REMUNERATION REPORT

In accordance with section 439 of the Companies Act 2006, shareholders' approval of the Remuneration Report will be sought at the forthcoming Annual General Meeting ('AGM'). The Remuneration Report has been approved by the Board of Directors.

(A) COMPOSITION AND ROLE OF THE REMUNERATION COMMITTEE ('THE COMMITTEE')

The Committee consists entirely of independent Non-Executive Directors. The members of the Committee are Mr R G Beeston (Chairman), Mr C J Bunker, Mr R E C Marton and Mr P J-C Mellier. As mentioned in the Chairman's Statement on page 6, Mr Marton will be retiring from the Board on 31 August 2009. The members of the Committee have no personal financial interest, other than as shareholders of the Company, in the matters to be decided by the Committee, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business.

The Committee operates under written terms of reference agreed by the Board which are available on the Company's website, www.dssmith.uk.com/downloads/RemunerationCommittee.pdf. The Committee is responsible for determining the remuneration of Executive Directors, the Chairman of the Company and the Company Secretary. It also considers the remuneration of senior executives reporting to the Group Chief Executive (taking into account recommendations from him).

(B) COMPLIANCE

The Board, in conjunction with the Committee, has taken the necessary steps to ensure that the Company complies with the provisions of the Combined Code, which relate to Directors' remuneration. Certain disclosures in this Report fall within the scope of matters for review by the Auditors.

(C) ADVISERS TO THE COMMITTEE

Hewitt New Bridge Street has been appointed by the Committee to provide advice on the remuneration of Executive Directors and other senior executives. Hewitt New Bridge Street also provides advice to the Company in connection with the operation of the Company's share-based incentive schemes. The Committee consults with the Chairman of the Company and with the Group Chief Executive, who may attend meetings of the Committee, although they are not involved in deciding their own remuneration. The Committee is assisted by the Company Secretary and the Group Human Resources Director, and also receives advice from Mercer Limited, the Actuary to the Company's pension scheme, in relation to Executive Directors' pensions. Hewitt New Bridge Street provided no other services to the Company during the year.

(D) GENERAL POLICY ON REMUNERATION

The Committee's overall policy is to ensure that the remuneration packages enable the Company to attract, retain and motivate Executive Directors and other senior managers of sufficient calibre to meet the Company's needs. In addition, the remuneration packages are designed to align the interests of executives and shareholders and to link a significant proportion of executives' remuneration to performance. To achieve this, the Company operates cash and share-based incentive schemes which are linked to the achievement of short-term and long-term performance targets. As in previous years, the main elements of the remuneration policy in 2009/10 will be as follows:

- basic salary;
- pension provision;
- annual bonus scheme; and
- long-term incentives, comprising the Performance Share Plan.

Basic salaries and pension provision are not linked to performance (except when basic salaries are reviewed), whilst payments under the annual bonus scheme and any long-term incentive scheme operated by the Company are wholly dependent upon performance against agreed targets. Only basic salary is pensionable.

The Committee considered the operation of the annual bonus plan and the terms of the Performance Share Plan during 2008/09. After weighing the various factors (i.e. the outlook for the business over 2009/10, the reduction in the Company's share price over the last year and the need to ensure that the Executive Directors and other senior executives are appropriately incentivised to drive the business forward in these difficult times), and after discussing the matter with the ABI, RiskMetrics and some major investors, the Committee decided to make some changes to the annual bonus for 2009/10 and the Performance Share Plan award to be granted in 2009. The remuneration policy (including the changes referred to above) is described more fully in the remainder of this Report.

Variable performance-related remuneration for Executive Directors for 2009/10 will account for approximately 46% of total target remuneration (excluding pensions and benefits).

(E) BASIC SALARIES

The basic salaries of Executive Directors are reviewed annually on 1 August, in conjunction with other aspects of remuneration. The basic salary for each Executive Director is targeted at the rates of salary for similar roles within a selected group of UK businesses of similar size with substantial overseas operations. When determining the level of salary, the Committee takes into account market salary levels, the relative performance of the Group and of the individual Director, together with his experience in the particular job. The Committee also considers relevant information on the remuneration of other senior executives and the pay of employees elsewhere in the Group and, where appropriate, communicates its views on the levels of such remuneration to the Group Chief Executive. During its deliberations, the Committee has regard to salary levels in other countries where this is relevant for any non-UK based senior executive. The table of emoluments of the Directors is given on page 44. The current basic salaries of Mr A D Thorne and Mr S W Dryden are £551,200 and £330,000 respectively. These were fixed on 1 August 2008 and 1 April 2008 respectively.

The Remuneration Committee has decided that, in light of the current economic environment, the basic salaries for Executive Directors will not be increased in 2009. The same applies to the majority of other senior executives.

(F) ANNUAL BONUS

The Executive Directors participate in an annual bonus scheme which has been approved by the Committee. For the financial year 2008/09, the maximum bonus payable was 100% of basic salary for Mr Thorne and Mr Dryden. Under the scheme, the first 25% of salary worth of bonus is payable in cash, with the excess split equally between cash and deferred shares. The deferred shares vest three years after they are awarded and are held pursuant to the Deferred Share Bonus Plan. At that point, the Director receives the shares and a payment equal to the value of dividends payable on the vested shares during the deferral period.

If the Director ceases employment with the Group during the deferral period, he will lose his right to the shares unless he is a defined 'good leaver' or the Committee considers that vesting is appropriate in the circumstances. The shares will vest in the event of a change of control or voluntary winding-up.

The annual bonus payable to Mr Thorne and Mr Dryden for the financial year 2008/09 was 50% based on a profit before tax target with the other 50% based on a return on capital employed target both as determined by the Committee. The outcome of the results for the financial year 2008/09 means that no bonus is payable.

The Committee has considered the design of the annual bonus plan for 2009/10 and, taking account of the expected reduction in profits, the Committee decided that for 2009/10, the maximum bonus potential for Executive Directors will decrease from 100% to 75% of basic annual salary. The bonus will continue to be based on profit before tax and return on capital employed. As has been the practice in previous years, there will be a sliding scale around the target for the year. The target is considered demanding in the circumstances facing the Company and, recognising the expected fall in profits, the payment schedule will be much more demanding. In particular, there will be a significantly greater stretch above the target for full payment and a lower proportion of bonus potential will be paid at target and threshold.

In 2010, the Committee will review the maximum bonus potential for 2010/11 in light of the prevailing circumstances and, if considered appropriate, the maximum bonus potential will return to 100% of basic salary.

The annual bonus for the other most senior executives for 2008/09 was based on an appropriate combination of Group profit before tax and personal performance for centre-based senior executives. In the case of senior divisional executives, their bonus schemes are based on divisional profit and cash flow relating to the operating performance of the division in which they are employed. For 2009/10, the bonus maximum will not exceed 70% of basic salary and the bonus metrics will be similar.

The annual bonus schemes are not contractual and bonuses under the schemes are not eligible for inclusion in the calculation of the participating executives' pension scheme benefits.

(G) SHARE AWARDS

The Company operates a Performance Share Plan ('PSP') which was approved by shareholders in 2008. The individual grant limit under this Plan is 150% of basic salary per annum. In exceptional circumstances this may be increased to 200% of basic salary. During the financial year 2008/09, the Executive Directors received an award under the PSP of 150% of salary. The other most senior executives generally received a PSP award of 100% of basic salary.

For 2008 awards, the vesting criteria were as follows:

- The vesting of each award was split into thirds, based on the Company's Total Shareholder Return ('TSR') compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, average adjusted Earnings Per Share ('EPS') and average adjusted Return on Average Capital Employed ('ROACE').
- For those senior executives working in one of the four Business Segments, the three measures were TSR, average adjusted operating profit and average adjusted ROACE for the relevant segment.
- 25% of the TSR part vests if the Company is ranked median, rising so that 100% vests if the Company is ranked in the upper quartile. The threshold and upper targets for EPS were 16.5 pence and 19.0 pence and for ROACE were 11.5% and 12.5%.

Under the PSP, the Committee has the power to vary the metrics used each year and their relative weightings. It also has the power to review the specific targets for each award to ensure that they remain appropriate, but the new targets must be at least as challenging in the circumstances as the original targets were when they were set.

The Committee has given consideration to the terms of the 2009 PSP awards. The Committee is aware of the fall in the Company's share price so, recognising that management should be aligned with shareholders, proposes to reduce the 2009 award for Executive Directors to 100% of basic salary. Award levels will also be reduced in similar proportions for other senior managers.

Recognising that it is currently much more difficult to set three-year financial targets than a year ago, it proposes to alter the weighting of the measures. Accordingly, for 2009 awards, 80% of each award will be based on TSR relative to the constituents of the FTSE 250 Industrial Goods and Services Supersector, with 20% based on average adjusted ROACE. The Committee has set the ROACE targets taking into account the business outlook over the next three years. EPS will not be used this year because the lack of visibility made it impracticable to establish an appropriate set of targets. The targets will be as follows:

Percentage vesting as a proportion of that element of the award	Relative TSR[1] (80% of award)	Average adjusted ROACE[2] (20% of award)
100%	Upper quartile	11.5%
Between 25% and 100%	Between median and upper quartile	Between 10.3% and 11.5%
25%	Median	10.3%

1 The Industrial Goods and Services Supersector within the FTSE 250 currently contains over 50 companies and is considered to provide a better basis for comparison than the FTSE 250 as a whole. The Committee considers there are too few publicly quoted competitors to DS Smith to form a more bespoke group.

2 Average adjusted Group operating profit divided by the monthly average of capital employed in each year. The ROACE calculation will be based on the average ROACE for the forthcoming three financial years, commencing with the financial year starting immediately prior to the award.

For those senior executives working in one of the four Business Segments, the Committee considers that the performance conditions should reflect the relevant segment's performance. Therefore, for these senior executives the measures will be TSR and average adjusted ROACE for the relevant segment. The results for each segment are reported in the Annual Report.

The Committee considers that these targets are demanding in the circumstances and no less challenging in the circumstances than the targets set last year.

As was disclosed in last year's report, to facilitate his recruitment in 2008, Mr Dryden was granted a conditional share award over 143,404 shares as compensation for lost entitlements to deferred share bonus awards relating to his previous employer. This award was made under the Replacement Deferred Share Bonus Plan which was formed specifically for this purpose and was granted under Listing Rule 9.4.2R(2). Full details of this Plan, including details of the first vesting, are set out in section (R) below.

Senior executives are expected to retain in shares half of the after-tax gains on the vesting of long-term incentive plan awards (including share options) until they have built up a shareholding equal to 100% of basic salary in the case of Executive Directors and 50% of basic salary in the case of other senior executives.

The interests of the Directors in the share capital of the Company and awards made under the PSP (last award 2008), Long-Term Incentive Plan (last award 2007), Deferred Share Bonus Plan (last award 2008) and Replacement Deferred Share Bonus Plan (last award 2008) and details of options granted to date under the Executive Share Option Scheme (last grant 2007) are shown on pages 45 to 47.

(H) BENEFITS IN KIND
Mr Thorne has the provision of a company car, a driver and free fuel and receives supplementary life cover. Mr Dryden has the provision of a company car and free fuel. Mr Thorne and Mr Dryden both receive permanent health insurance and private medical cover. Mr Marton received £241 in excess of the statutory HMRC authorised mileage allowance payment.

(I) PENSIONS
Mr Thorne participates in a funded contributory defined benefit pension scheme with death in service cover. He has a normal pension age of 60 and his pension is based on an accrual rate of one-thirtieth with reference to basic salary less a deduction equal to the basic State pension. This is subject to a maximum pension of two-thirds of final pensionable pay.

Mr Thorne's benefits from the Registered Group Pension Scheme are subject to a Scheme-specific earnings cap (the 'Cap') (which was introduced on 6 April 2006 when the Government's simplification regulations came in and replaced the statutory earnings cap that had previously applied). The Company has given a promise to provide the balance of Mr Thorne's pension entitlement through a non-Registered unfunded arrangement. A charge over certain assets of the Company has been made as security against future pension payments pursuant to this pension arrangement on behalf of Mr Thorne. The total accumulated unfunded provision at 30 April 2009 is £5.8 million (2007/08: £5.9 million), £2.1 million of which relates to Mr Thorne.

Life cover of four times the Cap is provided under the Registered Group Pension Scheme on death in service in addition to a spouse's pension of two-thirds of the member's prospective pension plus dependants' benefits. Additional life cover of four times the excess of the Cap over basic salary is provided. The spouse's pension on death after retirement is two-thirds of the member's pension, before any reduction for early retirement or commutation of pension for cash.

Pensions in payment from the Registered Group Pension Scheme are increased annually in line with the increase in the UK Retail Prices Index, subject to a maximum guaranteed increase of 5% each year for pensionable service to May 2005, and 2.5% each year for service after May 2005, with the possibility of further discretionary increases. There is no allowance in the transfer value calculation basis for such discretionary increases or other discretionary benefits.

Mr Thorne contributes to the Registered Group Pension Scheme at the rate of 15% of the Cap.

Following the introduction of the UK Government's simplification regulations, the Principal Employer has agreed with the Trustee the changes to the Registered Group Pension Scheme rules in response to the legislation. Prior to the change in legislation, members of the Registered Group Pension Scheme had the option of paying Additional Voluntary Contributions (AVCs). Neither the contributions nor the resulting benefits are included in the table on page 48. As there is no longer a requirement for pension schemes to provide an AVC facility, the Scheme closed this facility to new AVC contributors on or after 1 June 2006. New AVCs can be facilitated via the Group's Saver Plus arrangement.

Mr Dryden participates in the Company's Registered Defined Contribution Scheme with death in service cover equal to four times basic salary. Members of this scheme are required to contribute a minimum of 3% of their basic salary to qualify for matching Company contributions, with higher levels of Company contributions payable (up to a maximum of 6%) if the members pay a higher contribution. Mr Dryden has elected to pay contributions at a level that qualifies for the maximum Company contribution. Mr Dryden also receives a cash supplement of £65,000 per annum. This payment is not pensionable and is not considered to be salary for the purpose of calculating any bonus payment.

(J) SERVICE CONTRACTS AND COMPENSATION
The Committee's general policy is that the notice periods for Executive Directors appointed in future will not exceed one year, although on appointment it may be necessary in exceptional cases to offer a longer initial period which reduces to one year or less after a specific date.

The service contract for Mr Thorne is dated 28 February 2001. It may be terminated by 12 months' notice by the Company, and by Mr Thorne. The Company may terminate the contract with immediate effect, in which case it must make a payment equating to 12 months' basic salary, plus an equal payment in respect of the loss of his contractual benefits.

The service contract for Mr Dryden is dated 1 April 2008. It may be terminated by 12 months' notice by the Company, and by Mr Dryden. The Company may terminate the contract with immediate effect by making a payment equal to 12 months' basic salary. Alternatively, the Company may make such payment in monthly instalments. These monthly payments will be reduced to take account of alternative employment or consultancy income during the 12-month period.

(K) POLICY ON EXTERNAL APPOINTMENTS
Executive Directors are allowed to accept external appointments as a Non-Executive Director of up to two other companies provided that these are not with competing companies and are not likely to lead to conflicts of interest. In normal circumstances, the Group Chief Executive may not accept more than one external appointment. Executive Directors are normally allowed to retain the fees paid from these appointments.

Mr Thorne has no external appointments. Mr Dryden was appointed as a Non-Executive Director of Fiberweb plc on 1 June 2009.

(L) FEES FOR NON-EXECUTIVE DIRECTORS AND THE CHAIRMAN

The remuneration for Non-Executive Directors consists of annual fees for their services as members of the Board and, where relevant, for their work on selected Committees. Non-Executive Directors have letters of appointment for a term of three years whereupon they are normally renewed but for no more than three terms in aggregate. Their respective dates of appointment are shown on pages 36 and 37.

The Chairman's remuneration consists of an annual fee for his service as Chairman of the Board and his letter of appointment is for a term of three years. His appointment may be terminated by three months' notice by the Company, and by the Chairman.

The current rates for the Chairman's and Non-Executive Directors' fees are as follows:

Chairman's and Non-Executive Directors' fees	Base fee £	Senior Independent Non-Executive Director fee £	Chairman of Audit Committee fee £	Chairman of Remuneration Committee fee £	Total £
P M Johnson	168,000	–	–	–	168,000
R G Beeston	45,000	2,500	–	7,500	55,000
C J Bunker	45,000	–	8,500	–	53,500
R E C Marton	44,700	–	–	–	44,700
P J-C Mellier	49,200	–	–	–	49,200

In line with the decision not to raise the salaries of the Executive Directors and other senior executives, it has also been decided that there will be no increase to the fees for the Non-Executive Directors or the Chairman in 2009.

Neither the Non-Executive Directors nor the Chairman is eligible for pension scheme membership and they do not participate in any of the Group's annual bonus, share option or other incentive arrangements.

(M) DIRECTORS' EMOLUMENTS (AUDITABLE)

	Salary/ fees £'000	Annual bonus £'000	Benefits £'000	Pension supplement £'000	**2009 total £'000**	2008 total £'000
Chairman						
P M Johnson	166	–	23	–	**189**	180
Group Chief Executive						
A D Thorne	546	Nil	19	–	**565**	1,023
Group Finance Director						
S W Dryden	330	Nil	27	65	**422**	62
Non-Executives						
G M B Adams	44	–	–	–	**44**	11
R G Beeston	54	–	–	–	**54**	52
C J Bunker	53	–	–	–	**53**	50
R E C Marton	44	–	–	–	**44**	42
P J-C Mellier	49	–	–	–	**49**	46
	1,286	–	69	65	**1,420**	1,466

Mr Dryden received an additional non-pensionable pension supplement payment during the year. The total emoluments of Mr Thorne for 2008/09 were £565,000 (2007/08: £847,000 excluding the deferred element of his bonus which is disclosed separately in (Q)). The total emoluments of Mr Dryden were £422,000 (2007/08: £62,000).

(N) DIRECTORS' INTERESTS UNDER THE PERFORMANCE SHARE PLAN (AUDITABLE)

Details of the Directors' interests in the Plan, which is described in more detail on page 42, are as follows:

Executive Directors	Interests under the Plan at 30 April 2008	Awards granted/ commitments made during year	Awards lapsed/ crystallised in year	Date of award	Market price on date of award (p)	Market price on date of vesting (p)	**Interests under the Plan at 30 April 2009**	Vesting date if performance conditions met
A D Thorne	–	619,325	–	17 Sep 08	133.5	–	**619,325**	17 Sep 11
S W Dryden	–	370,786	–	17 Sep 08	133.5	–	**370,786**	17 Sep 11

The vesting of each award granted in 2008 is split into equal thirds, based on the Company's TSR compared to the constituents of the FTSE 250 Industrial Goods and Services Supersector, average adjusted EPS and average ROACE. 25% of the TSR part vests if the Company is ranked median, rising until 100% vests if the Company is ranked in the upper quartile. The threshold (at which 25% vests) and maximum targets are 16.5p and 19.0p for EPS and 11.5% and 12.5% for ROACE.

(O) DIRECTORS' INTERESTS IN SHARE OPTIONS (AUDITABLE)

Following shareholder approval of the PSP in September 2008, the Executive Share Option Scheme ceased to be operated, the last award having been made in 2007. Directors' interests in share options over ordinary shares are as follows:

Name of Director	Options held at 30 April 2008	Options granted during the year	Options exercised during the year	Options lapsed during the year	**Options held at 30 April 2009**	Exercise price (p)	Dates from which exercisable	Expiry date
A D Thorne	243,979	–	–	–	**243,979**	135.23	26 Jul 05	25 Jul 12
	241,245	–	–	–	**241,245**	149.22	31 Jul 06	30 Jul 13
	207,500	–	–	–	**207,500**	159.00	2 Aug 08	1 Aug 15
	239,050	–	–	–	**239,050**	149.00	1 Aug 09	31 Jul 16
	155,600	–	–	–	**155,600**	240.00	31 Jul 10	30 Jul 17

All of the above options were granted for nil consideration. The market price of the ordinary shares at 30 April 2009 was 77.7p and the range during the year was 49.0p to 148.5p. Aggregate gains made by Directors on exercise of share options in the year were £nil (2007/08: £nil). All options will be exercisable from the dates stated above, subject to them satisfying the performance target. There is no retest facility for options granted since 2004. For these share options to become exercisable, the growth in the Company's normalised EPS must match or exceed the growth in the UK Retail Prices Index plus an average of 3% per annum over three years. During the transition to IFRS, the Committee has ensured that a consistent basis was used to measure earnings per share performance. Options granted in 2002, 2003 and 2005 became exercisable when they passed their respective performance conditions in 2008. Based on EPS performance to 30 April 2009, the options granted in 2006 will also become exercisable.

For this purpose, the EPS growth is based on adjusted EPS as disclosed in the Annual Report, except that the Committee may adjust this figure in exceptional circumstances where this is appropriate. The verification of the calculation of EPS growth has been performed by Hewitt New Bridge Street, in their capacity as advisers to the Committee.

(P) DIRECTORS' INTERESTS UNDER THE LONG-TERM INCENTIVE PLAN (AUDITABLE)

Following shareholder approval of the PSP in September 2008, the Long-Term Incentive Plan ('LTIP') ceased to be operated, the last award having been made in 2007. Details of the Directors' interests in the LTIP are as follows:

Executive Director	Interests under the Plan at 30 April 2008	Awards granted/ commitments made during year	Awards lapsed/ crystallised in year	Date of award	Market price on date of award (p)	Market price on date of vesting (p)	**Interests under the Plan at 30 April 2009**	Vesting date if performance conditions met
A D Thorne	210,191	–	210,191	28 Jul 05	157.0	–	**–**	28 Jul 08
	237,500	–	–	27 Jul 06	150.0	–	**237,500**	27 Jul 09
	156,768	–	–	26 Jul 07	238.2	–	**156,768**	26 Jul 10

The awards made under the LTIP will vest based on the Company's TSR (being the increase in the share price and the value of reinvested dividends) compared to the TSR of the constituents of the FTSE 250 Index (excluding investment trusts). If the Company's TSR is ranked at the upper quartile of the group or higher, the full award will vest reducing on a straight-line basis to 30% of the award vesting for median performance. None of the award vests for below median performance. TSR performance is measured over a single period of three financial years starting with the year in which the award is made.

In addition to the TSR condition, no awards will vest, irrespective of TSR performance, unless the Company's EPS growth matches or exceeds the growth in the Retail Prices Index over the three-year period. For this purpose, following the introduction of IFRS, the EPS growth will be based on adjusted EPS as disclosed in the Annual Report, except that the Committee may adjust this figure in exceptional circumstances where this is appropriate.

The calculation of TSR performance is performed by Hewitt New Bridge Street, in their capacity as advisers to the Committee.

The awards made under the LTIP in 2005 lapsed during the year as the performance conditions were not met. Based on TSR performance to 30 April 2009, the awards made under the LTIP in 2006 will also lapse.

(Q) DIRECTORS' INTERESTS UNDER THE DEFERRED SHARE BONUS PLAN (AUDITABLE)

Details of the Directors' interests in the Plan are as follows:

Executive Director	Interests under the Plan at 30 April 2008	Awards granted/ commitments made during year	Awards lapsed/ crystallised in year	Date of award	Market price on date of award (p)	Market price on date of vesting (p)	**Interests under the Plan at 30 April 2009**	Vesting date if performance conditions met
A D Thorne	69,473	–	–	26 Jul 07	238.7	–	**69,473**	26 Jul 10
	–	153,122	–	23 Jul 08	115.3	–	**153,122**	23 Jul 11

(R) DIRECTORS' INTERESTS UNDER THE REPLACEMENT DEFERRED SHARE BONUS PLAN (AUDITABLE)

Executive Director	Interests under the Plan at 30 April 2008	Awards granted/ commitments made during year	Awards lapsed/ crystallised in year	Date of award	Market price on date of award (p)	Market price on date of vesting (p)	**Interests under the Plan at 30 April 2009**	Vesting date if performance conditions met
S W Dryden	30,226	–	30,226	1 Apr 08	156.5	70.0	**–**	1 Mar 09
	38,504	–	–	1 Apr 08	156.5	–	**38,504**	1 Mar 10
	74,674	–	–	1 Apr 08	156.5	–	**74,674**	1 Mar 11

In recognition of the loss of his entitlement to deferred share bonus awards relating to his previous employment, Mr Dryden was made an award of 143,404 shares (which is neither pensionable nor transferable) on 1 April 2008, the date on which he joined DS Smith Plc. The Committee made this award, in exceptional circumstances, to facilitate the recruitment of Mr Dryden as the new Group Finance Director. The number of shares awarded was determined by reference to the value of the entitlement to shares he forfeited under his previous arrangements.

The first tranche vested on 1 March 2009 and were transferred to Mr Dryden on 2 March 2009 (being the first working day after vesting). At the same time, Mr Dryden sold 12,429 of the acquired shares at a price of 70.0p per share in order to pay the income tax, NIC and dealing expenses due following the vesting. In normal circumstances, the remaining shares will vest in two tranches, as shown in the table above, subject only to Mr Dryden's continued employment with the Company. These dates correspond to the dates when Mr Dryden's arrangements in his previous employment would have vested.

(S) DIRECTORS' INTERESTS IN SHARES

The beneficial interests of the Directors and their families in the ordinary shares of the Company were as shown below.

	30 April 2008		**30 April 2009**	
Name of Director	Beneficial	Non-beneficial	**Beneficial**	**Non-beneficial**
P M Johnson	230,000	–	**255,000**	**–**
A D Thorne	301,862	–	**331,862**	**–**
S W Dryden	–	–	**32,797**	**–**
G M B Adams	2,000	–	**2,000**	**–**
R G Beeston	50,000	–	**50,000**	**–**
C J Bunker	10,000	–	**10,000**	**–**
R E C Marton	100,000	–	**100,000**	**–**
P J-C Mellier	10,000	–	**10,000**	**–**

There have been no changes to the shareholdings set out above between the financial year-end and the date of the Report. It is currently intended that any ordinary shares required to fulfil entitlements under the Long-Term Incentive Plan, the Deferred Share Bonus Plan, the Replacement Deferred Share Bonus Plan and the Performance Share Plan will be provided by the David S Smith Group General Employee Benefit Trust (the 'Trust'), which buys shares on the market to do so. The Trust will also be used to fulfil certain entitlements under the Executive Share Option Scheme (along with new issue shares for other entitlements).

(T) DIRECTORS' PENSION ENTITLEMENTS (AUDITABLE)

Mr Thorne was a member of the defined benefit scheme provided by the Group during the year, with death in service cover. His pension entitlement and corresponding transfer values increased as follows:

Name of Director	Gross increase in accrued pension (1) £	Increase in accrued pension net of inflation (2) £	Total accrued pension at 30 April 2009 (3) £	Transfer value of net increase in accrual over period (net of Director's contribution) (4) £	Transfer value of accrued pension at 30 April 2009 (5) £	Transfer value of accrued pension at 30 April 2008 (6) £	Total change in value during period (net of Director's contribution) (7) £
A D Thorne	23,430	17,349	145,048	359,003	3,148,759	2,301,681	829,438

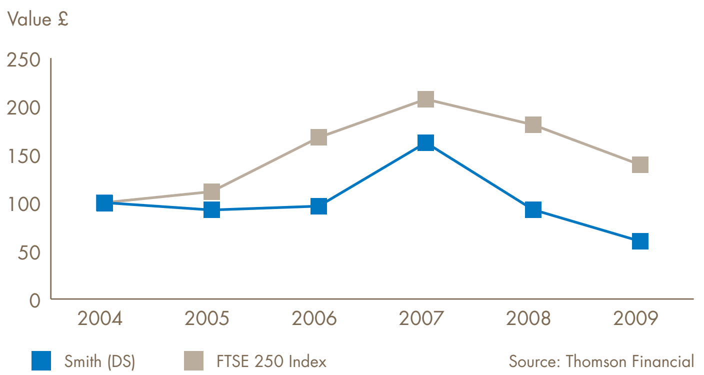
Pension accruals shown are the amounts which would be paid annually on retirement, based on service to the end of the year. Transfer values have been calculated in accordance with the Group Pension Scheme Trustee's method and assumptions for the calculation of Cash Equivalent Transfer Values and version 9.2 of guidance note GN11 issued by the actuarial profession. The value of net increase (4) represents the incremental value to the Director of his service during the year, calculated on the assumption that service terminated at the year-end. It is based on the accrued pension increase (2) after deducting the Director's contribution. The change in transfer value (7) includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is calculated after deducting the Director's contribution.

(U) TOTAL SHAREHOLDER RETURN PERFORMANCE

The following graph illustrates the Company's total shareholder return performance since 1 May 2004, in accordance with paragraph 4 of the Directors' Remuneration Report Regulations 2002, relative to the FTSE 250 Index.

The Company is a member of the FTSE 250 Index and, accordingly, this index is considered to be the most appropriate comparator group for this purpose.

TOTAL SHAREHOLDER RETURN



This graph looks at the value, by 30 April 2009, of £100 invested in Smith (DS) over the last five financial years compared with that of £100 invested in the FTSE Mid 250 Index. The other points plotted are the values at intervening financial year-ends.

On behalf of the Board

BOB BEESTON
Chairman of the Remuneration Committee
24 June 2009