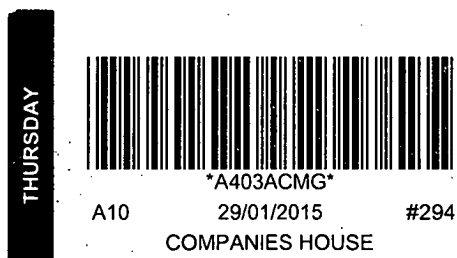


Company Registration No. 00058614

DS Smith Paper Limited

Report and Financial Statements

30 April 2014



DS Smith Paper Limited

Report and financial statements 2014

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DS Smith Paper Limited

Company Information **For the year ended 30 April 2014**

Directors

A R T Marsh
P J Brown
M P Jowett

Secretary

A Steele

Registered Office

350 Euston Road
London
NW1 3AX

Registered Number

00058614 (England and Wales)

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London

DS Smith Paper Limited

Strategic report For the year ended 30 April 2014

The Directors, in preparing this Strategic report, have complied with s414c of the Companies Act 2006.

Principal activities

The Company is a subsidiary of DS Smith Plc and operates as part of the Group's UK Paper and Corrugated division.

The Company's principal activities during the year were the manufacture and sale of corrugated case materials (CCM) and specialist paper grades. In addition to third party customers, the Company's customers include other companies within the DS Smith Group.

Review of business

The Company is the leading producer of CCM in the UK, which accounts for over 72% of the paper it produces; CCM is converted by the Company's customers into corrugated board and boxes. The Company is also a leading European producer of plasterboard liner, which accounts for approximately 16% of its production.

During the year, as shown in the Company's profit and loss account on page 9 the Company recorded a loss before tax of £2.1m (2013: loss of £15.1m).

During the year the business was affected by substantial increases in raw material and energy costs. Sales prices were successfully increased throughout this period, thanks to constructive commercial customer relationships and improved service levels, which enabled some recovery in margin. Costs remained a focus of attention for the Company and areas of its business have been reviewed to ensure their continued cost effective operation.

As at 1 May 2013 the customer contracts and supplier contracts for the majority of the recycling business was transferred to DS Smith Recycling UK Ltd. The fixed assets and employee contracts are retained in DS Smith Paper Ltd but the costs of these have been recharged to DS Smith Recycling UK Ltd. On 1 November 2014 the fixed assets and employee contracts were transferred to DS Smith Recycling UK Ltd.

The 2014 result includes an exceptional item of £3.0m for restructuring costs across the Recycling and Paper businesses. Within the Recycling business 3 sites were closed which resulted in a rationalisation of employees and in the Paper business the ongoing turnaround plan at the Kemsley site led to further redundancies. The remaining £1.1m related to costs associated with the purchase of the SCA business.

The net assets of the Company as shown on page 11 of the financial statements decreased from £200.6m to £198.3m during the year.

DS Smith Plc, the ultimate parent Company, manages its operations on a divisional basis. On this basis the Company's directors believe that the disclosure of further performance indicators for the Company is not appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Competitive pressure in the Company's core markets is a constant risk that could result in the Company losing sales to key competitors and margins being eroded. This risk is managed by working closely with customers to provide quality products and solutions and to ensure good service levels are maintained.

Against this background, the volatility of the Company's main input costs, waste and energy, continues to be a risk, particularly given the price rises over the last year, since additional cost needs to be passed onto the customer in order to maintain margin. The Company has an active programme in place to manage its supplies and costs of waste and energy. Additionally, the Company is very active in implementing productivity improvements and other cost reduction programmes to counter the financial impact of this risk and to protect the margin from inflationary increases particularly in energy.

Credit risk is seen as an increasing issue faced by the Company as our customers continue to face a competitive market. This risk is mitigated by strict application of our credit policy and regular management review of accounts that are rated as higher risk.

DS Smith Paper Limited

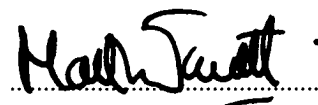
Strategic report For the year ended 30 April 2014

Group risks are discussed in the Group's Annual Report which does not form part of this report.

Financial risk management objectives and policy

The directors meet periodically to discuss financial and other risks. The discussion of key price risk and credit risk is discussed within the reviews of the business. No hedging instruments are entered into by the Company; this is carried out by the parent company, DS Smith Plc. Liquidity and cash flow risk is considered in the going concern section below.

Approved by the Board of Directors and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'M P Jowett', is written over a horizontal dotted line.

M P Jowett

Director

Date 29 January 2015

DS Smith Paper Limited

Directors' report For the year ended 30 April 2014

The directors present their report with the financial statements of the Company for the year ended 30 April 2014.

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This included a review of the development of the Company during the year, financial risk management policies, principal risks and uncertainties, future developments and subsequent events.

Dividends

No dividends were paid during the financial year or previous financial year.

Research and development

The Company recognises the importance of continuing investment in research and development. It is Company policy to develop new product specifications commensurate with customer and environmental needs. Research is also conducted into ways to improve product quality and finding more cost-efficient production methods.

An amount of £85,000 (2013: £88,000) was charged to the profit and loss account for research costs incurred in the year.

Future developments

The Company will strive to remain a low cost and flexible producer of its core products and maintain its focus on quality and customer service. At the same time, a strategy of developing waste paper recycling operations and products complementary to CCM will be pursued.

Directors

Directors who held office during the year and until signing, except as noted, were as follows:

S Dryden – resigned 28 June 2013
A Marsh – appointed 24 September 2013
D J Matthews – appointed 28 June 2013, resigned 16 January 2014
C R Rosser – resigned 21 August 2014
S Rossi – resigned 29 September 2014
P J Brown – appointed 21 August 2014
M P Jowett

Political and charitable contributions

During the year the Company made charitable donations of £3,200 (2013: £2,400) principally to local charities.

No political donations were made by the Company (2013: £nil).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is as shown in the balance sheet on page 11.

The Company's ultimate parent Company and controlling party is DS Smith Plc, whose financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has access to considerable financial resources from across the DS Smith Group. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Taking into consideration the financial performance and financial position of the Company, a letter of financial support has been obtained from the parent company, DS Smith Plc. The directors have considered DS Smith Plc's ability to provide this support and have formed a judgement that at the time of approving the financial statements, the

DS Smith Paper Limited

Directors' report For the year ended 30 April 2014

Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the notes to the financial statements.

Directors' and officers' liability insurance

During the year, the ultimate parent Company maintained liability insurance for the directors and officers of the Company.

Environment

The Company recognises the importance of its environmental responsibilities and monitors its impact on the environment. Initiatives designed to minimise the Company's impact on the environment include reducing and recycling waste and investment in equipment designed to improve energy efficiencies.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

DS Smith Paper Limited

Directors' report For the year ended 30 April 2014

Auditor

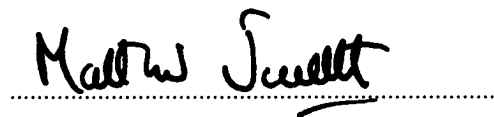
Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditor, Deloitte LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed to the effect that their appointment be brought to an end.

Approved by the Board of Directors and signed on behalf of the Board



M P Jowett

Director

Date 29 January 2015

DS Smith Paper Limited

Independent auditor's report

We have audited the financial statements of DS Smith Paper Limited for the year ended 30 April 2014 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6 and 7, 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 throughout the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company's affairs as at 30 April 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

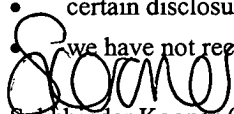
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report and the Strategic 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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


Sukhbinder Kooner (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

Date: 29 January 2015

DS Smith Paper Limited

Profit and loss account For the year ended 30 April 2014

		2014 £'000 Before exceptional items	2014 £'000 Exceptional items	2014 £'000 Total	2013 £'000 Before exceptional items	2013 £'000 Exceptional Items	2013 £'000 Total
	Note						
Turnover	2	342,587	-	342,587	429,162	-	429,162
Continuing operations		342,587	-	342,587	301,994	-	301,994
Discontinuing operations		-	-	-	127,168	-	127,168
Cost of sales		(317,863)	-	(317,863)	(381,604)	-	(381,604)
Gross profit		24,724	-	24,724	47,558	-	47,558
Distribution costs		(13,810)	-	(13,810)	(36,483)	-	(36,483)
Administrative expenses		(8,244)	(4,091)	(12,335)	(23,150)	(2,459)	(25,609)
Operating loss	5	2,670	(4,091)	(1,421)	(12,075)	(2,459)	(14,534)
Continuing operations		2,670	(4,091)	(1,421)	(21,404)	(2,459)	(23,863)
Discontinuing operations		-	-	-	9,329	-	9,329
Finance charges (net)	6	(639)	-	(639)	(567)	-	(567)
Loss before income tax		2,031	(4,091)	(2,060)	(12,642)	(2,459)	(15,101)
Tax on loss	7	(180)	-	(180)	2,921	-	2,921
Loss for the financial year		1,851	(4,091)	(2,240)	(9,721)	(2,459)	(12,180)

Continuing operations

Continuing operations relate to the production of recycled paper from UK Paper Mills. In 2013 the discontinued operations related to the sale of Hollins paper mill and the sale of the Recycling business.

Total recognised gains and losses

The Company has no recognised gains or losses other than the profits for the current year or previous year. Accordingly no separate statement of total recognised gains and losses is presented.

The notes form part of these financial statements.

DS Smith Paper Limited

Note of historical cost profits and losses For the year ended 30 April 2014

	2014 £'000	2013 £'000
Reported loss on ordinary activities before taxation	(2,060)	(15,101)
Difference between fixed assets depreciation based on historical cost and depreciation based on revalued amounts	<u>449</u>	<u>449</u>
Historical cost loss on ordinary activities before taxation	<u>(1,611)</u>	<u>(14,652)</u>
Historical cost loss for the year retained after taxation and dividends	<u>(1,791)</u>	<u>(11,743)</u>

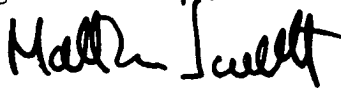
DS Smith Paper Limited

Balance sheet 30 April 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Intangible assets	8	858	2,181
Tangible assets	9	181,324	183,949
Investments	10	38,548	38,548
		<u>220,730</u>	<u>224,678</u>
Current assets			
Stocks	11	28,915	24,181
Debtors: due within one year	12	76,815	79,947
Debtors: due after more than one year	12	2,468	2,468
Cash at bank		-	5,630
		<u>108,198</u>	<u>112,226</u>
Creditors: amounts falling due within one year	13	<u>(125,191)</u>	<u>(125,381)</u>
Net current liabilities		<u>(16,993)</u>	<u>(13,155)</u>
Total assets less current liabilities		203,373	211,523
Provisions for liabilities	14	<u>(5,414)</u>	<u>(10,960)</u>
Net assets		<u>198,323</u>	<u>200,563</u>
Capital and reserves			
Called up share capital	15	196,275	196,275
Share premium	16	1,919	1,919
Revaluation reserve	16	10,500	10,949
Equity reserves	16	10,811	10,811
Profit and loss account	16	<u>(21,182)</u>	<u>(19,391)</u>
Shareholder's funds		<u>198,323</u>	<u>200,563</u>

The financial statements of DS Smith Paper Limited, registered number 00058614, were approved by the Board of Directors on 29 January 2015

Signed on behalf of the Board of Directors


M P Jowett
Director

The notes form part of these financial statements

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

1. Accounting policies

Basis of preparing the financial statements

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is as shown in the balance sheet on page 11.

The Company's ultimate parent company and controlling party is DS Smith Plc, whose financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has access to considerable financial resources from across the DS Smith Group. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Taking into consideration the financial performance and financial position of the Company, a letter of financial support has been obtained from the parent company, DS Smith Plc. The directors have considered DS Smith Plc's ability to provide this support and have formed a judgement that at the time of approving the financial statements, the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Accounting convention

The financial statements have been prepared on a going concern basis as set out on page 4 of the Directors' Report.

Preparation of consolidated financial statements

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements and accordingly presents information about the undertaking as an individual undertaking and not about its group.

Preparation of cashflow statement

Under the provisions of Financial Reporting Standard 1 (Revised 1996), the Company is exempt from preparing a cash flow statement because it is a wholly-owned subsidiary of DS Smith Plc and its cash flows are included within the consolidated cash flow statement of that Company.

Turnover

Turnover comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts. Revenue from the sale of goods is recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

1. Accounting policies (continued)

Goodwill

Purchased goodwill, both positive and negative, arising on the acquisition of businesses before 2 May 1998 has been written off directly to reserves and, as permitted by the transitional provisions of Financial Reporting Standard 10 'Goodwill and Intangible Assets', has not been reinstated. Positive goodwill arising on acquisitions completed after 2 May 1998 is capitalised and amortised on a straight-line basis over its expected useful life not exceeding 20 years.

For businesses that are sold or closed after 2 May 1998, any such goodwill that has not been amortised through the profit and loss account has been included in calculating the profit or loss on sale or closure.

Negative goodwill arising on acquisitions since 2 May 1998 is included within intangibles and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment except for certain freehold property which is included at historical valuation which will not be updated (under the transitional arrangements of Financial Reporting Standard 15 'Tangible fixed assets'). Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold and long-leasehold buildings	2% to 10% per annum (straight-line)
Short-leasehold properties	over the lease term (straight-line)
Freehold land	not depreciated
Plant and machinery	5% to 25% per annum (straight-line)

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of freehold or leasehold land and buildings is charged to the profit and loss account as appropriate.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes any expenditure incurred in bringing the stock to its present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Stocks are valued on the first-in first-out principle.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

1. Accounting policies (continued)

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rate and laws that have been enacted or substantively enacted by the balance sheet date. In accordance with DS Smith Plc Group policy, the Company surrenders current year tax losses to other members of the DS Smith Plc Group, and receives payment for those tax losses at the rate of tax prevailing in the period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the foreign exchange rate ruling at that date. All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

1. Accounting policies (continued)

Pensions

The Company is a participating employer in the DS Smith Group Pension Scheme (the 'Scheme'), a defined benefit scheme. The Company makes contributions to the Scheme as agreed with DS Smith Plc (the ultimate parent undertaking which accounts for the Scheme in its financial statements), and, as permitted by FRS 17, 'Retirement Benefits', accounts for the Scheme as a defined contribution scheme and recognises as pension cost the contributions payable in each financial period. On 30 April 2011, the scheme closed to future accrual.

Related party disclosure

The Company is exempt under the terms of Financial Reporting Standard 8 "Related Party Disclosures" from disclosing related party transactions with entities that are wholly-owned members of DS Smith Group or investees of the group qualifying as related parties.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Share based payments

The ultimate holding Company, DS Smith Plc, operates an equity-settled, share based compensation plan covering certain employees of the Company. The fair value of these employee services received by the Company in exchange for the grant of the options is recognised as an expense in the Company's books by means of a re-charge from the ultimate holding company. 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 Company 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 profit and loss account.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

2. Turnover

The turnover and profit before taxation are attributable to the principal activities of the Company.

All turnover has originated in the United Kingdom. An analysis of turnover by geographical market based on destination is given below:

	2014 £'000	2013 £'000
United Kingdom	170,639	338,383
European Countries	168,787	74,064
Rest of the World	3,161	16,715
	<u>342,587</u>	<u>429,162</u>

3. Staff costs

	2014 £'000	2013 £'000
Wages and salaries	37,454	38,366
Social security costs	4,341	3,604
Other pension costs	2,122	1,650
	<u>43,917</u>	<u>43,620</u>

Wages and salaries includes £316,004 (2013: £156,724) in respect of share options granted by the ultimate holding company.

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

	2014	2013
Production and distribution	798	899
Selling and administration	268	328
	<u>1,066</u>	<u>1,227</u>

4. Directors' emoluments

	2014 £'000	2013 £'000
Remuneration as executives (including pension contributions)	-	282

Messrs S W Dryden, M P Jowett, S Rossi, A Marsh, C Rosser and D J Matthews have been remunerated by the parent undertaking, DS Smith Plc, for their service to the Group as a whole. None have been remunerated specifically in respect of their services to the Company.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

4. Directors' emoluments (continued)

	2014 £'000	2013 £'000
Highest paid director:		
Emoluments	-	249
Pension contributions	-	33

Accrued pension entitlement totalled £0 (2013: £43,000). The highest paid director did not exercise any share options in the year.

The number of directors who:

	No.	No.
Are members of the defined benefit pension scheme	-	1

5. Operating loss

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

	2014 £'000	2013 £'000
Depreciation – owned assets	16,774	16,804
Profit on disposal of fixed assets	(886)	-
Impairment of goodwill	300	-
Amortisation of goodwill	393	442
Research and development	85	88
Impairment of carbon credits	630	855
Reorganisation costs	4,091	5,010
Exchange gain	(81)	(408)
Fees payable to the company's auditor for the audit of the company's annual accounts	75	101

Exceptional costs

	2014 £'000	2013 £'000
SCA integration cost	621	2,459
Rebranding	217	-
Restructuring	3,013	-
Customer rebate payment	240	-
	4,091	2,459

Items are presented as exceptional where there 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 of the company. Further details on the exceptional items are contained within the Strategic Report.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

6. Finance charges (net)

	2014 £'000	2013 £'000
Bank interest payable	(719)	(690)
Factoring interest payable	(185)	(47)
Interest receivable from Group undertakings	265	170
	<u>(639)</u>	<u>(567)</u>

7. Taxation

(a) Analysis of tax charge/(credit) in the period

	2014 £'000	2013 £'000
Current taxation		
UK corporation tax - group relief receivable		
- current year at 22.83% (2013: 23.92%)	(1,682)	(3,652)
Adjustment in respect of prior years	4,325	(143)
	<u>2,643</u>	<u>(3,795)</u>
Deferred taxation		
Origination and reversal of timing differences	1,223	614
Effect of change in tax rate	384	(57)
Adjustment in respect of prior years	(4,070)	317
	<u>(2,463)</u>	<u>874</u>
Total charge/(credit) on loss on ordinary activities	<u>180</u>	<u>(2,921)</u>
Effective tax rate	<u>8.7%</u>	<u>19.3%</u>

The tax charge for the year is higher (2013: lower) than that calculated by applying the standard rate of corporation tax in the UK of 22.83% (2013: 23.92%) to the loss before tax. The differences are explained below

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

7. Taxation (continued)

(b) Tax reconciliation

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	(2,060)	(15,101)
Tax credit on loss at 22.83% (2013: 23.92%)	(470)	(3,612)
Effects of:		
Depreciation for period in excess of capital allowances	(1,347)	(752)
Permanent differences	185	599
Other timing differences	4,325	113
Adjustments in respect of prior years	(50)	(143)
	<u>2,643</u>	<u>(3,795)</u>

In future years, the tax charge will be affected by the extent to which any capital gains can either be rolled over or sheltered by capital losses within the group.

Finance Act 2013 includes a reduction in the standard rate of tax from 23% to 21% effective from 1 April 2014 and a further reduction in the rate of corporation tax to 20%, effective from 1 April 2015, which were substantively enacted at the balance sheet date. There have been no further indications of potential future changes to the rate of corporation tax of 20%.

The Company's deferred tax balances are therefore calculated using the corporation tax rate of 20%.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

8. Intangible fixed assets

	Goodwill £'000	Carbon Credits £'000	Totals £'000
Cost			
At 1 May 2013	13,557	1,485	15,042
At 30 April 2014	13,557	1,485	15,042
Amortisation			
At 1 May 2013	(12,006)	(855)	(12,861)
Amortisation for year	(393)	-	(393)
Impairment	(300)	(630)	(930)
At 30 April 2014	(12,699)	(1,485)	(14,184)
Net book value			
At 30 April 2014	858	-	858
At 30 April 2013	1,551	630	2,181

Goodwill is being written off in equal annual instalments over its estimated economic life of between three and twenty years.

During the year all the remaining Carbon Credits were impaired and the goodwill attributable to the acquisition of Paper Trade Ltd has been written off.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

9. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 May 2013	97,660	378,732	7,397	483,789
Additions	1,542	11,313	4,422	17,277
Transfers	-	2,875	(2,875)	-
Disposals	(2,900)	(33,755)	-	(36,655)
At 30 April 2014	96,302	359,165	8,944	464,411
Depreciation				
At 1 May 2013	42,456	257,384	-	299,840
Charge for the year	1,637	15,137	-	16,774
Disposals	(546)	(32,981)	-	(33,527)
At 30 April 2014	43,547	239,540	-	283,087
Net book value				
At 30 April 2014	52,755	119,625	8,944	181,324
At 30 April 2013	55,204	121,348	7,397	183,949

Leased assets

Assets held under finance leases, capitalised and included in plant and machinery.

	2014 £'000	2013 £'000
Cost	10,088	10,088
Accumulated depreciation	(10,088)	(10,088)
Net book value	-	-

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

9. Tangible fixed assets (continued)

Land and buildings

Basis of valuation

The freehold and long leasehold properties were revalued as at 29 April 1995 by King Sturge & Co, a firm of independent chartered surveyors. Non-specialised properties were valued on an open market, existing use basis. Specialised properties were valued at depreciated replacement cost. Properties held as investments were valued on an open market basis.

	Freehold property £'000	Long- leasehold property £'000	Short- leasehold property £'000	Total land and buildings £'000
Cost				
At 1 May 2013	92,154	5,307	199	97,660
Additions	1,542	-	-	1,542
Disposals	(2,900)	-	-	(2,900)
At 30 April 2014	90,796	5,307	199	96,302
Comprising cost	37,866	5,307	199	43,372
Comprising valuation	52,930	-	-	52,930
	90,796	5,307	199	96,302
Depreciation				
At 1 May 2013	36,950	5,307	199	42,456
Charge for the year	1,637	-	-	1,637
Disposals	(546)	-	-	(546)
At 30 April 2014	38,041	5,307	199	43,547
Net book value				
At 30 April 2014	52,755	-	-	52,755
At 30 April 2013	55,204	-	-	55,204

The value of land included in freehold property not subject to depreciation is £21,799,000 (2013: £21,799,000).

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

10. Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 May 2013	42,320
30 April 2014	42,320
Impairment	
At 1 May 2013	(3,772)
30 April 2014	(3,772)
Net book value	
At 30 April 2014	38,548
At 30 April 2013	38,548

The Company has the following directly owned investments:

Company and nature of business	Country of registration or incorporation and operation	Class of shares held	%
DS Smith Logistics Limited	England and Wales	Ordinary	100
		Non- cumulative preference	100
Grovehurst Energy Limited	England and Wales	Ordinary	100
SRP New Thames Limited	England and Wales	Ordinary	100
		Cumulative redeemable preference	100
		Fixed cumulative redeemable preference	100
A.A. Griggs & Company Limited	England and Wales	Ordinary	100
St Regis Kemsley Limited	England and Wales	Ordinary	50
Papertrade Ltd	England and Wales	Ordinary	80

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

11. Stocks

There is no material difference between balance sheet values of stock and their replacement costs.

	2014 £'000	2013 £'000
Raw materials	13,473	11,619
Finished goods	15,442	12,562
	<u>28,915</u>	<u>24,181</u>

12. Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	13,700	27,164
Amounts owed by group undertakings	55,302	47,378
Deferred tax asset (note 14)	1,341	-
Other debtors	3,456	3,414
Prepayments and accrued income	3,016	1,991
	<u>76,815</u>	<u>79,947</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	2,468	2,468
	<u>2,468</u>	<u>2,468</u>
Aggregate amount	<u>79,283</u>	<u>82,415</u>

The amount greater than one year does not have a repayment date and an interest rate of 3 month libor plus 1.75%.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

13. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	50,898	113,748
Social security and other taxes	1,688	7,165
Bank overdraft	7,186	-
Amounts owed to group undertakings	40,931	-
Amounts owed to parent – group relief	159	563
Other creditors	5,229	1,925
Accruals and deferred income	19,100	1,980
	<u>125,191</u>	<u>125,381</u>

14. Provisions for liabilities

	2014 £'000	2013 £'000
Deferred tax liability	-	1,911
Other provisions	5,414	9,049
Balance at 30 April	<u>5,414</u>	<u>10,960</u>

	2014 £'000	2013 £'000
Deferred tax (asset)/liability		
Balance at start of period	1,911	1,037
Transfer in from Grovehurst Energy Ltd	(790)	-
(Debit)/credit to the profit and loss account	(2,463)	874
(Asset)/liability as at 30 April	<u>(1,341)</u>	<u>1,911</u>

The deferred tax asset of £1,341,000 is shown in note 12.

Deferred taxation is analysed as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	(797)	2,590
Other timing differences	(544)	(679)
	<u>(1,341)</u>	<u>1,911</u>

The analysis of deferred taxation excludes additional tax payable on capital gains which may arise if land and buildings were sold for amounts at which they are carried in the balance sheet.

In the opinion of the directors, such properties will be retained for use in the business or if sold would be replaced by similar assets.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

14. Provisions for liabilities (continued)

Unrecognised deferred tax asset

	2014 £'000	2013 £'000
Transferred on acquisition		
Tax losses	8,813	10,135
Revaluation of land and buildings	(1,355)	(1,493)
	<u>7,458</u>	<u>8,642</u>

There is a potential deferred tax asset of £8.8m in respect of ring fenced losses transferred on the acquisition of SRP New Thames Limited's trade, assets and liabilities in a previous year. This has not been recognised as it is not expected that sufficient suitable taxable profits will be generated against which these losses can be utilised.

Other provisions

	Closure provisions £'000	Other provisions £'000	Total £'000
Balance at 1 May 2013	7,296	1,753	9,049
Charged to the profit and loss account	3,634	-	3,634
Utilised during the year	(7,026)	(243)	(7,269)
Balance at 30 April 2014	<u>3,904</u>	<u>1,510</u>	<u>5,414</u>

Closure provisions are in respect of site closures, redundancies and other reorganisational costs. It is expected that the majority of the closure provisions charged to the profit and loss within this financial year will be incurred in the next financial year.

Other provisions relate to ongoing regulatory costs for landfill sites.

15. Called up share capital

Allotted, called up and fully paid:

	2014 £'000	2013 £'000
250,500,000 ordinary shares of 50p each	125,250	125,250
1,370,400 "A" ordinary shares of 50p each	685	685
340,000 6% cumulative preference shares of £1 each	340	340
70,000,000 "A" preference shares of £1 each	70,000	70,000
	<u>196,275</u>	<u>196,275</u>

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

15. Called up share capital (continued)

Preference Shares

The 6% Cumulative Preference shares of £1 each are not redeemable and the dividends are at the option of the directors.

Holders of the 6% Cumulative Preference shares shall have the right on winding-up to receive, in priority to any other class of shares, the amounts paid up on such shares together with a sum equal to the arrears or deficiency of fixed dividend thereon.

"A" Preference shares

The "A" Preference Shares shall be entitled as follows:

- (a) On a return of capital on liquidation, the assets of the Company available for distribution among the members, shall be applied in repaying to the holders of the "A" Preference Shares the amounts paid up on such shares, plus any accrued dividends. The "A" Preference Shares shall rank, on a return of capital on liquidation, in priority to any other shares for the time being in issue; and
- (b) Dividends shall accrue on the "A" Preference Shares at 10 per cent, per annum, fixed rate; the declaration and payment shall be at the absolute discretion of the Company.

16. Reserves

	Profit and loss account £'000	Share premium £'000	Revaluation reserve £'000	Equity reserves £'000	Total £'000
At 1 May 2013	(19,391)	1,919	10,949	10,811	4,288
Loss for the year	(2,240)	-	-	-	(2,240)
Transfer: Revaluation Reserve	449	-	(449)	-	-
At 30 April 2014	(21,182)	1,919	10,500	10,811	2,048

The equity reserve represents the equity component of the convertible debt issued in 2008 and converted to "A" Preference shares in March 2010.

The transfer from revaluation reserve to the profit and loss account is the amount equivalent to additional depreciation on revalued assets.

17. Sale of division

On 1 May 2013 the trade and working capital of the UK Recycling division in DS Smith Paper Limited was sold to DS Smith Recycling (UK) Limited. Under the terms of the agreement, we agreed to settle the negative consideration of the transaction through an intercompany loan. The results for the UK Recycling division have been classified as discontinued in the prior year.

No difference was identified between the fair value and working capital balances acquired by the company. The negative purchase consideration for the acquired liabilities is shown as amounts due from group undertakings within the financial statements of DS Smith Recycling Limited.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

17. Sale of division (continued)

The net book values of the assets and liabilities transferred were:

	£'000
Stocks	1,092
Debtors	45,749
Cash	11,456
Creditors	(74,499)
Net liabilities	(16,202)
Fair value adjustments	-
Net liabilities transferred	16,202
Settled by inter-company loan	16,202

18. Contingent liabilities

The Company is a participant in the DS Smith Group's uncommitted overdraft facility with a net limit of £5m. The participants in the facility cross guarantee the overdrawn balances under the facility.

The Company has provided unsecured guarantees to third parties in the ordinary course of business. At 30 April 2014, the guarantees outstanding amounted to £350,000 (2013: £522,000).

19. Capital commitments

	2014 £'000	2013 £'000
Contracted but not provided for in the financial statements	553	668

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

20. Other financial commitments

At the year end the Company had annual commitments under non-cancellable operating leases as set out below:

	Other 2014 £'000	2013 £'000	Land and Buildings 2014 £'000	2013 £'000
Operating leases which expire:				
Within one year	54	891	-	-
Within two to five years	49	1,475	-	514
In over five years	-	-	-	-
	<u>103</u>	<u>2,366</u>	<u>-</u>	<u>514</u>

21. Reconciliation of movements in shareholder's funds

	2014 £'000	2013 £'000
Loss for the financial year	(2,240)	(12,180)
Net decrease to shareholder's funds	(2,240)	(11,975)
Opening shareholder's funds	200,563	212,743
Closing shareholder's funds	<u>198,323</u>	<u>200,563</u>

22. Pension arrangements

The Company is a participating employer in the DS Smith Group Pension Scheme (the 'Scheme'), a defined benefit scheme. The Company makes contributions to the Scheme as agreed with DS Smith Plc (the ultimate parent undertaking which accounts for the Scheme in its financial statements), and, as permitted by FRS 17, 'Retirement Benefits', accounts for the Scheme as a defined contribution scheme and recognises as pension cost the contributions payable in each financial period. The consolidated financial statements for the year to 30 April 2014 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2014.

As at 30 April 2014, the deficit in the scheme was £151.0m (2013: £214.0m).

	2014 %	2013 %
Discount rate for scheme liabilities	4.4%	3.9%
Inflation	2.3%	2.2%
Pre-retirement pension increases	2.3%	2.2%
Future pension increases for pre 30 April 2005 service	2.3%	2.2%
Future pension increases for post 30 April 2005 service	2.1%	2.0%

Future mortality is the most significant demographic assumption.

DS Smith Paper Limited

Notes to the financial statements For the year ended 30 April 2014

22. Pension arrangements (continued)

The current life expectancies (in years) are:

	2014 Male	2014 Female	2013 Male	2013 Female
Life expectancy at age 65				
Pensioner currently age 65	21.4	23.8	22.2	23.4
Member currently aged 45	23.2	25.7	22.6	24.9

The consolidated financial statements for the year to 30 April 2014 for DS Smith Plc include information about the funding position of the Group scheme as at 30 April 2014.

From 30 April 2011, the Scheme was closed to future accrual and all members, offered participation in a defined contribution scheme.

The Group made agreed annual contributions to the Group scheme of £15m in 2013/14 (2012/13: £18m).

The Company's pension cost charge for the year amounted to £2,122,000 (2013: £1,757,000). The amount payable at 30 April 2014 was £0 (30 April 2013: £184,000).

23. Subsequent events

On 1 November 2014 the fixed assets and employee contracts relating to the Recycling business were transferred to DS Smith Recycling UK Ltd. The recycling branches in Poland and Hungary are not subject to this transfer.

24. Ultimate controlling party

The immediate parent undertaking is DS Smith Holdings Limited, a Company incorporated in Great Britain and registered in England and Wales.

The ultimate holding Company is DS Smith Plc, which is incorporated in Great Britain and registered in England and Wales.

DS Smith Plc represents both the largest and smallest group of undertakings for which group financial statements are prepared and of which the Company is a member.

Copies of the Group financial statements are available from the Company Secretary, DS Smith Plc, 350 Euston Road, London NW1 3AX.