

FINANCIAL STATEMENTS

Company Balance Sheet Prepared in Accordance with UK GAAP

As at 30 April 2010

	Note	2010 £m	2009 £m
Fixed assets			
Tangible assets	4	2.4	1.5
Investments	5	357.0	357.0
		359.4	358.5
Current assets			
Debtors: amounts falling due within one year	6	12.9	21.0
Debtors: amounts falling due after more than one year	6	1,089.4	1,092.5
Cash at bank and in hand		0.8	1.7
		1,103.1	1,115.2
Creditors: amounts falling due within one year			
Trade and other creditors	7	(55.8)	(44.9)
Borrowings	7	(17.7)	(47.1)
Net current assets		1,029.6	1,023.2
Total assets less current liabilities		1,389.0	1,381.7
Creditors: amounts falling due after more than one year			
Trade and other creditors	7	(25.2)	(24.3)
Borrowings	7	(804.7)	(823.6)
Provisions for liabilities	8	(4.2)	(2.7)
Net assets excluding pension liability		554.9	531.1
Net pension liability	2	(142.8)	(134.4)
Net assets including pension liability		412.1	396.7
Capital and reserves			
Called up share capital	9	39.3	39.3
Share premium account	10	263.1	263.1
Profit and loss account	10	109.7	94.3
Shareholders' funds		412.1	396.7

Approved by the Board on 23 June 2010 and signed on its behalf by

M W Roberts, Director S W Dryden, Director

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

Notes to the Company Balance Sheet Prepared in Accordance with UK GAAP

1. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently, is set out below:

(a) Accounting basis

The financial statements have been prepared in accordance with applicable accounting standards.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

As the results of the Company are being presented together with its consolidated financial statements (refer to pages 60 to 105), the Company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures', and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties).

Under FRS 1 'Cash Flow Statements', the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the Company in its own consolidated financial statements.

The Company has also taken advantage of the exemption in FRS 29 'Financial Instruments: Disclosures', not to present Company only information as the disclosures provided in the notes to the consolidated financial statements comply with the requirements of this standard.

(b) Income recognition

Dividend income from subsidiary undertakings is recognised in the profit and loss account when declared by the subsidiary undertaking.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost or valuation less the estimated residual value of all tangible fixed assets in equal annual instalments over their estimated useful lives at the following rates:

Plant and equipment	3 – 5 years
Leasehold improvements	over the period of the lease
Land is not depreciated	

(d) Fixed asset investments

Fixed asset investments are valued at cost less provisions for impairment.

(e) Deferred taxation

In accordance with FRS 19 'Deferred Tax', is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, provided at current tax rates and based on current legislation. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end.

Exchange differences arising on translation are taken to the profit and loss account.

(g) Pension contributions

The amounts charged to operating profit in respect of defined benefit arrangements are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs.

Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and duration to the scheme liabilities. The resulting defined benefit net asset or liability, net of the related deferred tax, is presented.

(h) Financial instruments

Financial instruments are reported in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'.

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

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk.

Any gains or losses arising from the hedging instruments are offset against the hedged items.

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; and
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

(i) Share options

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The fair value of the options granted is measured using a stochastic model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the numbers of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

The proceeds received as a result of such options being exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised.

Where applicable, the fair value of employee services received by subsidiary undertakings within the DS Smith Plc Group in exchange for options granted by the Company is recognised as an expense in the financial statements of the subsidiary by means of a recharge from the Company.

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Notes to the Company Balance Sheet Prepared in Accordance with UK GAAP continued

2. PENSIONS

Details of the assumptions used in the calculation of the underlying assets and liabilities are disclosed in note 25 to the consolidated financial statements on page 96.

	2010 £m	2009 £m
Market value of schemes' assets	677.6	544.7
Present value of schemes' liabilities	(875.9)	(731.3)
Deficit in the schemes	(198.3)	(186.6)
Related deferred tax asset	55.5	52.2
Net pension liability	(142.8)	(134.4)

The movement in the deficit during the year is as follows:

	2010 £m	2009 £m
Opening deficit	(186.6)	(72.1)
Service cost	(7.0)	(9.3)
Pension Protection Fund Levy	(1.1)	(1.2)
Contributions	15.9	15.6
Payments to Pension Protection Fund	1.1	1.5
Other finance income	(11.2)	1.6
Actuarial losses	(11.0)	(122.9)
Net payments	1.6	0.2
Closing deficit	(198.3)	(186.6)

Information on other aspects of the Company's defined benefit arrangements is materially the same as set out in note 25 to the consolidated financial statements.

3. EMPLOYEE INFORMATION

The average number of employees employed by the Company during the year was 39 (2008/09: 31).

	2010 £m	2009 £m
Wages and salaries	6.9	3.9
Social security costs	1.3	0.2
Pension costs	0.5	0.4
Total	8.7	4.5

Note 26 to the consolidated financial statements sets out the disclosure information required for the Company's share-based payments.

4. TANGIBLE FIXED ASSETS

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
Balance at 1 May 2009	1.4	3.3	4.7
Additions	–	1.2	1.2
Disposals	–	(3.0)	(3.0)
Balance at 30 April 2010	1.4	1.5	2.9
Depreciation			
Balance at 1 May 2009	–	(3.2)	(3.2)
Depreciation charge for the year	–	(0.3)	(0.3)
Disposals	–	3.0	3.0
Balance at 30 April 2010	–	(0.5)	(0.5)
Carrying amount			
Balance as at 1 May 2009	1.4	0.1	1.5
Balance as at 30 April 2010	1.4	1.0	2.4

5. FIXED ASSET INVESTMENTS

	Shares in Group undertakings £m	Other £m	Total £m
Balance at 1 May 2009	357.0	–	357.0
Balance at 30 April 2010	357.0	–	357.0

The Company's principal trading subsidiary undertakings at 30 April 2010 are shown in note 33 of the consolidated financial statements.

6. DEBTORS

	2010 £m	2009 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	0.7	0.1
Corporation tax	8.2	11.3
Other debtors includes other tax	1.3	0.9
Prepayments and accrued income	0.1	0.2
Derivative financial instruments	2.6	8.5
	12.9	21.0
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	1,071.8	1,078.8
Other debtors	0.8	–
Deferred tax asset	5.5	–
Derivative financial instruments	11.3	13.7
	1,089.4	1,092.5
Total debtors	1,102.3	1,113.5

7. CREDITORS

	2010 £m	2009 £m
Trade and other creditors falling due within one year		
Amounts owed to subsidiary undertakings	34.4	31.9
Other tax and social security payables	4.0	3.1
Accruals and deferred income	10.6	9.7
Derivative financial instruments	6.8	0.2
	55.8	44.9
Trade and other creditors falling due after more than one year		
Deferred tax liability	-	0.6
Derivative financial instruments	25.2	23.7
	25.2	24.3
Borrowings falling due within one year		
Bank loans and overdrafts	17.7	47.1
	17.7	47.1
Borrowings falling due after more than one year (see note 20 of the consolidated financial statements for further details)		
Bank loans	11.5	77.5
Loans from subsidiary undertakings	555.3	500.1
Other loans	237.9	246.0
	804.7	823.6
Total creditors	903.4	939.9

8. PROVISIONS FOR LIABILITIES

	Restructuring £m	Other £m	Total £m
Balance at 1 May 2009	1.9	0.8	2.7
Charged to the profit and loss account	1.1	1.6	2.7
Provisions used during the year	(1.1)	(0.1)	(1.2)
Balance at 30 April 2010	1.9	2.3	4.2

9. SHARE CAPITAL

	Number of shares		2010 £m	2009 £m
	2010 Millions	2009 Millions		
Ordinary equity shares of 10 pence each				
Authorised	410.0	410.0	41.0	41.0
Issued, allotted, called up and fully paid	393.4	393.4	39.3	39.3

10. RESERVES

	Share premium account £m	Profit and loss account			Total £m
		Own shares £m	Hedging reserve £m	Other £m	
At 1 May 2009	263.1	(4.2)	1.1	97.4	94.3
Retained profit for the financial year	–	–	–	30.7	30.7
Actuarial losses on pension schemes	–	–	–	(11.0)	(11.0)
Tax on actuarial losses on pension schemes	–	–	–	3.2	3.2
Changes in the fair value of cash flow hedges (including tax)	–	–	(10.4)	–	(10.4)
Share-based payments (after tax)	–	–	–	2.9	2.9
At 30 April 2010	263.1	(4.2)	(9.3)	123.2	109.7

The Company made a profit for the financial year of £43.6m (2008/09: loss of £44.4m) including the recognition of intra-group dividends.

11. CONTINGENT LIABILITIES

The Company has guaranteed the gross overdrafts and loans of certain subsidiary undertakings, which at 30 April 2010 amounted to £42.2m (2008/09: £64.5m).