

Directors' Report

The Directors submit their Annual Report and the audited financial statements for the financial year ended 30 April 2010. The Directors' Statement as to disclosure of information to auditors, as required by Section 418(2) of the Companies Act 2006, is on page 58.

PRINCIPAL ACTIVITIES

The Company acts as the holding company of a group, which, during 2009/10, was engaged in the supply of corrugated and plastic packaging and of recycled paper and the wholesaling of office products. A full review of the activities during the financial year ended 30 April 2010 is set out on pages 1 to 39. The principal risks and uncertainties facing the Group are discussed on pages 32 and 33. A discussion of future developments and key performance indicators that management use is set out in the Business Review on page 19. The principal subsidiary undertakings are listed in note 33 on page 104.

BUSINESS REVIEW

The information that fulfils the requirements of the Business Review can be found in the Business Review on pages 1 to 39, which are incorporated in this report by reference.

CORPORATE GOVERNANCE STATEMENT

The information that fulfils the requirements of the Corporate Governance Statement can be found in the Corporate Governance section on pages 42 to 45 (and is incorporated into this report by reference) with the exception of the information referred to in the Financial Services Authority Disclosure and Transparency Rules 7.2.6, which is located in this Directors' Report.

CAUTIONARY STATEMENT

The purpose of the Annual Report is to provide information to the members of the Company and no-one else. The Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

RESULTS FOR THE YEAR

The financial results are shown on pages 60 to 111.

DIVIDENDS

An interim dividend of 1.5 pence net per ordinary share was paid on 2 March 2010 and the Directors recommend a final dividend of 3.1 pence net per ordinary share, making a total dividend to be paid for the year of 4.6 pence (2008/09: 4.4 pence) net per ordinary share. Subject to approval of shareholders at the Annual General Meeting to be held on 7 September 2010, the final dividend will be paid on 14 September 2010 to shareholders on the register at the close of business on 13 August 2010. The dividends per ordinary share stated above are those actually paid or to be paid.

SHARE CAPITAL

Details of the issued share capital and the rights and restrictions attached to the shares, together with details of movements in the Company's issued share capital during the year are shown in note 24. No shares pursuant to the Company's executive share option scheme were issued between 30 April 2010 and 23 June 2010 inclusive. The Company has not utilised its authority to make market purchases of shares granted to it at the 2009 Annual General Meeting but will be seeking to renew such authority at this year's Meeting.

SUBSTANTIAL SHAREHOLDERS

At 23 June 2010, the Company has been informed of the following notifiable interests in its issued ordinary share capital in accordance with the Disclosure and Transparency Rules of the Financial Services Authority:

	Ordinary shares held	%
Schroder Investment Management Ltd	70,235,754	17.85%
Standard Life Investments Ltd	55,662,041	14.15%
Sparinvest Holdings A/S	19,992,238	5.08%
AXA S.A.	16,561,204	4.21%
Legal & General Group plc	13,536,366	3.44%

ACQUISITIONS AND DISPOSALS

2009/10

Wirth

On 17 February 2010, the Group obtained control of Winfried Wirth GmbH, a corrugated packaging business in Germany. As a result, the Group's equity interest in Wirth increased from 25% to 55%.

Demes Logistics

On 6 January 2010, the assets of Demes Logistics, a plastic packaging business in Germany, were sold.

Vale Paper Limited

Deferred consideration of £0.2 million was paid in 2010 to Vale Paper Limited in full settlement of the further consideration due.

2008/09

Vale Paper Limited

On 2 September 2008, the Group acquired the assets of Vale Paper Limited, a waste paper collection business in the UK, for a consideration of £1.2 million. Further deferred consideration of £0.5 million was due 18 months after the acquisition subject to certain performance measures being achieved.

RESEARCH AND DEVELOPMENT

The Group recognises the importance of continuing to invest in research and development. It is Group policy to develop new product specifications commensurate with environmental needs and packaging solutions required by customers. Research is also conducted into ways to improve product quality and to find more cost-efficient methods of production and distribution. Research and development is conducted within divisional operations and expenditure is not significant.

DIRECTORS

The biographies of the present Directors are on pages 40 and 41. All the Directors served throughout the year except as follows. Mr G M B Adams resigned as a non-Executive Director on 26 May 2009 when he became Chief Executive of Spicers, the Group's Office Products Wholesaling division. Mr R E C Marton retired from the Board on 31 August 2009. Mr J C Nicholls joined the Board as a non-Executive Director with effect from 1 December 2009. Mr A D Thorne retired from the Board on 4 May 2010 and Mr M W Roberts joined the Board as Group Chief Executive on the same date. Mr G Davis joined the Board as a non-Executive Director on 1 June 2010. As mentioned in the Chairman's Statement on page 15, Mr Beeston will be retiring from the Board at the end of 2010. Other than as previously disclosed in this Report and in respect of existing service agreements, no Director, either during or at the end of the financial year, has been materially interested in any significant contract or arrangement in relation to the Group's business.

In accordance with Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors disclose that the rules regarding the appointment and

replacement of Directors are contained in the Company's Articles of Association ('Articles'), which may only be amended with shareholder approval in accordance with relevant legislation. The powers of the Directors are contained in the Company's Memorandum of Association and Articles. The Articles give the Directors powers, subject to relevant legislation, to authorise the issue and buy-back of the Company's shares by the Company, subject to authority being given to the Directors by shareholders in general meeting. The Company annually seeks the authority of shareholders to authorise the exercise by Directors of these powers.

RE-ELECTION OF DIRECTORS

The Articles require that all Directors who have either been appointed by the Board since the last Annual General Meeting, or for whom the forthcoming Annual General Meeting is the third Annual General Meeting since they were elected or last re-elected by the Company in general meeting, retire from office but they are eligible to submit themselves for re-election by the shareholders. Mr Nicholls, Mr Davis and Mr Roberts, have been appointed to the Board since the last Annual General Meeting and, being eligible, offer themselves for election. The Directors retiring by rotation at the Annual General Meeting on 7 September 2010 are Mr Bunker and Mr Mellier and being eligible, offer themselves for re-election. As required by the Combined Code any non-Executive Director who has been in post for nine years or more, or who is non-independent for any reason, is subject to annual re-election. Mr Beeston has served for more than nine years and is submitting himself for re-election. As mentioned in the Chairman's Statement on page 15, Mr Beeston will be retiring from the Board at the end of 2010. Formal performance evaluation has confirmed that the individual performance of the Directors offering themselves for election and re-election has been effective and they have demonstrated commitment to the role.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors and their immediate families in the ordinary shares of 10 pence each of the Company, including options granted but not yet exercised under the Performance Share Plan, Long-Term Incentive Plan, Executive Share Option Scheme, Deferred Share Bonus Plan and the Replacement Deferred Share Bonus Plan were as shown in the tables on pages 52 to 54.

DIRECTORS' INDEMNITIES

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

EMPLOYEE INVOLVEMENT AND COMMUNICATIONS

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

EQUAL OPPORTUNITIES

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

PENSION FUND

The Group had, in the year under review, four UK pension arrangements: one defined benefit scheme (which is closed to new employees), one defined contribution scheme, which was introduced for new employees joining the Group on or after 1 May 2005, one Group personal pension plan and a statutory Stakeholder arrangement.

The defined benefit scheme is a trust-based arrangement and the investments of the assets are managed on a discretionary basis by a number of Investment Managers, either in segregated or pooled arrangements. The defined contribution scheme is a trust-based arrangement offering members a range of investments with AXA Sun Life plc and other external investment fund managers as selected by the Scheme's trustees. The Group personal pension plan is a contract-based arrangement offering members a range of investments with Norwich Union Life and other external investment fund managers, and the Stakeholder arrangement is provided through Investment Solutions Limited. All such assets are held independently from the Group. The trustees of the defined benefit scheme and the defined contribution scheme send an Annual Report to all members of the respective schemes. The Trustee Company of the defined benefit scheme has an Investment Sub-Committee, established in line with the recommended guidelines of the Myners Report. Peter Murray of Allenbridge Investment Consultants is appointed as an independent adviser to the Investment Sub-Committee of the DS Smith Group Pension Scheme.

HEALTH AND SAFETY

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

SIGNIFICANT AGREEMENTS

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

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

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

GOVERNANCE

Directors' Report continued

PAYMENT TO SUPPLIERS

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

CHARITABLE AND POLITICAL DONATIONS

The Group contributed £72,000 (2008/09: £78,000) to charities in the UK. No payments were made to political parties. Donations were made by operating divisions to support their local communities. The Group also supported a number of other charities across a range of causes.

REGISTERED OFFICE

From the end of August 2009 the registered office of the Company changed from 4-16 Artillery Row, London SW1P 1RZ to Beech House, Whitebrook Park, 68 Lower Cookham Road, Maidenhead, Berkshire SL6 8XY.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company to be held on 7 September 2010, together with explanations of the Resolutions to be proposed, appears at the back of this Annual Report.

AUDITORS

Each Director confirms that:

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By Order of the Board

CAROLYN CATTERMOLE

Company Secretary
23 June 2010

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By Order of the Board

MILES ROBERTS

Group Chief Executive
23 June 2010

STEVE DRYDEN

Group Finance Director
23 June 2010