

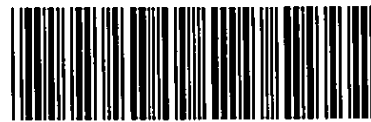
**Company Registration No. 630681**

**DS Smith Packaging Limited**

**Report and Financial Statements**

**30 April 2012**

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COMPANIES HOUSE

# **DS Smith Packaging Limited**

## **Report and financial statements 2012**

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# **DS Smith Packaging Limited**

## **Report and financial statements 2012**

### **Officers and professional advisers**

#### **Directors**

A J Cadwell  
S W Dryden  
M P Jowett  
A Manisty  
D J Matthews  
M W Roberts  
G E Saunders

#### **Secretary**

A Steele

#### **Registered office**

Beech House  
Whitebrook Park  
68 Lower Cookham Road  
Maidenhead  
Berkshire  
SL6 8XY

#### **Bankers**

National Westminster Bank Plc  
P O Box 221  
Connaught House  
65 Aldwych  
London  
WC2B 4EJ

ABN Amro Bank NV  
PO Box 256  
3000 AG Rotterdam  
PAC SK000

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory  
Auditor  
2 New Street Square  
London  
EC4A 3BZ

# DS Smith Packaging Limited

## Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 April 2012

### Principal activities

The company is principally engaged in the manufacture of fibre-based packaging converted from corrugated case material ('CCM') into corrugated board and boxes. Production amounts to 1.1 billion square metres per annum at 28 factories located throughout the UK. Approximately 75% of sales go into the fast-moving consumer goods sector ('FMCG'), predominantly food and beverage, with the remainder being principally for the consumer durables and industrial sectors. The directors are not aware of any likely major changes in the company's activities in the next year.

### Business review

The profit for the year, after taxation, amounted to £17,346,000 (2011: £11,632,000). This was dealt with as follows:

	2012 £000	2011 £000
Profit for the year	17,346	11,632
Dividends on equity shares	(40,000)	(12,000)
Transferred from reserves	(22,654)	(368)

The company produced a good result and grew its market share on a platform of service and innovation. Its emphasis on the FMCG sector and higher value-added products assisted performance significantly, when compared with the UK corrugated industry as a whole. Key investments have been made to increase the company's capability to support the growth in demand for shelf-ready packaging and to improve print quality.

### Dividends

A dividend of £40,000,000 was proposed and paid during the year (2011: £12,000,000).

### Exceptional operating items

During the year the corporate planning process has clearly focused our core objectives and market targets. This restructuring initiative aligns the divisional sectors closely with more tightly focused market objectives and is being driven by a number of programmes. Accordingly a number of restructuring, accelerated depreciation and impairment costs were incurred in the year (see Note 7).

### Future prospects

Looking ahead to 2012/13, 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.

# **DS Smith Packaging Limited**

## **Directors' report (continued)**

### **Going concern**

The company's business activities, financial performance and position and factors likely to affect it in the future are set out in the business review and principal activities section of the directors' report above and within the consolidated financial statements of DS Smith PLC. The current economic conditions mean there are inherent future uncertainties that may impact the business. The main risks are described in the Principal risks and uncertainties paragraph below. The company has a positive cash balance with minimal reliance on external debt at the balance sheet date. The directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

As a result the Directors have made enquiries and considered the company's financial and operational resources and have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements for the year ended 30 April 2012. For these reasons, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the accounts.

### **Principal risks and uncertainties**

Competitive pressure in our 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 cost, CCM paper, continues to be a risk, particularly given the price movements over the last three years, since additional cost needs to be passed onto the customer in order to maintain margins. The company has an active programme in place to manage its supplies and costs of CCM paper. 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 labour cost and other significant input cost increases, particularly energy.

Credit risk is seen as an increasing issue faced by the company as the economy weakens. This risk is mitigated by the strict application of our credit policy and regular management review of accounts that are rated as higher risk.

### **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 manufacturing waste and investment in equipment designed to improve energy efficiencies.

### **Research and development**

The company fully recognises the importance of continuing to invest in research and development. It is the company's policy to develop new product specifications commensurate with environmental needs and packaging solutions required by customers, to improve quality and to continue research into more cost-efficient production methods.

# **DS Smith Packaging Limited**

## **Directors' report (continued)**

### **Directors**

The directors who held office during the financial year were as follows

A J Cadwell  
CT Cattermole (Resigned 30 June 2011)  
AG Clarke (Resigned 31 December 2011)  
S W Dryden  
M P Jowett (Appointed 30 June 2011)  
D J Matthews (Appointed 31 December 2011)  
A Manisty  
M W Roberts  
G E Saunders

### **Secretary**

A Steele was Company Secretary throughout the financial year

### **Employees**

The company is fully committed to ensuring that sufficient emphasis is placed on employee involvement and communication through a variety of methods. The company is committed to both the principle and achievement of equal opportunities in employment and policies are designed to provide such equality irrespective of sex, creed, ethnic origin, nationality, sexual orientation, age or disability. Dependent upon their skills and abilities, the company applies the same criteria to disabled persons as it does to other employees whether in selection, promotion or training. If any employee becomes disabled during employment with the company, every effort is made to find suitable continuing employment. The company fully recognises its responsibilities and continues to promote all aspects of health and safety in the interests of its employees and members of the public.

### **Employee Consultation**

The Company 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.

### **Political and charitable contributions**

The company donated £26,000 (2011 £24,000) to various charities. No political contributions were made during the year (2011 £nil).

### **Directors' and officers' liability insurance**

During the year the parent company maintained liability insurance for the directors and officers of the company.

### **Payment to suppliers**

Although the company does not follow any formal code or standard on payment practice it is the company's policy to agree terms of business with suppliers either for each order or, in the case of regular suppliers, on a periodic basis. The company pays the supplier accordingly, provided that all of the goods or services to which the invoice relates have been received or completed to our satisfaction.

The aggregate amount owed by the company to trade creditors at 30 April 2012 was equivalent to 60 days (2011 67 days) of purchases invoiced by suppliers during the year.

# **DS Smith Packaging Limited**

## **Directors' report (continued)**

### **Auditor**

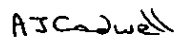
Each of the persons who is a director at the date of approval of this report confirms that

- 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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be reappointed as auditor in the absence of an Annual General Meeting

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



AJ Cadwell  
Director

20 August 2012

# **DS Smith Packaging Limited**

## **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# **DS Smith Packaging Limited**

## **Independent auditor's report to the members of DS Smith Packaging Limited**

We have audited the financial statements of DS Smith Packaging Limited for the year ended 30 April 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 26. 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 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 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 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 company's affairs as at 30 April 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

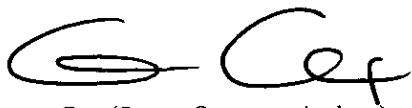
## DS Smith Packaging Limited

### Independent auditor's report to the members of DS Smith Packaging Limited (continued)

#### 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



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

20 August 2012

## DS Smith Packaging Limited

### Profit and loss account Year Ended 30 April 2012

		2012 £'000	2012 £'000	2012 £'000	2011 £'000	2011 £'000	2011 £'000
	Note	Before exceptional Items	Exceptional Items (Note 7)	Total	Before exceptional Items	Exceptional Items (Note 7)	Total
Turnover	2	550,456	-	550,456	513,434	-	513,434
Cost of sales		(424,651)	-	(424,651)	(402,943)	-	(402,943)
Gross profit		125,805	-	125,805	110,491	-	110,491
Distribution costs		(32,024)	-	(32,024)	(31,467)	-	(31,467)
Administrative expenses		(55,794)	(13,668)	(69,462)	(56,585)	(5,194)	(61,779)
Operating profit		37,987	(13,668)	24,319	22,439	(5,194)	17,245
Net (loss)/ gain		(26)	-	(26)	18	(468)	(450)
Interest receivable	6	22	-	22	263	-	263
Profit before income tax	3	37,983	(13,668)	24,315	22,720	(5,662)	17,058
Income tax on profit	9	(9,233)	2,264	(6,969)	(5,774)	348	(5,426)
Profit for the financial year	19	28,750	(11,404)	17,346	16,946	(5,314)	11,632

The company has no recognised gains or losses in either year other than the profit for that year as set out above and therefore a separate statement of total recognised gain and losses has not been presented. A statement of movements on reserves is given in Note 19.

All results were derived from continuing operations.

# DS Smith Packaging Limited

## Balance sheet 30 April 2012

	Notes	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Intangible fixed assets	10	(147)	(160)
Tangible assets	11	126,638	125,486
Investments	12	-	28
		<u>126,491</u>	<u>125,354</u>
<b>Current assets</b>			
Stocks	13	19,984	23,046
Debtors amounts falling due within one year	14	96,074	92,149
Debtors amounts falling due after more than one year	14	3,453	3,509
Cash at bank and in hand		87	4,761
		<u>119,598</u>	<u>123,465</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(118,420)</u>	<u>(101,389)</u>
<b>Net current assets</b>		<u>1,178</u>	<u>22,076</u>
<b>Total assets less current liabilities</b>		<u>127,669</u>	<u>147,430</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(100,105)	(100,083)
<b>Provisions</b>	17	<u>(9,821)</u>	<u>(6,950)</u>
<b>Net assets</b>		<u>17,743</u>	<u>40,397</u>
<b>Capital and reserves</b>			
Called-up share capital	18	180	180
Profit and loss account	19	<u>17,563</u>	<u>40,217</u>
<b>Shareholder's funds</b>	20	<u>17,743</u>	<u>40,397</u>

The financial statements of DS Smith Packaging Limited registered number 630681 were approved by the Board of Directors on 20 August 2012

Signed on behalf of the Board of Directors

AJ Cadwell

AJ Cadwell  
Director

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 1. Accounting policies

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

#### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. For the reasons explained in the Directors' report the accounts have been prepared on the going concern basis.

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. Under the provisions of Financial Reporting Standard 1 (Revised), 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.

#### Goodwill and intangibles

Goodwill arising on the acquisition of subsidiary undertakings and businesses completed after 1 May 1999, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, not exceeding 20 years. Provision is made for any impairment.

Goodwill arising on earlier acquisitions was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Where negative goodwill arises, it is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Intangible assets purchased separately from a business are capitalised at cost and amortised over their useful economic lives.

#### Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on a straight-line basis over the estimated useful lives of each item.

The estimated useful lives are as follows:

Leasehold improvements	period of the lease
Plant and machinery	3 - 20 years
Motor vehicles	3 - 5 years

No depreciation is provided on freehold land and assets in the course of construction.

# **DS Smith Packaging Limited**

## **Notes to the accounts Year ended 30 April 2012**

### **1. Accounting policies (continued)**

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

#### **Government grants**

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

#### **Research and development expenditure**

Expenditure on research and development is written off against profits in the period in which it is incurred.

#### **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.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### **Taxation**

Current tax of 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 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 year.

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 group'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.

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.

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 1. Accounting policies (continued)

#### Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to customers during the financial period. Revenue is recognised upon delivery of the goods and services.

#### Pension costs

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 2012, the scheme closed to future accrual.

#### Share-based payments

The ultimate parent 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 recharge from the ultimate parent 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.

### 2. Analysis of turnover

All turnover is derived from the principal activities of the company.

	2012 £'000	2011 £'000
<b>Turnover by geographical destination</b>		
United Kingdom	514,126	476,039
Continental Europe	32,873	33,373
Rest of World	3,457	4,022
	<u>550,456</u>	<u>513,434</u>

All turnover originates from the UK in both the current and preceding year.

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 3. Profit on ordinary activities before taxation

	2012 £'000	2011 £'000
Is stated after charging		
Auditor's remuneration Fees payable for the audit of the company's financial statements	122	158
Depreciation	14,830	15,295
Loss on disposal of fixed assets	26	-
Hire of plant and machinery - rentals payable under operating leases	2,539	2,375
Hire of other assets - rentals payable under operating leases	1,024	951
Research and development expenditure	251	297
	<u>          </u>	<u>          </u>
After crediting		
Amortisation of negative goodwill	13	12
Profit on disposal of fixed assets	-	18
Government grants receivable	64	31
	<u>          </u>	<u>          </u>

### 4. Remuneration of directors

	2012 £'000	2011 £'000
<b>Directors' emoluments</b>		
Remuneration as executives (including pension contributions)	387	422
	<u>          </u>	<u>          </u>

The emoluments of the highest paid director were £220,000 (2011 £250,000) including pension contributions of £22,000 (2011 £25,000) and the accrued pension entitlement was £30,000 p a (2011 £40,000 p a )

Retirement benefits are accruing to the following number of directors

	No.	No.
Defined benefit pension scheme	-	2
	<u>          </u>	<u>          </u>



# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 5. Staff numbers and costs

The average number of persons employed by the company during the financial year was as follows

	2012 No.	2011 No.
Average number of employees	3,194	3,303

The aggregate payroll costs of these persons were as follows

	£'000	£'000
Wages and salaries	97,177	97,180
Social security costs	8,957	8,664
Other pension costs (Note 21)	3,305	6,229
	109,439	112,073

Wages and salaries include £113,000 (2011 £89,000) in respect of share options granted by the ultimate parent company during the year

### 6. Interest receivable

	2012 £'000	2011 £'000
On cash balances and bank overdrafts	22	263

### 7. Exceptional operating items

	2012 £'000	2011 £'000
Exceptional restructuring costs	8,884	1,250
Loss on sale of Sacks business	-	468
Provision for diminution in the value of fixed asset investment	-	2,384
Accelerated depreciation in respect of fixed assets	4,784	1,560
	13,668	5,662

Restructuring costs comprise principally redundancy payments. Additionally, site closure and lease termination costs have been charged. Accelerated depreciation has been charged in respect of assets expected to be put out of service following the implementation of the restructuring programme.

### 8. Dividends

	2011 £'000	2011 £'000
Equity dividend paid in the year on ordinary shares of £222.22 per share (2011 £66.67 per share)	40,000	12,000

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 9. Income tax on profit

#### (a) Analysis of charge in the year

	2012 £'000	2011 £'000
UK corporation tax at 25.83% (2011: 27.83%) on the profit for the year	7,122	5,850
Under provision in respect of prior years	2,848	1,184
<b>Total current tax</b>	<b>9,970</b>	<b>7,034</b>
Deferred tax (see Note 17)		
- origination and reversal of timing differences	(264)	(127)
- adjustments in respect of prior years	(2,737)	(1,091)
- credit on account of change in corporation tax rate from 28% to 26%	-	(390)
<b>Tax charge on profit</b>	<b>6,969</b>	<b>5,426</b>
<b>Effective tax rate</b>	<b>28.7%</b>	<b>31.8%</b>

#### (b) Factors affecting current tax rate for the year

The difference between the tax assessed for the year and the standard rate of corporation tax in the UK of 25.83% (2011: 27.83%) is explained below

	£'000	£'000
Profit before taxation	24,315	17,058
Tax at 25.83%/27.83%	6,281	4,747
Effects of		
Depreciation for period in excess of capital allowances	(40)	168
Other timing differences	324	(32)
Permanent differences	557	967
Under provision in respect of prior years	2,848	1,184
<b>Current tax charge for the year</b>	<b>9,970</b>	<b>7,034</b>

#### (c) Factors that may affect future tax charges

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

The March Budget 2012 announced a reduction in the main rate of UK corporation tax from 26% to 24% effective from 1 April 2012, which was substantively enacted at the balance sheet date. This reduced rate has been reflected in the calculation of deferred tax.

The Government has also indicated that it intends to introduce further reductions in the main tax rate, with the rate falling by 1% each year, down to 22% by 1 April 2014. These further reductions to the tax rates have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements.

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 10. Intangible fixed assets

	<b>Goodwill £000's</b>
<b>Cost:</b>	
At 1 May 2011 and 30 April 2012	(246)
<b>Amortisation:</b>	
At 1 May 2011	86
Credit for the year	13
At 30 April 2012	99
<b>Net book value:</b>	
At 30 April 2012	(147)
At 30 April 2011	(160)

### 11. Tangible fixed assets

	<b>Freehold land and buildings £'000</b>	<b>Leasehold land and buildings £'000</b>	<b>Plant and machinery £'000</b>	<b>Assets under construction £'000</b>	<b>Total £'000</b>
<b>Cost:</b>					
At 1 May 2011	74,338	4,077	357,548	1,225	437,188
Additions	1,482	9	18,264	1,593	21,348
Transfers	-	-	1,091	(1,091)	-
Disposals	-	-	(4,148)	-	(4,148)
At 30 April 2012	75,820	4,086	372,755	1,727	454,388
<b>Depreciation:</b>					
At 1 May 2011	(24,126)	(876)	(286,700)	-	(311,702)
Charge for the year in the normal course	(1,498)	(123)	(13,209)	-	(14,830)
Accerated charge (see note 7)	-	-	(4,784)	-	(4,784)
Disposals	-	-	3,566	-	3,566
At 30 April 2012	(25,624)	(999)	(301,127)	-	(327,750)
<b>Net book value:</b>					
At 30 April 2012	50,196	3,087	71,628	1,727	126,638
At 30 April 2011	50,212	3,201	70,848	1,225	125,486

The gross book value of land and buildings includes £63,136,000 (2011 £61,650,000) of depreciable assets. The net book value of fixed assets includes £nil (2011 £nil) relating to assets held under hire purchase agreements. An impairment charge has been made at a number of operating sites to reflect the recoverable amount of its fixed assets.

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 12. Fixed asset investments

	Subsidiary undertakings - share capital £'000	Subsidiary undertakings - loans £'000	Other investments £'000	Total £'000
<b>Cost or valuation</b>				
At beginning of year	-	-	28	28
Disposal	-	-	(28)	(28)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Multigraphics Holdings Limited	Great Britain	Holding Company	Ordinary 100%
Multigraphics Limited*	Great Britain	Dormant	Ordinary 100%
Multigraphics Services Limited*	Great Britain	Dormant	Ordinary 100%
Thebannerpeople.com Limited*	Great Britain	Dormant	Ordinary 100%
Shorepac Limited (struck off from 30 August 2011)	Great Britain	Dormant	Ordinary 100%

\* Held indirectly through Multigraphics Holdings Limited

### 13. Stocks

	2012 £'000	2011 £'000
Raw materials and consumables	11,214	13,567
Work in progress	1,857	1,673
Finished goods and goods for resale	6,913	7,806
	<hr/>	<hr/>
	19,984	23,046
	<hr/>	<hr/>

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 14. Debtors

	2012 £'000	2011 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	81,842	81,015
Amounts owed by Group undertakings	195	699
Other debtors	5,246	4,312
Prepayments and accrued income	8,791	6,123
	<u>96,074</u>	<u>92,149</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by Group undertakings	3,453	3,286
Other debtors	-	223
	<u>3,453</u>	<u>3,509</u>

The Group amounts falling due after more than one year are not due for repayment within the next year and bear no interest

### 15. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans and overdrafts (guaranteed by Group undertakings)	18,557	-
Trade creditors	53,784	55,667
Amounts owed to Group undertakings (including £5,993,000 (2011 £4,547,000) in respect of corporation tax paid by the parent on the company's behalf)	30,847	30,270
Other taxes and social security	7,191	6,873
Other creditors	4,699	5,003
Accruals and deferred income	3,342	3,576
	<u>118,420</u>	<u>101,389</u>

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 16. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Amounts owed to Group undertakings	100,083	100,083
Other creditors	22	-
	<u>100,105</u>	<u>100,083</u>

The Group amounts falling due after more than one year are not due for repayment within the next year and bear no interest

### 17. Provisions

	Deferred tax £'000	Note 7 Restructuring £'000	Other £'000	Total £'000
At 30 April 2011	4,837	2,063	50	6,950
(Credit)/charge for the year	(3,001)	8,884	-	5,883
Utilised in the year	-	(3,012)	-	(3,012)
At 30 April 2012	<u>1,836</u>	<u>7,935</u>	<u>50</u>	<u>9,821</u>

Other provisions mainly relate to reorganisation and redundancy costs and provisions for vacant leasehold properties and lease dilapidations. The majority of these provisions will be utilised within the next three years.

Deferred taxation is analysed as follows

	2012 £'000	2011 £'000
Accelerated capital allowances	2,229	4,950
Other timing differences	(393)	(113)
	<u>1,836</u>	<u>4,837</u>

### 18. Called-up share capital

	2012 £'000	2011 £'000
<b>Allotted, called-up and fully paid:</b>		
Equity 179,998 ordinary shares of £1 each	<u>180</u>	<u>180</u>

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 19. Reserves

	Profit and loss account £'000
At 1 May 2011	40,217
Profit for the financial year	17,346
Equity dividends (Note 8)	(40,000)
At 30 April 2012	17,563

### 20. Reconciliation of movement in shareholder's funds

	2012 £'000	2011 £'000
Profit for the financial year	17,346	11,632
Equity dividends (Note 8)	(40,000)	(12,000)
	(22,654)	(368)
Opening shareholder's funds	40,397	40,765
Closing shareholder's funds	17,743	40,397

### 21. 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. The consolidated financial statements for the year to 30 April 2012 for DS Smith Plc included information about the funding position of the Scheme as a whole as at 30 April 2012.

	2012 %	2011 %
Discount rate for scheme liabilities	5.0%	5.3%
Inflation	2.4%	2.8%
Future salary increases	N/A	N/A
Future pension increases for pre 30 April 2005 service	2.4%	2.8%
Future pension increases for post 30 April 2005 service	2.2%	2.3%
Expected return on plan assets	5.3%	5.8%

Future mortality is the most significant demographic assumption

# DS Smith Packaging Limited

## Notes to the accounts Year ended 30 April 2012

### 22. Pensions (continued)

The current life expectancies (in years) are

	2012 Male	2012 Female	2011 Male	2011 Female
<b>Life expectancy at age 65</b>				
Pensioner currently aged 65	21 1	23 3	21 0	23 2
Member currently aged 45	22 5	24 8	22 4	24 8

From 1 May 2011, the Scheme was closed to future accrual and all members were offered participation in a defined contribution scheme

The company's pension cost charge for the year amounted to £3,305,000 (2011 £6,229,000) The amount payable at 30 April 2012 was £136,000 (2011 £145,000)

### 23. Contingent liabilities

As part of Group banking arrangements the company has guaranteed overdrafts of companies within the DS Smith Plc Group of £4,960,135 (2011 £80,480,118)

### 24. Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made are

	2012 £'000	2011 £'000
Contracted	5,689	15,759

(ii) Annual commitments under non-cancellable operating leases are as follows

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
- Within one year	372	746	450	823
- In 2 to 5 years inclusive	187	2,151	876	2,414
- Over five years	244	-	384	33
	803	2,897	1,710	3,270



## **DS Smith Packaging Limited**

### **Notes to the accounts Year ended 30 April 2012**

#### **25. Related parties**

All of the company's voting rights are controlled within the Group headed by DS Smith Plc. The company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with companies which form part of the Group. The consolidated financial statements of DS Smith Plc, within which this company is included, can be obtained from the address given in Note 26.

#### **26. Ultimate parent company**

The immediate parent company is DS Smith (UK) Limited and the ultimate parent company is DS Smith Plc, which is incorporated in Great Britain and registered in England and Wales.

DS Smith Plc is the ultimate parent company and 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 head office of DS Smith Plc at Beech House, Whitebrook Park, 68 Lower Cookham Road, Maidenhead, Berkshire, SL6 8XY.