



Europe's Leader in
Rigid Plastic Packaging

Report and Accounts 2006

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RPC Group is Europe's leading manufacturer of rigid plastic packaging and is unique in that it is able to offer products made by all three conversion processes, blow moulding, injection moulding and thermoforming. It has 47 operations in 12 different countries and employs over 6,500 people. RPC services a comprehensive range of customers – from the largest European manufacturers of consumer products to the smallest national businesses. It has particularly strong positions in the beauty and personal care sector, the vending and drinking cup market, the margarine industry, and in multi-layer sheet and packs for oxygen sensitive food products. Our objectives are to further strengthen RPC's position in these and other sectors of the European market and to optimise our production, thereby generating a satisfactory return for our shareholders and the best possible security for our employees, suppliers and customers.

Directors

J P Williams MA BComm
Non-Executive Chairman

R J E Marsh BA
Chief Executive

M J B Green FCA
Senior Independent Director

P Hilton MA PhD

P J H Hole BSc

H J Kloeze Drs

S Rojahn Dipl-Ing MSIE (appointed 25 January 2006)
Independent Non-Executive Director

C H Sworn MA PhD FCA
Finance Director

D J Wilbraham BSc PhD
Independent Non-Executive Director

P S Wood FCA (appointed 22 March 2006)
Independent Non-Executive Director

Company Secretary

Rebecca K Joyce BA ACA ACIS

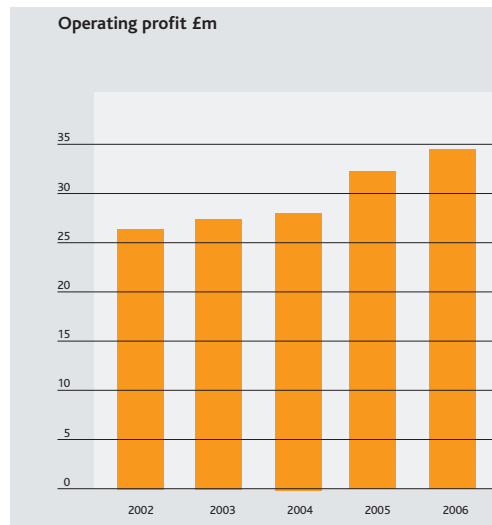
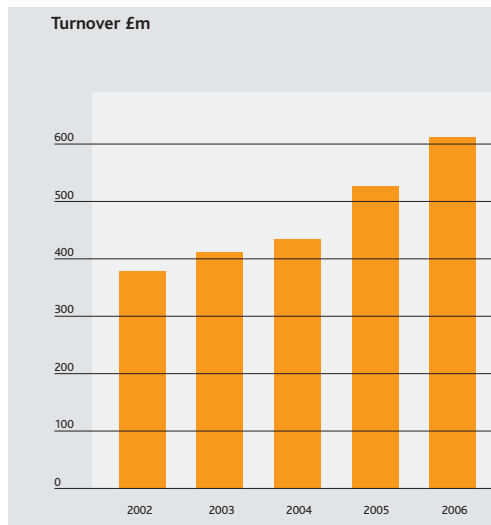
Registered office

Lakeside House
Higham Ferrers
Northants NN10 8RP

Website

www.rpc-group.com

Financial highlights



- Record sales and operating profits
- Like for like volume growth of 3.5%
- Basic EPS 19.9p (2005: 22.2p) after closure charges for Woburn Sands and credit of negative goodwill in 2005
- Adjusted EPS up 9% to 22.1p (2005: 20.3p)
- Largely recovered the 8% increase in polymer costs and the increase in electricity prices
- Healthy major project pipeline
- Strong financial position with year end gearing of 77% (2005: 79%)
- Further progress anticipated during 2006/07

Statement by the Chairman and Chief Executive



RPC Containers Corby's Thermic Ultra multi-layer jar holds James R Ross and Son's gourmet pickles



RPC Containers Llantrisant's Crabtree & Evelyn body lotion pack



RPC Containers Market Rasen's Cup a Soup to Go for Batchelors

RPC again achieved a record performance in the year ended 31 March 2006. Sales were up by 19% (10% without the benefit of the Nampak acquisition). Operating profit before restructuring costs and negative goodwill was up by 19% (14% without the benefit of the Nampak acquisition). Profit before tax on the same basis was up by 18%.

The basic earnings per share fell to 19.9p (2004/05:22.2p) as 2005/06 was adversely impacted by charges for restructuring costs related to the Nampak acquisition in November 2004 and the requirement under IFRS to account for a foreign currency hedge within the Income Statement. Conversely under IFRS, 2004/05 benefited from a net credit to the Income Statement as a result of the release of negative goodwill arising from the Nampak acquisition but after a charge for restructuring costs, again in relation to the Nampak acquisition. Eliminating these items, net of tax, resulted in an adjusted earnings per share of 22.1p, an increase of 9% (2004/05: 20.3p) despite the placing of 9.6m new shares in March 2005.

This was achieved in one of the most challenging years that our relatively young industry has experienced. With oil prices continuing to rise, the cost of polymer was 8% higher than the previous year; this average percentage masks the very high level of volatility seen during the year. This had to be passed on to customers at the same time as we sought to pass on a raft of other increases, particularly electricity. The UK was the worst case for electricity with our price simply doubling on 1 October 2005, at a cost exceeding £6m in a full year. The results demonstrate that for the Group as a whole we have largely succeeded in this endeavour, although the extent of the increases in the UK has resulted in some lags.

Cash generated by operations was £64m, over £10m more than last year. Debt/equity gearing at the end of the year was 77% (2004/05: 79%) with

interest cover a comfortable 4.6 times, in line with last year.

Nampak Acquisition

The progressive transfer of business and machinery from Woburn Sands to our sites at Plenneller, Raunds and Rushden has been going according to plan. We will therefore have completely vacated the Woburn Sands site by the scheduled date of 31 October 2006 and we will then benefit from a significant overhead saving and improved operational efficiencies. The other ex-Nampak sites in Wales, the Netherlands, Belgium and France, are performing in line with expectations.

The Competitive Landscape

The cost issues referred to above have had a detrimental effect on the performance of our industry as a whole. The effect of this has been to propel a number of competitors into administration or receivership. As we said half way through the year, it has also encouraged a number of owners to explore more enthusiastically the opportunities for an exit. The fact that we have not yet concluded any further deals recently does not suggest that we have not been in active discussions; rather it demonstrates that we are only interested in opportunities that are both sensibly priced and enable us to strengthen our position in specific rigid plastic packaging market sectors where we feel we can add value for our customers and shareholders. These opportunities continue to exist, in ever greater numbers, and we continue to explore them.

Despite these challenges, there are also a small number of focused, well-run businesses, some publicly owned and more privately owned, which are thriving in this environment. This does illustrate that despite the general adverse trading conditions in our industry there will be a handful of satisfactorily profitable survivors and winners emerging from this shake-out. These businesses can also sometimes become available and are of interest to us, but again only provided the fit is



RPC Containers Raunds' squeezeable bottles for Lyle's Golden Syrup



One of RPC Wiko Pulheim's new dispensing packs for the Hugo Boss skincare range



RPC Containers Llantrisant's Smoothie bottle for Marks & Spencer – a landmark in recycling

good and the price is sensible in relation to their performance and potential.

Organic Growth

The outlook for organic growth remains excellent. Economic growth in Europe appears to be accelerating after a prolonged period of weakness. Plastic packaging continues to outpace the growth rate of other packaging materials and in our case a large amount of organic growth is also coming from competitors' rationalisation exercises which are invariably disruptive to their customer service. We envisage this continuing, albeit the timing and the quantum of such opportunities are by their very nature difficult to forecast.

The pipeline of new projects continues to be strong as customers emphasise innovation as their number one priority even before cost competitiveness. As far as existing projects are concerned, they are all making a good contribution to the Group's performance, although the more innovative ones representing the launch of a completely new product are often slower than expected in achieving the forecast volumes.

Our focus remains on developing in Europe but we will take advantage of attractive opportunities to grow outside Europe particularly in response to major customer demands and where we can use our technology leadership to make superior returns. One example of this is the factory at Morgantown which was recently established to meet our customer's demand for the launch of beverage discs in the US.

Margins

The greatest challenge comes not from winning new opportunities where our track-record of success is very good. It comes rather from defending existing business against ailing competitors that are sometimes little short of desperate in their pricing or perhaps simply dressing their business up for sale. The figures for 2005/06

demonstrate that we are generally successful in this defence, but the success sometimes comes at the expense of some margin erosion. Fortunately a combination of volume growth, mix improvement and cost reduction has enabled us not only to halt the decline in our margins, but actually show a slight improvement in the second half and overall, at 6%, maintain the same level as last year. The issue should diminish as the shake-out in the industry progresses and recognition grows of the need to recover overhead cost increases and improve margins.

Operations

The performance and development of the various operating clusters which comprise the Group is reviewed below and the main issues and risks are described; in most cases risks are generic rather than specific. On the face of it the most significant exposure which the Group faces is movements in polymer costs because they can account for up to one third of turnover. However, our performance over the last few years demonstrates that we have been able, in the main, to pass these on albeit with some time lags.

Injection Moulding:

Injection Moulding enjoyed a 14% increase in sales to £246.5m (2004/05: £216.5m).

The Bramlage-Wiko cluster had mixed fortunes during 2005/06. Handihaler production reduced from the previous year's high level as a result of de-stocking. By contrast sales of the Magic Star range of dispensers nearly doubled so that, by the year end, capacity had to be expanded through initial production runs in Poland. Bramlage's sales of personal care packaging, principally deodorant sticks and cream jars, were subdued during much of the year but had begun to grow encouragingly by the year end.

Our major project for the manufacture of beverage discs was brought onto a

Statement by the Chairman and Chief Executive continued



RPC Bramlage-Wiko's Magic Star dispensing system for Tesco's Skin Wisdom range



Custom Moulded Healthcare products from RPC Containers Market Rasen



RPC Cresstale's biodegradable cosmetics packaging breakthrough

proper production footing during the course of the year. Inefficiencies were successfully tackled and the full range of discs was launched. The US factory, at Morgantown in Pennsylvania, began production during the last quarter in good time for the full scale launch of the system in the North American market. Our successful execution of this project has led to a much closer relationship with the one major food group with whom we have traditionally done little trading.

In the UK severe price competition amongst food retailers and a fall in demand in the DIY/surface coatings market, combined with the high and rising polymer prices and the doubling of electricity costs, made this a challenging year.

Encouragingly, however, the business was able to deliver good volume growth with sales of pails into food service markets, of PET containers into a variety of markets and of polypropylene pots into food retail markets such as fresh soup, all combining to more than offset the fall in paint containers and pails/pots into DIY markets. In particular the growth of yellow fats business at Hereford contributed to a significant improvement in performance and the site's first profitable year in RPC ownership since it was acquired from Rexam in March 2004.

A variety of cost saving initiatives, in purchasing, processing efficiency, restructuring, automation and other areas helped to relieve some of the pressure on margins. The number of employees was reduced by 10% without loss of production capability or service performance. This improvement programme made a modest net contribution after costs in the year and will deliver further significant benefits next year.

Thermoforming:

Total Thermoforming sales rose by 7% in the year to £222.2m (2004/05: £207.2m).

The Cobelplast cluster enjoyed strong demand for its mono and multi-layer sheet products despite having to implement some significant price increases as a result of the rising cost of polymer. It has been essential to pass on these additional costs because polymer accounts for close to 70% of the sales value of sheet. Despite these cost pressures and the lack of enthusiasm of our customers for yet more price rises, we have succeeded in broadly maintaining our margin in this area whilst increasing our sales volume by 11%. The one sector in which we have lost business is flocked sheet where demand is growing only in the Far East, whilst in Europe volumes are falling rapidly. We are planning to withdraw from this sector in the near future.

We have invested in additional multi-layer PP sheet equipment which has the capacity to produce product of exceptional clarity and functional performance. We expect this to open new markets in both pharmaceutical packaging and the form-fill-seal sector. During 2005/06 we have successfully gained a foothold in the plastic card market - initially in phone cards but trials are also proceeding in other sectors with good growth prospects.

The Bebo cluster of businesses, which produces and supplies a wide range of thermoformed containers across Europe, demonstrated volume growth and a significantly improved return from its existing operations, a situation enhanced by the addition of the Bebo Print business purchased in April 2005. Manufacturing performance was improved, and leading positions in both margarine containers and oxygen barrier packaging were strengthened. The former benefited from Bebo's expertise in the production of preprinted lids (using sheet now printed under our control by Bebo Print), from strong relationships with major spreads producers, and from the introduction of a new pack in Poland. In the area of oxygen barrier packs (predominantly long shelf-life trays



RPC Containers Blackburn's microwaveable Thor Pots range for New Covent Garden Food Company



RPC Bebo Plastik Bremervörde's innovative lid stores the used teabag, in Hälssén & Lyon's teatogo®



RPC Containers Raunds and Akzo Nobel have joined forces in the development of a new paint packaging format

and cups), Bebo benefited from growing demand, as well as from widening its customer base.

Competitive pressures, combined with the rising input costs and, in the case of supply outside Europe, dollar weakness, continue to challenge the businesses. In addition to continuing cost reduction, achieved through technological advances in product and process design, as well as through productivity improvements, Bebo has a number of product innovations near the stage of introduction. It is working, with some effect, to widen its geographic and market coverage in both barrier packaging and preprinted lids and to increase its customer and product base in Eastern Europe in particular.

Our Tedeco-Gizeh disposables business performed better in 2005/06 than in 2004/05. Despite an increasingly competitive environment, the sales of vending cups grew as a result of some new contracts, the further expansion of our Central European activities and the introduction of embossed cups. Sales of our added value, market leading products Prestigo, the office coffee service system, and Hot=Cool, the insulated vending cup, had grown substantially by the year end and we have been able to exploit some exciting export opportunities for these products. The catering and wholesale operations achieved steady growth particularly in France and Central Europe, whilst German sales remained flat because of the state of the overall economy. The dairy business in France developed satisfactorily despite the loss of a major contract: we have one of the best stock tub ranges in France today and we have recently entered the growing market for multi-layer packs.

Blow Moulding:

Including the full year benefit of the Nampak acquisition, total Blow Moulding sales increased by 60% to £142.8m (2004/05: £89.5m).

Excluding Nampak the cluster still delivered substantially improved

results with sales 13% ahead. This improvement was due to a number of factors, including significant growth in demand for multi-layer jars for fruit pieces, a recovery in the German personal care industry and some healthy sales to the agrochemical industries. The integration of the ex-Nampak operations has proceeded apace with some beneficial results - mainland Europe sites that were earlier loss-making are now breaking into profit and there is a new will from staff to exploit their experience and the existing machine base to secure the future of these businesses.

Overall demand in the UK and North West Europe for conventional blow moulded packs has remained flat and competition has therefore intensified. Despite this we have grown our market share through our reputation for offering good service to our customers. We have the advantage of a well-reputed in-house design team equipped with the latest CAD equipment and experienced technical staff - together they facilitate the development of new packs and concepts such as the paint can we are producing for one of the largest European manufacturers of surface coatings.

We are also investing in new multi-layer jar capacity in order to deliver the larger volumes that are being sought today, and in state of the art material handling systems to enable us to produce more consistent products.

Our number two position in the European blow moulding industry means that we automatically receive many enquiries, but, because of our devolved structure, we pick up others through our local representation. This well-spread sales activity reduces our vulnerability to the loss of major contracts. In addition, because of the inherent variability of the blow moulding process we ensure that our staff and quality systems are amongst the best in the industry.

Statement by the Chairman and Chief Executive continued

Financial Review

These are the first full year results that we have presented under IFRS and, as with other companies reporting for the first time in this new format, this has necessitated the restatement of the base figures for prior periods. The principal differences are changes in accounting for goodwill, pensions, deferred tax and dividends.

The Group's 2005/06 turnover was 19% ahead of that in 2004/05 reflecting a full year contribution from the acquisition on 1 November 2004 of the seven Nampak operations in the UK and mainland Europe. On a like-for-like basis, the turnover growth was 10% and the equivalent volume growth 3.5%; this reflects our efforts in passing on the bulk of the increases in polymer costs and, in the UK, electricity charges. The movement in the sterling: euro exchange rate between 2004/05 and 2005/06 was negligible.

The underlying operating margin-on-sales of the Group overall remained the same over the two years at 6% despite an 8% increase in polymer costs. There was however a slight improvement in the second half of the year compared to the first half.

The restructuring costs of £2.4m (2004/05: £4.5m) are entirely attributable to the costs of closing the ex-Nampak Woburn Sands plant: the site must be finally vacated by 31 October 2006.

Net financing costs (£8m) during 2005/06 include a charge under IFRS of £0.57m on account of the fair value movement in a dollar: euro swap entered into in March 2005. This was arranged in order that \$30m of the \$40m dollar denominated bonds which were issued in February 2005 would be hedged against our euro denominated assets when they are repaid in 2012. In addition, during the year we had to write-off at a cost of £0.29m unamortised arrangement fees from the old loan facility that was re-negotiated in June 2005 to take advantage of more favourable margins and increase the headroom. The

underlying year-on-year increase in net interest charges is therefore £0.45m.

The corporation tax rate charged as stated under International Accounting Standards was 27% in the year. Last year's figure shows 24% but when non-recurring items such as the release of negative goodwill and restructuring costs are eliminated the tax rate for 2004/05 is comparable at 27%.

Under IFRS, the basic earnings per share in 2005/06 fell to 19.9p (2004/05: 22.2p) as a result of the adverse impact of restructuring costs and the foreign currency hedge charge; this was against a net benefit from restructuring costs and the release of negative goodwill in 2004/05. The adjusted earnings per share, before these items, gives a more relevant comparison being 22.1p in 2005/06 against 20.3p in 2004/05 - an increase of 9% despite the placing of 9.6m new shares in March 2005.

The Balance Sheet remains sound, with gearing (the ratio of bank borrowings and other externally secured funds to shareholders funds) falling from 79% at 31 March 2005 to 77% at 31 March 2006 despite a capex spend of over £50m. This includes an investment of £18m in the Kraft Tassimo project - which means that the levels of 'ongoing' capital spend is approximately similar to the depreciation charge for the year. Net borrowings rose from £105.7m in 2004/05 to £117.7m in 2005/06 reflecting the higher levels of capital spend and the Bebo Print acquisition.

Total pension costs charged to the Income Statement rose 15% to £4.7m (2004/05: £4.1m). Within this the cost of the defined benefit schemes increased by 9% to £3.5m. Total retirement benefit obligations on the Balance Sheet fell by £2.8m to £29.7m.

The underlying return on trading capital was 13.6% for the period under review against 12.9% in the preceding year.

Personnel

We are pleased to welcome two additional non-executive directors to

strengthen the RPC Group Board. Stephan Rojahn was appointed on 25 January 2006 and has a background in the German automotive component industry. Peter Wood, appointed on 22 March 2006, has a broad background in industry and strong financial experience.

The number of people employed by the Group as at 31 March 2006 fell by 216 to 6,534 over the year as a result of retirement, natural attrition and redundancy.

RPC has, we believe, a special ethos as a result of its decentralised structure which in consequence, affords widespread opportunities for individuals to make their own unique contribution to the development of the Group. We appreciate the outstanding efforts made by all who together have enabled the Group to meet the difficult and challenging circumstances that have confronted us in today's market place and we look forward with them to a continuation and indeed strengthening of the Group's performance. To this end we are delighted to see the enthusiasm for the Group's Savings Related Share Scheme.

Dividend

Your Board is recommending an increase in the final dividend to 5.25p per share (2004/05: 4.8p) making a total for the year of 7.75p (2004/05: 7.1p), an increase of 9.2%. Subject to approval at the forthcoming Annual General Meeting, the final dividend will be paid on 8 September 2006 to shareholders on the register on 11 August 2006.

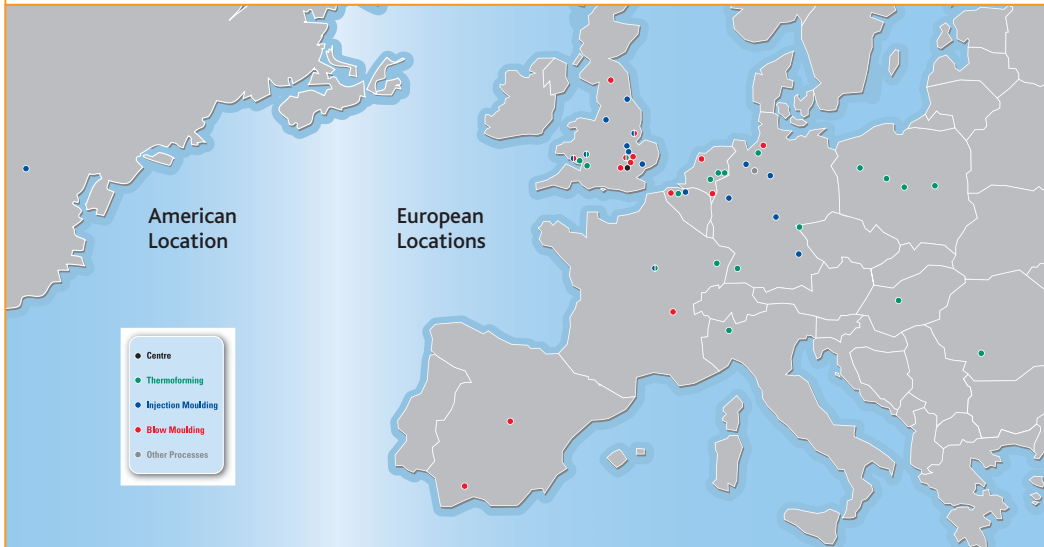
Outlook

Having achieved a solid result in a difficult year and an encouraging start to the new financial year, the Board anticipates further healthy development of the Group in 2006/07.

J P Williams
Chairman

R J E Marsh
Chief Executive

Geographic locations



United Kingdom

RPC Containers, Oakham (IM)
 RPC Containers, Blackburn (IM)
 RPC Containers, Corby (BM)
 RPC Bebo UK, Corby (T)
 RPC Containers, Raunds (BM)
 RPC Containers, Market Rasen (IM)
 RPC Containers, Rushden (BM)
 RPC Containers, Halstead (IM)
 RPC Bebo UK, Bristol (T)
 RPC Cresstale, Thornaby (IM)
 RPC Tedeco-Gizeh, Port Talbot (T)
 RPC Containers, Old Dalby (IM)
 RPC Containers, Hereford (IM)
 RPC Containers, Llantrisant (BM)
 RPC Containers, Woburn Sands (BM)
 RPC Containers, Plenneller (BM)

The Netherlands

RPC Tedeco-Gizeh, Deventer (T)
 RPC Bebo Nederland, Beuningen (T)
 RPC Bebo Nederland, Goor (T)
 RPC Packaging Halfweg (BM)
 RPC Packaging Kerkrade (BM)

Spain

RPC Envasas, Madrid (BM)
 RPC Envasas, San Roque (BM)

Germany

RPC Bebo Plastik, Bremervörde (T)
 RPC Verpackungen Kutenholz (BM)
 RPC Bramlage Celle (IM)
 RPC Bramlage, Lohne (IM)
 RPC Bramlage Kork, Lohne
 RPC Tedeco-Gizeh, Offenburg (T)
 RPC Wiko, Pulheim (IM)
 RPC Formatec, Mellrichstadt (IM)
 RPC Neutraubling (IM)

France

RPC Tedeco-Gizeh, Bouxwiller (T)
 RPC Tedeco-Gizeh, Troyes (T)
 RPC Emballages Montpont (BM)

Belgium

RPC Cobelplast, Lokeren (T)
 RPC Bramlage Antwerpen (IM)
 RPC Packaging Gent (BM)

Italy

RPC Cobelplast Montonate, Varese (T)

Poland

RPC Bebo Polska, Piaseczno (T)
 RPC Bebo Polska, Poznan (T)
 RPC Tedeco-Gizeh Polska, Łaskarzew (T)
 RPC Bebo Polska, Kruszwica (T)

Hungary

RPC Tedeco-Gizeh, Kájárpéc (T)

Romania

RPC Tedeco-Gizeh, Ploiesti (T)

Czech Republic

RPC Bebo ČR, Aš (T)

United States

RPC Bramlage-Wiko (IM)

The locations are coded for:

(T) – Thermoforming
 (IM) – Injection Moulding
 (BM) – Blow Moulding

Principal subsidiaries

The following companies are, in the opinion of the directors, the principal trading subsidiaries of RPC Group Plc. All the companies are wholly owned and the Group's interests are in Ordinary Shares or their equivalent. All the companies are involved in the rigid plastic packaging market.

Country of Incorporation in italics

RPC Containers Limited

Lakeside House, Higham Ferrers,
Northants NN10 8RP
Great Britain

RPC Tedeco-Gizeh (UK) Limited

Kenfig Industrial Estate,
Water Street, Margam,
Port Talbot, West Glamorgan SA13 2PG
Great Britain

RPC Tedeco-Gizeh SAS

Zone Industrielle, BP30,
F-67330 Bouxwiller
France

RPC Tedeco-Gizeh Kft

lpartelep 1771,
H-9123 Kajárpéc
Hungary

RPC Tedeco-Gizeh GmbH

Robert-Bosch-Straße 16,
D-7656 Offenburg
Germany

RPC Tedeco-Gizeh Polska Sp. z o.o.

ul. Warszawska 77,
PL-08-450 Łaskarzew
Poland

RPC Tedeco-Gizeh Romania S.r.l.

DN1 km5, R-2047 Blejoi, Ploiesti
Romania

RPC Tedeco-Gizeh Troyes SASU

199 Avenue Pierre Brossolette
F-10001 Troyes
France

RPC Cobelplast NV

Antwerpse Steenweg 14,
B-9160 Lokeren
Belgium

RPC Cobelplast Montonate S.r.l.

Via Sandroni 40,
I-21040 Sumirago, Varese
Italy

RPC Bebo Plastik GmbH

Lloydstraße 6,
D-27432 Bremervörde
Germany

RPC Bebo Polska Sp. z o.o.

ul. Ledóchowskiej 33/35,
PL-60-462 Poznan
Poland

RPC Bebo Nederland BV

Zilverwerf 14,
NL-6641 TD Beuningen
The Netherlands

RPC Bebo ČR Sro

Skandinávská 2
CZ-35201 Aš
Czech Republic

TW Packaging Polska Sp. z o.o.

ul. Kineskopowa 1,
PL-05-500 Piaseczno
Poland

RPC Bramlage GmbH

Brägeler Straße 70,
D-49393 Lohne
Germany

RPC Bramlage Celle GmbH

Bremer Weg 205,
D-29223 Celle
Germany

RPC Bramlage Antwerpen NV

Terbekehofdreef 29
B-2610 Wilrijk
Belgium

Bramlage Kork GmbH

Raiffeisenstraße 10,
D-49393 Lohne
Germany

RPC Bramlage Food GmbH

Bremer Weg 205
D-29223 Celle
Germany

RPC Bebo Print GmbH & Co KG

Lloydstraße 6,
D-27432 Bremervörde
Germany

RPC Verpackungen Kutenholz GmbH

Industriestraße 3,
D-27449 Kutenholz
Germany

RPC Envases SA

Ctra. Madrid-Valencia, km 24,800,
E-28500 Arganda del Rey, Madrid
Spain

RPC Packaging Gent NV

Singel 20, Havennr. 0955B,
B-9000 Gent
Belgium

RPC Packaging Kerkrade BV

Spek Hofstraat 16,
NL-6466 LZ Kerkrade
The Netherlands

RPC Packaging Halfweg BV

Haarlemmerstraatweg 73,
NL-1165 MK Halfweg
The Netherlands

RPC Emballages Montpont SA

Les Touppes,
F-71470 Montpont-en-Brasse
France

RPC Wiko GmbH & Co KG

Donatusstraße 102,
D-50259 Pulheim-Brauweiler
Germany

RPC Formatec GmbH

Stockheimer Straße 30,
D-97638 Mellrichstadt
Germany

RPC Neutraubling GmbH

Pommernstraße 12,
D-93073 Neutraubling
Germany

RPC Bramlage-Wiko USA Inc

1075 Hemlock Road, Morgantown,
PA. 19543
United States of America

In addition, RPC Group Plc owns all the shares in RPC Packaging Holdings Limited (a company incorporated in Great Britain and located at Lakeside House, Higham Ferrers, Northants NN10 8RP), RPC Packaging Holdings BV (a company incorporated in The Netherlands and located at Bergweidedijk 1, NL-7418 AB Deventer), RPC Packaging Holdings (Deutschland) GmbH (a company incorporated in Germany and located at Lloydstraße 6, D-27432 Bremervörde) and RPC Packaging Holdings US Inc (a company incorporated in the United States of America and located at 2711 Centerville Road, Suite 400, Wilmington DE, USA). These four companies are intermediate holding companies. All companies are included within the consolidation.

Directors' biographies

J P Williams, MA BComm (64) *Non-Executive Chairman*

Peter Williams first joined the RPC Board as a non-executive director in 1991 and was appointed Chairman in July 2000. He was Chief Executive of D S Smith (Holdings) Plc until May 2002. Before that he was a director of Reed International Plc (1984-1988) and then the Chief Executive of Reedpack Limited. He is also Senior Independent Director of Electra Investment Trust Plc, a director of Xenos Group Inc (listed on the Toronto Stock Exchange), Chairman of Eposs Ltd and director of a number of other private entities.

R J E Marsh, BA (55) *Chief Executive*

Ron Marsh has been Chief Executive of the RPC Group since July 1989. Prior to that he was involved in the manufacture and sale of folding cartons first with Metal Box (1971-1987) and subsequently with Reed International.

M J B Green, FCA (63) *Senior Independent Director*

Bay Green joined the Board of RPC in March 1998 and was appointed Senior Independent Director in May 2001. He has over 30 years' experience in investment banking and is currently Vice Chairman of Dresdner Kleinwort Wasserstein. He is a non-executive director and a member of the audit and nomination committees of Invensys PLC and is non-executive director and a member of the audit, compensation and nomination committees of Axis-Shield PLC. In addition he is a trustee of Help the Hospices.

P Hilton, MA PhD (58)

Director and RPC Bebo Cluster Manager

Philip Hilton has been in the plastics industry since leaving University in 1973. He joined the Group as General Manager of RPC's Rushden factory in 1988, and has subsequently been responsible for the Raunds and then all RPC's UK Injection Moulding businesses. In May 2001 he was appointed to the position of the General Manager of RPC Bebo cluster of Thermoforming businesses. He has been on the Board of RPC since February 1997.

P J H Hole, BSc (61)

Director and General Manager, RPC Corby and Halstead

Peter Hole joined the RPC Corby operation in 1988 as General Manager. Subsequently he has been involved in the development of RPC's UK Thermoforming business and the expansion of multi-layer Blow Moulding throughout the Group. Prior to joining RPC he gained experience in both rigid and flexible packaging. He was appointed to the RPC Board on 29 January 2003.

H J Kloeze, Drs (58)

Director and RPC Tedeco-Gizeh Cluster Manager

Henk Kloeze has been involved in the packaging industry since 1971. He joined Tedeco, in the Netherlands, as an Assistant Marketing and Sales Manager in 1983 and became General Manager in 1985. He was appointed to the Board of RPC on 26 September 2001.

S Rojahn, Dipl-Ing MSIE (57)

Independent Non-Executive Director

Stephan Rojahn, a German national, was appointed to the Board of RPC on 25 January 2006. He joined Durr AG, a global supplier of painting systems to the automotive industry in 2002, as a member of the Board of Management and in 2003 became Chairman until retiring at the end of 2005. Previously he worked for the Bosch Group culminating in a position on the Board of Management. He is a non-executive director of Novem Car Interior GmbH.

C H Sworn, MA PhD FCA (59) *Finance Director*

Chris Sworn joined Reed International in 1980 as a planning executive. He was Technical Manager of the Oakham factory from 1985 to 1989, and was appointed Finance Director of the RPC Group in January 1990.

D J Wilbraham, BSc PhD (67)

Independent Non-Executive Director

David Wilbraham became the Chief Operating Officer of Laporte plc in 1992 after many years with ICI. In 1996 he moved to Hickson International Plc first as the Chief Executive and subsequently as the Chairman, until the company was acquired in 2000. He is now the Senior Independent Director and Chairman of the remuneration and audit committees of St Ives plc, Chairman and member of the remuneration and audit committees of Akers Biosciences Inc, Chairman of Intelligent Engineering Ltd and a Governor of Imperial College, London. He joined the Board of RPC in July 1998.

P S Wood, FCA (59) *Independent Non-Executive Director*

Peter Wood was appointed to the Board of RPC on 22 March 2006. He was, until his retirement at the end of 2005, Chief Executive of BSS Group Plc. Previously he had been Finance Director and ultimately Chief Executive of Ellis and Everard plc until the company was acquired in 2000. He is the Senior Independent Director and Chairman of the remuneration committee of Yule Catto plc and Chairman of White Young Green plc.

Report of the directors for the year ended 31 March 2006

The directors present their report and the audited financial statements for the year ended 31 March 2006.

Principal Activities

The principal activities of the Group are unchanged from last year and are the manufacture and sale of rigid plastic packaging and associated equipment.

Acquisitions

In April 2005 the Group acquired Bebo Print KG and the associated intellectual property from Bernhard Borgardt KG, a business in which former Group Board director, B J Borgardt, had a major interest, for £5.9m including acquisition expenses. The goodwill arising was £3.2m. The business provides in-house thermoformed sheet printing services.

Review of Business and Future Developments

A review of the Group's performance during the year ended 31 March 2006 and its position at that date together with the risks that it faces is contained within the Statement by the Chairman and Chief Executive on pages 3 to 6.

Dividends

An interim dividend of 2.5p per Ordinary Share was paid on 27 January 2006. The Board is recommending a final dividend of 5.25p per Ordinary Share to be paid on 8 September 2006, subject to approval at the forthcoming Annual General Meeting of the Company, to shareholders on the Register on 11 August 2006 making the total dividend for the year 7.75p per share (2005: 7.1p).

Financing

The Group's policy is to finance its operations through a mixture of retained profits, equity and borrowings. The Group does not trade in financial instruments.

The main risks arising from the Group's borrowings are interest rate risk, liquidity risk and foreign currency risk. The Group Board reviews and agrees policies for managing each of these risks. The policies, which have been applied throughout the year, are set out below:

(a) Interest rate risk

The Group has borrowed in Euros and Sterling and has issued bonds in Euros and US Dollars; interest rate swaps are used to reduce the exposure of the Group to fluctuations in interest rates. The majority of borrowings during the year have been kept on short-term variable interest rates.

The interest rate profile of the Group's borrowings at the year end is given in note 18. An increase of 1% in the interest charged during the year on borrowings not fixed by interest rate swaps would have reduced profits before tax by approximately £744,000 before accounting for exchange differences.

(b) Liquidity risk

In order to improve liquidity and ensure continuity of funding, the Group has a credit agreement with a consortium of 12 recognised international banks providing a £200m Sterling revolving credit facility that matures in June 2010.

Short-term flexibility is achieved through additional Sterling and Euro overdraft facilities.

(c) Foreign currency risk

Approximately 68% (2005: 66%) of the Group's net assets before borrowings are in currencies linked with the Euro and generated by subsidiaries located on Mainland Europe.

The Company issued 7-year bonds totalling €35m and US\$40m in February 2005; exchange rate swaps have been entered into for US\$30m to sell Euros and buy US Dollars in 2012, when the US Dollar bonds mature.

Exposure to foreign currency exchange risks on normal trading sales and purchases is minimised by trading in the subsidiaries' local currencies wherever possible or by intra-group hedges. Where appropriate, exchange risks on foreign currency fixed asset purchases are eliminated through forward exchange contracts.

The Group is exposed to fluctuations in exchange rates on the translation of profits earned by its subsidiaries in Mainland Europe. These profits are translated at average exchange rates for the year which has a smoothing effect on short-term currency movements. The estimated impact of the change in the average exchange rates between 2004/05 and 2005/06 on the profit before tax is a net improvement of approximately £117,000.

Directors

The present directors of the Company, who, with the exception of S Rojahn and P S Wood who were appointed to the Board on 25 January 2006 and 22 March 2006 respectively, have served for the full financial year, are listed on page 9.

All directors are subject to re-election at intervals of no more than three years. Resolutions to elect S Rojahn and P S Wood and to re-elect R J E Marsh and P J H Hole in accordance with the Company's Articles of Association, will be proposed at the forthcoming Annual General Meeting on 19 July 2006. Biographical details and other relevant information are given on page 9. During the year the Board appointed S Rojahn and P S Wood as independent non-executive directors following recommendation by the Nomination Committee. They have each been appointed subject to the election referred to above for a three year term of office which expires on 24 January 2009 and 21 March 2009 respectively. Non-executive directors' appointments may be terminated with immediate effect.

The service contracts for R J E Marsh and P J H Hole provide for a notice period of 12 months to be given. A performance evaluation has been conducted for both directors. Further information on the appointment, re-election and performance evaluation of directors is given in the Corporate Governance section of this report.

Details of the directors' remuneration, service contracts and their interests in the share capital of the Company are shown in the Remuneration Report on pages 21 to 28. The service contracts for executive directors and terms of appointment for non-executive directors are available for inspection at the Company's registered office and at the Annual General Meeting.

Directors' Indemnities

At the 2005 Annual General Meeting, shareholders approved an amendment to the Company's Articles of Association that, in accordance with recent legislative changes, widened the powers of the Board to provide indemnification for the directors and officers of the Company and to make loans to directors to enable them to defend proceedings against them. During the year the Board provided qualifying third party indemnities to the Company's directors and agreed to provide funds to meet costs incurred defending civil or criminal proceedings in accordance with the legislation and the Articles of Association. The directors are not indemnified against damages awarded to the Company itself, defence costs where the defence is unsuccessful in the case of liabilities owed to the Company, criminal fines, fines by regulators or the legal costs of successful criminal proceedings against the directors. Defence costs arising from actions brought by third parties, may, subject to certain exclusions, be paid by the Company even if judgement goes against the director.

The indemnities provided to the directors are available for inspection at the Company's registered office and at the Annual General Meeting.

Substantial Shareholdings

The directors are aware of the following holdings of 3% or more, including non-beneficial holdings which do not require notification under the Companies Act 1985, of the Company's issued share capital at 24 May 2006:

	%
Aberforth Partners' Clients	14.9
AXA Financial SA	7.8
Aegon Asset Management	6.2
Morley Fund Management	4.9
Brown Shipleigh Investment Managers	4.8
Prudential Plc	4.7
Legal & General Investment Management	3.6

Research and Development

The Group's research and development activities ensure that it stays at the forefront of rigid plastic packaging technology

with regards to design, functionality, aesthetics and specification with particular attention to weight reduction and the incorporation of recycled materials.

Creditor Payment Policy

The Group endeavours to agree the terms and conditions under which transactions with its suppliers are conducted prior to placing business, there being no specific payment code for the packaging industry. It is the Group's policy to pay to agreed terms. RPC Group Plc is a non-trading company. However, the significant UK trading subsidiary RPC Containers Limited had average creditor days outstanding at 31 March 2006 of 88 days (31 March 2005: 83 days).

Political and Charitable Donations

The Group donated £5,609 to charities in the UK during the year.

The Group's policy is to make no political donations, and none were made in the year.

Related Party Transaction

On 28 April 2005, the Group acquired Bebo Print KG and the associated intellectual property for £5.9m (including acquisition expenses), a business in which B J Borgardt, a director of the Company until 31 October 2004, had a majority interest. Details of related party transactions with Bernhard Borgardt KG, the former name of the business supplying printing services, during the year ended 31 March 2006, are given in note 25 to the financial statements. In accordance with the Listing Rules, the UK Listing Authority was informed of the transaction and provided with written confirmation from an independent adviser that the terms of the transaction with the related party, B J Borgardt, were fair and reasonable so far as the shareholders of the Company were concerned.

Annual General Meeting

The notice of and related explanatory notes on the Company's Annual General Meeting to be held on 19 July 2006 are included after the financial statements on page 72.

The Board is recommending the election of S Rojahn and P S Wood as non-executive directors and the re-election of R J E Marsh and P J H Hole as directors in separate resolutions. Further information is given under the Directors heading in this Report.

Under the special business of the Annual General Meeting, the Board is recommending proposals to increase the Company's authorised share capital and to renew the directors' authority to allot shares, the directors' power to disapply pre-emption rights and the authority for the Company to purchase its own shares. Further information on these resolutions is given in the explanatory notes to the Notice of Annual General Meeting.

Report of the directors for the year ended 31 March 2006 continued

Increase in Authorised Share Capital

An ordinary resolution under special business in the Notice of Annual General Meeting proposes that the authorised share capital of the Company is increased from £6,000,000 to £6,500,000 by the creation of 10,000,000 new Ordinary Shares of 5p each. The reason for the increase is to enable the Company to take advantage of market opportunities to raise capital when appropriate although at present there are no plans to do so. Further information is given in the explanatory notes to the Notice.

Auditors

In accordance with Section 385 of Companies Act 1985 a resolution is to be proposed at the Annual General Meeting for the reappointment of KPMG Audit Plc as auditors of the Company.

CORPORATE GOVERNANCE

Principles Statement

The Board recognises and fully supports the value of good corporate governance as an important factor in achieving its overall objectives. In accordance with the Financial Services Authority UK Listing Rules a statement describing how the Company has applied the principles contained in Section 1 of the Combined Code is set out in the following paragraphs and in the Remuneration Report.

Statement of Compliance

The Company has applied the Combined Code on the basis that it is a smaller company defined by the Combined Code as a company that is below the FTSE 350 throughout the year immediately prior to the reporting period. With the exceptions set out below, the Company has complied throughout the accounting period with the provisions of the Combined Code (references are given to the relevant Code provision).

- B.1.1 The performance-related element of the remuneration of executive directors does not form a significant proportion of their total remuneration for the reasons set out in the Remuneration Report.
- C.3.4 The Audit Committee has reviewed the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. In March 2006 the Board adopted a Group policy on reporting malpractice which put in place arrangements allowing for the proportionate and independent investigation of such matters raised by staff and appropriate follow-up action.

The Board

The Board is principally concerned with the overall leadership, strategy, development and control of the Group

in order to achieve its objectives for continued earnings growth and to enhance shareholder value. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, reviews management performance and ensures that high ethical standards of behaviour are followed. The role also includes ensuring that there is an effective system of controls to safeguard the Company's assets and to enable risks to be properly assessed and managed.

A formal schedule of matters reserved for the Board includes key matters such as approval of the Group's objectives, strategic plans, annual budgets, financial reporting, risk assessment and internal controls, monitoring operating and financial performance, capital and legal structure, material capital investments, material contracts and transactions, communication with shareholders, Board membership and appointments, directors' remuneration and contracts, corporate governance, Group policies and delegation of responsibilities. Matters not specifically reserved for the Board are delegated to management.

The Board meets at least six times each year; one meeting is combined with a visit to an operating unit and the opportunity to meet the local management team. The Board met six times during the year ended 31 March 2006. All directors who were appointed at the time were present at each meeting. The directors reviewed the frequency of meetings during the year and concluded that they were sufficient to discharge its duties effectively.

The Board currently consists of the non-executive Chairman, J P Williams, four independent non-executive directors, including two new appointments, and five executive directors. The Board reviewed its size, composition and balance during the year and, on the recommendation of the Nomination Committee, considered it would be appropriate for the Company to increase the number of independent non-executive directors from two to four. The Chief Executive is R J E Marsh. The names and biographical details of the directors are shown on page 9 and demonstrate the executive directors' breadth of knowledge of the plastic packaging industry. The significant commitments outside the Group of the Chairman and non-executive directors are given in their biographies. Changes to such commitments are reported to the Board as they arise. All the directors served throughout the year with the exception of S Rojahn and P S Wood who were appointed to the Board as independent non-executive directors on 25 January 2006 and 22 March 2006 respectively.

The Chairman's significant commitments outside the Group are included in his biography on page 9. The Board is satisfied that these commitments do not interfere with the performance of his duties to the Group. The Board has reappointed the Chairman for a further three year term with

effect from 12 July 2006 following a review of his performance and recommendation by the Nomination Committee.

The independent non-executive directors are M J B Green, D J Wilbraham, S Rojahn and P S Wood. The independent non-executive directors constructively challenge executive directors' proposals and bring valuable knowledge and experience and strong, independent character and judgement to the Board's decision-making process. The Board considers that all these directors meet the criteria for independence set out in provision A.3.1 of the Combined Code and there are no other relationships or circumstances which are likely to affect, or could appear to affect, the directors' judgement.

The Board reviews the level of insurance cover in respect of legal action against the Group's directors and officers and senior management on an annual basis prior to renewal. The Board has also provided indemnities to the directors which are described on page 11 of the Directors' Report.

Appointment and Re-election of Directors

The Nomination Committee is responsible for recommending new appointments to the Board. In accordance with the Company's Articles of Association all directors appointed to the Board, other than at the Annual General Meeting, are required to retire at the following Annual General Meeting when they may offer themselves for election; thereafter they must submit themselves for re-election at intervals of no more than three years.

Non-executive directors are appointed for terms of three years (or less) but the Board may terminate their appointment without notice or compensation at any time. The Board is responsible for the appointment or, subject to effective performance and commitment, re-appointment of non-executive directors and setting their remuneration, which consists solely of director's fees. A rigorous review of performance, taking into account the need for progressively refreshing the Board, is conducted when a non-executive director is proposed for re-appointment for a third term of three years. Non-executive directors may not normally serve longer than nine years but should circumstances arise where a further appointment was considered, it would be subject to a review of the director's independence each year and annual re-election at the Annual General Meeting.

The Remuneration Committee is responsible for approving executive directors' service contracts. Details of these contracts are given in the Remuneration Report on pages 21 to 28. Copies of executive directors' service contracts and terms and conditions of appointment for non-executive directors are available for inspection at the Company's registered office and at the Annual General Meeting.

Chairman and Chief Executive

The roles of the non-executive Chairman, J P Williams, and the Chief Executive, R J E Marsh, are clearly defined and set out in a written statement on the division of responsibilities between the Chairman and Chief Executive approved by the Board. The Chairman is responsible for the leadership and effective running of the Board and setting its agenda. The role includes leading the Board in determining strategy and the achievement of the Group's objectives, creating the conditions for overall Board and individual director effectiveness, ensuring directors receive accurate timely and clear information and ensuring effective communication with shareholders. The Chief Executive is responsible for running the Group's business, except for matters specifically reserved for the Board.

The Chairman held informal meetings with the non-executive directors during the year to discuss Board related matters without the executive directors present.

Senior Independent Director

The Senior Independent Director is M J B Green. The Senior Independent Director is available to meet with major shareholders on request and to enable shareholders to voice any concerns that contact through the normal investor communication channels of Chairman, Chief Executive or Finance Director has failed to resolve or is inappropriate.

Led by the Senior Independent Director, the non-executive directors held informal meetings during the year without the Chairman present to appraise the Chairman's performance and on other occasions when considered appropriate.

Information and Professional Development

The Board is provided with relevant information on the activities of the Group in a timely manner and in a form and of a quality to enable it to discharge its duties. There is a procedure established for directors to take independent professional advice at the Company's expense, where they judge it necessary to discharge their responsibilities. In addition, all Board members have access to the advice and services of the Company Secretary.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed, that applicable rules and regulations are complied with and for advising the Board through the Chairman on all governance matters. Under the direction of the Chairman, the Company Secretary's role also includes ensuring good information flows within the Board and Committees and between executive and non-executive directors and facilitating induction as required.

Newly appointed directors receive a formal induction tailored to the needs of the Group following the guidance on induction set out in the related guidance and good

Report of the directors for the year ended 31 March 2006 continued

practice suggestions appended to the Combined Code. On appointment directors receive information about the Group including the role of the Board and matters reserved for its decision, the terms of reference and membership of the Board's committees, the Group's corporate governance policies and procedures, the latest financial information about the Group, and training on the duties and responsibilities of directors of listed companies. This is supplemented by visits to key locations with the opportunity to meet local management. Throughout their period of office directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry.

All directors have access to training in the furtherance of their duties at the Company's expense. The Chairman is responsible for ensuring that the directors keep their skills and knowledge and familiarity with the Group up to date in order to fulfil their roles on the Board and on Board committees. The Company Secretary briefs the Board on corporate governance matters and relevant changes to corporate laws and regulations and facilitates professional development by regularly circulating details and arranging attendance at seminars relevant to all directors or non-executives. Executive directors also attend seminars on topics of particular relevance to their roles.

Performance Evaluation

The Board has conducted a formal evaluation of its own performance and that of its Committees and individual directors during the year following the process described below. No significant performance issues were identified but a small number of improvements were agreed.

The Board has a formal process, led by the Chairman, for the annual evaluation. The Board considers that an internal process using questionnaires specifically tailored for the Group and direct personal assessment is the most appropriate approach. The process adopted and contents of the questionnaires are reviewed annually. Particular attention is given to the performance evaluation of directors who are due for re-appointment or re-election.

The questionnaires follow the performance evaluation guidance appended to the Combined Code and cover the Board, the Audit, Remuneration and Nomination Committees, individual executive and non-executive directors and the Chairman. Directors grade both the importance of the evaluation criteria and performance, and are encouraged to make comments and recommendations for improvements. Each director completes a questionnaire on the Board's performance. Members of the Committees and other directors who regularly attend Committee meetings complete the relevant Committee questionnaires.

To ensure confidentiality, the completed questionnaires are sent directly to the Company Secretary who consolidates the results and produces a report for the Chairman, individual Committees and the Board to consider.

The Chairman completes individual director questionnaires using the same format described above and in consultation with the Chief Executive and other directors where appropriate. The results and any improvements or personal objectives are discussed with the relevant directors on a one to one basis. The non-executive directors, led by the Senior Independent Director, perform an evaluation of the Chairman using the same method taking into account the views of all directors.

Relations with Shareholders

The Company is committed to maintaining an effective dialogue with institutional and private investors. Directors, normally the Chief Executive and Finance Director, hold regular meetings with institutional investors at which the Company's past performance and strategy may be discussed. The Board is provided with brokers' reports, surveys on shareholders' views and, at least on a six-monthly basis, feedback from shareholder meetings. During the year the Chairman visited major shareholders to discuss the Company's governance and strategy and to understand their issues and concerns and reported on these meetings to the Board. Non-executive directors have the opportunity to attend meetings with major shareholders and expect to attend meetings at their request. Contact with institutional investors, financial analysts, brokers and the press is controlled and procedures are in place to ensure the proper disclosure of inside information in compliance with the Disclosure Rules, Financial Services and Markets Act 2000 and Code of Market Conduct.

Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. An individual resolution on each substantially separate issue is proposed at the Annual General Meeting including the Annual Report and Accounts. Shareholders have the opportunity at the Annual General Meeting to ask questions about the Company's activities and performance. It is the Board's policy that all directors attend the Annual General Meeting if at all possible and therefore in normal circumstances the Chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions. The proxy votes for and against each resolution and abstentions are counted before the Annual General Meeting and are made available at the meeting after shareholders have voted on a show of hands.

Board Committees

There are three principal Board Committees all of which operate within written terms of reference which are available from the Company Secretary or on the Company's website.

The terms of reference, performance and membership of the Audit, Remuneration and Nomination Committees were reviewed during the year by the relevant Committee and the Board. Only members of each Committee are entitled to attend meetings but each Committee may invite other directors, managers or advisers to attend. The Company Secretary is secretary to all three Committees. Sufficient resources are provided to enable the Committees to undertake their duties and they have authority to appoint independent professional advisers or consultants when required. The Chairman of the relevant Committee reports on the proceedings and any recommendations made at the subsequent Board meeting.

Since 31 March 2006, the two newly appointed non-executive directors have been appointed to the Nomination Committee. In addition, S Rohahn has been appointed to the Remuneration Committee and P S Wood has been appointed to the Audit Committee.

Nomination Committee

The members of the Nomination Committee and its Chairman throughout the year were:

J P Williams (Chairman)
M J B Green
D J Wilbraham

The Committee meets at least once each year and thereafter as circumstances dictate. During the year the Committee met four times. J P Williams was absent from one meeting held to consider his reappointment as Chairman of the Company. Otherwise all members were present at each meeting and the Chief Executive attended on invitation.

The main responsibilities of the Committee are to:

- review and make recommendations to the Board on the structure, size and composition of the Board;
- give full consideration to succession planning for directors and other senior managers;
- evaluate the balance of skills, knowledge and experience of the Board;
- prepare a description of the role and capabilities required for a particular appointment;
- identify and nominate for the approval of the Board, candidates to fill Board and senior management vacancies as and when they arise;
- annually review the time required from non-executive directors and the performance and membership of Board Committees; and

- recommend the re-appointment of non-executive directors and re-election of directors.

During the year, the Committee reviewed the Board structure, size, composition and balance and recommended the appointment of two new independent non-executive directors to the Board. An external search consultancy was engaged to identify suitable candidates who met the criteria agreed by the Committee in consultation with the Chief Executive. The criteria included identifying a candidate with experience of manufacturing in Mainland Europe, particularly Germany, and a candidate with relevant financial experience. As a consequence of the search, two candidates, S Rohahn and P S Wood, were approved by the Committee after appropriate due diligence and recommended for appointment to the Board. The Committee, with the Chairman absent, reviewed his performance and other commitments outside the Group and recommended to the Board that J P Williams be reappointed for a further term of three years following the expiry of his current term of appointment on 11 July 2006. The Committee also reviewed the performance and made recommendations to the Board on the re-election of directors retiring by rotation.

Other matters considered by the Committee were succession planning for non-executive and executive directors and senior managers, Board, Committee and individual director performance, the time required from non-executive directors and membership of Committees.

Remuneration Committee

The members of the Remuneration Committee and its Chairman throughout the year were as follows:

D J Wilbraham (Chairman)
M J B Green

The Remuneration Committee meets at least once each year and met three times during the year ended 31 March 2006. All members were present at each meeting. The Chairman and Chief Executive are consulted on proposals relating to the remuneration of other executive directors and senior management and, when appropriate, are invited by the Committee to attend meetings but are not present when their own remuneration is considered.

The Committee's principal responsibilities are:

- setting, reviewing and recommending to the Board for approval, the Group's overall remuneration policy for the Chairman, executive directors and senior management;
- reviewing and approving individual remuneration packages for the Chairman, executive directors and certain senior managers;

Report of the directors for the year ended 31 March 2006 continued

- setting, reviewing and recommending to the Board service contracts for executive directors including notice periods and terms for cessation of employment; and
- approving the rules, new grants and setting the performance conditions of any Group share or cash based incentive schemes.

During the year the Committee concluded its review of remuneration policies and incentive schemes with the assistance of advice from Towers Perrin. The review included a comparison of the remuneration packages for the Chairman, executive directors and senior management with the market and the merits of alternative share-based incentive schemes. Towers Perrin were also engaged to advise the Board on the level of non-executive directors' fees but have not advised any Group company on any other remuneration matters and have no other connection with the Company. The Committee considers that there is no conflict of interest between the two appointments that might affect the independence of Towers Perrin's advice to the Committee. A statement to this effect is available on request from the Company Secretary.

A detailed report on remuneration policy including conclusions from the review, directors' remuneration packages and contract terms and grants of executive share options and Sharesave Scheme options approved by the Committee during the year are given in the Remuneration Report on pages 21 to 28.

Audit Committee

The members of the Audit Committee and its Chairman throughout the year were as follows:

M J B Green (Chairman)
D J Wilbraham

The Board is satisfied that M J B Green has recent and relevant financial experience. The Committee meets at least twice each year and thereafter as circumstances dictate. During the year the Committee met three times. All members were present at each meeting. The external auditors attend meetings of the Committee, other than when their appointment or performance is being reviewed. The Finance Director, Group Finance Manager and other members of the Board attend Audit Committee meetings as appropriate. The Committee meets with the auditors without any other directors or management present at least twice a year.

The main responsibilities of the Audit Committee are to:

- monitor the integrity and clarity of the financial statements of the Company and review any significant financial reporting issues and judgements which they contain;

- review the consistency of and changes to accounting policies, the methods used to account for significant and unusual transactions and whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements;
- approve the external auditors' terms of engagement, audit plan and scope of the audit and review with them the results of their audit and any control issues raised;
- review the effectiveness of the external auditors and their independence and objectivity;
- consider and make recommendations to the Board on the external auditors' remuneration and their appointment, re-appointment or removal;
- review the effectiveness of the Group's internal control and risk management systems;
- review the Group's arrangements for its employees to raise concerns about possible wrongdoing in financial and other matters; and
- consider annually the need for an internal audit function and make recommendations to the Board.

The Committee fulfilled its responsibilities during the year except for the following:

- During the year, the Audit Committee has reviewed the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. In March 2006 the Board adopted a Group policy on reporting malpractice which put in place arrangements, approved by the Committee, allowing for the proportionate and independent investigation of such matters raised by staff and appropriate follow-up action.

The Audit Committee has conducted a detailed assessment of the external auditors including matters that might have a bearing on their independence such as the level of fees for non-audit services provided during the year. The Committee is satisfied that the level of fees for non-audit services has not impaired auditor objectivity and independence based on the principles adopted in the Group policy on the engagement of the external auditors to supply non-audit services. The auditors may not be engaged to audit their own work, make management decisions for the Group, have a mutual financial interest with the Group or be put in the role of advocate for the Group. Prior approval of the Audit Committee is required for non-audit services where the fees are likely to exceed specified limits both for individual assignments and in the aggregate.

Details of the amounts payable to the external auditors during the year for audit and other services are set out in note 3 to the financial statements.

The Audit Committee considers annually whether there is a need for an internal audit function and makes recommendations to the Board. The Group has a sound system of internal control and risk management in place at site, cluster and Group levels, close monitoring and control by the Chief Executive and Finance Director on a monthly basis, robust financial record keeping, monthly financial reporting and analysis which is carefully reviewed at site, cluster and Group levels, tight cash flow control and the large majority of sites employ professionally qualified accountants. A review during the year concluded, however, that given the increased size of the Group, it would be appropriate to introduce some form of internal auditing. In March 2006 the Audit Committee also approved the appointment and scope for an internal audit assignment conducted by Grant Thornton UK LLP at a UK site.

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to achieve business objectives. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

Throughout the year and up to the date of approval of this Annual Report and Accounts there has been in place an established, ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has been regularly reviewed by the Audit Committee and the Board and is in accordance with the Turnbull Guidance on Internal Control for Directors on the Combined Code (revised October 2005).

The key procedures in the Group's process for reviewing the effectiveness of internal controls are summarised below:

- There is a clearly defined Group management responsibility and reporting structure.
- The Group's objectives are reviewed as part of the strategic planning process and communicated throughout the Group. Objectives are set for individual operating units as part of the strategy review process.
- A three-year strategy review is prepared for the Board's consideration each year. This is appraised in the light of the strategic and other relevant risks and issues faced by the Group, the resources available and its objectives before it is approved.
- Risk assessment and evaluation take place as an integral part of the Group's annual strategic planning cycle. The Group has a detailed risk management process, which identifies the key risks faced by the individual reporting entities and the Group as a whole and the actions and controls required to manage these risks. The process is reviewed each year to ensure it remains relevant to the business over time. The Board and Audit Committee review this information as part of the internal control review.
- The directors are required to approve yearly financial budgets, including capital expenditure, for each of the Group's operating units. Performance against these targets is monitored monthly and reported on at the bi-monthly Board meetings. Reasons for divergences are discussed at Board meetings.
- Managers are responsible for the identification and evaluation of significant risks in their area of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis.
- An annual review is performed of the effectiveness of the system of internal control including a detailed risk assessment.
- Matters relating to internal control brought to the attention of the management by the auditors are reviewed and any corrective actions to the internal control procedures are made in a timely manner.
- Written monthly reports, management accounts and key performance indicators are submitted by operating units and reviewed every month by senior management. Significant risks and internal control issues are considered, actions agreed and progress monitored at monthly meetings with reporting entities and, where appropriate, at Executive and Board meetings.
- Operating units produce plans to improve controls relating to key risks and any significant weaknesses identified by Group Executives in addition to other initiatives and ongoing actions in progress at the local or cluster level.
- An interim report is reviewed by the Audit Committee and the Board to monitor the operating units' progress against their plans to improve controls to ensure that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified. The report also includes updates on significant risks and other internal control issues.

Report of the directors for the year ended 31 March 2006 continued

The Group has identified a number of categories of risk faced by the business requiring particular attention to control and monitoring. These fall into the following categories: strategic business risks, treasury risks (which are explained under the Financing heading on page 10), safeguarding physical property, polymer purchasing and electricity costs, major project management including product development, customer relations including contractual terms, service and quality, IT systems, health and safety and the environment.

The directors confirm that they have carried out their annual review of the effectiveness of the system of internal control as it has operated throughout the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts. The directors also confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review.

Directors' Statement on Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern

After making appropriate enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

International Financial Reporting

The financial statements have been prepared in accordance with International Financial Reporting Standards for the first time this year. Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU.

Financial Reporting

The Annual Report and Accounts and the Interim Report are intended to provide a balanced and clear assessment of the Group's past performance, present position and future prospects. A statement by the directors on their responsibility for preparing the financial statements is given on page 29 and a statement by the auditors on their responsibilities is given on page 30.

STATEMENT ON THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY POLICY

While the Board is accountable to the Company's shareholders, it takes into account the interests of employees, customers and suppliers as well as the local community and the environment in which the Group operates. The Board is working towards the application, where practicable, of the Disclosure Guidelines on Social Responsibility published by the Association of British Insurers. Social, environmental and ethical risks and controls are included in the Group's system of risk assessment and internal control.

Ethics

The Board expects that all directors and employees conduct business in an ethical manner according to the following basic principles. Directors and employees should, inter alia:

- exercise honesty, objectivity and diligence in performing their duties and undertaking their responsibilities;
- be loyal in all matters affecting the Group, including matters relating to customers;
- not act in a manner which could discredit the Group;
- not enter into any activity which may result in a conflict of interest with the Group;
- not accept gifts of value which could be described as an inducement that could impair their judgement; and
- neither use confidential information for personal gain nor should any law or relevant regulation be contravened.

Employees

The Group continues to recognise the benefit of both effective communication with employees and achieving a common awareness on the part of employees of the financial performance and economic factors affecting the performance of the Group. Both individual site and Group-wide meetings are held at which employees and management are present and at which the key aspects of the Group's activities, performance and other matters of interest to employees are reviewed. An employee newsletter 'RPC Perspectives' is issued regularly in five languages. Employees are encouraged to make their views and ideas known to the directors and senior management of the Group. The Group established a European Works Council in 1998.

Employee participation is further encouraged through share ownership and share option schemes which provide employees with a direct stake in the growth and prosperity of the business.

The Group aims to provide clear and fair terms and conditions of employment and remuneration wherever it operates. It does not employ underage staff. Employees are provided with training in order to give them the necessary skills to perform their duties and where appropriate to develop these skills and progress their career.

The Board does not tolerate any sexual, physical or mental harassment of its employees. It promotes equal opportunities for all present and potential employees and does not discriminate on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation.

The Group's policy is to recruit disabled workers for those vacancies they are able to fill. When existing employees suffer disablement, every effort is made to retain them in the workforce wherever reasonable and practicable. Disabled staff have the same opportunities as other employees so far as training, career development and promotion are concerned.

Health and Safety

The Board is committed to providing a clean, healthy and safe working environment. The Board as a whole is responsible for health and safety management including the measurement and monitoring of individual business units on a regular basis, taking appropriate action where necessary, and the annual review and approval of the RPC Group Health and Safety Policy. Responsibility for the application of this policy has been delegated to the Chief Executive and, through him, to the General Managers of individual operating units. P J H Hole has responsibility for reporting to the Board on health and safety matters.

The Board recognises that not only is good health and safety management a duty owed to the people involved in or affected by the Group's activities but it also makes good business sense. The Board is committed to high and improving standards in relation to employees, customers, suppliers, visitors and the general public. As a minimum, the standards adopted are those required by law but the policy is to seek to exceed these where there is a demonstrable benefit.

The general approach to health and safety is based on the identification and control of risks, continual improvement and the development and maintenance of a positive safety culture throughout the Group. The Group Health and Safety Policy is displayed throughout the Group's premises.

The local management are required to maintain appropriate systems which include:

- a clear statement of responsibilities;
- provision for the communication of health and safety matters throughout the organisation;

- appropriate instruction, training and supervision;
- encouraging the involvement of employees in health and safety issues;
- appointment of competent persons;
- plans to further improve standards, supported by allocation of the necessary resources;
- measurement and monitoring of performance; and
- periodic audit and regular review.

An annual Group Health and Safety Review Report is considered by the Board and recommendations for improvements made. In addition, operating units are required to include health and safety improvement initiatives in their annual strategy and budgets and compliance with the Group policy is monitored as part of the internal control system. Health and Safety is treated as a priority item on the agenda of routine management meetings with Group executives.

Standards for health and safety vary widely across the European countries where the Group operates and there is an ongoing process for improving health and safety management and reporting in these countries. In the UK the health and safety management systems are subject to an annual independent external audit and extension of a similar process to Mainland Europe is being investigated. Two UK sites have accreditation to the Occupational Health and Safety Accreditation Scheme standard OHSAS 18001 for Health and Safety Management Systems.

Customers and Suppliers

The Group seeks to be honest and fair in its relationships with customers and suppliers, to provide customers with standards of product and service that have been agreed and to pay suppliers and sub-contractors on agreed terms.

It is Group policy to maintain accreditation to the quality management standard ISO 9001 and encourage operating units to gain accreditation to any specific standards required by the markets served or by customers such as the BRC/IOP Food Packaging Standard.

Community

The Board supports initiatives by operating units to engage with their local community. Operating units and their staff participate in a variety of local activities including projects with local schools, charity events and factory open days. The Group policy on donations is to support local educational and charitable causes, and in particular those where employees or their families are involved in the fund raising.

Report of the directors for the year ended 31 March 2006 continued

Environment

The Board recognises its obligations to protect and preserve the environment. It is committed to achieving a high environmental standard across all the activities of the Group and to minimising its environmental impact. P Hilton has Board level responsibility for environmental matters.

The full text of the Group Environmental Policy Statement is published on the Company's website. The Group is committed to the introduction of environmental management systems such as ISO 14001, at all manufacturing sites, and to the continual improvement of its performance. Six sites have achieved accreditation to ISO 14001: this provides an additional level of risk management assurance above that provided by the Group's internal control and risk assessment system.

The most significant areas of environmental impact associated with the Group's operations are polymer and its conversion, energy consumption, the use of outer packaging and transport.

Maximising the efficiency of polymer conversion is a fundamental factor in the financial performance of the Group and is one of the key indicators monitored against budget targets on a monthly or more frequent basis for all manufacturing operations. In designing a new product and through material selection, the Group aims to optimise the weight of the container and its potential for recycling while meeting the required performance and customer needs. The Group works with customers to reduce the weight of existing products and monitors developments in alternative materials and production techniques which may reduce the environmental impact of its products. Where an appropriate application arises which is not affected by regulations or other constraints, consideration is given to the incorporation of post-consumer waste polymer.

Support of initiatives to minimise the environmental impact of plastics packaging through recovery and recycling continues through direct sponsorship and membership of industry led bodies such as the British Plastics Federation in

the UK. RPC Tedeco-Gizeh is a member of DSD in Germany, Disposables Benelux Foundation and Save-a-Cup in the UK. B J Borgardt chairs the packaging group within the European Plastic Converters organisation which has a leading role in assisting the European authorities in formulating legislation to progressively increase the valorisation of packaging waste.

With the increased targets for recovery and recycling under the Packaging and Packaging Waste Directive, the Group has evaluated alternatives for meeting its obligation in the UK, but has elected to stay with VALPAK for 2006. The 2006 VALPAK levy is expected to be less than £0.45m.

The Group is a significant consumer of electricity and aims to minimise the overall direct and indirect impact of its use. Operating units are required to include a plan for improving energy efficiency in their annual strategy and budget. In the UK, the Group has been awarded Accreditation for Achievements in Energy Efficiency by the Institute of Energy. This Energy Efficiency Accreditation is administered by the National Energy Foundation which appoints independent assessors who evaluate and monitor the applicant's performance. To be successful requires an energy management policy and reporting procedures, investment in energy efficiency measures, and improvements in energy efficiency over the previous three years. Accreditation is reassessed every three years.

In partnership with customers and suppliers, the Group seeks to develop packaging methods, specification, recycling and re-use to optimise the usage of outer packaging materials. The Group aims to minimise the impact of the operation of company vehicles and transport operations on the environment through vehicle selection and delivery planning to maximise vehicle utilisation.

BY ORDER OF THE BOARD

Rebecca K Joyce
Company Secretary
 6 June 2006

Remuneration report for the year ended 31 March 2006

This remuneration report sets out the Company's policy on the remuneration of executive and non-executive directors together with details of directors' remuneration packages and service contracts for the financial year ended 31 March 2006.

The Board is responsible for both the general policy on remuneration and its cost but has delegated prime responsibility for the Chairman's and executive directors' remuneration to the Remuneration Committee. The remuneration and terms of appointment of the non-executive directors are determined by the Board as a whole.

The Company maintains contact with its shareholders about remuneration in the same way as for other matters and, as required by the Directors Remuneration Report Regulations 2002, this remuneration report will be put to an advisory vote of the Company's shareholders at the Annual General Meeting on 19 July 2006.

Remuneration Committee

The members of the Remuneration Committee during the year were D J Wilbraham (Chairman) and M J B Green. Both members of the Committee are independent non-executive directors. The Chairman and Chief Executive are consulted on proposals relating to the remuneration of other executive directors and designated senior management.

The role of the Remuneration Committee is set out in its terms of reference. The Committee's principal responsibilities are given in the Corporate Governance section of the Report of the Directors.

Remuneration Policy

The Board determines the remuneration of non-executive directors based on the recommendation of the Chairman and Chief Executive and comparison with other companies of a similar size and sector. Non-executive directors receive director's fees only and do not participate in any bonus or share option schemes. The total value of directors' fees that may be paid is limited by the Company's Articles of Association. Director's fees are not payable to executive directors. Towers Perrin reviewed the non-executive directors fees in comparison with the market for companies of a similar size and, as a consequence, the Board increased their fees to £28,000 per annum with effect from 1 April 2005. Under normal circumstances non-executive directors fees are reviewed once every three years. No additional fees are payable for membership of a Committee or appointment as chairman of a Committee.

The Remuneration Committee has reviewed the Chairman's fees taking into account a market comparison for companies of a similar size provided by Towers Perrin. The Board has approved an increase to the Chairman's fees to £90,000 per annum which under normal circumstances will be fixed for three years, with effect from 12 July 2006 as recommended by the Committee.

In determining appropriate remuneration policies and packages the Remuneration Committee considers the need to attract, retain and motivate executive directors and senior management. The Committee also takes into account the internal pay and benefits practice both within the Group as a whole and within the particular national context. External comparisons examine equivalent roles in similar companies, particularly within the packaging industry, taking into account their size, business complexity, international scope and relative performance. In 2005 Towers Perrin provided the Committee with market comparisons for executives and senior management in respect of the components of their remuneration packages and current remuneration trends.

The Remuneration Committee has continued to give particular consideration to the issue of performance related remuneration and the provision set out in the Combined Code that the performance related element should form a significant proportion of the remuneration package of executive directors. It recognises that the Group's policy on performance related remuneration is out of step with general practice. In 2005 it conducted a review of future policy in respect of base salaries for executive directors and share-based incentives with the assistance of advice from Towers Perrin, in consultation with the Chairman and Chief Executive.

The Remuneration Committee shares the view of the Board that the decentralised structure of the Group and the level of responsibility for the profitability of individual business units devolved to executives provides them with a high level of motivation to perform. In addition, the Executive Share Option Scheme has proved highly motivating for executive directors, senior and other managers and it aligns their interests with those of shareholders. It forms part of the general practice within the Group for wider employee participation and motivation through share option schemes as opposed to performance related pay. Consequently, the Remuneration Committee has decided that performance incentives will continue to be provided in the form of equity-based schemes. A further grant of executive share options will be considered in 2007/08 within the dilution limits and other guidelines issued by the Association of British Insurers (the "ABI") including performance conditions for executive directors similar to those applied for the 2005 grant. Thereafter, the Remuneration Committee will consider introducing a Performance Share Plan in consultation with shareholders. Any proposals that require shareholder consent will be put to an Annual General Meeting prior to implementation.

The key components of the Remuneration Committee's policy on the remuneration of executive directors for the current and future financial years are set out below.

Remuneration report for the year ended 31 March 2006 continued

(a) Remuneration components

(i) Basic salary

Salaries are reviewed annually by the Committee, although not necessarily increased. Salary increases are determined after taking into account an individual's responsibilities, abilities, contribution and experience as well as both market data on salary rates for similar positions in comparative companies and the Group's own salary structures in the relevant countries as described above. The review by Towers Perrin indicated that UK executive directors' salaries were in the lower quartile compared with the market. However the Remuneration Committee concluded that it would not make significant adjustments to base salaries.

(ii) Benefits in kind

Benefits in kind provided for executive directors are principally a fully expensed car, mobile telephone and private health cover. In the UK directors may forego the use of a company car in exchange for a non-pensionable salary supplement as specified in the Company Car Policy. Benefits in kind are not pensionable.

(iii) Performance related remuneration

Annual bonus

Directors do not receive annual bonuses.

RPC Group 1993 Executive Share Option Scheme

Executive share options have been granted to around 150 executive directors and managers employed by the Group under this Scheme which terminated on 21 May 2003. Provided participants are still employed by the Group, executive share options are normally exercisable between three and ten years after the date of grant. The exercise price is the mid-market price at the close of business on the day before the date of grant. Under the rules of the Scheme performance conditions on the exercise of options approved by the Remuneration Committee were imposed only on those participants who were executive directors of the Company at the date of grant.

The options granted to executive directors in 1997 were subject to a pre-determined earnings per share ("EPS") growth target of an average of 2% per annum over the increase in the retail prices index ("RPI"), over a three year period from the date of grant. The options granted to eligible executive directors in 2001 could not be exercised unless EPS growth was on average 3% per annum or more above the increase in RPI over a three year period from the date of grant. The EPS growth targets for both the 1997 and 2001 grants were met on the third anniversary of the relevant date of grant.

RPC Group 2003 Approved and Unapproved Executive Share Option Schemes

The RPC Group 2003 Approved Executive Share Option Scheme and The RPC Group 2003 Unapproved Executive Share Option Scheme were approved by shareholders at the 2003 Annual General Meeting.

Under the Rules of the 2003 Approved and Unapproved Executive Share Option Schemes, options will be granted at an exercise price equal to the market price of the Company's shares at the close of business on the last dealing day before the date of grant. Options will normally be exercisable between three and ten years after the date of grant. The aggregate value of options granted to an employee under the 2003 Executive Share Option Schemes in any financial year will not normally exceed their basic annual salary although this limit may be exceeded where the Remuneration Committee determine that special circumstances exist. Dilution limits in accordance with ABI guidelines apply.

Under the Rules of the 2003 Schemes, performance conditions on the exercise of options will be imposed by the Remuneration Committee on those participants who are executive directors at the date of grant. The purpose of the performance conditions will be to align the interests of the executive directors with those of shareholders.

A grant under the 2003 Schemes to executive directors and other senior and middle management was made on 29 June 2005. The Remuneration Committee gave careful consideration to alternative performance criteria and concluded that on the basis of experience over the last 10 years, the directors had not been able to influence, through their performance on a consistent long-term basis, the Total Shareholder Return ("TSR") in respect of the shares in the Company. This was despite an uninterrupted sequence of dividend increases and the doubling of earnings per share for the same period. In addition there was no longer an appropriate benchmark peer group. As TSR was not considered a genuine reflection of the Company's underlying financial performance, the performance condition for executive directors would continue to be based on EPS growth.

The Remuneration Committee considered the performance conditions and maximum number of options to be granted taking into account the modest level and frequency of grants made in the past - the most recent being in 2001. The performance required for executive directors to achieve the maximum number of options granted is EPS growth of 5% in excess of RPI on average over a three-year period from the date of grant. Half of the options granted are exercisable where EPS growth reaches 3% in excess of RPI on average over the same period. A straight-line sliding scale applies between the minimum and maximum performance targets. The maximum number of options exercisable, the exercise

price and option valuation are shown in the table on page 27.

There will be no retesting and any options granted to executive directors that do not meet the performance test will lapse on the third anniversary from the date of grant. New shares will be issued to satisfy options exercised. The EPS targets will be adjusted to maintain the level of performance required in the event of any reduction in issued share capital. The Remuneration Committee will not automatically waive the performance conditions in the event of a change of control of the Company or in the event of the early termination of employment as defined in the Scheme Rules.

The Board encourages executive directors to retain ownership of their shares following exercise for a minimum period of two years (less any shares sold to finance any tax liability arising on the options).

RPC Group 1993 Savings Related Share Option Scheme and RPC Group 2003 Sharesave Scheme

Executive directors were able to participate in invitations under the RPC Group 1993 Savings Related Share Option Scheme on the same terms as all other eligible employees until it terminated on 21 May 2003. This scheme has provided a savings and investment opportunity which encourages wider ownership in the Company's shares amongst employees. The scheme is HM Revenue and Customs approved for UK participants and has unapproved appendices which allowed overseas employees to participate on terms that were no more beneficial than those for UK participants.

The 1993 Scheme was replaced by the RPC Group 2003 Sharesave Scheme adopted by shareholders at the 2003 Annual General Meeting. The Rules are similar to those of the 1993 Scheme and are HM Revenue and Customs approved. Dilution limits in accordance with Association of British Insurers guidelines apply. An invitation was made in 2005 and options granted on 20 January 2006 at an exercise price of £2.25 per share. The related savings contract is for three years and the options become exercisable on 1 March 2009.

(iv) Pension provisions UK Pension Scheme

The four British executive directors, R J E Marsh, P Hilton, P J H Hole and C H Sworn, are members of the RPC Containers Limited Pension Scheme. This is a defined benefit pension scheme which is a funded, final salary, HM Revenue and Customs Registered Scheme with the following major features:

- Pension: up to two-thirds of final pensionable earnings (basic salary less Lower Earnings Limit) at normal pension age of 65 years. A pension supplement uplifting pension benefits from all sources including the RPC Scheme up to

two-thirds pensionable earnings is accrued uniformly over a period from between 1 May 1989 and 1 October 1991 until normal pension age provided at least 20 years service is completed. This benefit was granted under the original Reed Manufacturing Group Executive Pension Scheme. The employer will make such additional payments to the RPC Scheme as are appropriate to fund the pension supplement having regard to the advice of the Scheme Actuary.

- Death in service: Lump sum benefit of two times earnings (four times for the Chief Executive) plus widow's and dependant's pensions.
- Ill health pensions are payable and spouse's pensions are payable on the earlier death of the director.
- Employee contributions are 10% of pensionable salary.

The amount of any retirement pension or other relevant benefit will be reduced as necessary to comply with any restrictions now or subsequently imposed by law or HM Revenue and Customs. No additional benefits are provided above these limits and the Remuneration Committee has no plans to introduce alternative pension arrangements or compensation for executive directors in respect of the Lifetime Allowance applicable from April 2006.

Other directors' retirement benefits

The pension provision for the Dutch director is consistent with national practice.

H J Kloeze is a member of the defined benefit pension plan for RPC Tedeco-Gizeh, Deventer in the Netherlands. The main benefits are a pension based on service and up to 70% of final salary at normal retirement age of 65 years and a spouse's pension of 70% of his normal pension on death. The employee contribution rate was 8.8% of pensionable earnings during the year.

The Committee approves the pension arrangements and contributions made by the Group on behalf of the executive directors. The Company does not contribute to any pension arrangements for non-executive directors.

(b) Service contracts

The Committee determines the terms of the service contract for each executive director. The service contracts contain provision for early termination. Notice periods are limited to 12 months or determined by local employment legislation. Compensation payable upon early termination of an executive director is limited to the remuneration due for any unexpired notice period. Executive directors of the Company have no additional entitlement to compensation for loss of their office as directors. The following table shows details of executive directors' service contracts:

Remuneration report for the year ended 31 March 2006 continued

Name	Commencement Date	Notice Period	Term
R J E Marsh	17 May 1993	12 months	Rolling
P Hilton	10 February 1997	12 months	Rolling
P J H Hole	12 March 1991	12 months	Rolling
H J Kloeze	25 October 1971	4 months*	Rolling
C H Sworn	17 May 1993	12 months	Rolling

* This should be regarded as the minimum, except in the event of gross misconduct, as under Dutch law the actual notice period on termination by an employer is determined by the Court based on the circumstances at the time.

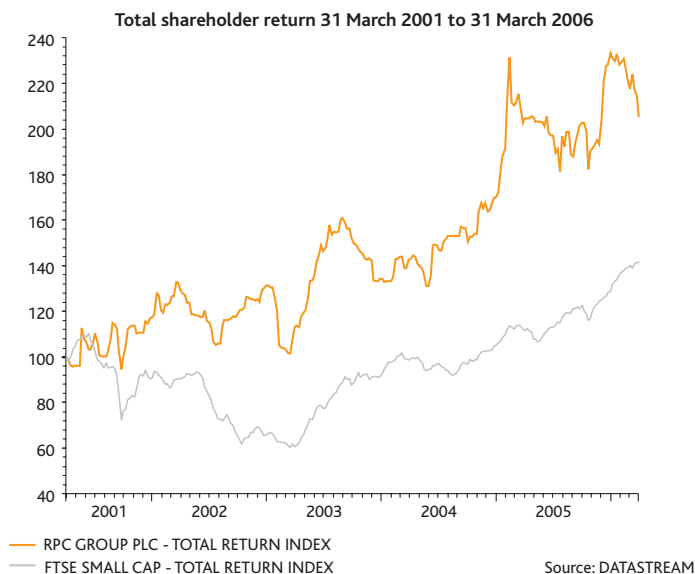
Non-executive directors are not employed under service contracts and do not receive compensation for loss of office, but are appointed for fixed terms of three years renewable for further three-year terms if both parties agree. The following table shows details of the non-executive directors' terms of appointment.

Name	Commencement Date	Notice Period	Date Term Expires
J P Williams	12 July 2003	None	11 July 2006
M J B Green	26 March 2004	None	25 March 2007
S Rojahn	25 January 2006	None	24 January 2009
D J Wilbraham	27 July 2004	None	26 July 2007
P S Wood	22 March 2006	None	21 March 2009

The Board has approved the re-appointment of J P Williams for a further term of three years commencing 12 July 2006.

Five Year Performance Graph

The graph below shows the total shareholder return on a holding of RPC shares compared with a holding of the same amount in shares of the basket of companies which make up the FTSE small cap index. This index has been chosen as this is considered to be the most relevant yardstick against which the Company's share price performance may be measured there being no other appropriate peer group of companies.



The auditors are required to report on the information contained in the remaining sections of this Remuneration Report.

Directors' Emoluments

	Basic Salary And Fees	Benefits In Kind	Total Excluding Pension Contributions	
	£'000	£'000	2006 £'000	2005 £'000
Executives				
R J E Marsh	222	14	236	208
B J Borgardt (to 31 October 2004)	–	–	–	84
P Hilton	146	5	151	185
P J H Hole	113	1	114	111
H J Kloeze	130	4	134	151
C H Sworn	163	1	164	152
	<u>774</u>	<u>25</u>	<u>799</u>	<u>891</u>
Non-executives				
M J B Green	28	–	28	25
D J Wilbraham	28	–	28	25
J P Williams	70	–	70	70
S Rojahn (from 25 January 2006)	5	–	5	–
P S Wood (from 22 March 2006)	1	–	1	–
	<u>132</u>	<u>–</u>	<u>132</u>	<u>120</u>
	<u>906</u>	<u>25</u>	<u>931</u>	<u>1,011</u>

Retirement benefits accrued to all five (2005: six) executive directors under defined benefit schemes.

Directors' Pension Entitlements

The pension entitlements accruing during the year for the members of the UK and RPC Tedeco-Gizeh Netherlands pension schemes are as follows:

	Accrued pension at 31 March 2006 £ p.a.	Increase in accrued pension over year excluding inflation £ p.a.	Increase in accrued pension over year including inflation £ p.a.	Transfer value of increase in accrued pension at 31 March 2006 less member contributions £	Transfer value at 31 March 2005 £	Increase in transfer value excluding member contributions £	Increase in transfer value including member contributions £	Transfer value at 31 March 2006 £
UK Pension Scheme:								
P Hilton	69,754	6,023	7,674	61,345	731,471	173,904	188,077	919,548
P J H Hole	54,351	3,368	4,688	39,203	714,437	138,015	147,818	862,255
R J E Marsh	119,401	17,778	20,409	207,073	1,190,591	389,724	411,462	1,602,053
C H Sworn	78,795	7,389	9,238	92,131	955,271	240,520	255,093	1,210,364
RPC Tedeco -Gizeh Netherlands Pension Plan:								
H J Kloeze	56,588	2,375	3,124	16,240	557,245	46,708	56,218	613,463

Remuneration report for the year ended 31 March 2006 continued

UK Pension Scheme

The year end accrued pensions are those which would be paid on retirement based on service and final pensionable earnings at the year end. Directors may pay additional voluntary contributions; neither these contributions nor the resulting benefits are included in the above table. The significant increase in transfer values is attributable to a range of factors including salary increases, age and length of service and market value adjustment factors.

RPC Tedeco-Gizeh Netherlands Pension Plan

The accrued pension is based on salary and service at the year end. The calculation of transfer values uses the statutory basis for such calculations that is applicable in the Netherlands. In addition to the benefits disclosed above, the company made a contribution of £3,355 (2005: £3,317) in respect of H J Kloeze's entitlement to death and disability benefits during the year.

Other Directors' Retirement Benefits

B J Borgardt retired as a director on 31 October 2004. He has a defined benefit retirement lump sum promise equivalent to two months fixed salary per year of service from 1 January 1997. The amount of lump sum benefit on retirement accrued at 31 March 2005 based on his salary and service at that date was £181,516 (Sterling equivalent). The increase during the period to 31 March 2006 was £22,022. There is no transfer value.

Pension entitlements denominated in Euros have all been translated at the closing exchange rate.

Directors' Shareholdings and Options

Shareholdings

	Directors' Shareholdings at	
	31 March 2006	31 March 2005
	Number of shares	Number of shares
J P Williams	2,040,000	2,040,000
R J E Marsh	1,830,923	1,809,026
B J Borgardt	–	162,008*
M J B Green	7,500	7,500
P Hilton		
Beneficial	316,404	287,757
Non-beneficial	–	35,350
P J H Hole		
Beneficial	331,806	326,659
Non-beneficial	–	35,350
H J Kloeze	13,603	6,869
C H Sworn		
Beneficial	465,126	459,118
Non-beneficial	352,733	352,733
D J Wilbraham	30,000	30,000

*Shares held on retirement.

There have been no changes in the interests set out above between 31 March 2006 and 1 June 2006.

Options

The following tables show details of the options held by the directors under the Company's share option schemes at 31 March 2006:

RPC Group 1993 Executive Share Option Scheme (UK Approved and International Unapproved)

	Year of Grant	Options at 1 April 2005	Granted during the year	Exercised during the year	Options at 31 March 2006	Exercise price	Market price on date of exercise
R J E Marsh	1997	100,000	–	21,897	78,103	£1.37	£2.47
R J E Marsh	2001	50,000	–	–	50,000	£1.455	–
P Hilton	1997	60,000	–	21,897	38,103	£1.37	£2.47
P Hilton	2001	30,000	–	–	30,000	£1.455	–
P J H Hole	1997	60,000	–	21,897	38,103	£1.37	£2.47
P J H Hole	2001	30,000	–	–	30,000	£1.455	–
H J Kloeze	1997	60,000	–	–	60,000	£1.37	–
H J Kloeze	2001	30,000	–	–	30,000	£1.455	–
C H Sworn	1997	38,103	–	–	38,103	£1.37	–
C H Sworn	2001	30,000	–	–	30,000	£1.455	–

The performance conditions in respect of the options granted on 11 July 1997 were met on 11 July 2000 and therefore they are exercisable between 11 July 2000 and 10 July 2007. The performance conditions for the options granted on 23 July 2001 were met on 23 July 2004 and are exercisable between 23 July 2004 and 22 July 2011.

The directors who have exercised options during the year have retained ownership of the shares. However, the notional gain on exercise was £24,087 for each director.

RPC Group 2003 Approved and Unapproved Executive Share Option Schemes

	Year of Grant	Options at 1 April 2005	Granted during the year	Exercised during the year	Options at 31 March 2006	Exercise price	Market price on date of exercise
R J E Marsh	2005	-	90,000	–	90,000	£2.47	–
P Hilton	2005	-	55,000	–	55,000	£2.47	–
P J H Hole	2005	-	55,000	–	55,000	£2.47	–
H J Kloeze	2005	-	55,000	–	55,000	£2.47	–
C H Sworn	2005	-	55,000	–	55,000	£2.47	–

The executive share options granted on 29 June 2005 shown above are the maximum number that may be exercised between 29 June 2008 and 28 June 2015 provided that the performance conditions given on page 22 are met. The value of an option calculated according to the Black Scholes model is £0.46. Information on the assumptions made in the option valuation is given in note 21 to the financial statements.

RPC Group 1993 Savings Related Share Option Scheme (UK Approved and International Unapproved)

	Year of Grant	Options at 1 April 2005	Exercised during the year	Lapsed during the year	Options at 31 March 2006	Exercise price	Market price on date of exercise
P Hilton	2003	6,750	6,750	–	–	£1.40	£2.54
P J H Hole	2003	6,750	6,750	–	–	£1.40	£2.69
H J Kloeze	2003	6,734	6,734	–	–	£1.40	£2.67
C H Sworn	2003	3,375	3,375	–	–	£1.40	£2.67

The share options granted under the 2003 invitation are exercisable between March and August 2006.

Remuneration report for the year ended 31 March 2006 continued

RPC Group 2003 Sharesave Scheme (UK Approved and International Unapproved)

	Year of Grant	Options at 1 April 2005	Granted during the year	Lapsed during the year	Options at 31 March 2006	Exercise price	Market price on date of exercise
P Hilton	2006	–	4,155	–	4,155	£2.25	–
P J H Hole	2006	–	4,155	–	4,155	£2.25	–
H J Kloetze	2006	–	4,145	–	4,145	£2.25	–
C H Sworn	2006	–	4,155	–	4,155	£2.25	–

The share options granted on 20 January 2006 are exercisable between March and August 2009. The value of an option calculated according to the Black Scholes model is £0.73.

The market price of an RPC Group Plc 5p Ordinary Share at the year end was £2.50 and the range of prices during the year was £2.24 to £2.865.

There has been no change in share options between 31 March 2006 and 1 June 2006.

The Company's Register of Directors' Interests, which is open to inspection at the Registered Office, contains full details of the directors' holdings of shares and share options.

The Remuneration Report was approved by the Board on 6 June 2006 and has been signed on its behalf by:

D J Wilbraham

Chairman of the Remuneration Committee

6 June 2006

Statement of directors' responsibilities in respect of the Annual Report and Accounts

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the Company financial statements on the same basis.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and the Corporate Governance Statement that comply with that law and those regulations.

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

Independent auditors' report to the members of RPC Group Plc

We have audited the Group and Company financial statements (the "financial statements") of RPC Group Plc for the year ended 31 March 2006 which comprise the consolidated Income Statement, the consolidated and Company Balance Sheets, the consolidated and Company Cash Flow Statements, the consolidated and Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and Accounts, the Directors Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 29.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and Accounts and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 March 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leicester
LE1 6LP
6 June 2006

Consolidated income statement for the year ended 31 March 2006

		2006 £'000	2005 £'000
Note 2	Revenue	611,483	513,284
Note 3	Operating costs	(577,115)	(481,100)
Note 2	Operating profit	<u>34,368</u>	<u>32,184</u>
Analysed as:			
	Operating profit before:	36,768	30,999
Note 4	Restructuring costs	(2,400)	(4,522)
	Negative goodwill	–	5,707
	Operating profit	<u>34,368</u>	<u>32,184</u>
Note 6	Financial income	234	190
Note 6	Financial expenses	(8,210)	(6,857)
	Net financing costs	<u>(7,976)</u>	<u>(6,667)</u>
Note 2	Profit before taxation	26,392	25,517
Note 7	Tax on profit on ordinary activities	(7,126)	(6,025)
Note 20	Profit for the period attributable to equity shareholders of the parent	<u>19,266</u>	<u>19,492</u>
Note 10	Basic earnings per ordinary share	19.9p	22.2p
Note 10	Diluted earnings per ordinary share	19.7p	22.0p
Note 10	Adjusted basic earnings per ordinary share	22.1p	20.3p

Consolidated statement of recognised income and expense for the year ended 31 March 2006

Note 20	Foreign exchange translation differences	1,438	3,690
Note 20	Effective portion of movement on fair value of interest rate swaps	1,231	–
	Deferred tax liability on above	(49)	–
Note 24	Actuarial gains/(losses) on defined benefit pension plans	3,092	(2,271)
Note 20	Deferred tax on actuarial gains/losses	(880)	717
	Equity-settled share based payment transactions	300	91
	Deferred tax on share based payments	81	–
	Net income recognised directly in equity	<u>5,213</u>	<u>2,227</u>
	Profit for the period	<u>19,266</u>	<u>19,492</u>
	Total recognised income and expense for the period attributable to equity shareholders of the parent	<u>24,479</u>	<u>21,719</u>

Consolidated balance sheet at 31 March 2006

	2006 £'000	2005 £'000	
Non-current assets			
Note 11	Goodwill	12,217	8,892
Note 11	Other intangible assets	719	–
Note 12	Property, plant and equipment	243,073	226,560
Note 18	Derivative financial instruments	1,185	–
Note 19	Deferred tax assets	8,034	7,935
	Total non-current assets	265,228	243,387
Current assets			
Note 14	Inventories	86,365	84,107
Note 15	Trade and other receivables	117,292	110,776
	Cash and cash equivalents	25,487	32,815
	Total current assets	229,144	227,698
Current liabilities			
Note 16	Trade and other payables	(135,865)	(129,323)
Note 16	Bank loans and overdrafts	(2,860)	–
	Current tax liabilities	(9,128)	(9,870)
Note 24	Employee benefits	(1,459)	–
Note 19	Provisions	(235)	–
Note 16	Deferred consideration	(1,000)	–
	Total current liabilities	(150,547)	(139,193)
	Net current assets	78,597	88,505
	Total assets less current liabilities	343,825	331,892
Non-current liabilities			
Note 17	Bank loans and other borrowings	(140,367)	(138,495)
Note 17	Deferred consideration	–	(1,000)
Note 24	Employee benefits	(35,099)	(40,309)
Note 19	Provisions	–	(675)
Note 19	Deferred tax liabilities	(15,906)	(17,470)
Note 18	Derivative financial instruments	(262)	–
	Total non-current liabilities	(191,634)	(197,949)
	Net assets	152,191	133,943
Equity			
Note 21	Called up share capital	4,904	4,835
Note 20	Share premium account	24,032	22,184
Note 20	Capital redemption reserve	928	928
Note 20	Retained earnings	117,083	102,306
Note 20	Cash flow hedging reserve	116	–
Note 20	Cumulative translation differences reserve	5,128	3,690
Note 20	Total equity attributable to equity shareholders of the parent	152,191	133,943

The financial statements on pages 31 to 70 were approved by the Board of Directors on 6 June 2006 and were signed on its behalf by:

J P Williams, Chairman

C H Sworn, Finance Director

Consolidated cash flow statement for the year ended 31 March 2006

	2006 £'000	2005 £'000
Cash flows from operating activities		
Profit before tax	26,392	25,517
Financing costs	7,976	6,667
	<hr/>	<hr/>
Profit from operations	34,368	32,184
Adjustments for:		
Note 11 Amortisation of intangible assets	76	–
Note 12 Impairment loss on property, plant and equipment	–	925
Note 12 Depreciation	33,313	31,523
Negative goodwill	–	(5,707)
Note 5 Share-based payment expense	300	91
Gain on disposal of property, plant and equipment	(1,117)	(423)
(Decrease)/increase in provisions	(341)	1,929
	<hr/>	<hr/>
Operating cash flows before movements in working capital	66,599	60,522
Movement in working capital	(2,098)	(7,228)
	<hr/>	<hr/>
Cash generated by operations	64,501	53,294
Taxes paid	(9,669)	(3,487)
Interest paid	(7,916)	(6,494)
	<hr/>	<hr/>
Net cash from operating activities	46,916	43,313
Cash flows from investing activities		
Interest received	234	191
Proceeds on disposal of property, plant and equipment	4,808	588
Acquisition of property, plant and equipment	(50,312)	(32,554)
Acquisition of intangible assets	(100)	–
Note 22 Acquisition of subsidiary	(5,798)	(20,022)
Reduction in consideration in respect of earlier acquisition	–	658
	<hr/>	<hr/>
Net cash flows from investing activities	(51,168)	(51,139)
Cash flows from financing activities		
Note 8 Dividends paid	(7,082)	(5,904)
Note 20 Proceeds from the issue of share capital	1,917	22,649
Movement in borrowings	729	(22,538)
Proceeds from issue of bond finance	–	44,969
Payment of finance costs	(568)	(350)
	<hr/>	<hr/>
Net cash flows from financing activities	(5,004)	38,826
Net (decrease)/increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	32,815	1,212
Effect of foreign exchange rate changes	944	603
	<hr/>	<hr/>
Cash and cash equivalents at end of period	24,503	32,815
Cash and cash equivalents comprise:		
Cash at bank	25,487	32,815
Bank overdraft	(984)	–
	<hr/>	<hr/>
	24,503	32,815

Company statement of recognised income and expense for the year ended 31 March 2006

	2006 £'000	2005 £'000
Note 20 Foreign exchange translation differences	(7)	(382)
Effective portion of movement on fair value of interest rate swaps	1,231	–
Deferred tax liability on above	(49)	–
Equity-settled share based payment transactions	300	91
	<hr/>	<hr/>
Net income recognised directly in equity	1,475	(291)
Loss for the period	(5,153)	(4,710)
	<hr/>	<hr/>
Total recognised income and expense for the period attributable to the equity shareholders	(3,678)	(5,001)
	<hr/>	<hr/>

Company balance sheet at 31 March 2006

	2006 £'000	2005 £'000
Non-current assets		
Note 13	Investment in subsidiaries	133,522
Note 18	Derivative financial instruments	1,185
	Total non-current assets	134,707
Current assets		
Note 15	Trade and other receivables	154,101
	Cash and cash equivalents	1,059
	Total current assets	155,160
Current liabilities		
Note 16	Trade and other payables	(109,062)
Note 16	Bank loans and overdrafts	–
	Current tax liabilities	(600)
Note 16	Deferred consideration	(1,000)
	Total current liabilities	(110,662)
	Net current assets	44,498
	Total assets less current liabilities	179,205
Non-current liabilities		
Note 17	Bank loans and other borrowings	(138,523)
Note 17	Deferred consideration	–
Note 19	Deferred tax liabilities	(49)
Note 18	Derivative financial instruments	(262)
	Total non-current liabilities	(138,834)
	Net assets	40,371
Equity		
Note 21	Called up share capital	4,904
Note 20	Share premium account	24,032
Note 20	Capital redemption reserve	928
Note 20	Retained earnings	10,780
Note 20	Cash flow hedging reserve	116
Note 20	Cumulative translation differences reserve	(389)
Note 20	Total equity attributable to equity shareholders	40,371

The financial statements on pages 31 to 70 were approved by the Board of Directors on 6 June 2006 and were signed on its behalf by:

J P Williams, Chairman

C H Sworn, Finance Director

Company cash flow statement for the year ended 31 March 2006

	2006 £'000	2005 £'000
Cash flows from operating activities		
Loss before tax	(7,878)	(6,693)
Financing costs	7,180	6,057
	<hr/>	<hr/>
Loss from operations	(698)	(636)
Movement in working capital	(1,047)	(5,843)
	<hr/>	<hr/>
Cash generated by operations	(1,745)	(6,479)
Tax group relief receipts	2,310	1,996
Interest paid	(6,937)	(6,222)
	<hr/>	<hr/>
Net cash from operating activities	(6,372)	(10,705)
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	121	–
Dividends received	415	–
	<hr/>	<hr/>
Net cash flows from investing activities	536	–
	<hr/>	<hr/>
Cash flows from financing activities		
Dividends paid	(7,082)	(5,904)
Proceeds from the issue of share capital	1,917	22,649
Repayment of borrowings	(2,540)	(21,971)
Proceeds from issue of bond finance	–	44,969
Payment of finance costs	(568)	(350)
	<hr/>	<hr/>
Net cash flows from financing activities	(8,273)	39,393
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(14,109)	28,688
Cash and cash equivalents at beginning of period	15,254	(13,292)
Effect of foreign exchange rate changes	(86)	(142)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	1,059	15,254
	<hr/>	<hr/>
Cash and cash equivalents comprise:		
Cash at bank	1,059	22,240
Bank overdraft	–	(6,986)
	<hr/>	<hr/>
	1,059	15,254
	<hr/>	<hr/>

Note 8

Note 20

Notes to the financial statements for the year ended 31 March 2006

1 Principal Accounting Policies

RPC Group Plc (the "Company") is a company incorporated in the UK.

These financial statements have been prepared in accordance with International Financial Reporting Standards for the first time. Both the Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). An explanation of IFRS 1 'First-time adoption of International Financial Reporting Standards' is given in note 26. On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual Income Statement and related notes that form part of these approved financial statements.

The following principal accounting policies have been applied consistently throughout the year and the preceding year in dealing with items which are considered material in relation to the Group's financial statements. The one exception is that, as more fully explained below, accounting for financial instruments is determined on different bases in 2005/06 and 2004/05 due to the transitional provisions of IAS 32 and IAS 39.

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention except for derivative financial instruments which are stated at their fair value.

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Basis of consolidation

The consolidation includes the financial statements of the Company and its subsidiaries made up to 31 March 2006. Where subsidiaries are acquired during the year, their results are included in the Group financial statements from the date of control. Control exists when the Group has the power, directly or indirectly, to govern the finance and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation.

Property, plant and equipment

Items of property, plant and equipment are stated at cost together with any incidental expenses of acquisition less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated so as to write off the cost of each part of an item of property, plant and equipment on a straight line basis over the expected useful economic lives of the assets concerned, as follows:

Freehold buildings	50 years
Long leasehold property	50 years
Plant and equipment	5 to 10 years
Moulds	3 to 5 years
Motor vehicles	4 years

Freehold land is not depreciated.

Inventories

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price is used. For finished goods, cost is taken as production cost which includes the cost of the raw materials and an appropriate proportion of overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less an allowance for irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the financial statements for the year ended 31 March 2006 continued

Trade and other payables

Trade and other payables are stated at amortised cost.

Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Investments

Investments are stated at cost adjusted for capital contributions in respect of share options granted to employees of its subsidiaries and reviewed for impairment if there is an indication that the carrying value may not be recoverable.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities are translated into Sterling at the rate of exchange on the date of the Balance Sheet.

Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Assets and liabilities of subsidiaries in foreign currencies are translated into Sterling at the exchange rate ruling on the date of the Balance Sheet and the results of foreign subsidiaries are translated at the average rate of exchange for the year.

Differences on exchange arising from the retranslation of the opening net assets of foreign operations, effective portion of foreign currency borrowings used in a net investment hedge, and the translation of the results of those companies at the average rate are taken to the translation reserve and are reported in the Statement of Recognised Income and Expense.

All other foreign exchange differences are taken to the Income Statement in the year in which they arise.

Derivative financial instruments up to 31 March 2005

Borrowings are stated at their nominal value less arrangement fees. Arrangement fees are written off to the Income Statement over the life of the borrowing.

Interest receipts and payments are accrued so as to match the income with the related financial expense including interest rate swaps. No interest is recognised in respect of future periods.

Derivative financial instruments after 1 April 2005

Effect of first time adoption of IAS 32 and IAS 39 on 1 April 2005

The Group has taken advantage of the transitional arrangements of IFRS 1 not to restate corresponding amounts in accordance with IAS 32 and IAS 39. Instead the following policies were applied in respect of financial instruments issued by the Group, investments in debt and equity securities, derivative financial instruments and hedging:

In the comparative period all financial assets and financial liabilities were carried at cost (amortised as appropriate) less, in the case of financial assets, provision for any permanent diminution in value. Gains and losses on forward foreign exchange contracts treated as hedging instruments were not recognised in the Income Statement. On recognition of the hedged transaction the unrecognised gains and losses arising on the instrument were recognised, either in the Income Statement or combined into the carrying value of the associated asset or liability. Interest differentials arising from interest rate swaps were recognised by adjusting net interest payable or receivable over the period of the contract.

The following adjustments necessary to implement the revised policy have been made as at 1 April 2005 with the net adjustment to net assets, after tax, taken through the year ended 31 March 2006 Statement of Recognised Income and Expense. Corresponding amounts for 31 March 2005 are presented and disclosed in accordance with the requirements of the Companies Act 1985, and FRS 4 (as applicable in year ended 31 March 2005). As a result of this change, as at 1 April 2005 the fair value of interest rate swaps in existence as at 31 March 2005, a liability of £1,066,000, was recognised via the consolidated Statement of Recognised Income and Expense, within a cash flow hedging reserve.

The Group has not adopted amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

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

The Group does not expect the amendments to have any impact on the financial statements for the period commencing 1 April 2006.

Derivative financial instruments are measured initially at cost then at fair value at subsequent reporting dates and include interest rate swaps, cross currency swaps and forward foreign exchange contracts. The fair values are determined by reference to the mid-market prices available from the market on which the instruments involved are traded.

Certain derivative financial instruments are designated as hedges in line with the Group's treasury policy. Hedges are classified as follows:

- Fair value hedges that hedge the exposure to changes in the fair value of a recognised asset or liability.
- Cash flow hedges that hedge 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 forecasted transaction.
- Net investment hedges that hedge exposure to changes in the value, due to fluctuations in exchange rates, of the Group's interests in the net assets of foreign operations.

For fair value hedges, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the Income Statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and similarly recognised in the Income Statement.

For cash flow hedges and net investment hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, as defined by IAS 39 'Financial Instruments: Recognition and Measurement', is recognised in equity, directly in a cash flow hedge reserve with any ineffective portion recognised in the Income Statement. When the forecast transaction results in the recognition of a non financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the Income Statement in the same period in which the hedged cash flows affect the Income Statement.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised in the Income Statement.

Revenue

Revenue, which excludes value added tax and trade discount, represents the invoiced value of goods supplied. Revenue is recognised in the Income Statement when rigid plastic packaging products and associated equipment are supplied to external customers in line with contractual arrangements.

Taxation

The tax expense represents the sum of the current taxes payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements for the year ended 31 March 2006 continued

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Employee benefits

a) Retirement Benefit Obligations

The Group operates a number of defined benefit and defined contribution pension schemes.

The liability recognised in the Balance Sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation less the fair value of plan assets at the balance sheet date. The obligation is calculated by external actuaries using the projected unit credit method. The Group has adopted IAS 19 revised and hence actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the consolidated Statement of Recognised Income and Expense in the period in which they occur.

Payments to defined contribution schemes are charged to the Income Statement when they fall due.

b) Termination Benefits

The Group recognises the present value of a liability to pay termination benefits when it has a demonstrable commitment to terminating employment before retirement.

In Germany, the Group has contractual obligations under a part-time employment scheme for older employees ('Altersteilzeit'). In addition to half salary, the employee may receive a fixed incentive payment. The Group provides for the incentive payment as a termination benefit. The number of employees who will take up this arrangement is an estimate based on historical experience and any agreed cap on the number of participants.

c) Other Employee Benefits

The Group provides for the present value of its obligations in respect of other long-term employee benefits using actuarial valuations. These include deferred salaries due to German Altersteilzeit employees and long service awards. The Group provides for long service awards as they accrue. The number of employees who will receive long service awards is estimated based on historical experience. Actuarial gains and losses and past service costs are recognised immediately in the Income Statement.

The costs of short-term employee benefits are charged to the Income Statement when they fall due.

Leasing

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the Balance Sheet as property, plant and equipment and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Income Statement, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the Income Statement on a straight line basis over the life of the lease.

Research and development expenditure

Research expenditure is written off in the year in which it is incurred.

Where the expenditure meets the criteria for capitalisation set out in IAS 38 'Intangible Assets', development costs are capitalised and amortised over their useful economic lives. The intangible assets are assessed for indication of impairment annually.

Goodwill

Goodwill has been recognised on acquisitions of subsidiaries and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses. The carrying amount is allocated to cash-generating units and is tested annually for impairment. Any impairment is recognised immediately as an expense and cannot then be subsequently reversed.

In respect of acquisitions prior to 1 April 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 April 2004 have not been reconsidered in preparing the Group's opening IFRS Balance Sheet at 1 April 2004.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal, except for goodwill written off to reserves under UK GAAP prior to 1998 which has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Negative goodwill arising on an acquisition is recognised directly in the consolidated Income Statement in the year of acquisition.

Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows:

Patents	remaining life of patent
Computer software	4-5 years

The cost of intangible assets acquired in a business combination is the fair value at acquisition date. The cost of separately acquired intangible assets, including computer software, comprises the purchase cost and any directly attributable costs of preparing the asset for use. Computer software costs that are directly associated with the implementation of major business systems are capitalised as intangible assets.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets with definite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and goodwill are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses in respect of assets other than goodwill, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Equity settled share-based payments

The Group operates employee savings related share option schemes and executive share option schemes. As permitted by IFRS 1 'First-time adoption of International Financial Reporting Standards', the Group has chosen to adopt IFRS 2 'Share-based Payments' for share options granted after 7 November 2002 that had not vested by 1 January 2005. On this basis, the fair value of employee share options granted is calculated at grant date using an appropriate option pricing model. The resulting cost is charged to the Income Statement over the vesting period of the options with a corresponding increase in equity. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and the charge to the Income Statement is adjusted accordingly.

Where the Company grants share options to employees of its subsidiaries, the amount equal to the amount charged in the consolidated Income Statement in respect of those options is accounted for as a capital contribution and the Company's cost of investment in its subsidiary is increased accordingly.

Related party disclosures

Transactions between the Group and any related parties which require disclosure under IAS 24 'Related Party Disclosures' are given in note 25. Transactions with Group companies which have been eliminated on consolidation have not been reported.

Notes to the financial statements for the year ended 31 March 2006 continued

Adopted IFRS not yet applied

The following adopted IFRS was available for early application but has not been applied by the Group in these financial statements:

IFRS 7 'Financial Instruments: Disclosure' is applicable for years commencing on or after 1 January 2007. The application of IFRS 7 in 2005/06 would not have affected the Balance Sheets or Income Statements as the standard is concerned only with disclosure. The Group plans to adopt IFRS 7 in 2007/08.

2 Segmental Analysis

Primary segments – Geographical

The Group operates in two principal geographic regions – 'UK' and 'Mainland Europe'. Mainland Europe also includes our operation in the USA whose sales were predominantly manufactured in Germany. These two regions are the basis on which the Group reports its primary segment information. Segment information about these regions is presented below.

Segment information by geographic segment

	UK		Mainland Europe		Other*/Eliminations		Consolidated	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Revenue								
External sales	209,418	172,756	402,065	340,528	–	–	611,483	513,284
Inter segment sales	–	–	3,915	5,092	(3,915)	(5,092)	–	–
Total revenue	209,418	172,756	405,980	345,620	(3,915)	(5,092)	611,483	513,284
Profit from operations	4,904	6,806	29,757	23,439	(293)	1,939	34,368	32,184
Net financing costs							(7,976)	(6,667)
Profit before tax							26,392	25,517
Segment assets	140,002	143,156	318,237	289,053	10,646	6,061	468,885	438,270
Segment liabilities	(53,006)	(56,967)	(110,850)	(100,287)	(35,098)	(41,393)	(198,954)	(198,647)
Net segment assets							269,931	239,623
Net borrowings							(117,740)	(105,680)
Net assets per Balance Sheet							152,191	133,943
Capital expenditure	12,052	13,990	38,707	20,726	245	–	51,004	34,716
Depreciation and amortisation	12,271	10,859	20,954	20,664	164	–	33,389	31,523

Secondary segments – Business Process

The Group comprises the following principal secondary segments whose activities are all the manufacture, by their specific process, and sale of rigid plastic packaging and associated equipment.

Segment information by business segment

	Revenue		Segment assets		Capital expenditure	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Blow moulding	142,801	89,550	106,464	80,722	9,907	5,210
Injection moulding	246,458	216,519	195,866	201,931	31,620	21,303
Thermoforming	222,224	207,215	151,960	142,902	9,227	8,203
Other*	–	–	14,595	12,715	250	–
	611,483	513,284	468,885	438,270	51,004	34,716

Geographical analysis of revenue by destination

	UK		Mainland Europe		Consolidated	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Revenue	197,210	173,960	414,273	339,324	611,483	513,284

*Other includes Head Office, current tax and deferred tax balances.

3 Operating Costs

	Total 2006 £'000	Total 2005 £'000
Raw material and consumables	276,339	228,472
Own work capitalised	(1,977)	(2,028)
Changes in stock of finished goods and work in progress	(1,113)	(6,795)
Other external charges	81,389	68,071
Carriage	29,209	24,150
Staff costs (note 5)	163,962	147,337
Depreciation of property, plant and equipment	33,313	31,523
Amortisation of intangibles	76	-
Negative goodwill credit	-	(5,707)
Other operating income	(4,083)	(3,923)
	<u>577,115</u>	<u>481,100</u>
	2006 £'000	2005 £'000
Other external charges include:		
Auditors' remuneration for:		
Audit (<i>Company 2006:£110,000; 2005:£75,000</i>)	708	596
Remuneration of the auditors and their associates for non-audit work including £258,000 (2005: £158,000) for tax advice, £28,000 (2005: £25,000) for the Interim Review and £78,000 (2005: £nil) in respect of IFRS review	367	215
Operating lease rentals:		
Hire of plant and machinery	2,184	1,657
Other operating leases	3,083	3,217
Research and development	204	147
Foreign exchange (gains)/losses	45	(12)
Other operating income includes:		
Profit on disposal of property, plant and equipment	(1,117)	(423)

Notes to the financial statements for the year ended 31 March 2006 continued

4 Restructuring Costs

2005 Restructuring Cost

	£'000
Direct costs of the termination	3,757
Operating loss of the operation up to 31 March 2005	765
	<u>4,522</u>

2006 Restructuring Cost

	£'000
Operating loss of the operation up to 31 March 2006	<u>2,400</u>

The restructuring costs in 2005 and 2006 relate to the closure of Woburn Sands in the UK; this operation was acquired from Nampak as part of the acquisition of its Short Run business. The site will be closed by 31 October 2006.

5 Staff Costs

a) The average number of personnel (including executive directors) employed by the Group during the year was:

	2006 Number	2005 Number
Production	5,744	5,452
Selling	285	287
Administration	542	490
	<u>6,571</u>	<u>6,229</u>

b) Staff costs for the above personnel were:

	2006 £'000	2005 £'000
Wages and salaries	135,872	116,804
Restructuring costs (note 4)	–	1,922
Termination benefits (note 24)	1,440	801
Social security costs	21,658	23,638
Share options granted to directors and employees (note 21)	300	91
Pension costs – defined contribution plans	1,227	913
Pension costs – defined benefit plans (note 24)	3,465	3,168
	<u>163,962</u>	<u>147,337</u>

c) Emoluments of the directors:

Disclosures of directors' emoluments, share options and pension costs are given in the Directors' Remuneration Report on pages 21 to 28.

The Company had no employees.

6 Financial Income and Expenses

	2006 £'000	2005 £'000
Interest receivable on cash at bank	(234)	(190)
Total financial income	(234)	(190)
Interest payable on bank loans and overdrafts	5,398	6,580
Interest payable on bonds	1,818	109
Foreign currency hedging instruments	568	–
Other interest payable and similar charges	426	168
Total financial expenses	8,210	6,857

The foreign currency hedging instrument charge of £568,000 under IAS 39 'Financial Instruments: Recognition and Measurement' relates to the mark to market position of foreign currency hedging instruments.

7 Tax on Profit on Ordinary Activities

	2006 £'000	2005 £'000
United Kingdom corporation tax at 30% (2005: 30%):		
Current year	131	135
Adjustments in respect of prior periods	–	(14)
Overseas taxation:		
Current year	7,086	5,830
Adjustments in respect of prior periods	1,476	189
Total current tax	8,693	6,140
Deferred tax (note 19):		
United Kingdom		
Current year	(947)	(955)
Adjustments in respect of prior periods	60	(179)
Terminations (note 4)	–	(309)
Overseas		
Current year	(316)	1,328
Adjustment in respect of prior years	(364)	–
Total tax expense in Income Statement	7,126	6,025

Tax reconciliation:

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	26,392	25,517
Current tax at 30% (2005: 30%)	7,918	7,655
Expenses not deductible for tax purposes	396	1,333
Tax deductible items not recognised in the Income Statement	(959)	–
Accounting fair value adjustments	–	(1,668)
Tax not provided on IFRS 3 goodwill adjustments	–	(1,712)
Net deferred tax not provided	(219)	903
Current year tax losses not recognised	194	225
Tax rate differential on overseas income	(1,376)	(707)
Adjustments in respect of prior years	1,172	(4)
Total tax expense in Income Statement	7,126	6,025

Notes to the financial statements for the year ended 31 March 2006 continued

8 Dividends

	2006 £'000	2005 £'000
Dividends on Ordinary Shares:		
Interim for 2005/06 paid of 2.5p per share	2,426	–
Final for 2004/05 paid of 4.8p per share	4,656	–
Interim for 2004/05 paid of 2.3p per share	–	2,015
Final for 2003/04 paid of 4.45p per share	–	3,889
	<u>7,082</u>	<u>5,904</u>

The proposed final dividend for the year ended 31 March 2006 of 5.25p per share has not been included as a liability as at 31 March 2006.

9 Profit for the Financial Year

As permitted by section 230 of the Companies Act 1985, the holding Company's Income Statement has not been included in these financial statements. The profit on ordinary activities after taxation within these financial statements includes a loss of £5,153,000 (2005: loss £4,710,000) by the Company.

10 Earnings per Share

Basic

The earnings per share have been computed on the basis of earnings of £19,266,000 (2005: £19,492,000), and on the weighted average number of shares in issue during the year 97,019,926 (2005: 87,653,742). The number of shares in issue at 31 March 2006 was 98,072,180.

Diluted

Diluted earnings per share is the earnings per share after allowing for the dilutive effect of the conversion into Ordinary Shares of the weighted average number of options outstanding during the year 861,965 (2005: 965,341). The number of shares used for the diluted calculation for the year was 97,881,891 (2005: 88,619,083).

Adjusted

The Directors believe that the presentation of an adjusted basic earnings per ordinary share assists with the understanding of the underlying performance of the Group. For this purpose we have excluded the restructuring costs and impact of the negative goodwill, identified separately on the face of the consolidated Income Statement, together with the charge for the foreign currency hedging instruments less the tax thereon. This is set out below.

A reconciliation from profit after tax as reported in the consolidated Income Statement to the adjusted profit after tax is set out below:

	2006 £'000	2005 £'000
Profit after tax as reported in the consolidated Income Statement	19,266	19,492
Restructuring costs	2,400	4,522
Negative goodwill	–	(5,707)
Foreign currency hedging instruments	568	–
Tax effect thereon	(801)	(537)
Adjusted profit after tax	<u>21,433</u>	<u>17,770</u>

Adjusted basic earnings per share

The weighted average number of shares used in the adjusted basic earnings per share calculation is as follows:

	2006	2005
Weighted average number of shares	97,019,926	87,653,742
Adjusted basic earnings per share	22.1p	20.3p

Adjusted diluted earnings per share

The weighted average number of shares used in the adjusted diluted earnings per share calculation is as follows:

	Number	Number
Weighted average number of shares	97,019,926	87,653,742
Effect of share options in issue	861,965	965,341
	<u>97,881,891</u>	<u>88,619,083</u>

Adjusted diluted earnings per share	21.9p	20.1p
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11 Intangible Assets

	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost			
At 1 April 2004	11,982	–	11,982
Reduction in consideration in respect of earlier acquisitions	(658)	–	(658)
Exchange differences	375	–	375
At 31 March 2005	<u>11,699</u>	<u>–</u>	<u>11,699</u>
At 1 April 2005	11,699	–	11,699
Additions	3,157	777	3,934
Exchange differences	193	19	212
At 31 March 2006	<u>15,049</u>	<u>796</u>	<u>15,845</u>
Amortisation and impairment losses			
At 1 April 2004	2,724	–	2,724
Exchange differences	83	–	83
At 31 March 2005	<u>2,807</u>	<u>–</u>	<u>2,807</u>
At 1 April 2005	2,807	–	2,807
Charge for the year	–	76	76
Exchange differences	25	1	26
At 31 March 2006	<u>2,832</u>	<u>77</u>	<u>2,909</u>
Net book value at 31 March 2006	<u>12,217</u>	<u>719</u>	<u>12,936</u>
Net book value at 31 March 2005 and 1 April 2005	<u>8,892</u>	<u>–</u>	<u>8,892</u>
Net book value at 1 April 2004	<u>9,258</u>	<u>–</u>	<u>9,258</u>

Other intangible assets include patents at a net book value of £619,000.

The Company had no intangible assets during the year.

To assess whether the value of a cash-generating unit is impaired, the cash flow of a cash-generating unit on a five year prospective basis, discounted appropriately at prevailing market rates, is compared to its carrying value. If a potential impairment is indicated then a more in depth analysis taking into account specific factors is conducted. The directors have determined that no impairment was required as at 31 March 2006.

Notes to the financial statements for the year ended 31 March 2006 continued

12 Property, Plant and Equipment

The movements in the property, plant and equipment of the Group were as follows:

	Freehold Land and Buildings £'000	Long Leasehold Land and Buildings £'000	Plant Equipment Moulds and Vehicles £'000	Total £'000
Cost				
At 1 April 2004	113,101	2,024	362,314	477,439
In respect of acquisitions	14,610	–	9,250	23,860
Adjustment in respect of acquisitions	–	–	(48)	(48)
Exchange differences	3,148	–	9,953	13,101
Additions	2,745	–	31,971	34,716
Disposals	(129)	–	(9,839)	(9,968)
At 31 March 2005	133,475	2,024	403,601	539,100
At 1 April 2005	133,475	2,024	403,601	539,100
In respect of acquisitions	–	–	1,061	1,061
Exchange differences	1,224	–	4,068	5,292
Additions	10,793	–	40,211	51,004
Disposals	(340)	–	(18,724)	(19,064)
Reclassification	1,965	(963)	(1,002)	–
At 31 March 2006	147,117	1,061	429,215	577,393
Depreciation				
At 1 April 2004	25,907	379	255,334	281,620
Exchange differences	813	–	7,462	8,275
Impairment	–	–	925	925
Charge for the year	2,024	18	29,481	31,523
Disposals	(33)	–	(9,770)	(9,803)
At 31 March 2005	28,711	397	283,432	312,540
At 1 April 2005	28,711	397	283,432	312,540
Exchange differences	362	–	3,478	3,840
Charge for the year	2,357	19	30,937	33,313
Disposals	(262)	–	(15,111)	(15,373)
Reclassification	987	(284)	(703)	–
At 31 March 2006	32,155	132	302,033	334,320
Net book value at 31 March 2006	114,962	929	127,182	243,073
Net book value at 31 March 2005 and 1 April 2005	104,764	1,627	120,169	226,560
Net book value at 1 April 2004	87,194	1,645	106,980	195,819

Adjustments to provisional value of acquisitions are set out in note 22.

The value relating to land not depreciated is £24,168,000 (2005: £22,933,000).

The Company had no property, plant and equipment during the year.

13 Investment in Subsidiaries

These comprise investments in RPC Containers Limited and RPC Packaging Holdings Limited. Both companies are registered in Great Britain (numbers 2786492 and 3284112) and are wholly owned by RPC Group Plc. The nature of the business carried on by RPC Containers Limited is the manufacture and sale of rigid plastic packaging. RPC Packaging Holdings Limited is a holding company through which the shares in subsidiaries in Mainland Europe and the USA are owned. These subsidiaries are principally involved in the manufacture and sale of rigid plastic packaging and are listed on page 8.

	Company £'000
At 1 April 2005	133,222
Cost of share options (note 21)	300
	<hr/>
At 31 March 2006	133,522
	<hr/>

14 Inventories

The amounts attributable to the different categories are as follows:

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Raw materials and consumables	32,024	31,018	–	–
Finished goods and goods for resale	54,341	53,089	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	86,365	84,107	–	–
	<hr/>	<hr/>	<hr/>	<hr/>

15 Trade and Other Receivables

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade receivables	106,169	99,708	–	–
Amounts owed by Group undertakings	–	–	154,073	53,095
Other debtors	3,731	5,274	28	43
Adjustment in respect of acquisitions	–	(91)	–	–
Prepayments and accrued income	7,392	5,885	–	20
	<hr/>	<hr/>	<hr/>	<hr/>
	117,292	110,776	154,101	53,158
	<hr/>	<hr/>	<hr/>	<hr/>

All receivables due from Group undertakings have been classified as due within one year as there are no formal terms for their repayment.

Adjustments to provisional value of acquisitions are set out in note 22.

Notes to the financial statements for the year ended 31 March 2006 continued

16 Trade and Other Payables

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank loans and overdrafts (note 17)	2,860	–	–	6,986
Payments received on account	2,676	6,644	–	–
Trade payables	83,825	75,649	–	–
Amounts owed to Group undertakings	–	–	108,027	9,005
Other payables	29,740	29,590	14	119
Adjustment in respect of acquisitions	–	611	–	–
Accruals	19,624	16,829	1,021	2,580
	<u>135,865</u>	<u>129,323</u>	<u>109,062</u>	<u>11,704</u>

Adjustments to provisional value of acquisitions are set out in note 22.

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Deferred consideration	1,000	–	1,000	–

17 Non-Current Liabilities

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank loans and other borrowings (see below)	140,367	138,495	138,523	138,050
Deferred consideration	–	1,000	–	1,000

The maturity of bank loans, overdrafts and other borrowings is set out below:

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Repayable as follows:				
In one year or less	2,860	–	–	6,986
Between one and two years	–	–	–	–
Between two and five years	92,981	93,152	91,137	92,707
Greater than five years	47,386	45,343	47,386	45,343
	<u>143,227</u>	<u>138,495</u>	<u>138,523</u>	<u>145,036</u>

The facilities comprise:

- (i) A revolving credit facility of up to £200m available until 16 June 2010 in Sterling, US Dollars or Euros at normal commercial interest rates.
- (ii) Uncommitted overdraft facilities of £10m, €22m and other small local facilities.
- (iii) Seven year floating loan notes totalling €35m and \$40m maturing in February 2012 at a normal commercial margin over Euribor and US \$ Libor.

18 Derivatives and Financial Instruments

The Group's principal financial instruments other than derivatives are borrowings for the purpose of financing operating activities. Other financial instruments comprise cash at bank and trade receivables and payables. The Group has not disclosed short-term receivables and payables as their fair value is not significantly different from their carrying value.

The Group's financial derivatives in the the Group and Company balance sheets as at 31 March 2006 comprise the following:

	Assets £'000	Liabilities £'000	Net £'000
Interest rate swaps	427	(262)	165
Foreign currency swaps	758	–	758
	<u>1,185</u>	<u>(262)</u>	<u>923</u>

During the year the Group had in place derivative transactions in the form of a maximum of thirteen interest rate swaps for the purposes of managing interest rate risks on borrowings.

Details of the Group's policy and the risks associated with derivatives and financial instruments are given within the Directors' Report on page 10

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the Group's financial liabilities at 31 March was:

	Total 2006 £'000	Floating Rate 2006 £'000	Fixed Rate 2006 £'000	Total 2005 £'000	Floating Rate 2005 £'000	Fixed Rate 2005 £'000
Sterling	26,721	26,721	–	29,364	29,364	–
Euros	90,178	89,772	406	87,887	87,442	445
Dollars	26,328	24,890	1,438	21,244	21,244	–
Total	<u>143,227</u>	<u>141,383</u>	<u>1,844</u>	<u>138,495</u>	<u>138,050</u>	<u>445</u>

All floating rate loans bear interest based on Libor, Euribor or US \$ Libor. The floating rate borrowings are typically rolled over for a period of 6 months or less based on the appropriate Libor rate. During the year the Group had in place interest rate swaps for Euros, US Dollars and Sterling. At the year end thirteen swaps remained in place for a total of £85m with maturity dates ranging from June 2008 to December 2010 and at fixed rates between 2.95% and 5.295% pre margin.

Financial assets consist of £25,487,000 (2005:£32,815,000) cash at bank; any interest received is at normal commercial floating rates.

Currency exposures

The Group uses foreign currency borrowings to provide a hedge against foreign net investments. The exchange gains or losses on these borrowings are included in the Statement of Recognised Income and Expense. A movement of one percentage point in the value of sterling against other foreign currencies (mainly the euro) would result in a translational impact in the Group's profit before tax of approximately £300,000.

Maturity of financial liabilities

The maturity profile of the Group's undrawn borrowing facilities in respect of which all conditions precedent have been met at 31 March 2006 is as follows:

	2006 £'000	2005 £'000
Expiring in more than two years	<u>108,864</u>	<u>55,382</u>

Notes to the financial statements for the year ended 31 March 2006 continued

The maturity of bank loans and overdrafts is set out in note 17.

Fair values of financial assets and liabilities

Set out below is a comparison by category of the book values and fair values of the Group's financial assets and liabilities at 31 March 2006.

	Book value 2006 £'000	Fair value 2006 £'000	Book value 2005 £'000	Fair value 2005 £'000
Primary financial instruments held to finance the Group's operations:				
Long-term borrowings	(140,367)	(140,367)	(138,495)	(138,495)
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	165	165	–	(1,066)
Derivative financial instruments held to manage foreign currency exposures:				
Foreign currency swaps	758	758	–	–

The fair value of long-term borrowings has been calculated by discounting cash flows at prevailing interest rates. The fair values of the interest rate swaps and foreign currency swaps have been determined by reference to the mid-market price available from the market on which the instruments involved are traded.

The fair value of the interest rate swaps shown as at 31 March 2005 of £1,066,000 was recognised on the Balance Sheet on 1 April 2005 within the cash flow hedging reserve. The movement on the fair value of the interest rate swaps was credited to equity in the consolidated Statement of Recognised Income and Expense.

The fair value movement on the foreign currency swaps was credited to the Income Statement.

Gains and losses on hedges

The Group uses interest rate swaps to manage its interest rate profile. Changes in the fair value of the financial instruments used as hedges are recognised in the financial statements. During the period the net losses from financial instruments entered into totalled £906,000 (2005: loss £606,000). A loss of £75,000 (2005: loss £113,000) will arise in the year ending 31 March 2007.

19 Provisions

Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances	Employee benefits	Other temporary differences	Total	Accelerated capital allowances	Employee benefits	Other temporary differences	Total
	2006 £'000	2006 £'000	2006 £'000	2006 £'000	2005 £'000	2005 £'000	2005 £'000	2005 £'000
At 1 April	16,190	(7,743)	1,088	9,535	16,041	(6,820)	699	9,920
(Credit)/charge to income	(555)	62	(1,074)	(1,567)	(742)	(136)	763	(115)
(Credit)/charge to equity	–	802	(871)	(69)	887	(717)	(386)	(216)
Exchange differences	(4)	(43)	20	(27)	4	(70)	12	(54)
At 31 March	15,631	(6,922)	(837)	7,872	16,190	(7,743)	1,088	9,535
Deferred tax liabilities	15,631	–	275	15,906	16,190	–	1,280	17,470
Deferred tax assets	–	(6,922)	(1,112)	(8,034)	–	(7,743)	(192)	(7,935)
	15,631	(6,922)	(837)	7,872	16,190	(7,743)	1,088	9,535

Accelerated capital allowances relate to property, plant and equipment.

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same tax jurisdictions.

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Other temporary differences 2006 £'000	Other temporary differences 2005 £'000
At 1 April	–	–
(Credit)/charge to equity	49	–
At 31 March	49	–
Deferred tax liabilities	49	–
	49	–

Other temporary differences relate to hedging movements.

Provision for termination of an operation

	£'000
At 1 April 2005	675
Utilised in the year	(440)
At 31 March 2006	235

The provision for termination of an operation relates to the closure of Woburn Sands in the UK. The site will be closed by 31 October 2006.

20 Capital and Reserves

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Translation Reserve £'000	Cash Flow Hedging Reserve £'000	Retained Earnings £'000	Total Equity £'000
Group							
At 1 April 2004	4,370	–	928	–	–	90,181	95,479
Issue of shares	465	22,184	–	–	–	–	22,649
Retained profit for year ended 31 March 2005	–	–	–	–	–	19,492	19,492
Equity-settled share based payment transactions	–	–	–	–	–	91	91
Actuarial gains/(losses)	–	–	–	–	–	(2,271)	(2,271)
Deferred tax on actuarial gains/(losses)	–	–	–	–	–	717	717
Exchange differences on foreign currencies	–	–	–	3,690	–	–	3,690
Dividends paid	–	–	–	–	–	(5,904)	(5,904)
At 31 March 2005	4,835	22,184	928	3,690	–	102,306	133,943

Notes to the financial statements for the year ended 31 March 2006 continued

	Share Capital	Share Premium Account	Capital Redemption Reserve	Translation Reserve	Cash Flow Hedging Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2005	4,835	22,184	928	3,690	(1,066)	102,306	132,877
Issue of shares	69	1,848	–	–	–	–	1,917
Retained profit for year ended 31 March 2006	–	–	–	–	–	19,266	19,266
Equity-settled share based payment transactions	–	–	–	–	–	300	300
Deferred tax on share based payments	–	–	–	–	–	81	81
Actuarial gains/(losses)	–	–	–	–	–	3,092	3,092
Deferred tax on actuarial gains/(losses)	–	–	–	–	–	(880)	(880)
Exchange differences on foreign currencies	–	–	–	1,438	–	–	1,438
Movement in fair value of swaps	–	–	–	–	1,231	–	1,231
Deferred tax on hedging movements	–	–	–	–	(49)	–	(49)
Dividends paid	–	–	–	–	–	(7,082)	(7,082)
At 31 March 2006	4,904	24,032	928	5,128	116	117,083	152,191
Company							
At 1 April 2004	4,370	–	928	–	–	33,238	38,536
Issue of shares	465	22,184	–	–	–	–	22,649
Retained (loss) for year ended 31 March 2005	–	–	–	–	–	(4,710)	(4,710)
Equity-settled share based payment transactions	–	–	–	–	–	91	91
Exchange differences on foreign currencies	–	–	–	(382)	–	–	(382)
Dividends paid	–	–	–	–	–	(5,904)	(5,904)
At 31 March 2005	4,835	22,184	928	(382)	–	22,715	50,280
At 1 April 2005	4,835	22,184	928	(382)	(1,066)	22,715	49,214
Issue of shares	69	1,848	–	–	–	–	1,917
Retained (loss) for year ended 31 March 2006	–	–	–	–	–	(5,153)	(5,153)
Equity-settled share based payment transactions	–	–	–	–	–	300	300
Exchange differences on foreign currencies	–	–	–	(7)	–	–	(7)
Movement in fair value of swaps	–	–	–	–	1,231	–	1,231
Deferred tax on hedging movements	–	–	–	–	(49)	–	(49)
Dividends paid	–	–	–	–	–	(7,082)	(7,082)
At 31 March 2006	4,904	24,032	928	(389)	116	10,780	40,371

Capital redemption reserve was created on the repurchase and cancellation of ordinary and preference shares in previous years.

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

The translation reserve comprises all foreign exchange differences arising from the retranslation of financial statements of foreign operations, as well as the translation of liabilities that hedge the Company's net investment in foreign operations.

21 Share Capital

	Group and Company	
	2006 £	2005 £
Authorised 120,000,000 (2005: 120,000,000) Ordinary Shares of 5p each	<u>6,000,000</u>	<u>6,000,000</u>
Allotted, called up and fully paid 98,072,180 (2005: 96,699,218) Ordinary Shares of 5p each	<u>4,903,609</u>	<u>4,834,961</u>

The movement in the number of Ordinary Shares of 5p each issued by the Company is as follows:

	2006 Number	2005 Number
In issue at 1 April	96,699,218	87,400,148
Exercise of employee share options	1,372,962	591,996
Placing of shares	–	8,707,074
In issue at 31 March	<u>98,072,180</u>	<u>96,699,218</u>

In March 2005, 8,707,074 shares were issued through a placing at a price of £2.58 per share.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The interests of the directors in the Ordinary Shares of the Company are shown in the Remuneration Report on pages 21 to 28.

Share Options

The Group operates a number of employee share option schemes. Invitations under the savings related share option schemes ("Sharesave" schemes) are made to eligible employees in the UK and participating Mainland European countries. The exercise price of the options granted is the market price of the shares at the close of business on the day preceeding the date of grant less 20%. Options are normally exercisable for a period of 6 months starting 3 years after the related savings contract begins provided a participant remains an employee of the Group and completes the 3-year savings contract.

Executive share options are granted to executive directors and managers at the discretion of the Group Board. The exercise price is normally the market price at the close of business on the day preceeding the date of grant. Options are exercisable between 3 and 10 years after the date of grant provided the participant remains an employee of the Group and, for executive directors, targets for earnings per share growth are met. Further information on these schemes is given in the Remuneration Report.

The Group has no legal or constructive obligation to repurchase or settle employee share options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005	
	Average Exercise Price	Number of Options	Average Exercise Price	Number of Options
At 1 April	143p	3,085,808	143p	3,806,544
Granted	239p	3,110,118	–	–
Forfeited	156p	(65,071)	140p	(121,850)
Exercised	141p	(1,372,962)	141p	(591,996)
Lapsed	140p	(639)	140p	(1,890)
Cancelled	143p	(70,000)	146p	(5,000)
At 31 March	<u>208p</u>	<u>4,687,254</u>	<u>143p</u>	<u>3,085,808</u>

Notes to the financial statements for the year ended 31 March 2006 continued

The share options outstanding at the end of the year were as follows:

	Date of Grant	Earliest Exercise Date	Latest Exercise Date	Exercise Price	Number of Options 2006	Number of Options 2005
RPC Group 1993 Savings Related Share Option Scheme ('Sharesave')	3.2.2003	1.3.2006	31.8.2006	140.0p	118,652	1,163,388
RPC Group 2003 Sharesave Scheme	20.1.2006	1.3.2009	31.8.2009	225.0p	1,152,216	–
RPC 1993 Executive Share Option Scheme	11.7.1997 7.8.1998 26.7.1999 11.1.2001 23.7.2001	11.7.2000 7.8.2001 26.7.2002 11.1.2004 23.7.2004	10.7.2007 6.8.2008 25.7.2009 10.1.2011 22.7.2011	137.0p 172.5p 210.5p 132.5p 145.5p	608,412 172,609 40,000 – 654,365	845,206 180,000 40,000 10,000 847,214
RPC Group 2003 Approved and Unapproved Executive Share Option Schemes	29.6.2005	29.6.2008	28.6.2015	247.0p	1,941,000	–
Options outstanding at 31 March					4,687,254	3,085,808
Options exercisable at 31 March					1,594,038	1,922,420

Under IFRS 2 'Share-based Payments' an expense is recognised for all equity settled share options granted after 7 November 2002 that had not vested before 1 January 2005. Consequently the recognition and measurement principles in IFRS 2 have not been applied to the executive share options granted under the RPC Group 1993 Executive Share Option Scheme.

The fair value of options and the significant inputs using the Black-Scholes valuation model were as follows:

	RPC 2003 Sharesave Scheme	RPC 2003 Executive Share Option Schemes	RPC 1993 Sharesave Scheme
Date of grant	20.1.2006	29.6.2005	3.2.2003
Share price at date of grant	284p	247p	148p
Exercise price	225p	247p	140p
Fair value of options	73p	44p	28p
Expected volatility	22%	20%	26%
Dividend yield	3.3%	3.5%	3.5%
Annual risk-free interest rate	4.6%	4.5%	4.09%
Option life (allowing for the vesting period and time to exercise)	3.1 years	6.2 years	3.1 years

The volatility, measured as the standard deviation of expected share price returns, is based on statistical analysis of the Company's historical share price. There are no market conditions associated with the share option grants.

The amounts recognised in the Income Statement are as follows:

	Date of Grant	2006 £'000	2005 £'000
RPC Group 1993 Savings Related Share Option Scheme	3.2.2003	84	91
RPC Group 2003 Executive Share Option Schemes	29.6.2005	179	–
RPC Group 2003 Sharesave Scheme	20.1.2006	37	–
Total included in staff costs (note 5)		300	91

22 Acquisitions

Bebo Print

In April 2005 the Group acquired Bebo Print KG and the associated intellectual property for cash.

	Book Value	Accounting Fair Value Adjustment	Fair Value
	£'000	£'000	£'000
Intangible assets	–	677	677
Deferred tax assets	–	920	920
Property, plant and equipment	40	1,021	1,061
Working capital	30	–	30
Net funds	125	–	125
Tax creditor	(47)	–	(47)
	<u>148</u>	<u>2,618</u>	<u>2,766</u>
Consideration and acquisition expenses			<u>5,923</u>
Goodwill arising			<u>3,157</u>

Intangible assets and property, plant and equipment were revalued to reflect open market value.

The activities of Bebo Print have been subsumed within existing RPC operations, it has no external customers and as such, in practice, is a production department. It is not practicable therefore to provide further details on the operation.

Post-Acquisition Review

Ex-Nampak operations

Following the acquisition of the seven operations from Nampak in November 2004 a thorough post-acquisition review of the businesses has taken place.

The fair value of the identifiable assets and liabilities was determined provisionally on acquisition and reported in the 31 March 2005 Annual Report and Accounts. The acquired assets and liabilities have been reviewed within the twelve month period allowed by IFRS 3 'Business Combinations' and have been retrospectively adjusted.

	Book Value	Adjustments	Provisional Fair Value	Retrospective Adjustment	Final Fair Value
	UK GAAP	UK GAAP	UK GAAP	Translation to IAS	IAS
	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	21,918	1,942	23,860	–	23,812
Deferred tax assets	–	–	–	–	192
Inventories	7,581	(281)	7,300	–	7,300
Trade and other receivables	13,772	(161)	13,611	–	13,520
Trade and other payables	(10,859)	(1,043)	(11,902)	–	(12,513)
Employee benefits provisions	(649)	(168)	(817)	(264)	(1,081)
Deferred tax liabilities	–	2,007	2,007	(2,702)	(695)
Inter-company finance	(4,263)	(23)	(4,286)	–	(4,286)
Net funds	1,049	–	1,049	–	1,049
	<u>28,549</u>	<u>2,273</u>	<u>30,822</u>	<u>(2,966)</u>	<u>27,298</u>
Consideration and acquisition expenses			21,071	–	21,071
Deferred consideration			1,000	–	1,000
Goodwill arising			<u>(8,751)</u>	<u>2,966</u>	<u>(5,227)</u>

Notes to the financial statements for the year ended 31 March 2006 continued

23 Commitments and Contingent Liabilities

	2006 £'000	2005 £'000
Capital expenditure		
Expenditure contracted for but not provided	15,350	18,585

Financial Commitments

The Group had total minimum lease payments under non-cancellable operating leases as follows:

	2006 £'000	2005 £'000
Within one year	3,730	2,528
Between one and five years	5,809	6,023
After five years	3,250	2,350
	<u>12,789</u>	<u>10,901</u>

The Company had no commitments at either year end.

Contingent liabilities

There were no significant contingent liabilities at either 31 March 2006 or 31 March 2005 for the Group.

The Company has given guarantees in respect of the overdraft/credit facilities provided to the following subsidiaries:

- €22m to RPC Packaging Holdings BV
- 5 million Zloty to RPC Tedeco-Gizeh Sp. z o.o.
- €800,000 to RPC Bramlage Antwerpen NV
- €500,000 to RPC Tedeco-Gizeh SASU

At 31 March 2006, the overdrafts were respectively £nil (2005: £nil), £nil (2005: £401,074), £nil (2005: £nil) and £149,000 (2005: £nil).

24 Employee Benefits

	2006 £'000	2005 £'000
Retirement benefit obligations	29,706	32,530
Termination benefits	3,464	3,868
Restructuring termination cost provision	–	1,922
Other long-term employee benefit liabilities	1,929	1,989
Employee benefits due after one year	35,099	40,309
Restructuring termination cost provision due within one year	1,459	–
Total employee benefits	<u>36,558</u>	<u>40,309</u>

There are no employee benefit costs in respect of the Company.

Retirement Benefit Obligations

The liability recognised in the Balance Sheet for retirement benefit obligations is as follows:

As at 31 March 2006

	UK £'000	Netherlands £'000	Germany £'000	France £'000	Other Mainland Europe £'000	Group £'000
Present value of funded obligations	63,349	18,740	–	–	–	82,089
Fair value of plan assets	(51,018)	(14,238)	–	–	–	(65,256)
	<u>12,331</u>	<u>4,502</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,833</u>
Present value of unfunded obligations	–	–	11,107	1,098	744	12,949
Unrecognised past service cost	–	–	(76)	–	–	(76)
Liability in the Balance Sheet	<u>12,331</u>	<u>4,502</u>	<u>11,031</u>	<u>1,098</u>	<u>744</u>	<u>29,706</u>

As at 31 March 2005

	UK £'000	Netherlands £'000	Germany £'000	France £'000	Other Mainland Europe £'000	Group £'000
Present value of funded obligations	55,654	15,582	–	–	–	71,236
Fair value of plan assets	(37,768)	(12,916)	–	–	–	(50,684)
	<u>17,886</u>	<u>2,666</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,552</u>
Present value of unfunded obligations	–	–	10,295	1,072	710	12,077
Unrecognised past service cost	–	–	(99)	–	–	(99)
Liability in the Balance Sheet	<u>17,886</u>	<u>2,666</u>	<u>10,196</u>	<u>1,072</u>	<u>710</u>	<u>32,530</u>

The amounts recognised in the Income Statement are as follows:

	2006 £'000	2005 £'000
Current service cost	2,417	1,931
Interest cost	4,310	3,888
Expected return on plan assets	(3,316)	(2,751)
Amortisation of unrecognised past service costs	54	100
Total included in staff costs (note 5)	<u>3,465</u>	<u>3,168</u>

The amounts recognised in the Statement of Recognised Income and Expense is as follows:

	2006 £'000	2005 £'000
Actuarial (gains)/losses	<u>(3,092)</u>	<u>2,271</u>

Notes to the financial statements for the year ended 31 March 2006 continued

Changes to the present value of defined benefit obligations during the year are as follows:

	2006 £'000	2005 £'000
Defined benefit obligations at 1 April	83,313	69,505
Obligations acquired on acquisition	–	3,878
Current service cost	2,417	1,931
Interest cost	4,310	3,888
Contributions by participants	1,962	1,691
Actuarial (gains)/losses on liabilities	4,506	3,925
Net benefits paid	(1,897)	(1,697)
Settlements	–	(788)
Past service cost	31	197
Exchange differences	396	783
Defined benefit obligations at 31 March	<u>95,038</u>	<u>83,313</u>

Changes to the fair value of plan assets during the year are as follows:

	2006 £'000	2005 £'000
Fair value of assets at 1 April	50,684	40,438
Assets acquired on acquisition	–	3,414
Expected return on assets	3,316	2,751
Actuarial gains/(losses) on assets	7,598	1,654
Contributions by employer	3,421	2,770
Contributions by participants	1,962	1,691
Net benefits paid	(1,897)	(1,578)
Settlements	–	(788)
Exchange differences	172	332
Fair value of assets at 31 March	<u>65,256</u>	<u>50,684</u>

The actual return on plan assets was £10,914,000 (2005: £4,564,000).

The movement in the liability recognised in the Balance Sheet is as follows:

	2006 £'000	2005 £'000
Liability at 1 April	32,530	29,066
Liabilities acquired on acquisition	–	467
Total expense charged to the Income Statement	3,465	3,168
Actuarial (gains)/losses recognised in the Statement of Recognised Income and Expense	(3,092)	2,271
Contributions and benefits paid	(3,421)	(2,888)
Exchange differences	224	446
Liability at 31 March	<u>29,706</u>	<u>32,530</u>

The principal actuarial assumptions used were:

	2006		2005	
	Mainland		Mainland	
	UK	Europe	UK	Europe
Discount rate	5.2%	4.5%	5.4%	4.65%
Inflation rate	2.8%	1.75%	2.9%	1.5%
Increase in deferred benefits during deferment	2.8%	n/a	3.0%	n/a
Increase in benefits in payment	2.7%	1.75%	2.8%	1.5%
Salary increases	3.0%	2.25%	3.1%	2.0%

The mortality assumptions are based on standard mortality tables used by the actuarial profession in the relevant countries. In the UK the assumptions are that a member who retires in 2005 at age 65 will live on average for a further 19 years after retirement if they are male and for a further 22 years after retirement if they are female.

The Group operates a number of defined benefit pension schemes. In the UK and the Netherlands these schemes are contributory.

UK - The defined benefit pension scheme, called the RPC Containers Limited Pension Scheme, provides members with benefits based on final pensionable salary and service. The assets of the scheme are held in a trustee administered fund separate from the finances of the Group. Approximately 75% of the scheme's assets are held in equities with the remainder in bonds, property and cash. An actuarial valuation of the scheme is conducted every three years. The last valuation was as at 31 March 2003. The liabilities determined in the last actuarial valuation are updated and adjusted for IAS 19 'Employee Benefits' purposes allowing for IAS 19 financial assumptions and further improvements in life expectancy.

Mainland Europe - In the Netherlands there are a number of contributory final salary retirement benefit arrangements either through a separate fund or contracts with insurance companies. There are six defined benefit pension plans in Germany. All are non-contributory and none is funded externally. Each year an actuarial valuation of the liabilities is undertaken in line with German statutory requirements which is then adjusted for IAS 19 purposes. In France there are unfunded, defined benefit retirement indemnities, in Italy there are similar benefits on leaving service and in Poland provision is made for lump sums due on retirement based on final salary.

Multi-employer Plans - Certain Group employees in the Netherlands participate in industry-wide defined benefit pension plans. The names of the plans are Stichting Beheer Personeelsvoorziening OWASE and Stichting Bedrijfspensioenfonds voor de Houtverkennde Industrie (wood industry scheme). The Group has 187 and 68 current employees in these plans respectively and is not a significant participant in either.

It is not possible to separately identify within these funds the assets and liabilities which relate to RPC Group employees. Therefore, it is not possible to apply defined benefit accounting. Furthermore, there is no contractual agreement between these multi-employer plans and their participants that would determine how any surpluses or deficits will be distributed or funded. Therefore, it is not possible to determine the possible impact on the Group of any surplus or deficit in these plans. The latest information available on the funding status of these industry-wide plans is as at 31 December 2004. At that time, on the local funding valuation basis according to Dutch law, the OWASE plan was 120% funded and the wood industry scheme was 111.3% funded. Therefore, contributions for RPC are expected to remain at the current level.

The expense recognised in the Income Statement in staff costs is equal to contributions due for the year and is not included in the above retirement benefit obligations. The cost for the year was £578,000 (2005: £416,000).

The Group expects to contribute approximately £3,455,000 to its defined benefit plans in the next financial year.

Termination Benefits

Termination benefit provisions consist of German Altersteilzeit employee incentives (note 1) and Belgian and Dutch contractual pre-retirement termination benefits.

Other Long-term Employee Benefit Liabilities

These consist of deferred salaries for German Altersteilzeit employees and provision for long-service awards.

Notes to the financial statements for the year ended 31 March 2006 continued

25 Related Parties

Group

Identity of related parties

The Group has a related party relationship with its subsidiaries (see page 8) and with its directors. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Transactions with key management personnel

Disclosures relating to directors are set out in the Directors' Remuneration Report on pages 21 to 28. The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

The remuneration of the key management personnel of the Group is as follows:

	2006	2005
	£'000	£'000
Salaries and other short-term employee benefits	931	1,011
Post-employment benefits	85	89
Share-based payments	30	2
	<u>1,046</u>	<u>1,102</u>

Other related party transactions

During the year a Group company, RPC Bebo Plastik GmbH, purchased, on an arms length basis on normal commercial terms, printing services amounting to £0.3m (2005: £3.3m) from Bebo Print, an operation formerly owned by Bernhard Borgardt KG, a business in which former Group Board director, B J Borgardt had a majority interest. At 31 March 2006 RPC Bebo Plastik GmbH owed £nil (2005: £0.9m) to Bernhard Borgardt KG.

On 28 April 2005, the Group acquired Bebo Print KG and the associated intellectual property for £5.9m including acquisition expenses. Bebo Print provides in-house thermoformed sheet printing services. In accordance with the Listing Rules, the UK Listing Authority was informed of the transaction and provided with written confirmation from an independent adviser that the terms of the transaction with the related party were fair and reasonable so far as the shareholders of the Company were concerned. The value of the assets acquired is given in note 22.

Company

During the year ended 31 March 2006 there were no material charges or credits to the Income Statement between the Company and its subsidiaries.

The amounts due to and from the Company in respect of its subsidiaries are set out in notes 15 and 16.

26 Explanation of Transition to IFRS

The rules for the first time adoption of IFRS are set out in IFRS 1 'First-time adoption of International Financial Reporting Standards'. In general a company is required to determine its IFRS accounting policies and apply these retrospectively to determine its balance sheet, at the date of transition, under IFRS. The standard allows a number of exceptions to this general principle to assist companies in the transition period. The 2005 comparative information has, as permitted by IFRS 1, been prepared taking advantage of the following transitional exemptions:

- Business combinations prior to 1 April 2004 have not been restated onto an IFRS basis.
- The Group has elected to apply IFRS 2 'Share-based Payments' only to share options granted after 7 November 2002 that had not vested by 1 January 2005.
- The Group has reset the cumulative translation differences for all foreign operations to nil as at 1 April 2004.
- The Group has elected to adopt IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' from 1 April 2005.
- The Group has applied the amendment to IAS 19 'Employee Benefits' and has elected to recognise in full all actuarial gains and losses as at 1 April 2004 (date of transition).

The reconciliations of equity at 1 April 2004 (date of transition to IFRS) and at 31 March 2005 (date of last UK GAAP financial statements) and the reconciliation of profit for the year ended 31 March 2005 are required under IFRS in the year of transition.

No adjustments have been made for changes in estimates made at the time of approval of the last UK GAAP financial statements on which the IFRS comparative information is based.

Notes to the financial statements for the year ended 31 March 2006 continued

Reconciliation of consolidated equity at 1 April 2004 (date of transition to IFRS)

	Previously Reported Under UK GAAP £'000	Goodwill IFRS 3 £'000	Employee Benefits IAS 19 £'000	Deferred Tax IAS 12 £'000	Dividends IAS 10 £'000	Hindsight Adjustment £'000	Restated Under IFRS £'000
Non-current assets							
Property, plant and equipment	196,400	–	–	–	–	(581)	195,819
Goodwill	6,644	2,614	–	–	–	–	9,258
Deferred tax assets	–	–	6,820	–	–	–	6,820
Total non-current assets	203,044	2,614	6,820	–	–	(581)	211,897
Current assets							
Inventories	64,127	–	–	–	–	(100)	64,027
Trade and other receivables	88,494	–	(5,022)	–	–	–	83,472
Cash and cash equivalents	1,212	–	–	–	–	–	1,212
Total current assets	153,833	–	(5,022)	–	–	(100)	148,711
Current liabilities							
Trade and other payables	(97,556)	–	1,125	–	3,889	(535)	(93,077)
Bank loans and overdrafts	(402)	–	–	–	–	–	(402)
Current tax liabilities	(7,422)	–	–	–	–	–	(7,422)
Total current liabilities	(105,380)	–	1,125	–	3,889	(535)	(100,901)
Net current assets	48,453	–	(3,897)	–	3,889	(635)	47,810
Total assets less current liabilities	251,497	2,614	2,923	–	3,889	(1,216)	259,707
Non-current liabilities							
Bank loans and other borrowings	(113,046)	–	–	–	–	–	(113,046)
Long term employee benefits	(11,650)	–	(22,572)	–	–	–	(34,222)
Long term provisions	(220)	–	–	–	–	–	(220)
Deferred tax liabilities	(8,263)	(192)	793	(9,210)	–	132	(16,740)
Total non-current liabilities	(133,179)	(192)	(21,779)	(9,210)	–	132	(164,228)
Net assets	118,318	2,422	(18,856)	(9,210)	3,889	(1,084)	95,479
Equity							
Called up share capital	4,370	–	–	–	–	–	4,370
Share premium account	–	–	–	–	–	–	–
Capital redemption reserve	928	–	–	–	–	–	928
Retained earnings	113,020	2,422	(18,856)	(9,210)	3,889	(1,084)	90,181
Total equity attributable to equity shareholders of the parent	118,318	2,422	(18,856)	(9,210)	3,889	(1,084)	95,479

Reconciliation of consolidated equity at 31 March 2005 (date of last UK GAAP financial statements)

	Previously Reported Under UK GAAP £'000	Goodwill IFRS 3 £'000	Employee Benefits IAS 19 £'000	Deferred Tax IAS 12 £'000	Dividends IAS 10 £'000	Hindsight Adjustment £'000	Restated Under IFRS £'000
Non-current assets							
Property, plant and equipment	226,608	–	–	–	–	(48)	226,560
Goodwill	(1,930)	8,120	–	2,702	–	–	8,892
Deferred tax assets	–	–	7,743	–	–	192	7,935
Total non-current assets	224,678	8,120	7,743	2,702	–	144	243,387
Current assets							
Inventories	84,107	–	–	–	–	–	84,107
Trade and other receivables	116,110	–	(5,243)	–	–	(91)	110,776
Cash and cash equivalents	32,815	–	–	–	–	–	32,815
Total current assets	233,032	–	(5,243)	–	–	(91)	227,698
Current liabilities							
Trade and other payables	(135,056)	–	1,702	–	4,642	(611)	(129,323)
Current tax liabilities	(9,870)	–	–	–	–	–	(9,870)
Total current liabilities	(144,926)	–	1,702	–	4,642	(611)	(139,193)
Net current assets	88,106	–	(3,541)	–	4,642	(702)	88,505
Total assets less current liabilities	312,784	8,120	4,202	2,702	4,642	(558)	331,892
Non-current liabilities							
Bank loans and other borrowings	(138,495)	–	–	–	–	–	(138,495)
Long term employee benefits	(12,403)	–	(25,984)	–	(1,922)	–	(40,309)
Long term provisions	(4,997)	–	–	–	4,322	–	(675)
Deferred consideration	(1,000)	–	–	–	–	–	(1,000)
Deferred tax liabilities	(5,817)	(192)	914	(12,055)	(320)	–	(17,470)
Total non-current liabilities	(162,712)	(192)	(25,070)	(12,055)	2,080	–	(197,949)
Net assets	150,072	7,928	(20,868)	(9,353)	6,722	(558)	133,943
Equity							
Called up share capital	4,835	–	–	–	–	–	4,835
Share premium account	22,184	–	–	–	–	–	22,184
Capital redemption reserve	928	–	–	–	–	–	928
Retained earnings	122,125	7,867	(20,795)	(9,353)	3,020	(558)	102,306
Cumulative translation differences reserve	–	61	(73)	–	3,702	–	3,690
Total equity attributable to equity shareholders of the parent	150,072	7,928	(20,868)	(9,353)	6,722	(558)	133,943

Notes to the financial statements for the year ended 31 March 2006 continued

Reconciliation of consolidated equity at 1 April 2005 for the adoption of IAS 39

	At 31 March 2005 £'000	Financial Instruments IAS 39 £'000	At 1 April 2005 £'000
Current and non-current assets	471,085	–	471,085
Current liabilities	(139,193)	–	(139,193)
Fair value of interest rate swaps	–	(1,066)	(1,066)
Total current liabilities	(139,193)	(1,066)	(140,259)
Total assets less current liabilities	331,892	(1,066)	330,826
Non-current liabilities	(197,949)	–	(197,949)
Net assets	133,943	(1,066)	132,877
Equity	133,943	(1,066)	132,877

Reconciliation of consolidated profit for the year ended 31 March 2005

	Previously Reported Under UK GAAP £'000	Goodwill IFRS 3 £'000	Employee Benefits IAS 19 £'000	Share-based Payments IFRS 2 £'000	Deferred Tax IAS 12 £'000	Other £'000	Restated Under IFRS £'000
Revenue	513,284	–	–	–	–	–	513,284
Operating costs	(481,816)	5,707	(378)	(91)	–	(4,522)	(481,100)
Operating profit	31,468	5,707	(378)	(91)	–	(4,522)	32,184
Loss on terminations	(6,922)	–	–	–	–	6,922	–
Finance costs	(6,667)	–	–	–	–	–	(6,667)
Profit before taxation	17,879	5,707	(378)	(91)	–	2,400	25,517
Tax	(5,819)	–	257	–	(143)	(320)	(6,025)
Profit for the period	12,060	5,707	(121)	(91)	(143)	2,080	19,492

Reconciliation of Company equity at 1 April 2004 (date of transition to IFRS)

	Previously Reported Under UK GAAP £'000	Dividends IAS 10 £'000	Share-based Payments IFRS 2 £'000	Restated Under IFRS £'000
Non-current assets				
Investment in subsidiaries	130,201	–	105	130,306
Total non-current assets	<u>130,201</u>	<u>–</u>	<u>105</u>	<u>130,306</u>
Current assets				
Amounts owed by Group undertakings	40,658	–	–	40,658
Total current assets	<u>40,658</u>	<u>–</u>	<u>–</u>	<u>40,658</u>
Current liabilities				
Bank loans and overdrafts	(13,292)	–	–	(13,292)
Amounts owed to Group undertakings	(3,877)	–	–	(3,877)
Other payables	(97)	–	–	(97)
Accruals	(2,093)	–	–	(2,093)
Proposed dividends	(3,889)	3,889	–	–
Current tax liabilities	(600)	–	–	(600)
Total current liabilities	<u>(23,848)</u>	<u>3,889</u>	<u>–</u>	<u>(19,959)</u>
Net current assets	<u>16,810</u>	<u>3,889</u>	<u>–</u>	<u>20,699</u>
Total assets less current liabilities	<u>147,011</u>	<u>3,889</u>	<u>105</u>	<u>151,005</u>
Non-current liabilities				
Bank loans and other borrowings	(112,469)	–	–	(112,469)
Total non-current liabilities	<u>(112,469)</u>	<u>–</u>	<u>–</u>	<u>(112,469)</u>
Net assets	<u>34,542</u>	<u>3,889</u>	<u>105</u>	<u>38,536</u>
Equity				
Called up share capital	4,370	–	–	4,370
Capital redemption reserve	928	–	–	928
Retained earnings	29,244	3,889	105	33,238
Total equity attributable to equity shareholders of the parent	<u>34,542</u>	<u>3,889</u>	<u>105</u>	<u>38,536</u>

Notes to the financial statements for the year ended 31 March 2006 continued

Reconciliation of Company equity at 31 March 2005 (date of last UK GAAP financial statements)

	Previously Reported Under UK GAAP £'000	Dividends IAS 10 £'000	Share-based Payments IFRS 2 Other £'000	Restated Under IFRS £'000
Non-current assets				
Investment in subsidiaries	133,026	–	–	133,222
Total non-current assets	<u>133,026</u>	<u>–</u>	<u>–</u>	<u>133,222</u>
Current assets				
Amounts owed by Group undertakings	53,095	–	–	53,095
Other debtors	43	–	–	43
Prepayments	20	–	–	20
Cash and cash equivalents	22,240	–	–	22,240
Total current assets	<u>75,398</u>	<u>–</u>	<u>–</u>	<u>75,398</u>
Current liabilities				
Bank loans and overdrafts	(6,986)	–	–	(6,986)
Amounts owed to Group undertakings	(9,005)	–	–	(9,005)
Other payables	(119)	–	–	(119)
Accruals	(2,580)	–	–	(2,580)
Proposed dividends	(4,642)	4,642	–	–
Current tax liabilities	(600)	–	–	(600)
Total current liabilities	<u>(23,932)</u>	<u>4,642</u>	<u>–</u>	<u>(19,290)</u>
Net current assets	<u>51,466</u>	<u>4,642</u>	<u>–</u>	<u>56,108</u>
Total assets less current liabilities	<u>184,492</u>	<u>4,642</u>	<u>–</u>	<u>189,330</u>
Non-current liabilities				
Bank loans and other borrowings	(138,050)	–	–	(138,050)
Deferred consideration	(1,000)	–	–	(1,000)
Total non-current liabilities	<u>(139,050)</u>	<u>–</u>	<u>–</u>	<u>(139,050)</u>
Net assets	<u>45,442</u>	<u>4,642</u>	<u>–</u>	<u>50,280</u>
Equity				
Called up share capital	4,835	–	–	4,835
Share premium account	22,184	–	–	22,184
Capital redemption reserve	928	–	–	928
Retained earnings	17,495	4,642	382	22,715
Cumulative translation differences reserve	–	–	(382)	(382)
Total equity attributable to equity shareholders of the parent	<u>45,442</u>	<u>4,642</u>	<u>–</u>	<u>50,280</u>

Reconciliation of Company equity at 1 April 2005 for the adoption of IAS 39

	At 31 March 2005 £'000	Financial Instruments IAS 39 £'000	At 1 April 2005 £'000
Current and non-current assets	208,620	–	208,620
Current liabilities	(19,290)	–	(19,290)
Fair value of interest rate swaps	–	(1,066)	(1,066)
Total current liabilities	(19,290)	(1,066)	(20,356)
Total assets less current liabilities	189,330	(1,066)	188,264
Non-current liabilities	(139,050)	–	(139,050)
Net assets	50,280	(1,066)	49,214
Equity	50,280	(1,066)	49,214

Reconciliation of Company profit for the year ended 31 March 2005

UK GAAP loss after tax of £4,710,000 is the same under IFRS.

Company cash flow statement

Under UK GAAP, the Company was not required to, and did not, prepare a cash flow statement.

Notes to the reconciliations of equity and profit**Goodwill**

Under UK GAAP, goodwill was amortised over its useful economic life, not exceeding 20 years. As at 1 April 2004, under IFRS 3 'Business Combinations' goodwill is not amortised but tested annually for impairment. Accordingly, the goodwill amortisation charge for the year ended 31 March 2005 of £480,000 has been reversed. All goodwill has been tested for impairment at 1 April 2004 and at 31 March 2005 and no impairments have been identified. Negative goodwill arising on acquisition is recognised directly in the consolidated Income Statement in the year of acquisition.

Employee benefits

Under UK GAAP, the Group applied the provisions of SSAP 24 'Accounting for Pension Costs' and the disclosures required by FRS 17 'Retirement Benefits' were given in the notes to the financial statements.

The scope of IAS 19 'Employee Benefits' is significantly wider than SSAP 24 and FRS 17 in that it covers accounting for a broad range of employee benefits in addition to pension costs. Under IAS 19 deficits arising on the Group's defined benefit pension schemes are included as a liability on the consolidated Balance Sheet. The recognition and measurement of other long-term employee benefits differ from UK GAAP. The tax adjustments reflect the deferred tax asset arising on long-term employee benefit liabilities.

The Group has chosen to recognise actuarial gains and losses arising on defined benefit pension obligations in full in the consolidated Statement of Recognised Income and Expense in the period in which they occur. Under SSAP 24 the deficit was recognised in the Profit and Loss Account over a number of years.

Notes to the financial statements for the year ended 31 March 2006 continued

The value of the defined benefit pension scheme deficits recorded in the Balance Sheet is affected by changes in the fair value of investments for funded schemes and the present value of liabilities. Changes in the discount rates derived from high-quality corporate bond yields, actuarial assumptions relating to salary and pension increases and mortality rates and changes in the benefits provided have an impact on the present value of liabilities. Changes in the discount rate also affect the value of liabilities for other long-term employee benefits.

For defined benefit pension schemes, the current service cost, the expected return on scheme assets and expected interest on liabilities under IAS 19 replace the SSAP 24 regular cost charged to the Income Statement.

Deferred tax

Under UK GAAP, deferred tax is provided on timing differences between the Income Statement and the tax computation, whilst IFRS has a wider scope and requires deferred tax to be provided on all temporary differences between the carrying value of an asset and its tax base. In accordance with IAS 12 'Income Taxes', additional deferred tax has been provided on temporary differences relating to property, plant and equipment acquired on business combinations at fair values different from their tax cost bases and gains arising on the sale of assets where the gain has been rolled over into replacement assets.

Equity dividends

The practice under UK GAAP was to account for dividends proposed relating to any given accounting period. IAS 10 'Events after the Balance Sheet Date' requires that a dividend is not provided until it has been approved, which is usually after the accounting period to which it relates. Consequently, this adjustment removes the creditor for proposed dividends at each restated balance sheet date.

Other adjustments

Under UK GAAP, no expense was recognised in the Income Statement for share options. Under IFRS 2 'Share-based Payments' an expense is recognised for all equity settled share options granted after 7 November 2002 that have not vested before 1 January 2005 based on the fair value of the options at the date of grant calculated using an appropriate option pricing model. The expense, included in operating costs, is £300,000 for the year ended 31 March 2006 and £91,000 for the year ended 31 March 2005.

In the year to 31 March 2005, under UK GAAP, an exceptional item of £6,922,000 was charged to the Profit and Loss Account for the costs relating to the closure of Woburn Sands in the UK: this operation was acquired in November 2004 from Nampak. Under IFRS, £2,400,000 of this, relating to losses to be incurred during the closure period, but after April 2005, has been reversed and will be charged to operating profit as incurred. Under IFRS, the charge in the year to 31 March 2005 is therefore reduced to £4,522,000.

Foreign exchange reserve

Under UK GAAP, foreign exchange differences arising from the retranslation of foreign operations were recognised directly in retained earnings on consolidation. IAS 21 'The Effects of Changes in Foreign Exchange Rates' requires that such differences arising after 1 April 2004 be recorded as a separate component of equity until disposal of the foreign operation. As a first time adopter, cumulative translation differences arising prior to 1 April 2004 are deemed to be zero.

Under IFRS, cumulative translation differences arising after 1 April 2004 are classified within a separate reserve.

Hindsight adjustments

This adjustment does not arise on transition to IFRS, but is in respect of the reappraisal of fair values post acquisition. Under IFRS hindsight adjustments are accounted for as prior year adjustments in the year of acquisition. The Rexam fair value hindsight adjustment previously reported in the 2004/05 accounts is therefore reflected in the 31 March 2004 Balance Sheet and the Nampak fair value hindsight adjustment is reflected in the 31 March 2005 Balance Sheet.

Explanation of material adjustments to the cash flow statement for 2004/05

The move from UK GAAP to IFRS does not change any of the cash flows of the Group. The IFRS cash flow format is similar to UK GAAP but presents various cash flows in different categories and in a different order from the UK GAAP cash flow statement. All of the IFRS accounting adjustments net out within cash generated from operations.

Financial record

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	611,483	513,284	430,203	407,060	374,873	356,195	295,693	269,309	240,247	129,317
Operating profit	36,768	30,999	28,396	27,735	26,751	23,027	22,996	20,787	17,100	11,521
Profit before taxation	26,392	25,517	23,175	21,545	20,122	5,132	19,826	18,247	15,473	10,494
Profit after taxation	19,266	19,492	16,698	15,082	14,146	2,915	13,275	13,700	11,466	7,463
Net assets employed	152,191	133,943	118,318	110,673	88,259	79,848	71,356	72,070	61,318	59,710
Capital expenditure	51,004	34,716	29,920	36,839	32,005	28,720	26,416	23,538	20,423	14,243
Basic earnings per share (p)	19.9	22.2	19.1	17.3	16.3	3.4	15.4	16.1	13.6	11.5
Adjusted earnings per share (p)	22.1	20.3	18.6	17.3	16.3	13.9	15.4	16.1	13.6	11.5
Dividend per share (p)	7.75	7.1	6.6	6.3	6.0	5.7	5.6	5.1	4.65	4.2
Average number of employees	6,571	6,229	5,535	5,682	5,562	5,453	4,671	3,974	3,368	1,939

The figures for 2001 are adjusted to take account of the restatement required following the adoption of FRS 19. The figures for 2000 have been restated by adjusting for the deferred tax previously unprovided for ease of comparison.

The figures for 2004 and earlier periods are disclosed on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRS. The principal differences between UK GAAP and IFRS are explained in note 26 to the financial statements.

The operating profit shown for 2006 and 2005 reflects the underlying profit of the Group before non-recurring items identified separately on the face of the Income Statement. For 2004 and prior operating profit is stated before exceptional items under UK GAAP.

Financial Calendar

Annual General Meeting	19 July 2006
Payment of Final Dividend	8 September 2006
Announcement of Half Year Results	December 2006
Payment of Interim Dividend	January 2007
Announcement of Final Results	June 2007

Notice of annual general meeting

This document is important and requires your immediate attention. If you have any doubts about what action you need to take, you should contact your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately.

If you have sold or transferred all your shares in RPC Group Plc please forward this Notice, together with the accompanying document(s), as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through or to whom the sale or transfer was effected, for transmission to the purchaser or transferee.

RPC Group Plc

Registered Number 2578443

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held at 30 Gresham Street, London EC2P 2XY on 19 July 2006 at 12:00 noon for the purpose of transacting the following business:

Ordinary Business

1. To receive and adopt the financial statements and the reports of the directors and auditors for the financial year ended 31 March 2006.
2. To approve the Remuneration Report for the year ended 31 March 2006.
3. To declare a final dividend on the Ordinary Shares of 5.25p per share in respect of the financial year ended 31 March 2006.
4. To re-elect Mr R J E Marsh, who retires by rotation, as a director of the Company.
5. To re-elect Mr P J H Hole, who retires by rotation, as a director of the Company.
6. To elect Mr S Rohahn, who was appointed to the Board since the last Annual General Meeting, as a director of the Company.
7. To elect Mr P S Wood, who was appointed to the Board since the last Annual General Meeting, as a director of the Company.
8. To re-appoint KPMG Audit Plc as auditors of the Company.
9. To authorise the directors to fix the auditors' remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions of which numbers 10 and 11 will be proposed as ordinary resolutions and numbers 12 and 13 will be proposed as special resolutions:

10. That the authorised share capital of the Company be increased from £6,000,000 to £6,500,000 by the creation of 10,000,000 Ordinary Shares of 5p each.
11. That subject to the passing of resolution 10 to increase the authorised share capital, the directors be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £1,593,300 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2007 or on 19 October 2007, whichever is the earlier, save that the Company may before such expiry date make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
12. That the directors be and hereby are empowered pursuant to section 95(1) of the Act to:
 - a) allot for cash and make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by resolution 11 above as if section 89(1) of the Act did not apply to any such allotment, and
 - b) sell relevant shares (as defined in section 94(5) of the Act) in the Company if, immediately before the sale such shares are held by the Company as treasury shares (as defined in section 162A(3) of the Act) ("treasury shares") for cash (as defined in section 162D(2) of the Act), as if section 89(1) of the Act did not apply to any such sale,

provided that such power shall be limited to the allotment of equity securities and the sale of treasury shares:

- i) in connection with issues to holders of Ordinary Shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements, treasury shares, record dates or any legal or practical problems arising under the laws of any overseas territory, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
 - ii) otherwise than pursuant to sub-paragraph (i) above up to a maximum aggregate nominal amount of £245,300;
- such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 2007 or on 19 October 2007, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the directors may allot equity securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred thereby had not expired.
13. That the Company is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of any of its Ordinary Shares of 5p each in the capital of the Company (the "Ordinary Shares") subject to the following restrictions and provisions:
- a) the maximum number of Ordinary Shares hereby authorised to be purchased is 9,813,000;
 - b) the minimum price which may be paid for an Ordinary Share is 5p;
 - c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased;
 - d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2007 or on 19 October 2007, whichever is the earlier; and
 - e) the Company may make a contract to purchase Ordinary Shares under this authority before the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and may make such a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

Rebecca K Joyce

Company Secretary

6 June 2006

Registered Office:

Lakeside House

Higham Ferrers

Northants

NN10 8RP

Notes

1. Only shareholders are entitled to attend or vote at the Meeting. A member of the Company entitled to attend and vote at the Meeting convened by the Notice above may appoint a proxy or proxies (who need not be a member) to attend and vote instead of him/her. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed must be lodged at the Company's Registrars not later than 48 hours before the Meeting. Members who have lodged proxy forms are not prevented from attending the Meeting and voting in person if they so wish.
2. A "Vote Withheld" option is provided on the form of proxy which enables a member to abstain on any particular resolution. It should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" a resolution.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 6pm on 17 July 2006 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6pm on 17 July 2006 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
4. Copies of all contracts of service under which the directors of the Company are employed by the Company or any of its subsidiaries and the register of directors' interests (and their families) in the share capital of the Company are and will be available for inspection at the Registered Office during business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and will, on the day of the Annual General Meeting, be available for inspection at 30 Gresham Street, London EC2P 2XY from 11:45am until the conclusion of the Meeting.

Explanatory notes

Resolution 1: To Receive and Adopt the Report and Accounts

The business of the Annual General Meeting will begin with a resolution to receive the financial statements, together with the reports of the directors and auditors, in respect of the year ended 31 March 2006.

Resolution 2: To Approve the Remuneration Report

In accordance with section 241A of the Act, the shareholders are required to approve the Directors' Remuneration Report for the year ended 31 March 2006. The Report is set out in full on pages 21 to 28 of the Annual Report and Accounts. Alternatively, the Report is obtainable on request from the company secretary at the Registered Office of the Company, or from the Company's website.

Resolution 3: To Declare a Final Dividend

The Company paid an interim dividend of 2.5p per Ordinary Share on 27 January 2006. The directors recommend a final dividend of 5.25p per Ordinary Share bringing the total dividend for the year to 7.75p per Ordinary Share.

If Resolution 3 is approved by shareholders the final dividend for the year ended 31 March 2006 will be paid on 8 September 2006 to shareholders whose names are on the register of members at the close of business on 11 August 2006.

Resolution 4: To Re-elect Mr R J E Marsh as a Director of the Company

Under the Company's Articles of Association, directors are subject to re-election at intervals of no more than three years. R J E Marsh, having served three years since his last re-election, retires by rotation this year in accordance with the Articles of Association. Brief biographical details for R J E Marsh, who is recommended for re-election as a director at this year's Annual General Meeting, can be found on page 9 of the Annual Report and Accounts. His service contract detail can be found in the Remuneration Report on page 23.

R J E Marsh's performance has been reviewed during the year as described in the evaluation procedure set out in the Directors' Report on page 14 of the Annual Report and Accounts and as a result the Board recommends his re-election as a director.

Resolution 5: To Re-elect Mr P J H Hole as a Director of the Company

Under the Company's Articles of Association, directors are subject to re-election at intervals of no more than three years. P J H Hole, having served three years since his last re-election, retires by rotation this year in accordance with the Articles of Association. Brief biographical details for P J H Hole, who is recommended for re-election as a director at this year's Annual General Meeting, can be found on page 9 of the Annual Report and Accounts. His service contract detail can be found in the Remuneration Report on page 23.

P J H Hole's performance has been reviewed during the year as described in the evaluation procedure set out in the Directors' Report on page 14 of the Annual Report and Accounts and as a result the Board recommends his re-election as a director.

Resolution 6: To Elect Mr S Rojahn as a Director of the Company

The Company's Articles of Association permit any director appointed by the Board since the date of the last Annual General Meeting to hold office only until the date of the next Annual General Meeting following their appointment. The director is then eligible for election by shareholders. Mr S Rojahn was appointed by the Board as a non-executive director on 25 January 2006. Brief biographical details for Mr S Rojahn, who is recommended for election as a non-executive director at this year's Annual General Meeting, can be found on page 9 of the Annual Report and Accounts. Details of the process followed for his selection can be found in the Nomination Committee section of the Directors' Report on page 15.

Although only recently appointed, Mr S Rojahn is already making a contribution to Board debates particularly through his experience in industry in Germany where the Group has a significant presence. The Nomination Committee, having undertaken appropriate due diligence on Mr S Rojahn's other interests and his time commitments, has concluded that he is free from any relationship or circumstances that could affect the exercise of his independent judgement. Accordingly, the Board recommends that Mr S Rojahn be elected as a director of the Company.

Resolution 7: To Elect Mr P S Wood as a Director of the Company

The Company's Articles of Association permit any director appointed by the Board since the date of the last Annual General Meeting to hold office only until the date of the next Annual General Meeting following their appointment. The director is then eligible for election by shareholders. Mr P S Wood was appointed by the Board as a non-executive director on 22 March 2006. Brief biographical details for Mr P S Wood, who is recommended for election as a non-executive director at this year's Annual General Meeting, can be found on page 9 of the Annual Report and Accounts. Details of the process followed for his selection can be found in the Nomination Committee section of the Directors' Report on page 15.

Although only recently appointed, Mr P S Wood is already making a contribution to Board debates particularly through his broad financial and management experience in mid-size, public companies. The Nomination Committee, having undertaken appropriate due diligence on Mr P S Wood's other interests and his time commitments, has concluded that he is free from any relationship or circumstances that could affect the exercise of his independent judgement. Accordingly, the Board recommends that Mr P S Wood be elected as a director of the Company.

Resolution 8: To Re-appoint KPMG Audit Plc as the Company's Auditors

Auditors must be appointed at every Annual General Meeting at which accounts are presented to the shareholders. KPMG Audit Plc has advised its willingness to stand for re-appointment as the auditors of the Company. The Board recommends their re-appointment following recommendation by the Audit Committee which has

conducted an evaluation of the auditors' effectiveness, independence and objectivity.

Resolution 9: To Authorise the Directors to fix the Auditors' Remuneration

Shareholders will be asked to grant authority to the directors of the Company to determine the auditors' remuneration.

Resolution 10: To Increase the Authorised Share Capital of the Company

It is customary for listed companies to maintain a margin of authorised share capital of a third in excess of issued share capital. Over the years this margin has been eroded by the issue of shares upon the exercise of employee share options, and by the placing in 2005. The directors would like to restore this margin to enable the Company to take advantage of market opportunities to raise capital when appropriate, although there are currently no plans to do so.

Accordingly, Resolution 10 to be proposed at the Annual General Meeting will, if passed, increase the authorised share capital of the Company to £6,500,000 by the creation of 10,000,000 new Ordinary Shares of 5p each. Resolution 10 will be proposed as an ordinary resolution.

Resolution 11: Authority to Allot Shares

Resolution 11 will be proposed as an ordinary resolution to grant a new authority to allot unissued share capital up to an aggregate nominal value of £1,593,300, representing 32.5%, just under one third, of the total issued share capital of the Company as at 31 May 2006.

The directors have no immediate plans to make use of this authority with the exception of the issue of further Ordinary Shares to fulfil the Company's obligations under its various employee share option schemes. This renewed authority will replace the existing authority in respect of Ordinary Shares and will expire no later than 19 October 2007.

Resolution 12: Disapplication of Pre-emption Rights

The directors of the Company also require additional authority from the shareholders to allot shares or grant rights over shares or sell treasury shares where they propose to do so for cash and otherwise than to existing shareholders pro-rata to their holdings. Resolution 12 seeks to renew the authority granted to the directors, at the Annual General Meeting held on 20 July 2005, to allot securities of the Company up to a specified amount in connection with a rights issue without having to obtain prior approval from shareholders on each occasion, and also to allot a smaller number of these for cash or to sell treasury shares without first being required to offer such shares to existing shareholders. Resolution 12 will be proposed as a special resolution to grant such authority. In accordance with Financial Services Authority regulations and Investment Protection Committee guidelines, the number of shares which may be issued for cash under the latter authority will not exceed an aggregate nominal amount of £245,300, being approximately 5% of the total issued share capital of the Company as at 31 May 2006.

If given, the authority to disapply pre-emption rights will terminate not later than 19 October 2007.

Resolution 13: Purchase by the Company of its own Shares

The directors consider that there may be circumstances in which it would be desirable for the Company to purchase its own shares in the market. Although the directors have no plans to make such purchases they would like to be able to act if circumstances arose in which they considered such purchases to be desirable. Under Article 5 of the Company's Articles of Association, authority is granted to the Company to purchase its own shares subject to the provision of the Companies Act 1985. Resolution 13 proposes that the Company's authority to purchase up to 10% of the issued share capital of the Company be renewed by special resolution. The authority will terminate not later than 19 October 2007.

The authority is restricted to a maximum of 9,813,000 shares (which is equivalent to approximately 10% of the issued share capital of the Company as at 31 May 2006) with a minimum purchase price of 5p per share and a maximum price which will not be more than 5% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased.

The directors of the Company believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, subject to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") which came into force on 1 December 2003, retained as treasury shares. The Regulations enable companies to hold shares repurchased as treasury shares with a view to possible re-sale at a future date rather than having to cancel them.

The Company will consider holding repurchased shares pursuant to the authority conferred by Resolution 13 as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10% anti-dilution limit set by the Association of British Insurers.

The directors of the Company will only exercise this authority to purchase shares if they are satisfied that a purchase would be for the benefit of shareholders generally. Incentive schemes for directors with earnings per share targets would be adjusted for any reduction in issued share capital.

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