.6)**	(16.2)
Free cash flow	**100.7**	76.8
Exceptional cash costs	**(17.0)**	(18.4)
Dividends paid to Group shareholders	**(22.6)**	(12.9)
Net (acquisitions)/disposals of subsidiaries	**(165.1)**	(1.0)
Net cash flow	**(104.0)**	44.5
Proceeds from the issue of share capital	**50.1**	–
Purchase of own shares	**(6.5)**	–
Net debt acquired	**(36.6)**	(0.9)
Net movement on (borrowings)/cash	**(97.0)**	43.6
Foreign exchange and fair value movements (note 18)	**(14.5)**	8.4
Net debt movement	**(111.5)**	52.0
Opening net debt	**(239.5)**	(291.5)
Closing net debt	**(351.0)**	(239.5)

Free cash flow excludes net acquisitions/(disposals) of equity in subsidiaries, exceptional cash costs and dividends.

29. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2011 £m	2010 £m
Less than one year	**25.5**	24.3
Between one and five years	**60.6**	55.5
More than five years	**32.2**	31.3
	118.3	111.1

Operating lease payments represent rentals payable by the Group for certain of its properties, machines, vehicles and office equipment.

As at 30 April 2011, the Group's future minimum sub-lease receipts totalled £0.8m (30 April 2010: £1.1m), of which: £0.2m (30 April 2010: £0.2m) falls within one year; £0.6m (30 April 2010: £0.9m) between one and five years; and £nil (30 April 2010: £nil) after five years.

30. Capital commitments

As at 30 April 2011, the Group had committed to incur capital expenditure of £25.4m (30 April 2010: £5.3m).

31. Acquisitions and divestments

(a) Otor Group

On 1 September 2010, the Group acquired 100% of the voting share capital of Otor Finance S.A., a holding company which owns and controls 80% of Otor S.A. On this date and as part of the same acquisition, the Group acquired an additional 15% of the voting share capital of Otor S.A. Otor S.A. is a leading fast moving consumer goods (FMCG) focused corrugated packaging company in France. As a result, the Group's total voting and ownership interest in Otor S.A. at acquisition date was 95%. Total consideration transferred comprised cash of £156.6m. As noted below, in October 2010 the Group increased its ownership interest to 100%.

Taking control of the Otor Group satisfies a number of the Group's key strategic objectives, in particular the development of a strong continental European Corrugated Packaging business focused on the FMCG sector and strengthening significantly the Group's French presence. The Group expects the acquisition will have enhanced long-term growth potential through the Otor Group's strong business across France and from increased exposure to the more resilient FMCG markets. Combining the Otor Group's successful and well-established Corrugated Packaging business with the Group's existing French operations has created a platform with significantly enhanced capabilities to address the needs of key corrugated packaging customers both in France and more broadly in continental Europe.

In the period 1 September 2010 to 30 April 2011, the Otor Group contributed revenue of £197.1m and profit after tax of £9.1m to the Group's results. In these eight months, Otor generated adjusted operating profits of €21.7m, with a return on sales of 9.4%, and an annualised return on invested capital of 13.6%. If the acquisition had occurred on 1 May 2010, management estimates for the twelve months to 30 April 2011, that the Group consolidated revenue would have been £2,566.0m, and consolidated profit after tax would have been £76.1m.

	Carrying values before acquisition 2011 £m	Fair value of assets acquired 2011 £m
Intangible assets	4.4	26.5
Property, plant and equipment	46.1	61.8
Deferred tax assets/(liabilities)	11.9	(7.6)
Other non-current receivables	2.5	2.5
Non-current bank deposits	6.8	6.8
Inventories	34.3	34.3
Trade and other receivables	55.9	55.9
Interest-bearing loans and borrowings – non-current	(6.1)	(6.1)
Post-retirement benefits	(11.6)	(11.6)
Other payables – non-current	(3.6)	(3.6)
Bank overdrafts	(2.3)	(2.3)
Interest-bearing loans and borrowings – current	(34.2)	(34.2)
Trade and other payables	(57.6)	(57.6)
Provisions	–	(0.9)
Total identifiable assets acquired	**46.5**	**63.9**
Goodwill arising		95.9
Total consideration		**159.8**
Satisfied by:		
Cash consideration		156.6
Fair value of non-controlling interest acquired		3.2
		159.8
Net cash flow arising on acquisition		
Cash consideration (at acquisition date)		(156.6)
Cash and cash equivalents acquired		(2.3)
Acquisition of subsidiary business, net of cash and cash equivalents acquired		**(158.9)**
Cash consideration (acquisition of non-controlling interest)		(8.5)
Total cash outflow		**(167.4)**

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Notes to the Consolidated Financial Statements continued

31. Acquisitions and divestments continued

(a) Otor Group continued

The fair value adjustments relate to the valuation of land and buildings included within property, plant and equipment, and identified intangible assets as determined by external valuation firms. The intangible assets acquired as part of the acquisition relate to customer relationships (£19.1m), patented technology (£4.1m), software (£2.5m), and research and development (£0.8m).

Deferred tax is recognised on the temporary timing differences created by the fair value adjustments.

The trade receivables comprise gross contractual amounts due of £52.9m. At the acquisition date, it is estimated that contractual cash flows of £1.8m will not be collected.

The goodwill arising on the acquisition of Otor amounting to £95.9m (which is not expected to be tax deductible) consists of anticipated synergies from integrating Otor into the Group's existing Continental European Corrugated Packaging operations and the skills and technical talent of Otor's workforce.

Acquisition related costs

The Group incurred acquisition related costs of £7.2m on professional advisory fees and due diligence costs. These fees have been included in administrative expenses in the Group's condensed consolidated income statement. Due to the nature of these costs, they have been reported as exceptional costs.

Acquisition of non-controlling interests

In October 2010, the Group acquired an additional 5% interest in Otor S.A. for £8.5m in cash, increasing its ownership in the Otor Group from 95% to 100%. The Group recognised a decrease in non-controlling interests of £3.3m and a decrease in retained earnings of £5.2m, to reflect this transaction.

(b) Divestments

On 1 October 2010, the Group sold its subsidiary in Turkey, DS Smith Çopikas A.S., for a consideration of £4.8m.

On 30 April 2011, the Group sold its business in the UK, DS Smith Sacks, for a cash consideration of £1.1m.

2009/10

Wirth

On 17 February 2010, the Group obtained control of Winfried Wirth GmbH, a corrugated packaging business in Germany. As a result, the Group's equity interest in Wirth increased from 25% to 55%.

Demes Logistics

On 6 January 2010, the assets of Demes Logistics GmbH & Co KG, a plastic packaging business in Germany, were sold.

Vale Paper Limited

Deferred consideration of £0.2m was paid in 2010 to Vale Paper Limited in full settlement of the further consideration due.

32. Related parties

Identity of related parties

In the normal course of business the Group undertakes a wide variety of transactions with certain of its subsidiaries (see note 33) and associates (see note 12).

The key management personnel of the Company comprise the Chairman, Executive Directors and non-Executive Directors. The compensation of key management personnel can be found in the Remuneration Report set out on pages 45 to 53 of the Annual Report. Certain key management also participate in the Group's share option programme (refer to note 25). Included within the share-based payment expense is a charge of £1.3m (2010: £0.4m) relating to key management.

Other related party transactions

	2011 £m	2010 £m
Sales to associates and joint ventures	**–**	–
Purchases from associates and joint venture	**0.3**	0.4
Amounts due from associates and joint venture	**–**	–
Amounts due to associates and joint venture	**–**	–

33. DS Smith Group companies

Control of the Group

The Group's ultimate parent company is DS Smith Plc.

List of key consolidated companies

	Country of incorporation or registration	Ownership interest 2011
UK Packaging		
DS Smith Paper Limited	England	100%*
DS Smith Logistics Limited	England	100%*
DS Smith Packaging Limited	England	100%*
Continental European Corrugated Packaging		
DS Smith Kaysersberg S.A.S.	France	100%*
DS Smith Polska S.A.	Poland	100%*
Otor S.A.	France	100%*
Toscana Ondulati SpA	Italy	92%*
Plastic Packaging		
DS Smith Plastics Limited	England	100%*
Cartón Plástico s.a.	Spain	100%*
D.W. Plastics NV	Belgium	100%*
DS Smith Ducaplast S.A.S.	France	100%*
David S. Smith America Inc.	USA	100%*
DSS Rapak Inc.	USA	100%*
StePac L.A. Limited	Israel	97.2%*
Rapak GmbH	Germany	100%*
Rapak Asia Pacific Limited	New Zealand	100%*
Office Products Wholesaling		
Spicers Limited	England	100%*
Spicers (Ireland) Limited	Ireland	100%*
Spicers France S.A.S	France	100%*
Spicers Belgium NV	Belgium	100%*

* indirectly held by DS Smith Plc

A complete list of the Group's companies is available from the registered office.

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Notes to the Consolidated Financial Statements continued

34. Investment in Joint Ventures

Rapak AD, a liquid packaging business based in Bulgaria, is proportionately consolidated within these financial statements. The Group share of the summarised financial information is presented as follows:

	2011 £m	2010 £m
Total non-current assets	0.7	0.6
Total current assets	1.1	0.8
Total non-current liabilities	(0.6)	(0.6)
Total current liabilities	(0.3)	(0.2)
Share of Rapak AD's net assets, proportionately consolidated	**0.9**	0.6
Revenue	1.6	1.3
Cost of sales	(1.1)	(0.8)
Operating expenses	(0.2)	(0.3)
Share of Rapak AD's profit for the financial year	**0.3**	0.2

	Nature of business	Principal country of operation	Financial year end	Ownership 2011
Rapak AD	Plastic packaging	Bulgaria	31 December	50.0%

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Company Balance Sheet Prepared in Accordance with UK GAAP

As at 30 April 2011

	Note	2011 £m	2010 £m
Fixed assets			
Tangible assets	4	**2.2**	2.4
Investments	5	**357.0**	357.0
		359.2	359.4
Current assets			
Debtors: amounts falling due within one year	6	**19.2**	12.9
Debtors: amounts falling due after more than one year	6	**1,950.8**	1,089.4
Cash at bank and in hand		**32.5**	0.8
		2,002.5	1,103.1
Creditors: amounts falling due within one year			
Trade and other creditors	7	**(29.5)**	(55.8)
Borrowings	7	**(62.5)**	(17.7)
Net current assets		**1,910.5**	1,029.6
Total assets less current liabilities		**2,269.7**	1,389.0
Creditors: amounts falling due after more than one year			
Trade and other creditors	7	**(36.1)**	(25.2)
Borrowings	7	**(1,644.8)**	(804.7)
Provisions for liabilities	8	**(4.0)**	(4.2)
Net assets excluding pension liability		**584.8**	554.9
Net pension liability	2	**(99.1)**	(142.8)
Net assets including pension liability		**485.7**	412.1
Capital and reserves			
Called up share capital	9	**43.6**	39.3
Share premium account	10	**309.1**	263.1
Profit and loss account	10	**133.0**	109.7
Shareholders' funds		**485.7**	412.1

Approved by the Board of Directors of DS Smith Plc (company registered number 1377658) on 22 June 2011 and signed on its behalf by

M W Roberts, Director S W Dryden, Director

The accompanying notes are an integral part of these financial statements.

Notes to the Company Balance Sheet Prepared in Accordance with UK GAAP

1. Significant accounting policies

A summary of the significant accounting policies, which have been applied consistently, is set out below:

(a) Accounting basis

The financial statements of DS Smith Plc (the Company) have been prepared on a going concern basis and under the historical cost convention and have been prepared in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Practice (GAAP).

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Under FRS 1 'Cash Flow Statements', the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the Company in its own consolidated financial statements.

The Company has also taken advantage of the exemption in FRS 29 'Financial Instruments: Disclosures', not to present Company only information as the disclosures provided in the notes to the consolidated financial statements comply with the requirements of this standard.

(b) Income recognition

Dividend income from subsidiary undertakings is recognised in the profit and loss account when declared by the subsidiary undertaking.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost or valuation less the estimated residual value of all tangible fixed assets in equal annual instalments over their estimated useful lives at the following rates:

Plant and equipment	3 – 5 years
Leasehold improvements	over the period of the lease

Land is not depreciated.

(d) Fixed asset investments

Fixed asset investments are valued at cost less provisions for impairment.

(e) Deferred taxation

In accordance with FRS 19, deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, provided at current tax rates and based on current legislation. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end.

Exchange differences arising on translation are taken to the profit and loss account.

(g) Pension contributions

The amounts charged to operating profit in respect of defined benefit arrangements are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and duration to the scheme liabilities. The resulting defined benefit net asset or liability, net of the related deferred tax, is presented.

(h) Financial instruments

Financial instruments are reported in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'.

The Group uses derivative financial instruments, primarily interest rate, currency and commodity swaps, to manage interest rate, currency and commodity risks associated with the Group's underlying business activities and the financing of these activities. The Group has a policy not to, and does not undertake any speculative activity in these instruments.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into 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.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk.

Any gains or losses arising from the hedging instruments are offset against the hedged items.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; and
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

(i) Share options

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the numbers of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received as a result of such options being exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Where applicable, the fair value of employee services received by subsidiary undertakings within the DS Smith Plc Group in exchange for options granted by the Company is recognised as an expense in the financial statements of the subsidiary by means of a recharge from the Company.

2. Pensions

Details of the assumptions used in the calculation of the underlying assets and liabilities are disclosed in note 25 to the consolidated financial statements on page 99.

	2011 £m	2010 £m
Market value of schemes' assets	**718.9**	677.6
Present value of schemes' liabilities	**(852.8)**	(875.9)
Deficit in the schemes	**(133.9)**	(198.3)
Related deferred tax asset	**34.8**	55.5
Net pension liability	**(99.1)**	(142.8)

The movement in the deficit during the year is as follows:

	2011 £m	2010 £m
Opening deficit	**(198.3)**	(186.6)
Service cost	**(7.3)**	(7.0)
Pension Protection Fund Levy	**(1.0)**	(1.1)
Contributions	**31.2**	15.9
Payments to Pension Protection Fund	**1.0**	1.1
Other finance income	**(7.0)**	(11.2)
Curtailment	**35.0**	–
Actuarial gains/(losses)	**12.5**	(11.0)
Net payments	**–**	1.6
Closing deficit	**(133.9)**	(198.3)

Information on other aspects of the Company's defined benefit arrangements is materially the same as set out in note 25 to the consolidated financial statements.

3. Employee information

The average number of employees employed by the Company during the year was 38 (2009/10: 39).

	2011 £m	2010 £m
Wages and salaries	**7.9**	6.9
Social security costs	**2.5**	1.3
Pension costs	**0.3**	0.5
Total	**10.7**	8.7

Note 26 to the consolidated financial statements sets out the disclosure information required for the Company's share-based payments.

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Notes to the Company Balance Sheet Prepared in Accordance with UK GAAP continued

4. Tangible fixed assets

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
Balance at 1 May 2010	1.4	1.5	2.9
Additions	–	0.2	0.2
Balance at 30 April 2011	**1.4**	**1.7**	**3.1**
Depreciation			
Balance at 1 May 2010	–	(0.5)	(0.5)
Depreciation charge for the year	–	(0.4)	(0.4)
Balance at 30 April 2011	**–**	**(0.9)**	**(0.9)**
Carrying amount			
Balance as at 1 May 2010	1.4	1.0	2.4
Balance as at 30 April 2011	**1.4**	**0.8**	**2.2**

5. Fixed asset investments

	Shares in Group undertakings £m	Other £m	Total £m
Balance at 1 May 2010	357.0	–	357.0
Balance at 30 April 2011	**357.0**	**–**	**357.0**

The Company's principal trading subsidiary undertakings at 30 April 2011 are shown in note 33 of the consolidated financial statements.

6. Debtors

	2011 £m	2010 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**0.7**	0.7
Corporation tax	**8.9**	8.2
Other debtors includes other tax	**1.3**	1.3
Prepayments and accrued income	**0.1**	0.1
Derivative financial instruments	**8.2**	2.6
	19.2	12.9
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	**1,935.3**	1,071.8
Other debtors	**–**	0.8
Deferred tax asset	**2.2**	5.5
Derivative financial instruments	**13.3**	11.3
	1,950.8	1,089.4
Total debtors	**1,970.0**	1,102.3

7. Creditors

	2011 £m	2010 £m
Trade and other creditors falling due within one year		
Amounts owed to subsidiary undertakings	**–**	34.4
Other tax and social security payables	**5.4**	4.0
Accruals and deferred income	**18.1**	10.6
Derivative financial instruments	**6.0**	6.8
	29.5	55.8
Trade and other creditors falling due after more than one year		
Deferred tax liability	**–**	–
Derivative financial instruments	**36.1**	25.2
	36.1	25.2
Borrowings falling due within one year		
Bank loans and overdrafts	**62.5**	17.7
	62.5	17.7
Borrowings falling due after more than one year (see note 20 of the consolidated financial statements for further details)		
Bank loans	**72.0**	11.5
Loans from subsidiary undertakings	**1,246.7**	555.3
Other loans	**326.1**	237.9
	1,644.8	804.7
Total creditors	**1,772.9**	903.4

8. Provisions for liabilities

	Restructuring £m	Other £m	Total £m
Balance at 1 May 2010	1.9	2.3	4.2
Charged to the profit and loss account	0.9	–	0.9
Provisions used during the year	(0.9)	(0.2)	(1.1)
Balance at 30 April 2011	**1.9**	**2.1**	**4.0**

FINANCIAL STATEMENTS

Notes to the Company Balance Sheet Prepared in Accordance with UK GAAP continued

9. Share capital

	Number of shares 2011 Millions	Number of shares 2010 Millions	2011 £m	2010 £m
Ordinary equity shares of 10 pence each				
Authorised	**700.0**	410.0	**70.0**	41.0
Issued, allotted, called up and fully paid	**435.6**	393.4	**43.6**	39.3

During the year the Company issued 39,296,253 ordinary shares of 10p at an issue price of £1.20 per share. The gross proceeds of the placing shares were £47.2m. A further 2,924,144 ordinary shares of 10p each were issued in respect of employee share options.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

10. Reserves

	Share premium account £m	Profit and loss account Own shares £m	Profit and loss account Hedging reserve £m	Profit and loss account Other £m	Total £m
At 1 May 2010	263.1	(4.2)	(9.3)	123.2	109.7
Issue of share capital	46.0	–	–	–	–
Retained profit for the financial year	–	–	–	8.5	8.5
Actuarial gains on pension schemes	–	–	–	12.5	12.5
Tax on actuarial gains on pension schemes	–	–	–	(7.6)	(7.6)
Purchase of own shares	–	(6.5)	–	–	(6.5)
Changes in the fair value of cash flow hedges (including tax)	–	–	12.7	–	12.7
Share-based payments (after tax)	–	1.4	–	2.3	3.7
At 30 April 2011	**309.1**	**(9.3)**	**3.4**	**138.9**	**133.0**

The Company made a profit for the financial year of £30.5m (2009/10: profit of £43.6m) including the recognition of intra-group dividends.

11. Contingent liabilities

The Company has guaranteed the gross overdrafts and loans of certain subsidiary undertakings, which at 30 April 2011 amounted to £17.4m (30 April 2010: £42.2m).

12. Related party disclosure

The Company has identified the Directors of the Company, its key management and the UK pension scheme as related parties for the purpose of FRS 8 'Related Party Disclosures'. Details of the relevant relationships with these related parties are disclosed in the Directors' Remuneration Report set out on pages 45 to 53, and note 25 of the consolidated financial statements respectively.

As permitted by FRS 8, no related party disclosures in respect of transactions between the Company and its wholly owned subsidiaries have been included.

FINANCIAL STATEMENTS

Five-Year Financial Summary

POST AMORTISATION

	Year ended 30 April 2007 £m	Year ended 30 April 2008 £m	Year ended 30 April 2009 £m	Year ended 30 April 2010 £m	**Year ended 30 April 2011 £m**
Revenue					
UK Packaging	687.1	753.2	785.8	750.2	**917.7**
Continental European Corrugated Packaging	308.0	346.0	363.4	355.4	**599.4**
Plastic Packaging	201.8	223.4	236.9	231.3	**242.2**
Office Products Wholesaling	569.2	644.9	720.5	733.7	**715.2**
Group revenue	1,766.1	1,967.5	2,106.6	2,070.6	**2,474.5**

	Year ended 30 April 2007 £m	Year ended 30 April 2008 £m	Year ended 30 April 2009 £m	Year ended 30 April 2010 £m	**Year ended 30 April 2011 £m**
Operating profit[1]					
UK Packaging	36.5	68.5	36.5	35.4	**51.6**
Continental European Corrugated Packaging	18.2	20.3	30.4	22.9	**36.7**
Plastic Packaging	10.2	10.7	7.0	15.5	**15.8**
Office Products Wholesaling	12.8	20.1	20.1	20.2	**24.1**
Group operating profit[1]	77.7	119.6	94.0	94.0	**128.2**
Share of profits of associates[1]	3.9	3.4	0.6	0.2	**–**
Net finance cost	(15.0)	(20.8)	(23.6)	(14.4)	**(19.8)**
Employee benefit net finance income/(expense)	8.0	8.8	1.5	(11.5)	**(7.4)**
Profit before taxation and exceptional items	74.6	111.0	72.5	68.3	**101.0**
Exceptional items	3.9	(1.9)	(55.7)	(13.3)	**1.2**
Profit before income tax	78.5	109.1	16.8	55.0	**102.2**
Free cash flow[1]	91.9	84.8	59.9	76.8	**100.7**
Capital expenditure[3]	66.0	68.6	83.2	41.2	**72.6**
Depreciation and amortisation	62.9	62.0	69.9	72.0	**78.6**
Average capital employed[2]	895.0	925.7	1,009.5	973.6	**1,073.5**
Shareholders' funds	567.1	601.9	456.4	473.2	**584.2**
Net debt	181.2	251.8	291.5	239.5	**351.0**
Adjusted return on sales[1]	4.4%	6.1%	4.5%	4.5%	**5.2%**
Adjusted return on average capital employed[1]	8.7%	12.9%	9.3%	9.7%	**11.9%**
Gearing[4]	32.0%	41.8%	63.9%	50.6%	**60.1%**
Adjusted earnings per share[1]	13.1p	19.9p	12.6p	12.9p	**17.0p**
Dividends per share	8.6p	8.8p	4.4p	4.6p	**6.5p**
Adjusted dividend cover[1]	1.5x	2.3x	2.9x	2.8x	**2.6x**
Net assets per share	144.9p	153.9p	116.7p	121.0p	**138.3p**

1 before exceptional items

2 average capital employed is defined in note 2 on page 73

3 capital expenditure represents additions to intangible assets and property, plant and equipment

4 gearing is defined in note 18 on page 86

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Five-Year Financial Summary continued

PRE AMORTISATION

	Year ended 30 April 2007 £m	Year ended 30 April 2008 £m	Year ended 30 April 2009 £m	Year ended 30 April 2010 £m	**Year ended 30 April 2011 £m**
Revenue					
UK Packaging	687.1	753.2	785.8	750.2	**917.7**
Continental European Corrugated Packaging	308.0	346.0	363.4	355.4	**599.4**
Plastic Packaging	201.8	223.4	236.9	231.3	**242.2**
Office Products Wholesaling	569.2	644.9	720.5	733.7	**715.2**
Group revenue	1,766.1	1,967.5	2,106.6	2,070.6	**2,474.5**
Operating profit[1]					
UK Packaging	38.3	69.6	37.6	37.0	**54.2**
Continental European Corrugated Packaging	18.4	20.6	30.6	23.1	**39.8**
Plastic Packaging	11.0	11.5	7.9	16.6	**16.9**
Office Products Wholesaling	14.1	21.4	21.4	21.4	**25.2**
Group operating profit[1]	81.8	123.1	97.5	98.1	**136.1**
Amortisation	(4.1)	(3.5)	(3.5)	(4.1)	**(7.9)**
Share of profit of associates[5]	3.9	3.4	0.6	0.2	**–**
Net finance cost	(15.0)	(20.8)	(23.6)	(14.4)	**(19.8)**
Employee benefit net finance income/(expense)	8.0	8.8	1.5	(11.5)	**(7.4)**
Profit before taxation and exceptional items	74.6	111.0	72.5	68.3	**101.0**
Exceptional items	3.9	(1.9)	(55.7)	(13.3)	**1.2**
Profit before income tax	78.5	109.1	16.8	55.0	**102.2**
Free cash flow[5]	91.9	84.8	59.9	76.8	**100.7**
Capital expenditure[3]	66.0	68.6	83.2	41.2	**72.6**
Depreciation and amortisation	62.9	62.0	69.9	72.0	**78.6**
Average capital employed[2]	895.0	925.7	1,009.5	973.6	**1,073.5**
Shareholders' funds	567.1	601.9	456.4	473.2	**584.2**
Net debt	181.2	251.8	291.5	239.5	**351.0**
Adjusted return on sales[1]	4.6%	6.3%	4.6%	4.7%	**5.5%**
Adjusted return on average capital employed[1]	9.1%	13.3%	9.7%	10.1%	**12.7%**
Gearing[4]	32.0%	41.8%	63.9%	50.6%	**60.1%**
Adjusted earnings per share[1]	14.2p	20.8p	13.5p	13.9p	**18.9p**
Dividends per share	8.6p	8.8p	4.4p	4.6p	**6.5p**
Adjusted dividend cover[1]	1.6x	2.4x	3.1x	3.0x	**2.9x**
Net assets per share	144.9p	153.9p	116.7p	121.0p	**138.3p**

1 before amortisation and exceptional items

2 average capital employed is defined in note 2 on page 73

3 capital expenditure represents additions to intangible assets and property, plant and equipment

4 gearing is defined in note 18 on page 86

5 before exceptional items

Notice of Annual General Meeting 2011

Notice is hereby given that the Annual General Meeting of DS Smith Plc will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD, on Tuesday 6 September 2011 at 11.00am to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 14 will be proposed as ordinary resolutions and resolutions 15 to 17 will be proposed as special resolutions.

1. To receive and adopt the Directors' Report, the Auditors' Report and financial statements for the year ended 30 April 2011.
2. To declare a final dividend on the ordinary shares.
3. To approve the Report on Remuneration.
4. To re-elect Mr S W Dryden as a Director of the Company.
5. To re-elect Mr P M Johnson as a Director of the Company.
6. To re-elect Mr C J Bunker as a Director of the Company.
7. To re-elect Mr G Davis as a Director of the Company.
8. To re-elect Mr P J-C Mellier as a Director of the Company.
9. To re-elect Mr J C Nicholls as a Director of the Company.
10. To re-appoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are to be laid before the Company.
11. To authorise the Directors to determine the remuneration of the auditors.
12. That the rules and the amendments to the rules of the DS Smith 2011 Sharesave Plan (the 'Sharesave Plan') referred to in the Explanatory Notes to this resolution and produced in draft to this Meeting and, for the purpose of identification, initialled by the Chairman, be approved and the Directors be authorised to:
    (i) make such modifications to the Sharesave Plan as they may consider appropriate to take account of the requirements of HMRC; and
    (ii) establish further plans based on the Sharesave Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Sharesave Plan.
13. That the rules of the DS Smith 2011 Share Matching Plan (the 'SMP') referred to in the Explanatory Notes to this resolution and produced in draft to this Meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to:
    (i) make such modifications to the SMP as they may consider appropriate to take account of the requirements of best practice and for the implementation of the SMP and to adopt the SMP as so modified and to do all such other acts and things as they may consider appropriate to implement the SMP; and
    (ii) establish further plans based on the SMP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the SMP.
14. That:
    (a) the Directors be authorised to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company:
        (i) in accordance with article 7 of the Company's Articles of Association (the Articles), up to a maximum nominal amount of £14,519,376.33 (such amount to be reduced by the nominal amount of any equity securities (as defined in article 8 of the Articles) allotted under paragraph ii below in excess of £14,519,376.33); and
        (ii) comprising equity securities (as defined in article 8 of the Articles), up to a maximum nominal amount of £29,038,752.67 (such amount to be reduced by any shares allotted or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue (as defined in article 8 of the Articles).
    (b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or, if earlier, at the close of business on 1 November 2012; and
    (c) all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).
15. That:
    (a) in accordance with article 8 of the Company's articles of association (the Articles), the Directors be given power to allot equity securities for cash;
    (b) the power under paragraph a) above (other than in connection with a rights issue, as defined in article 8 of the Articles) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £2,177,906.45;
    (c) these authorities shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 1 November 2012; and
    (d) all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.

Notice of Annual General Meeting 2011 continued

16. That in accordance with the Companies Act 2006, the Company is generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company in such manner and on such terms as the Directors may from time to time determine provided that:

    (a) the maximum number of ordinary shares hereby authorised to be purchased is 43,558,129;

    (b) the minimum price which may be paid for each ordinary share is 10 pence (exclusive of expenses payable by the Company);

    (c) the maximum price which may be paid for each ordinary share is an amount equal to the higher of 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of any such purchase and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses payable by the Company);

    (d) the authority hereby conferred shall, unless previously varied, revoked or renewed, expire at the conclusion of the Annual General Meeting to be held in 2012 or, if earlier, 1 November 2012, save that the Company shall be entitled under such authority to make at any time before the expiry thereof any contract or contracts to purchase its ordinary shares which will or might be concluded wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract; and

    (e) all existing authorities for the Company to make market purchases of ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has or have not yet been executed.

17. That, in accordance with the Company's Articles of Association, a general meeting (other than an Annual General Meeting) may be called on not less than 14 clear days' notice.

By Order of the Board

Matthew Jowett
Company Secretary
Beech House
Whitebrook Park
68 Lower Cookham Road
Maidenhead
Berkshire SL6 8XY

14 July 2011

NOTES

(i) Only those Members registered in the Register of Members of the Company as at 6pm on 4 September 2011 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their names at that time.

(ii) Members are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.

(iii) A proxy may be appointed by any of the following methods:

- completing and returning the enclosed Form of Proxy; or
- by logging onto the Registrars' website www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy enclosed. Shareholders who have already registered with the Registrars' online portfolio service Shareview can submit a proxy by logging into their profile at www.shareview.co.uk and clicking on the link to vote under "Your DS Smith Plc holding details"; or
- members of CREST should use the CREST electronic appointment service (see (vii) below).

If two or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the Company is unable to determine which was received last, none of them shall be treated as valid in respect of that share. To be effective, Forms of Proxy must reach the Registrars at the address shown on the Form not later than 48 hours before the time of the Meeting. Completion and return of the Form will not, however, prevent a Member from attending and voting at the Meeting. A Member must inform the Registrars in writing of any termination of the authority of a proxy.

(iv) Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

(v) The statement of rights of shareholders in relation to the appointment of proxies in Notes (ii) and (iii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

(vi) Nominated persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

(vii) CREST Members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting to be held on 6 September 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal Members or other CREST sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified in (iii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST Members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST personal Member or sponsored Member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. The CREST Manual can be reviewed at www.euroclear.com/CREST.

(viii) As at 22 June 2011 (being the latest practicable date prior to publication of this document), the Company's issued share capital consists of 435,581,290 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 June 2011 are 435,581,290.

(ix) A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Annual General Meeting. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

(x) Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

(xi) Any member attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

Notice of Annual General Meeting 2011 continued

(xii) A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found in the Annual Report section of the Investors page on our website www.dssmith.uk.com.

(xiii) Under section 338 and section 338A of the Companies Act 2006, Members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to Members of the Company entitled to receive Notice of the Meeting, notice of a resolution which may properly be moved and is intended to be moved at the Meeting and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 25 July 2011, being the date six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

(xiv) Copies of the following documents will be available for inspection at the Company's Registered Office and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD during normal business hours and until the conclusion of the Meeting:

(a) service contracts of the Executive Directors;

(b) letters of appointment of the Chairman and the non-Executive Directors;

(c) the proposed rules of the Sharesave Plan; and

(d) the proposed rules of the Share Matching Plan.

(xv) The Chairmen of the Audit, Remuneration and Nomination Committees will be available to answer relevant questions at the Meeting.

(xvi) You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Explanatory notes on the resolutions

Resolution 1: Report and financial statements

The Directors present to shareholders at the Annual General Meeting the Reports of the Directors and Auditors and the financial statements of the Company for the year ended 30 April 2011. These are contained in the Annual Report.

Resolution 2: Declaration of a final dividend

Final dividends declared by shareholders must not exceed the amount recommended by the Directors. By passing Resolution 2, shareholders will declare a final dividend. The amount of the final dividend recommended by the Directors is 4.5 Pence Net Per ordinary share.

Resolution 3: Approval of Report on Remuneration

As required by section 439 of the Companies Act 2006, shareholder approval is sought for the Remuneration Report set out on pages 45 to 53.

Resolution 4-9: Re-election of Directors

The Articles of Association of the Company require that all Directors retire from office at least once every three years but if eligible can submit themselves for re-election by shareholders. However, following the publication of the UK Corporate Governance Code by the FRC in June 2010 which recommends that directors of companies in the FTSE 350 be subject to annual re-election, the Directors have resolved that the Chairman and non-Executive Directors will retire and stand for re-election at the forthcoming Annual General Meeting and currently intend to repeat this process annually thereafter. The Directors have resolved, however, that the Executive Directors will remain subject to the three year rotation cycle in accordance with the Company's Articles of Association and their performance will be subject to the existing succession planning process.

Mr Dryden will retire, as he would otherwise have served for over three years without re-election by the date of the next Annual General Meeting, and, being eligible, offers himself for re-election at this year's Annual General Meeting. Mr Dryden is the Group Finance Director and a member of the General Purposes Committee. Messrs Johnson, Bunker, Davis, Mellier and Nicholls will retire and, being eligible, offer themselves for re-election at this year's Annual General Meeting. Mr Johnson is the Chairman of the Board and of the Nomination Committee. Mr Bunker is the Senior Independent Director, and a member of the Audit, Remuneration and Nomination Committees. Mr Davis is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Mr Mellier is a member of the Remuneration Committee. Mr Nicholls is Chairman of the Audit Committee and a member of the Nomination Committee.

Having considered the performance of and contribution made by each of the Directors and following formal performance evaluation, the Board remains satisfied that and the Chairman confirms that the performance of each Director standing for re-election continues to be effective and to demonstrate commitment to the role and as such the Board recommends their re-election. A biography of each Director appears on page 38 of the

Annual Report and appears on the Company's website at www.dssmith.uk.com.

Resolutions 10-11:
Re-appointment of Auditors and Auditors' remuneration

The auditors of a company must be re-appointed at each general meeting at which accounts are presented. Resolution 10 proposes the re-appointment of the Company's existing auditors, Deloitte LLP, until the next Annual General Meeting and Resolution 11 gives authority to the Directors to determine the auditors' remuneration.

Resolution 12:
Approval of new Sharesave Plan

It is proposed in Resolution 12 that shareholders approve both the existing rules and amendments to the rules of the DS Smith 2011 Sharesave Plan (the 'Sharesave Plan') so as to allow the Company to satisfy Sharesave options with new issue and treasury shares, as well as existing shares purchased in the market.

The Sharesave Plan is an all-employee plan approved by HM Revenue & Customs (HMRC) so that UK tax-advantaged options may be granted to UK employees. The use of Sharesave plans to encourage wider employee share ownership is well established in the UK and the Company previously offered Sharesave to its employees until 1999. The Sharesave Plan was adopted by the Company on 26 November 2010 and an initial offer of three year options under the Sharesave Plan was made to UK employees in January 2011. The Company's current intention is to make offers of three year options under the Sharesave Plan every three years and to make similar offers to certain overseas employees.

A summary of the principal terms of the Sharesave Plan is set out below. This summary describes the existing terms of the Sharesave Plan as well as the amendments proposed in Resolution 13.

(a) Operation

The operation of the Sharesave Plan is supervised by the Share Scheme Committee of the Board of Directors of the Company (the 'Committee').

(b) Eligibility

Employees and full-time Directors of the Company and any designated participating subsidiary who are UK resident tax-payers are eligible to participate. The Committee may require employees to have completed a qualifying period of employment of up to five years before the grant of options. The Committee may also allow other employees to participate.

(c) Grant of options

Options can only be granted to employees who enter into HMRC approved savings contracts, under which monthly savings are normally made over a period of three or five years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of shares over which an option is granted will be such that the total option price payable for those shares will correspond to the proceeds on maturity of the related savings contract.

An option may not be granted more than 10 years after Committee approval of the Sharesave Plan, that is, 26 November 2020. Options are not transferable, except on death. Options are not pensionable.

(d) Individual participation

Monthly savings by an employee under all savings contracts linked to options granted under any sharesave scheme may not exceed the statutory maximum (currently £250). The Committee may set a lower limit in relation to any particular grant.

(e) Option price

The price per share payable upon the exercise of an option will not be less than 80% of the average middle-market quotation of a share on the London Stock Exchange over the three days, or one day, preceding either the date of issue of invitations to participate in the Sharesave Plan or a date specified in an invitation (or such other day or days as may be agreed with HMRC). If an option relates only to new issue shares, then the price per share payable on exercise must also not be less than the nominal value of a share.

The option price will be determined by reference to dealing days which fall within six weeks of the announcement by the Company of its results for any period, the announcement or introduction of a new Sharesave Savings Prospectus or at any other time when the Committee considers there to be exceptional circumstances which justify offering options under the Sharesave Plan.

(f) Exercise of options

Options will normally be exercisable for a six month period from the third, fifth or seventh anniversary of the commencement of the related savings contracts. Earlier exercise is permitted, however, in the following circumstances:

- following cessation of employment by reason of death, injury, disability, redundancy, retirement on reaching age 60 (or any other age at which the employee is bound to retire under his terms of employment) or the business or company that the employee works for ceasing to be part of the Company's group;
- when an employee reaches 60;
- where employment ceases more than three years from grant for any reason other than dismissal for misconduct; and
- in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate re-organisation where the participants are offered the opportunity to exchange existing options for equivalent new options over shares in a new holding company.

Except where stated above, options will lapse on cessation of employment or directorship with the Company's group.

Shares will be allotted or transferred to participants within 30 days of exercise.

(g) Overall Sharesave Plan limits

The Sharesave Plan may operate over new issue shares, treasury shares or shares purchased in the market. In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the Sharesave Plan and any other employee share plan adopted by the Company.

Treasury shares will count as new issue shares for the purposes of these limits unless the institutional investors decide that they need not count.

Notice of Annual General Meeting 2011 continued

(h) Variation of capital
If there is a variation in the Company's share capital then the Committee may, subject to HMRC approval, make such adjustment as it considers appropriate to the number of shares under option and the option price.

(i) Rights attaching to shares
Any shares allotted when an option is exercised under the Sharesave Plan will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

(j) Alterations to the Sharesave Plan
The Committee may amend the provisions of the Sharesave Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Sharesave Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

(k) Overseas Sharesave Plans
The shareholder resolution to approve the Sharesave Plan will allow the Committee, without further shareholder approval, to establish further plans for overseas territories, any such plans to be similar to the Sharesave Plan, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Sharesave Plan.

Resolution 13: Approval of new Share Matching Plan

It is proposed in Resolution 13 that shareholders approve the adoption of the DS Smith 2011 Share Matching Plan (the 'SMP'). It is intended that the SMP will be used to grant awards of shares to Executive Directors and other members of senior management in order to match shares deferred by those individuals under the Company's deferred share bonus plan. The rationale for the introduction of the SMP is set out in the Remuneration Report on page 45. A summary of the principal terms of the SMP is set out below.

(a) Operation
The Remuneration Committee of the Board of Directors of the Company (the 'Committee') will supervise the operation of the SMP.

(b) Eligibility
Any employee (including an Executive Director) of the Company and its subsidiaries will be eligible to participate in the SMP at the discretion of the Committee.

(c) Grant of matching awards
The Committee may grant matching awards to acquire ordinary shares in the Company within six weeks following the Company's announcement of its results for any period or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. The grants will only be made in conjunction with the grant of deferred share bonus awards (DSB Awards) under the Company's Deferred Share Bonus Plan (DSBP). It is intended that the first awards will be made in 2012 when DSBP Awards, representing the bonus deferral for 2011/12, are made.

The Committee may grant matching awards as conditional shares which will normally vest on their third anniversary subject to the satisfaction of performance conditions, the retention of the DSB Awards and the continued employment of the participant within the Company's group. The Committee may also decide to grant cash-based matching awards of an equivalent value to share-based matching awards or to satisfy share-based matching awards in cash, although it does not currently intend to do so.

A matching award will be made in conjunction with the deferral of part of an individual's discretionary bonus into a DSB Award. The number of shares in a matching award will be based on the number of shares in the related DSB Award. The maximum match for the Executive Directors will be 1.5:1 (based on the gross investment) for a stretch level of performance and the maximum will be 1:1 for other participants. 25% of the maximum match (i.e. 0.375:1 for Executive Directors, 0.25 for others) will be available for achieving a threshold level of performance.

A matching award may not be granted more than 10 years after shareholder approval of the SMP.

No payment is required for the grant of a matching award. Matching awards are not transferable, except on death. Matching awards are not pensionable.

(d) Performance conditions
The vesting of matching awards will be subject to performance conditions set by the Committee.

It is intended that the performance conditions applying to the initial matching awards will be based 50% on group earnings per share (EPS) and 50% on group average adjusted return on average capital employed (ROACE), and that the EPS and ROACE targets will be the same as those set for the 2012 awards to be made under the Company's Performance Share Plan. The actual targets set will be reported in the following Directors' Remuneration Report.

The Committee may set different performance conditions from those described above for future matching awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Committee may also vary the performance conditions applying to existing matching awards if an event or events occur which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event or events in question. It is expected that this power to vary the performance conditions is most likely to be used to reflect technical events such as a variation in share capital or a change in accounting standards. If the Committee wanted to use the power to take account of a significant acquisition or disposal then it would first consult with the Company's major shareholders.

(e) Vesting of matching awards

Matching awards normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied, the related DSB Award has not lapsed and provided the participant is still employed in the Company's group.

If a DSB Award lapses before the vesting of the related matching award then that matching award will lapse at the same time.

(f) Dividend equivalents

The Committee may decide that participants will receive a payment (in cash and/or shares) on or shortly following the vesting of their matching awards, of an amount based on the dividends that would have been paid on those shares between the time when the matching awards were granted and the time when shares are transferred to them. This amount may assume the reinvestment of notional dividends. Alternatively, participants may have their matching awards increased as if dividends were paid on the shares subject to their matching award and then reinvested in further shares.

(g) Leaving employment

As a general rule, a matching award will lapse upon a participant ceasing to hold employment or be a Director within the Company's group. However, if a participant ceases to be an employee or a Director because of his death, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee, then his matching award will normally vest on the normal vesting date. The extent to which a matching award will vest in these situations will depend upon: (i) the extent to which the performance conditions have been satisfied over the normal performance period; and (ii) the pro-rating of the matching award to reflect any reduced period of time between the first day of the performance period and the date of cessation, although the Committee can decide not to pro-rate a matching award if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or Director in the Company's group for one of the 'good leaver' reasons specified above, the Committee can decide, in exceptional circumstances, that his matching award will vest on the date of cessation, subject to: (i) the extent to which the performance conditions are, in the opinion of the Committee, satisfied after it has taken into account past performance and, where appropriate, expected future performance over the remainder of the relevant performance period; and (ii) pro-rating by reference to the time of cessation as described above.

(h) Corporate events

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal corporate reorganisation) all matching awards will vest early subject to: (i) the extent that the performance conditions are, in the opinion of the Committee, satisfied after it has taken into account past performance and, where appropriate, expected future performance over the remainder of the relevant performance period; and (ii) the pro-rating of the matching awards to reflect any reduced period of time between the first day of the performance period and their vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, matching awards will be replaced by equivalent new matching awards over shares in a new holding company unless the Committee decides that matching awards should vest on the basis which would apply in the case of a takeover.

(i) Clawback

If there is a material misstatement of the Company's results which results in matching awards vesting to a greater extent than they should have, the Committee may require a participant to pay back the overpaid amount. The clawback may be effected by a reduction in cash bonus or other incentive awards, or by way of a cash repayment. Similar clawback provisions also apply in the case of serious misconduct.

(j) Participants' rights

Matching awards will not confer any shareholder rights until the matching awards have vested and the participants have received their Shares.

(k) Rights attaching to shares

Any shares allotted when a matching award vests will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

(l) Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the shares, the Committee may make such adjustment as it considers appropriate to the number of shares subject to a matching award.

(m) Overall SMP limits

The SMP may operate over new issue shares, treasury shares or shares purchased in the market. In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

(i) 10% of the issued ordinary share capital of the Company under the SMP and any other employee share plan adopted by the Company; and

(ii) 5% of the issued ordinary share capital of the Company under the SMP and any other executive share plan adopted by the Company.

Treasury shares will count as new issue shares for the purposes of these limits unless institutional investors decide that they need not count.

(n) Alterations to the Plan

The Committee may, at any time, amend the SMP in any respect, provided that the prior approval of shareholders is obtained for

Notice of Annual General Meeting 2011 continued

any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the shares or cash to be acquired and the adjustment of matching awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the SMP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to a matching award.

(o) Overseas Plans
The resolution to approve the SMP will allow the Committee to establish further plans for overseas territories, any such plan to be similar to the SMP, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the SMP.

Resolution 14:
Authority to allot shares

At the Annual General Meeting held on 7 September 2010, shareholders authorised the Directors, under section 551 of the Companies Act 2006, to allot shares without the prior consent of shareholders for a period expiring at the conclusion of the Annual General Meeting to be held in 2011 or, if earlier, on 1 November 2011. It is proposed to renew this authority and to authorise the Directors under section 551 of the Companies Act 2006 to allot ordinary shares or grant rights to subscribe for or convert any security into shares in the Company for a period expiring no later than 1 November 2012.

Paragraph (a)(i) of Resolution 14 will allow the Directors to allot ordinary shares up to a maximum nominal amount of £14,519,376.33 representing approximately one third (33.33%) of the Company’s existing issued share capital and calculated as at 22 June 2011 (being the latest practicable date prior to publication of this circular). In accordance with the latest institutional guidelines issued by the Association of British Insurers, paragraph (a)(ii) of Resolution 14 will allow Directors to allot, including the ordinary shares referred to in paragraph (a)(i) of Resolution 14, further of the Company’s ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £29,038,752.67, representing approximately two thirds (66.67%) of the Company’s existing issued share capital and calculated as at 22 June 2011 (being the latest practicable date prior to publication of this circular). The Directors have no present intention of exercising this authority. However, if they do exercise the authority, the Directors intend to follow emerging best practice as regards its use (including as regards the Directors standing for re-election in certain cases), as recommended by the Association of British Insurers.

Resolution 14 will be proposed as an ordinary resolution to renew this authority until the conclusion of the next Annual General Meeting or, if earlier, the close of business on 1 November 2012.

Resolution 15:
Directors’ powers to disapply pre-emption rights

Also at last year’s meeting, a special resolution was passed, under sections 570 to 573 of the Companies Act 2006, empowering the Directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. It is proposed that this authority also be renewed. If approved, the Resolution will authorise the Directors to issue shares in connection with a rights issue and otherwise to issue shares for cash up to a maximum nominal amount of £2,177,906.45 which includes the sale on a non pre-emptive basis of any shares the Company may hold in treasury for cash. The maximum nominal amount of equity securities to which this authority relates represents approximately 5% of the issued share capital of the Company as at 22 June 2011 (being the latest practicable date prior to publication of this circular).

The Directors do not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non pre-emptive basis in any rolling three year period without prior consultation with the shareholders and the Investment Committees of the Association of British Insurers and the National Association of Pension Funds. Resolution 15 will be proposed as a special resolution to renew this authority until the conclusion of the next Annual General Meeting or, if earlier, the close of business on 1 November 2012.

Resolution 16:
Company’s authority to purchase shares

This Resolution, which will be proposed as a special resolution, seeks to renew the existing authority for the Company to purchase its own shares in the market. This authority gives the Company greater flexibility in managing its capital resources. The Directors have no specific intention of using this authority and would do so only when, in the light of market conditions, they believed that the effect of such purchases would be to increase earnings per share, and that the purchases were in the interests of shareholders generally. The Directors would also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits. Resolution 16 specifies the maximum number of shares which may be purchased (representing approximately 10% of the Company’s issued share capital at 22 June 2011, being the latest practicable date prior to publication of this document), the minimum and maximum prices at which they may be bought and when the authority will expire, reflecting the requirements of the Companies Act 2006 and the Listing Rules of the FSA. The minimum price at which the shares may be purchased is their nominal value and the maximum price is the higher of 5% above the average of the middle market values of those shares for the five business days before the purchase is made and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. The Companies Act 2006 enables certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by the Company. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company’s share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings, in respect of those shares. Further, no dividend or distribution of the Company’s assets may be made to the Company in respect of those shares whilst held in treasury. Accordingly, if the Directors exercise the authority conferred by

Resolution 16, the Company will have the option of holding those shares in treasury rather than cancelling them. The total number of ordinary shares that are under option through the Company's share option schemes at 22 June 2011 (being the latest practicable date prior to publication of this notice) is 6,512,335 of which 1,040,689 are options over unissued ordinary shares. The proportion of issued ordinary share capital that the options over unissued ordinary shares represented on this date was 0.24% and the proportion of issued ordinary share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 0.22%. The authority will expire on 1 November 2012 or at the conclusion of the next Annual General Meeting (whichever is the earlier). It is the present intention of the Directors to seek a similar authority annually.

Resolution 17:
Notice of general meetings

The notice period required by the Companies Act 2006 for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (Annual General Meetings must always be held on at least 21 clear days' notice.)

At last year's Annual General Meeting, shareholders authorised the calling of general meetings other than an Annual General Meeting on not less than 14 clear days' notice and it is proposed that this authority be renewed. The authority granted by this resolution, if passed, will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Note that if a general meeting is called on less than 21 clear days' notice, the Company will make a means of electronic voting available to all shareholders for that meeting. The flexibility offered by this resolution will be used where, taking into account the circumstances, the Directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole.

Recommendation

Your Directors believe that all the proposals in the resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders and recommend shareholders to vote in favour of the resolutions. The Directors will be voting in favour of the resolutions in respect of their own shareholdings.

Important notes about the Annual General Meeting

Date

Tuesday 6 September 2011.

Location

At the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD

Timing

The Meeting will start promptly at 11.00am and shareholders wishing to attend are advised to be in the venue no later than 10.50am. The reception area will be open from 10.30am, from which time refreshments will be served. As announced at the Meeting last year, there will be no lunch served after the Meeting.

Travel information

A map on the reverse of the Admittance Card shows the location of the offices of Allen & Overy LLP and the nearest underground and railway stations. The venue is less than five minutes' walk from Liverpool Street station. There are no car-parking facilities at the venue.

Admission

Please bring the Admittance Card (which is the tear-off section to the right of the Form of Proxy) with you to the Meeting. You may be asked to show the Card before being admitted to the venue. Shareholders and proxy holders may also be required to provide proof of identity. The registration process may take longer without these documents. Shareholders are politely requested to bring no more than one guest to the Meeting except by prior arrangement with the Company Secretary.

Facilities

The offices of Allen & Overy LLP have wheelchair access. If you are planning to come to the Meeting and are a wheelchair user, please call 020 3088 4040 when nearing the building.

Enquiries and questions

Shareholders who intend to ask a question related to the business of the Meeting are asked to provide their name, address and question at the Registration desk. Staff from Equiniti will be on hand to provide advice and assistance.

Shareholder Information

Financial diary

23 June 2011
Announcement of final results for the year ended 30 April 2011
10 August 2011
Ex-dividend date for final dividend
6 September 2011
Annual General Meeting
13 September 2011
Payment of final dividend
7 December 2011*
Announcement of half-year results for the six months ended 31 October 2011
1 February 2012*
Ex-dividend date for interim dividend
6 March 2012*
Payment of interim dividend
28 June 2012*
Announcement of final results for the year ended 30 April 2012

* provisional date

Company website

The Company's website at www.dssmith.uk.com contains the latest information for shareholders, including press releases and an updated financial diary. E-mail alerts of the latest news, press releases and financial reports about DS Smith Plc may be obtained by registering for the e-mail news alert service on the website.

Share price information

The latest price of the Company's ordinary shares is available from the FT Cityline service. Calls within the UK are charged at 75 pence per minute at all times. To access this service, telephone 09058 171 690. Alternatively click on www.londonstockexchange.com. DS Smith's ticker symbol is SMDS. It is recommended that you consult your financial adviser and verify information obtained from these services before making any investment decision.

Registrars

Please contact the Registrars at the address below to advise of a change of address or for any enquiries relating to dividend payments, lost share certificates or other share registration matters.

The Registrars provide on-line facilities at www.shareview.co.uk. Once you have registered you will be able to access information on your DS Smith Plc shareholding, update your personal details and amend your dividend payment instructions on-line without having to call or write to the Registrars.

Dividends

Shareholders who wish to have their dividends paid directly into a bank or building society account should contact the Registrars. In addition, the Registrars are now able to pay dividends in 36 foreign currencies.

This service is called 'TAPS' and enables the payment of your dividends directly into your bank account in your home currency. A charge of £2.50 is deducted from each dividend payment to cover the costs involved. Please contact the Registrars to request further information.

Share dealing services

The Registrars offer a real-time telephone and internet dealing service. Further details including terms and rates can be obtained by logging on to the website at www.shareview.co.uk/dealing or by calling 0845 603 7037. Lines are open between 8am and 4.30pm, Monday to Friday.

J.P. Morgan Cazenove operates a low-cost share dealing service for private investors who wish to buy or sell ordinary shares of the Company. This is an execution-only service and further details can be obtained from The Share Dealing Service, J.P. Morgan Cazenove, 10 Aldermanbury, London EC2V 7RF. Telephone: 020 7155 5155. Please note there is a minimum transaction level of £500 for using this service.

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UK telephone: 0871 384 2197
Lines are open 8.30am to 5.30pm Monday to Friday. Calls to this number will be charged at 8 pence per minute from a BT landline. Other telephone providers' costs may vary.
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The DS Smith Plc website provides news and details of the Group's activities, plus links to our business sites and up-to-date information including:

- results announcements and other press releases
- presentations
- share price data
- e-mail alert service
- this and historical Annual Reports in PDF format

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