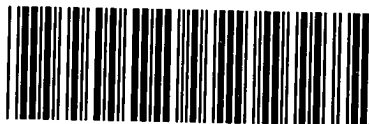


**DS Smith Packaging Limited**

**Company Registration No. 630681  
Report and financial statements  
For the year ended 30 April 2014**

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# **DS Smith Packaging Limited**

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# **DS Smith Packaging Limited**

## **Officers and professional advisers**

### **Directors**

A J Cadwell  
G P Jenkins  
M P Jowett  
A Manisty  
A R T Marsh  
S Rossi

### **Secretary**

A Steele

### **Registered office**

350 Euston Road  
London  
NW1 3AX

### **Bankers**

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

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

Lloyds TSB  
10 Gresham Street  
London  
EC2V 7AE

### **Auditor**

Deloitte LLP  
5 Callaghan Square  
Cardiff  
CF10 5BT

# DS Smith Packaging Limited

## Strategic report

### 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 24 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 £16,367,000 (2013: £30,178,000). This was dealt with as follows:

|                            | 2014<br>£'000   | 2013<br>£'000 |
|----------------------------|-----------------|---------------|
| Profit for the year        | 16,367          | 30,178        |
| Dividends on equity shares | (50,000)        | -             |
| Transferred from reserves  | <u>(33,633)</u> | <u>30,178</u> |

The company produced a good result and maintained market share on a platform of service and innovation despite some divestiture of non core businesses. 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.

### Exceptional items

During the financial year a number of redundancies were implemented across the company and one manufacturing site was closed in order to manage overhead costs. In addition the integration of the ex SCA UK activities into the business continued. See Note 7 for details.

### Future prospects

Looking ahead to 2014/15, 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**

## **Strategic 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 strategic 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 in the strategic review. The company has a positive cash balance with minimal reliance on external debt at the balance sheet date. Despite the company's net current liability position, 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 2014. For these reasons, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

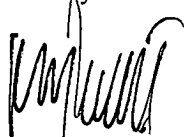
### **Principal risks and uncertainties**

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.

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



M P Jowett  
Director

29 January 2015

# **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 2014**.

### **Dividends**

A dividend was paid during the year amounting to £50,000,000 (2013: £nil).

### **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.

More information including amounts disbursed in relation to research and development can be found in note 3.

### **Directors**

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

C T Brereton (Resigned 16 June 2014)

A J Cadwell

S W Dryden (resigned 28 June 2013)

G P Jenkins (Appointed 16 June 2014)

M P Jowett

A Manisty

A R T Marsh (Appointed 24 September 2013)

D J Matthews (Resigned 16 January 2014)

G E Saunders (Resigned 24 September 2013)

R Stuckes (Appointed 13 November 2013, resigned 22 December 2014)

S Rossi (Appointed 29 September 2014)

### **Secretary**

A Steele was Company Secretary throughout the financial year.

# **DS Smith Packaging Limited**

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

### **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 contributions**

No political contributions were made during the year (2013: £nil).

### **Registered Office**

The registered office of the company moved from Beech House, Whitebrook Park, 68 Lower Cookham Road, Maidenhead SL6 8XY to 350 Euston Road, London NW1 3AX on 20 November 2013.

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

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

### **Auditor**

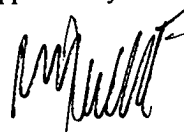
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.



M P Jowett  
Director

29 January 2015

# **DS Smith Packaging Limited**

## **Director's responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 2014** which comprise the profit and loss account, the balance sheet and the related notes 1 to 25. 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 2014** 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 Strategic Report and 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.

*Andrew Wright*

**Andrew Wright (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Cardiff, United Kingdom

29 January

2015

# DS Smith Packaging Limited

## Profit and loss account

Year ended 30 April 2014

|   |      | 2014<br>Before<br>exceptional<br>items<br>£'000 | 2014<br>Exceptional<br>items<br>(Note 7)<br>£'000 | 2014<br>Total<br>£'000 | 2013<br>Before<br>exceptional<br>items<br>£'000 | 2013<br>Exceptional<br>items<br>(Note 7)<br>£'000 | 2013<br>Total<br>£'000 |
|---|------|---|---|------------------------|---|---|------------------------|
|   | Note |   |   |                        |   |   |                        |
| <b>Turnover</b>   | 2    | 499,880   | -   | <b>499,880</b>         | 515,416   | -   | <b>515,416</b>         |
| Cost of sales   |      | (376,940)                                       | (3,068)   | <b>(380,008)</b>       | (380,135)                                       | (1,040)   | <b>(387,981)</b>       |
| <b>Gross profit</b>   |      | 122,940   | (3,068)   | <b>119,872</b>         | 128,475   | (1,040)   | <b>127,435</b>         |
| Distribution costs  |      | (30,219)  | (138)   | <b>(30,357)</b>        | (31,021)  | -   | <b>(31,021)</b>        |
| Administrative expenses   |      | (62,240)  | (5,615)   | <b>(67,855)</b>        | (56,179)  | (1,902)   | <b>(58,081)</b>        |
| <b>Operating profit</b>   |      | 30,481  | (8,821)   | <b>21,660</b>          | 41,275  | (2,942)   | <b>38,333</b>          |
| Profit/ (loss) on disposal of<br>fixed assets                               |      | 409   | -   | <b>409</b>             | 1,757   | (223)   | <b>1,534</b>           |
| Interest receivable and<br>similar income/ (payable and<br>similar charges) | 6    | 88  | -   | <b>88</b>              | (39)  | -   | <b>(39)</b>            |
| <b>Profit before taxation</b>   | 3    | 30,978  | (8,821)   | <b>22,157</b>          | 42,993  | (3,165)   | <b>39,828</b>          |
| Tax on profit on ordinary<br>activities                                     | 9    | (7,801)   | 2,011   | <b>(5,790)</b>         | (10,424)  | 774   | <b>(9,650)</b>         |
| <b>Profit for the financial year</b>  | 19   | <u>23,177</u>                                   | <u>(6,810)</u>                                    | <u><b>16,367</b></u>   | <u>32,569</u>                                   | <u>(2,391)</u>                                    | <u><b>30,178</b></u>   |

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

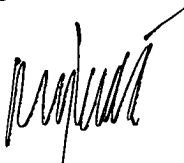
## Balance sheet

30 April 2014

|  | Notes | 2014<br>£'000    | 2013<br>£'000    |
|--|-------|------------------|------------------|
| <b>Fixed assets</b>  |       |                  |                  |
| Negative goodwill  | 10    | (122)            | (134)            |
| Tangible assets  | 11    | 147,099          | 134,535          |
|  |       | <u>146,977</u>   | <u>134,401</u>   |
| <b>Current assets</b>  |       |                  |                  |
| Stocks   | 13    | 21,137           | 18,488           |
| Debtors: amounts falling due within one year                   | 14    | 51,248           | 46,142           |
| Debtors: amounts falling due after more than one year          | 14    | 3,904            | 16,876           |
| Cash at bank and in hand                                       |       | 35,649           | 41,926           |
|  |       | <u>111,938</u>   | <u>123,432</u>   |
| <b>Creditors: amounts falling due within one year</b>          | 15    | <u>(118,226)</u> | <u>(104,792)</u> |
| <b>Net current (liabilities)/assets</b>                        |       | <u>(6,288)</u>   | <u>18,640</u>    |
| <b>Total assets less current liabilities</b>                   |       | 140,689          | 153,041          |
| <b>Creditors: amounts falling due after more than one year</b> | 16    | (122,333)        | (99,644)         |
| <b>Provisions</b>  | 17    | <u>(4,068)</u>   | <u>(5,476)</u>   |
| <b>Net assets</b>  |       | <u>14,288</u>    | <u>47,921</u>    |
| <b>Capital and reserves</b>                                    |       |                  |                  |
| Called-up share capital  | 18    | 180              | 180              |
| Profit and loss account  | 19    | 14,108           | 47,741           |
| <b>Shareholder's funds</b>                                     | 20    | <u>14,288</u>    | <u>47,921</u>    |

The financial statements of DS Smith Packaging Limited registered number 630681 were approved by the Board of Directors on 29 January 2015.

Signed on behalf of the Board of Directors



M P Jowett  
Director

# DS Smith Packaging Limited

## Notes to the accounts

Year ended 30 April 2014

### 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.

#### Consolidation

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, the financial statements of which are publicly available.

#### 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 |
| Freehold buildings     | 50 years            |
| 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 (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 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 (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 1 May 2011, 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.

|   | 2014<br>£'000  | 2013<br>£'000  |
|---|----------------|----------------|
| <b>Turnover by geographical destination</b> |                |                |
| United Kingdom                              | 474,973        | 483,101        |
| Continental Europe                          | 23,337         | 32,104         |
| Rest of World                               | 1,570          | 211            |
|   | <u>499,880</u> | <u>515,416</u> |

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

# DS Smith Packaging Limited

## Notes to the accounts (continued)

### 3. Profit before Taxation

|  | 2014<br>£'000     | 2013<br>£'000     |
|--|-------------------|-------------------|
| Is stated after charging:  |                   |                   |
| Auditor's remuneration: Fees payable for the audit of the company's financial statements | 110               | 118               |
| Depreciation   | 9,579             | 12,425            |
| Hire of plant and machinery - rentals payable under operating leases                     | 2,217             | 2,492             |
| Hire of other assets - rentals payable under operating leases                            | 2,612             | 2,696             |
| Research and development expenditure   | 267               | 262               |
|  | <u>          </u> | <u>          </u> |
| After crediting:   |                   |                   |
| Amortisation of negative goodwill  | 12                | 13                |
| Profit on disposal of fixed assets   | 409               | 1,757             |
| Government grants receivable   | 57                | 86                |
|  | <u>          </u> | <u>          </u> |

### 4. Remuneration of directors

|  | 2014<br>£'000     | 2013<br>£'000     |
|--|-------------------|-------------------|
| <b>Directors' emoluments</b>                                 |                   |                   |
| Remuneration as executives (including pension contributions) | 530               | 223               |
|  | <u>          </u> | <u>          </u> |

The emoluments of the highest paid director were £322,000 (2013: £211,000) including pension contributions of £51,000 (2013: £22,000) and the accrued pension entitlement was £28,574 p.a. (2013: £30,000 p.a.).

Retirement benefits are accruing to the following number of directors:

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



# DS Smith Packaging Limited

## 5. Staff Numbers and costs

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

|                             | 2014<br>No. | 2013<br>No. |
|-----------------------------|-------------|-------------|
| Average number of employees | 2,917       | 3,107       |

The aggregate payroll costs of these persons were as follows:

|                               | £'000   | £'000   |
|-------------------------------|---------|---------|
| Wages and salaries            | 90,521  | 98,020  |
| Social security costs         | 8,287   | 8,908   |
| Other pension costs (Note 21) | 5,174   | 4,393   |
|                               | 103,982 | 111,321 |

Wages and salaries include £782,000 (2013: £906,000) in respect of share options granted by the ultimate parent company during the year. The company's management participates in the performance share plan of the parent company. The details of the scheme can be found in the annual report of the parent company, DS Smith Plc, for the year ended 30 April 2014 and are accordingly not reproduced here.

## 6. Interest receivable and similar income/(payable and similar charges)

|                                      | 2014<br>£'000 | 2013<br>£'000 |
|--------------------------------------|---------------|---------------|
| On cash balances and bank overdrafts | 88            | (39)          |

## 7. Exceptional items

|                                 | 2014<br>£'000 | 2013<br>£'000 |
|---------------------------------|---------------|---------------|
| Exceptional restructuring costs | 8,821         | 2,942         |
| Loss on disposal of sites       | -             | 223           |
|                                 | 8,821         | 3,165         |

Restructuring costs comprise principally of costs arising from redundancies, a site closure and the continuing integration of the ex SCA UK activities into the business. The prior year restructuring costs comprised principally of costs associated with site closures, loss on sale of businesses, market realignment activities and the integration of the ex SCA UK activities in the business.

# DS Smith Packaging Limited

## 8 Dividends

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| Equity dividend paid in the year on ordinary shares of £277.78 per share (2013: £nil per share) | 50,000        | -             |

## 9 Tax on profit on ordinary activities

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

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| UK corporation tax at 22.83% (2013: 23.92%) on the profit for the year                   | 7,200         | 7,259         |
| Overseas tax suffered  | -             | 77            |
| Under provision in respect of prior years  | 4,699         | 2,647         |
| Double taxation relief   | -             | (77)          |
| Total current tax  | 11,899        | 9,906         |
| Deferred tax (see Note 17)   |               |               |
| - origination and reversal of timing differences   | (1,613)       | 2,283         |
| - adjustments in respect of prior years  | (4,933)       | (2,569)       |
| - credit on account of change in corporation tax rate from 23% to 20% (2013: 24% to 23%) | 437           | 30            |
| Tax charge on profit   | 5,790         | 9,650         |
| Effective tax rate   | 26.1%         | 24.2%         |

### (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 22.83% (2013: 23.92%) is explained below:

|   | £'000  | £'000   |
|---|--------|---------|
| Profit before taxation  | 22,157 | 39,828  |
| Tax at 22.83% / 23.92%  | 5,058  | 9,527   |
| Effects of:   |        |         |
| D Capital allowances in excess of depreciation/(depreciation in excess of capital allowances) | 1,861  | (1,959) |
| Other timing differences  | (19)   | (411)   |
| Permanent differences   | 300    | 102     |
| Under provision in respect of prior years   | 4,699  | 2,647   |
| Current tax charge for the year   | 11,899 | 9,906   |

## DS Smith Packaging Limited

### 9 Tax on profit on ordinary activities (continued)

#### (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.

Under UK GAAP, the tax charge is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. Finance Act 2013 includes a reduction in the standard rate of corporation 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%.

### 10 Negative goodwill

|  | <b>Goodwill<br/>£000</b> |
|--|--------------------------|
| <b>Cost:</b>                           |                          |
| At 1 May 2013 and <b>30 April 2014</b> | (246)                    |
| <b>Amortisation:</b>                   |                          |
| At 1 May 2013                          | 112                      |
| Credit for the year                    | 12                       |
| <b>At 30 April 2014</b>                | 124                      |
| <b>Net book value:</b>                 |                          |
| At <b>30 April 2014</b>                | (122)                    |
| At 30 April 2013                       | (134)                    |

# DS Smith Packaging Limited

## 11 Tangible fixed assets

|                         | Freehold<br>land and<br>buildings<br>£'000 | Leasehold<br>land and<br>buildings<br>£'000 | Plant and<br>machinery<br>£'000 | Assets under<br>construction<br>£'000 | Total<br>£'000   |
|-------------------------|--|---|---------------------------------|---------------------------------------|------------------|
| <b>Cost:</b>            |  |   |                                 |                                       |                  |
| At 1 May 2013           | 73,403                                     | 3,936                                       | 372,057                         | 3,875                                 | 453,271          |
| Additions               | 544  | -   | 22,193                          | -                                     | 22,737           |
| Transfers               | 19   | -   | 2,215                           | (2,234)                               | -                |
| Reclassification        | -  | -   | 1,873                           | -                                     | 1,873            |
| Disposals               | -  | -   | (9,201)                         | -                                     | (9,201)          |
| <b>At 30 April 2014</b> | <b>73,966</b>                              | <b>3,936</b>                                | <b>389,137</b>                  | <b>1,641</b>                          | <b>468,680</b>   |
| <b>Depreciation:</b>    |  |   |                                 |                                       |                  |
| At 1 May 2013           | (25,523)                                   | (974)                                       | (292,239)                       | -                                     | (318,736)        |
| Charge for the year     | (1,063)                                    | (55)  | (8,461)                         | -                                     | (9,579)          |
| Reclassification        | -  | -   | (1,873)                         | -                                     | (1,873)          |
| Disposals               | -  | -   | 8,607                           | -                                     | 8,607            |
| <b>At 30 April 2014</b> | <b>(26,586)</b>                            | <b>(1,029)</b>                              | <b>(293,966)</b>                | <b>-</b>                              | <b>(321,581)</b> |
| <b>Net book value:</b>  |  |   |                                 |                                       |                  |
| <b>At 30 April 2014</b> | <b>47,380</b>                              | <b>2,907</b>                                | <b>95,171</b>                   | <b>1,641</b>                          | <b>147,099</b>   |
| At 30 April 2013        | 47,880                                     | 2,962                                       | 79,818                          | 3,875                                 | 134,535          |

The gross book value of freehold land and buildings includes £61,059,000 (2013: £60,446,000) of depreciable assets.

## 12 Fixed asset investments

|                              | Subsidiary<br>undertakings<br>- share<br>capital<br>£'000 | Subsidiary<br>undertakings<br>- loans<br>£'000 | Other<br>investments<br>£'000 | Total<br>£'000 |
|------------------------------|---|--|-------------------------------|----------------|
| <b>Cost or valuation</b>     |   |  |                               |                |
| At beginning and end of year | -   | -  | -                             | -              |

| Subsidiary undertakings         | Country of<br>incorporation | Principal activity | Class and percentage of<br>shares held |
|---------------------------------|-----------------------------|--------------------|--|
| Multigraphics Holdings Limited  | United Kingdom              | Holding Company    | Ordinary 100%                          |
| Multigraphics Limited*          | United Kingdom              | Dormant            | Ordinary 100%                          |
| Multigraphics Services Limited* | United Kingdom              | Dormant            | Ordinary 100%                          |
| Thebannerpeople.com Limited*    | United Kingdom              | Dormant            | Ordinary 100%                          |

\* Held indirectly through Multigraphics Holdings Limited

## DS Smith Packaging Limited

### 13 Stocks

|                                     | 2014<br>£'000 | 2013<br>£'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables       | 11,438        | 9,947         |
| Work in progress                    | 2,199         | 1,949         |
| Finished goods and goods for resale | 7,500         | 6,592         |
|                                     | <u>21,137</u> | <u>18,488</u> |

The book value of stocks is not materially different to their recoverable value.

### 14 Debtors

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| <b>Amounts falling due within one year:</b>          |               |               |
| Trade debtors  | 30,565        | 36,838        |
| Amounts owed by Group undertakings                   | 4,317         | 2,156         |
| Deferred tax asset                                   | 4,529         | -             |
| Other debtors  | 7,642         | 837           |
| Prepayments and accrued income                       | 4,195         | 6,311         |
|  | <u>51,248</u> | <u>46,142</u> |
| <b>Amounts falling due after more than one year:</b> |               |               |
| Amounts owed by Group undertakings                   | 3,774         | 16,876        |
| Other debtors  | 130           | -             |
|  | <u>3,904</u>  | <u>16,876</u> |

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

### Deferred tax

|                         | £'000        |
|-------------------------|--------------|
| At 30 April 2013        | (1,580)      |
| Credit for the year     | 6,109        |
|                         | <u>4,529</u> |
| <b>At 30 April 2014</b> | <b>4,529</b> |

## DS Smith Packaging Limited

### 14. Debtors (continued)

Deferred taxation is analysed as follows:

|                                | 2014<br>£'000 | 2013<br>£'000  |
|--------------------------------|---------------|----------------|
| Accelerated capital allowances | 4,503         | (1,630)        |
| Other timing differences       | 26            | 50             |
|                                | <u>4,529</u>  | <u>(1,580)</u> |

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

|   | 2014<br>£'000  | 2013<br>£'000  |
|---|----------------|----------------|
| Bank loans and overdrafts (guaranteed by Group undertakings)  | 10,031         | 17,479         |
| Trade creditors   | 36,458         | 43,647         |
| Amounts owed to Group undertakings (including £8,610,000 (2013: £5,685,000) in respect of corporation tax paid by the parent on the company's behalf) | 62,081         | 27,629         |
| Other taxes and social security   | 935            | 4,282          |
| Other creditors   | 4,769          | 9,851          |
| Accruals and deferred income  | 3,952          | 1,904          |
|   | <u>118,226</u> | <u>104,792</u> |

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

|                                    | 2014<br>£'000  | 2013<br>£'000 |
|------------------------------------|----------------|---------------|
| Amounts owed to Group undertakings | <u>122,333</u> | <u>99,644</u> |

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

# DS Smith Packaging Limited

## 17 Provisions

|                              | Deferred<br>tax<br>£'000 | Restructuring<br>Note 7<br>£'000 | Other<br>£'000 | Total<br>£'000 |
|------------------------------|--------------------------|----------------------------------|----------------|----------------|
| At 30 April 2013             | 1,580                    | 3,846                            | 50             | 5,476          |
| (Credit)/charge for the year | (6,109)                  | 8,438                            | -              | 2,329          |
| Utilised in the year         | -                        | (8,266)                          | -              | (8,266)        |
| Transferred to debtors       | 4,529                    | -                                | -              | 4,529          |
| <b>At 30 April 2014</b>      | <b>-</b>                 | <b>4,018</b>                     | <b>50</b>      | <b>4,068</b>   |

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 two years.

## 18 Called-up share capital

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| <b>Allotted, called-up and fully paid:</b> |               |               |
| 179,998 ordinary shares of £1 each         | 180           | 180           |

## 19 Reserves

|                               | Profit<br>and loss<br>account<br>£'000 |
|-------------------------------|--|
| At 1 May 2013                 | 47,741                                 |
| Profit for the financial year | 16,367                                 |
| Equity dividends              | (50,000)                               |
| <b>At 30 April 2014</b>       | <b>14,108</b>                          |

## 20 Reconciliation of movement in shareholder's funds

|                               | 2014<br>£'000 | 2013<br>£'000 |
|-------------------------------|---------------|---------------|
| Profit for the financial year | 16,367        | 30,178        |
| Equity dividends (Note 8)     | (50,000)      | -             |
|                               | (33,633)      | 30,178        |
| Opening shareholder's funds   | 47,921        | 17,743        |
| Closing shareholder's funds   | 14,288        | 47,921        |

## DS Smith Packaging Limited

### 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 2014** for DS Smith Plc included information about the funding position of the Scheme as a whole as at **30 April 2014**.

|   | 2014<br>% | 2013<br>% |
|---|-----------|-----------|
| Discount rate for scheme liabilities                    | 4.4%      | 3.9%      |
| Inflation   | 2.3%      | 2.2%      |
| Future salary increases                                 | N/A       | N/A       |
| 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.

The current life expectancies (in years) are:

|                                  | 2014<br>Male | 2014<br>Female | 2013<br>Male | 2013<br>Female |
|----------------------------------|--------------|----------------|--------------|----------------|
| <b>Life expectancy at age 65</b> |              |                |              |                |
| Pensioner currently aged 65      | 21.4         | 23.8           | 21.2         | 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 £15,400,000 in 2013/14 (2012/13: £18,300,000).

The company's pension cost charge for the year amounted to £5,174,000 (2013: £4,393,000). The amount payable at **30 April 2014** was £132,000 (30 April 2013: £120,000).

### 22 Contingent liabilities

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

As part of Group banking arrangements the company has guaranteed overdrafts of companies within the DS Smith Group of £48,472,561 (2013: £18,462,390).



## DS Smith Packaging Limited

### 23 Commitments

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

|            | 2014<br>£'000 | 2013<br>£'000 |
|------------|---------------|---------------|
| Contracted | <u>1,228</u>  | <u>5,138</u>  |

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

|                                | 2014                           |                | 2013                           |                |
|--------------------------------|--------------------------------|----------------|--------------------------------|----------------|
|                                | Land and<br>buildings<br>£'000 | Other<br>£'000 | Land and<br>buildings<br>£'000 | Other<br>£'000 |
| Operating leases which expire: |                                |                |                                |                |
| - Within 1 year                | -                              | 449            | -                              | 774            |
| - In 2 - 5 years inclusive     | 435                            | 2,256          | 632                            | 2,601          |
| - Over 5 years                 | 551                            | 31             | 699                            | -              |
|                                | <u>986</u>                     | <u>2,736</u>   | <u>1,331</u>                   | <u>3,375</u>   |

### 24 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 other wholly owned subsidiaries 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 25.

### 25 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 350 Euston Road, London, NW1 3AX.