16 June 2010

RPC GROUP PLC

Preliminary results for the full year ended 31 March 2010

RPC Group Plc, Europe's leading supplier of rigid plastic packaging, announces today its results for the year ended 31 March 2010.

Highlights:

- Sales down 6% to £719.9m (2009: £769.1m) mainly due to lower sales volumes
- Adjusted operating profit improved by 15% to £40.9m (2009: £35.5m) with ROCE increasing to 11.8% (2009: 9.1%)
- Adjusted EPS increased to record 26.4p (2009: 18.0p)
- Net profit of £13.2m reversing a prior year loss (2009: loss of £7.7m)
- Strong cash performance with a pre-exceptional free cash flow of £60.1m (2009: £87.7m) and net debt reduced further to £80.2m (2009: £116.6m)
- Improvement programme RPC 2010 entering second phase and progressing well
- Total dividend increase of 13% to 10.5p (2009: 9.3p) with recommended final dividend up to 7.4p (2009: 6.4p)

Commenting on the results, Jamie Pike, Chairman, said:

"It is very pleasing to report a record adjusted operating profit, good progress on our RPC 2010 improvement programme and another strong cash flow performance despite relatively weak economic circumstances. I am confident that further progress towards the Group's target of a 15% ROCE will be made in the new financial year as RPC is emerging from the restructuring phase with a substantially lower cost base and an enhanced competitive position. Going forward the focus will turn progressively to achieving profitable growth. In light of the Group's performance, the Board is proposing to increase the dividend per share by 13%."

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This preliminary announcement contains forward-looking statements, which have been made by the directors in good faith based on the information available to them up to the time of the approval of this report and such information should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

Although revenue in 2009/10 reduced from £769.1m to £719.9m, largely as a consequence of a 4% reduction in sales volumes, adjusted operating profit improved by £5.4m and reached a record level of £40.9m. The significant cost reductions achieved through the RPC 2010 programme more than offset the impact of lower volumes whilst gross margins were restored to a more acceptable level. The adjusted basic earnings per share[1] increased by 8.4p to 26.4p. The Group achieved a net profit for the year of £13.2m reversing a prior year loss of £7.7m. A continued strong cash performance resulted in the net debt being reduced by a further £36.4m to £80.2m.

Overview of the Year

The activity levels during the year remained subdued as the economic environment continued to be relatively weak. Whilst overall sales volumes were 4% lower than the previous year, volumes were relatively flat when compared with the second half of 2008/09 with some signs of improvement towards the end of the financial year. Activity levels in the UK proved to be more robust than in mainland Europe as sales volumes in this region improved by 2%. Approximately 59% of the Group's products are delivered to the relatively resilient food sector. The non-food sectors showed a mixed picture in terms of demand depending on the geographical region and end-sector served with the personal care and cosmetics sector impacted by de-stocking early in 2009/10. Further de-stocking effects are not anticipated.

During the year the RPC 2010 improvement programme continued to be successfully implemented. The production sites at Raunds (UK), Ravenstein (the Netherlands), Halfweg (the Netherlands), Aš (Czech Republic) and Mozzate (Italy) were closed and further cost optimisation measures were taken across all other sites, including the closure of the distribution satellite locations in Poland and Romania. The number of people employed by the Group has been reduced by 14% from approximately 6,900 at the start of the programme to circa 5,900 as at the end of March 2010. The Group is presently executing the second phase of RPC 2010 which includes the proposed closure of the Goor site in the Netherlands.

Polymer costs represented approximately 30% of the Group's turnover. Although polymer prices were on average at similar levels to the previous year, they started the year at a relatively low level and appreciated by more than 40% during the year, a trend which has continued into the new financial year. The Group is confident that the majority of these cost increases can be passed through to the customer base although there is generally a time lag before this can be realised. The underlying dynamics of the polymer market remain favourable as significant additional polymer capacity is coming on stream.

RPC is at the forefront of polymer conversion technology in the packaging industry and has developed a good reputation in the market place for innovative packaging design and concepts. During the year several innovative designs have come to market whilst process developments with the aim of producing lighter weight packaging continued to make good progress. The interest of customers in conversion projects from other packaging materials such as glass and metal continued to increase.

Financial Highlights

Revenue for the year of £719.9m was 6% down on last year's £769.1m mainly due to lower sales volumes with favourable exchange rate movements largely offset by lower average selling prices as a consequence of polymer pass-through arrangements. Adjusted operating profit was however 15% higher at £40.9m (2009: £35.5m) despite the absence of profit on sale of properties which contributed £2.5m to the 2008/09 result. Cost reduction measures more than offset the adverse effect of lower volumes whilst gross margins improved. The adjusted profit before tax[2] increased by 45% to £36.5m (2009: £25.1m) due to the higher operating profit and significantly lower interest charges. Adjusted EBIT margins improved to 5.7% of revenue (2009: 4.6%) and the adjusted EBITDA increased to £75.6m (2009: £69.1m). The ROCE for the full year was 11.8% compared with 9.1% the previous year. Restructuring and impairment costs, in total amounting to £18.1m (2009: £25.8m), were incurred in relation to the RPC 2010 programme.

Net cash from operating activities continued to be strong at £64.7m (2009: £99.5m) due to a good operating performance, lower tax and interest charges and a further improvement of the working capital position. Working capital efficiency measured as a percentage of sales improved to 3.6% compared with 5.7% last year. Net debt at the year end was £80.2m (2009: £116.6m) and gearing reduced to 51% (2009: 68%).

Capital expenditure paid of £28.0m (2009: £33.4m) was below the depreciation level of £34.4m reflecting the focus on cash optimisation. The targeted capital expenditure provided the Group with the ability to continue to invest in new projects thereby creating a competitive advantage relative to less well financed competitors. The Group is committed to invest in projects that are innovative, provide a competitive advantage and generate attractive returns. Capital expenditure net of disposals reduced to £23.3m (2009: £26.3m).

1 *Adjusted basic earnings per share is defined as adjusted profit before tax less underlying tax at 28.5% (2009: 29.0%) divided by the weighted average number of shares in issue during the year.*

2 *Adjusted profit before tax is defined as operating profit before restructuring, closure and impairment charges less net interest.*

Strategy

The Group is now in the second phase of the RPC 2010 programme, continuing the cost reduction programme combined with optimising the cash flow and installing a focus on continuous improvement. The steady state structural benefits of RPC 2010 are presently estimated to be at least £19m per annum of which approximately £14m had been realised by March 2010. In addition to these structural cost reductions several more volume related cost measures pertaining to manning levels have been initiated which reduces the cost base by a further £4m. The associated exceptional charges for the total programme are currently estimated at circa £43m of which £38m has been recognised in the income statements of the past two years. The Group's target is to achieve an average of 15% ROCE across the economic cycle following the completion of RPC 2010. In this context it is encouraging to note the improvement from 9% to 12% ROCE achieved this year.

The Board has reviewed the strategic options beyond RPC 2010, which is due for completion in March 2011, and concluded that the Group is well positioned to achieve growth by building on its existing strong market positions and technological know-how. Packaging is forecast to grow in line with GDP with rigid plastic growing faster due to the ongoing substitution effect from other packaging materials. Opportunities for organic and acquisitive growth are currently being explored, both in the European market as well as in less mature higher growth markets outside Europe.

Board and Personnel

Following the completion of the review of the composition of the Board, which considered its size and balance, the Board was reduced from 11 to 7 members during the year.

It has been necessary to propose the closure of the UK pension scheme to both new entrants and future service accrual with effect from 31 July 2010 and to replace it with a contract based defined contribution plan. The participating companies in the UK are currently engaged in a 60 day consultation with affected employees.

As a consequence of our decentralised structure we are able to provide many opportunities for individuals to make their own contribution to the Group. We appreciate the outstanding efforts by all who together have enabled the Group to confront the difficult market conditions and regret that it has been necessary to continue to reduce the number of people employed by the Group.

CHAIRMAN AND CHIEF EXECUTIVE'S REPORT - *continued*

Dividend

The Board is recommending an increase in the final dividend to 7.4p per share (2009: 6.4p) making a total for the year of 10.5p (2009: 9.3p). This represents an increase of 12.9% over the previous year thereby continuing the Group's progressive dividend policy. Subject to approval at the forthcoming Annual General Meeting, the final dividend will be paid on 3 September 2010 to shareholders on the register on 6 August 2010.

Outlook

The Group's competitive position has improved due to a continued commitment to customers in terms of innovation and investment whilst operating in a challenging economic environment. We will continue to benefit from a strong market position in the relatively resilient food market, which currently accounts for around 59% of sales. Whilst polymer prices have steadily increased during the year, the Group is in a position to recover these increases with the majority of the customer base albeit with a time lag. The restoration of gross margins to more acceptable levels as witnessed this past year is expected to be largely sustainable. RPC 2010 remains on schedule with the final benefits coming through in the financial year 2011/12. The main short term uncertainty continues to be the volume outlook although a further deterioration in activity levels is currently not anticipated. The new financial year has started satisfactorily with the recent encouraging trend in terms of volumes continuing.

Rigid plastic packaging can be expected to grow faster than GDP which combined with our enhanced competitive position, a structurally lower cost base and a renewed focus on growth leads the Board to believe that the Group's prospects are good.

J R P Pike	R J E Marsh
Chairman	Chief Executive

BUSINESS REVIEW

Principal Activities

RPC is Europe's leading supplier of rigid plastic packaging, with manufacturing operations in 11 countries of the European Union and in the USA. Its product range comprises all forms of rigid packaging, namely injection moulded packs, thermoformed packs, sheet and extrusion blow-moulded packs, as well as injection-blown and injection-stretch-blown packs.

The business, which comprises 41 operating sites, converts polymer granules into finished packaging product by a combination of moulding and assembly processes, with certain products undergoing additional value-adding decorating processes such as printing or label application.

Customers range from large multinational companies such as Unilever, Kraft, Nestlé and Procter & Gamble to local small and medium sized enterprises.

Operations are structured along market and technological lines. These groups of operations are organised into 6 clusters, aligned to the 3 main conversion processes used in the Group. The conversion processes, cluster and markets they serve are as follows:

Conversion process	Cluster	Market
Injection Moulding	UK Injection Moulding	Paints, DIY products, soups and sauces, edible fats, promotional products
Injection Moulding	Bramlage-Wiko	Personal care, pharmaceutical, cosmetics, tablet dispensers & inhaler devices, food, coffee capsules
Thermoforming	Bebo	Margarine & spreads, fresh, frozen and long shelf-life foods
Thermoforming	Tedeco-Gizeh	Vending & drinking cups, coffee capsules, dairy market, disposable products
Thermoforming	Cobelplast	Phone cards, long shelf-life foods and form-fill-seal lines (sheet products)
Blow Moulding	Blow Moulding	Personal care, motor oil, agrichemicals, food & drinks

Each cluster has on average 7 manufacturing sites, operating across a wide geographical area for reasons of customer proximity, local market demand and manufacturing resource.

Each plant is run autonomously commensurate with maintaining overall financial control and effective co-ordination in each market sector. Hence, every cluster and most operating sites have a separate management team headed by a cluster or general manager. This structure encourages focus on business issues and delivers enhanced performance.

Review of Operations

Injection Moulding

	12 months to 31 March 2010 £m	12 months to 31 March 2009 £m
Revenue	303.5	314.3
Adjusted operating profit	20.7	17.7
Return on sales	6.8%	5.6%

The business comprises UK Injection Moulding and Bramlage-Wiko, which operates in Germany, France, Belgium, Slovakia and the USA. Overall the injection moulding business has performed well in the period with revenue only 3% lower on sales volumes which were relatively flat year on year but with operating profit increasing to £20.7m (2009: £17.7m), due to lower costs and a restoration of gross margins.

The UK injection moulding cluster, which comprises five sites in England, serves a wide range of customers in the food, health care and DIY markets. Overall sales volumes improved slightly with the operations at Oakham and Bradford experiencing a strong recovery in the DIY retail sector for surface coating containers, and Blackburn securing increased sales of soup and noodle pots from its existing customer base. There were sales volume improvements elsewhere, such as at Market Rasen where the demand for the new Sherbet Fountain (Tangerine plc) and re-usable milk jug, JUGIT (Dairy Crest) has been strong. These volume improvements, together with the full year impact of cost reduction measures, resulted in a much needed improvement in profitability.

Bramlage-Wiko on the other hand, with its operations based mainly in mainland Europe, saw a decrease in sales volumes year on year. Bramlage-Wiko is partner to a wide variety of customers whose markets serve the personal care, cosmetics, pharmaceuticals and food sectors. Its traditional product ranges of deodorant-sticks, cream jars, toothpaste dispensers, airless cream dispensers, and inhalant devices were all affected by a reduction in sales. In the first half of the year an extended period of de-stocking took effect with some recovery in volumes in the second half. The demand for cosmetics and high end personal care products remained subdued throughout the year. However, Tassimo coffee capsule sales continued to show good growth. Overall the profitability of the cluster decreased compared with last year as the impact of reduced activity levels and lower gross margins could not be completely offset by cost reduction measures.

During the year the closure of the Bramlage DHS site at Ravenstein in the Netherlands was completed together with the transfer of its business to other sites. In addition Bramlage-Wiko incorporated the Marolles business into its cluster structure, and is in the process of realigning the site's capacity with underlying demand for cosmetics by implementing a social plan to reduce the workforce by 23%.

Thermoforming

	12 months to 31 March 2010 £m	12 months to 31 March 2009 £m
Revenue	264.6	292.4
Adjusted operating profit	11.7	12.9
Return on sales	4.4%	4.4%

The thermoforming business of RPC, which comprises Bebo (retail food packaging), Tedeco-Gizeh (food service – vending and disposables), and Cobelplast (sheet production), experienced the effects of the recession during the year, although there was growth in key sectors and progress was made in restructuring and cost optimisation. Overall revenue was 9% down on last year mainly due to lower volumes. The operating profit reduced by £1.2m although it should be noted that last year's profit included a £1.9m profit on the sale of properties indicating that the underlying performance improved slightly year on year as cost reduction measures and a restoration of gross margins compensated for the impact of lower volumes.

Turnover in the margarine and spreads sector, where RPC has a leading market position, was strong, with good demand from Unilever in the branded sector, and additional private label business. Volumes in the important oxygen-barrier packaging business, where RPC leads the European market, were affected to a degree by the recession, but more importantly by dollar weakness, which resulted in the loss of significant sales of fruit bowls in the Far East. However, both the thermoforming and barrier sheet operations continue to benefit from the trend towards glass and can replacement, driven by environmental and safety considerations, with continuing growth anticipated in baby food in particular. The business in barrier packs for functional foods also continues to develop. A new fruit bowl production facility has been established within the USA plant, taking advantage of dollar zone manufacturing and North American sales opportunities. Nestlé continues to drive growth in the "Dolce Gusto" coffee capsule business; a second RPC manufacturing location has now been established, and further expansion of capacity is planned.

Activity in the sheet manufacturing operations was impacted by the loss of fruit bowl volumes mentioned above, but the capacity released has allowed the development of oxygen barrier sheet business in other sectors. The more specialised PET applications, such as sheet for printed cartons and oxygen barrier sheet for form-fill-seal, showed good growth. Food service volumes were affected by recessionary effects, particularly in the UK. The business in France held up well, assisted by the introduction of a lightweight vending cup with cost and sustainability benefits, and the Cash and Carry business in Germany was further developed.

Restructuring of manufacturing activities to reduce costs and focus investment and competencies continued. The closure of the Czech plant at Aš was completed. Further reorganisation is planned in the Netherlands, with the proposed closure of the Goor site.

Blow Moulding

	12 months to 31 March 2010 £m	12 months to 31 March 2009 £m
Revenue	157.2	170.1
Adjusted operating profit	8.5	4.9
Return on sales	5.4%	2.9%

The blow moulding operations are based both in the UK and in mainland Europe. Overall the blow moulding business has performed well in the period as the operating profit increased by 73% to £8.5m (2009: £4.9m) despite 8% lower revenue. Sales volumes were down on last year but this was more than compensated by lower costs. The significant improvement in profit performance is largely attributable to the cost reduction and restructuring activities, which included the closure of two sites and headcount reductions at other sites under the RPC 2010 programme. In the Netherlands, production at Halfweg ceased in October 2009 and the business transferred to Kerkrade. At Raunds in the UK, production ceased in March 2010, ahead of schedule, with production being transferred to other UK sites at Plenmeller and Rushden without any loss of business or disruption to customers.

The main weakness in demand was in the industrial and personal care markets, where customers were more strongly affected by the recession. However food and beverage volumes were more resilient and the diversified customer portfolio has helped to reduce the risk of exposure to any one particular product market. The site in Arganda del Rey, Madrid, has been expanded to a multi-technology site. Based on a long-term contract with a multinational food customer, an injection moulding department has been established to produce a new custom-moulded cheese tub. Production output and performance increased strongly through the year.

During the last 12 months the interest of customers in conversion projects from other packaging materials such as glass to plastic increased. The commitments of important customers regarding weight reduction targets had a positive influence on conversion projects. To increase the acceptance of plastic, most of the development work has been focused on "glass clear containers".

The combination of new polymer grades and improved manufacturing technologies supported significant progress in this area. Glass clear containers are now commercially available to customers.

New Product Development

RPC is at the forefront of polymer conversion technology in the packaging industry and has developed a good reputation in the market place for innovative packaging design and concepts. Through its design and development facilities at Bramlage in Germany and Rushden in the UK, the Group is able to develop unique packaging solutions to meet the needs of individual customer demands.

In injection moulding the Group is spearheading the combination of multi-cavity stack moulds with in-mould labelling robots in the production of such innovative products as new tub designs for margarine and spreads, and is also working on a process which replicates injection moulding but with a lower energy consumption. In thermoforming, the Group is among the world-wide leaders in the production and sealing of multi-layer, high barrier trays and tubs for oxygen sensitive foods thereby replacing long shelf-life packaging in other materials with light weight plastic alternatives, such as packaging for baby food, sauces and ready meals. In blow moulding, developments in the multi-layer bottle and jar market continue to move forward where there is a potentially significant opportunity for substitution of glass by plastic due to, amongst others, weight reduction and a more favourable ‘carbon footprint’.

It is recognised that, for customers, the decoration of a pack is very often the key to its successful sale. The Group is therefore very active in the field of printing and finishing plastic packs. Examples include the electroplating line at Marolles and the patented ‘Beboprint’ system in use at Bremervörde for the all-over printing of margarine tub lids.

The overall innovation capabilities across the range of conversion technologies combined with the ability to continue to invest and the geographical reach of the Group provides RPC with a significant competitive advantage.

Principal Risks and Uncertainties

RPC is subject to a number of risks, both external and internal, some of which could have a significant impact on the performance of its business.

Each year a wide-embracing review is conducted of these risks. This process helps both identify the nature and magnitude of a risk and the manner in which it can be mitigated. The risks that are seen as being particularly important at the current time are:

Polymer price and availability:
The key raw material used in the manufacture of rigid plastic packaging is polymer, principally polypropylene (PP), high density polyethylene (HDPE) and polystyrene (PS). The prices of each of these polymers are subject to considerable volatility as they tend to follow the underlying price of oil, as well as changes in global supply and demand. Polymer prices have risen significantly recently but the Group is in a position to pass through the majority of these increases to its customer base albeit with a time lag. In the past some polymer supplies have been seriously affected by plant breakdowns and maintenance, resulting in shortages. More recently the global economic down turn has impacted on the financial stability of some of the key polymer suppliers. As a consequence the Group has reduced its dependence on one or two suppliers and has adapted its manufacturing sites to convert a wider range of polymer grades but with the attendant complications of stock-holding, scrap generation and customer approvals. This will continue as new suppliers come on stream in areas such as the Middle East, Brazil and India.

Energy costs:
The conversion process in the manufacture of rigid plastic packaging is to 'melt' polymer, form it into a desired shape and then cool it. The action of heating and cooling entails the use of substantial amounts of electricity. The Group has sought to adapt its plants to an era of higher and fluctuating electricity prices by the combination of a purchasing strategy which 'balances' the risks by purchasing a proportion of expected electricity demand at fixed rates, and a drive to reduce the amount of electricity consumed per tonne of material converted through efficiency improvements. The Group also participates in a Climate Change Agreement, through the British Plastics Federation, which sets out energy reduction targets. The achievement of these targets has allowed the Group to obtain an 80% reduction of the charges made under the Climate Change Levy.

Dependency on key customers:
As the top 10 customers in the Group account for 30% of sales, the loss of any one of them could significantly affect the Group's results. Conversely, because of the Group's size, product range and the joint-investment often required to develop a product, many customers would have great difficulty in moving their business to another supplier in the short term. As a result there is a high degree of mutual dependency between RPC and its customers, which, of course, will be strengthened if the Group remains responsive to their requests, services them properly with quality products and continues to develop products that are suited to their needs.

Essential services and supplies:
The loss of essential services or products produced by a major supplier could have a significant impact on the Group's ability to service its customers. As such, the Group maintains alternative sources of supply wherever possible. If a problem is localised, in many cases it is possible to manufacture the product from another site within the RPC Group.

Pricing and competitive pressures:
RPC supplies major European and multinational companies which have the ability to switch significant volumes between alternative suppliers thereby increasing pressure on prices. To mitigate these risks the Group continually strives to provide optimal customer service and be at the forefront of product and process innovation while at the same time seeking to reduce its cost base and to achieve improved productivity, efficiency and economies of scale. A significant part of the Group's sales are bespoke with longer-term contracts in place. In today's difficult economic environment the Group's ability to continue to invest and maintain its innovation capabilities across a range of conversion technologies has improved its competitive position.

Financial risks:
RPC's treasury activities are governed by policies and procedures approved and monitored by the Board. The principal exposures relate to interest rate movements and foreign currency fluctuations. In the case of the former, RPC borrows at both fixed and floating rates in order to give a degree of stability to the composite rate charged each year. The Group has limited transactional exposure to the most influential currency risk – that of the sterling : euro rate. The balance sheet exposure is hedged by ensuring that, where appropriate, the borrowings in euros broadly balance the Group's net assets in euros, and significant transactional exposures are managed using approved financial derivatives (principally forward exchange contracts). The uncertainty in the financial markets could have had an impact on the Group's ability to fund activities but the risk is limited as, except for any other unforeseen circumstances, the Group has sufficient funding under its existing finance facilities, the majority of which expire in June 2012.

Safeguarding physical property:
The risk of fire represents the most significant physical risk to the Group. Although the likelihood of such an event is considered low, the impact of a major catastrophe of this type could be considerable. Mitigation of this risk has been achieved with most sites having sprinkler and/or smoke detection systems in place. In addition, the Group carries a comprehensive property damage and business interruption insurance policy.

Resources

RPC's success in generating good returns for its shareholders is dependent upon the resources available to it.

RPC is reliant upon the quality, dedication and commitment of its entire staff. RPC has enjoyed remarkable staff loyalty, partly because of the ethos of commitment and participation which is prevalent throughout the Group. The devolved nature of the management structure strongly contributes to a sense of challenge and fulfilment amongst the management of the Group, as a result of which, staff turnover at this level continues to be very low.

RPC is dependent upon the capabilities of its manufacturing operations to enable it to meet its customers' needs. The Group has consistently invested in plant and equipment, factory and warehousing space as well as in product and process development, so that it can meet its customers' requirements for quality, innovation and service.

RPC monitors carefully major customer contracts with the objective of limiting its exposure to risks beyond its control; for other customers the Group applies its general conditions of sale which are broadly in line with those applied by its peers and in addition has public and product liability insurance.

Corporate Responsibility

As a leader in the rigid plastic packaging industry the Group recognises its responsibility to minimise the impact of its activities on the environment and to contribute towards the well-being of those communities in which it operates and serves. The Group has identified those areas where its activities have the greatest impact on the natural and social environment and it seeks to reduce or mitigate these exposures wherever possible.

The Group's activities have the following direct impacts on the natural and social environment:

- energy and water consumption;
- transport;
- materials;
- noise;
- airborne pollutants;
- responsible employment; and
- employees' health and safety.

This year the Group has concentrated on:

- Revitalising its Health and Safety Policy through the adoption of a new framework which is designed to safeguard its employees through increased accountability and awareness at all levels of the organisation. Health and safety is first on the agenda at all site and group review meetings and performance is part of each business unit's annual objectives.

- Adoption of a Code of Business Conduct which sets out the basic ethical standards that are required across the Group.

- Putting in place the Sustainability Matters communication programme which is designed to (i) provide factual, reliable information on the environmental impact and benefits of plastic packaging; (ii) inform on what has been done to achieve environmental improvement in the packaging we produce; and (iii) to update progress on reducing the environmental impact of our factories and production processes.

RPC has three main non-financial key performance indicators (KPIs). From an environmental and cost control perspective electricity usage per tonne produced and water usage per tonne produced are measured. From an employee welfare perspective reportable accidents are monitored.

These non-financial KPIs are set out below:

	2010	2009
Electricity usage per tonne (Kwh/T)	**1,827**	1,856
Water usage per tonne (Lts/T)	**825**	935
Reportable accident frequency rate	**1,491**	1,829

Reportable accident frequency rate is defined as the number of accidents resulting in more than 3 days off work, excluding accidents where an employee is travelling to or from work, divided by the average number of employees, annualised and multiplied by the constant 100,000.

The Group continues to make stringent efforts to improve its efficient usage of electricity and water, the results of which are showing through with the electricity usage per tonne reducing by a further 2% and the water usage per tonne coming down by 12%. Similarly, with its employees, the Group is focused on reducing the number of accidents. A renewed focus on health & safety across the Group has led to a further reduction in the reportable accident frequency rate which measures the incidence of accidents across the Group.

Financial Review

Consolidated income statement

Group revenue for the year fell by 6.4% against 2008/09 to £719.9m primarily due to 4.4% lower sales volumes. The currency translation impact (mainly due to the strengthening of the euro against sterling) increased the 2009/10 turnover by circa £35m but this was largely offset by the pass through of (on average) lower polymer prices.

Adjusted operating profit (before restructuring costs and impairment) increased by 15% to a record level of £40.9m (2009: £35.5m) despite the absence of the profit on sale of properties of £2.5m recorded last year. The improvement was largely driven by an overall lower cost base as the impact of the RPC 2010 restructuring programme started to take effect. Gross margins were restored to more acceptable levels which combined with the cost reduction offset the impact of the volume losses. The average number of people employed fell by a further 7% from 6,594 to 6,128.

Restructuring costs of £17.2m (2009: £22.4m) and impairment losses of £0.9m (2009: £3.4m) were incurred under the RPC 2010 programme. The closure of production facilities at Mozzate (Italy), Aš (Czech Republic), Ravenstein (the Netherlands), Halfweg (the Netherlands) and Raunds (UK) have all been completed. In addition a social plan to reduce the headcount at Marolles (France), the proposed closure of Goor (the Netherlands) and reorganisation of the remaining Dutch thermoforming facilities were both announced in the second half of the year. The impairment loss reflects the reduction in value of the Halfweg property on disposal. The total exceptional costs of RPC 2010 are estimated at circa £43m of which £38.5m has already been recognised in 2008/09 and 2009/10. The RPC 2010 programme is expected to be complete by the end of the 2010/11 financial year with the final benefits visible in 2011/12. The steady state structural cost benefits are projected to be at least £19m, an increase of £3m compared with the previous estimate. Circa £14m of these benefits are estimated to have been realised by March 2010.

Net financing costs reduced significantly from £14.2m in 2008/09 to £3.6m in 2009/10. This is mainly attributable to a lower net interest charge of £4.4m in the year (2009: £10.4m), reflecting both lower interest rates and lower levels of average net debt as the cash generation of the Group was again strong. Favourable foreign exchange movements, mainly relating to the US dollar bond, resulted in a net financial income of £0.8m (2009: charge of £3.8m).

The adjusted profit before tax increased to £36.5m (2009: £25.1m) as a consequence of both the improvement in operating profit and the reduction in net interest charges. The underlying tax rate for the Group at 28.5% is largely unchanged from last year (2009: 29.0%). The Group's overall taxation charge was £6.0m with slightly lower tax relief available on the restructuring costs charged as exceptional items. The resulting adjusted profit after tax is £26.1m (2009: £17.8m) and adjusted basic earnings per share increases by 47% from 18.0p in 2008/09 to 26.4p in 2009/10.

The improvement in operating profit, lower restructuring and impairment costs and reduction in net financing costs resulted in a net profit for the period of £13.2m, compared with a net loss of £7.7m in 2008/09. Basic earnings per share is 13.5p, compared with a loss per share of 7.8p in 2008/09.

Consolidated balance sheet and cash flow statement

Property, plant and equipment decreased by £20.0m from £278.1m last year to £258.1m in 2009/10. Capital additions were £6.6m lower than depreciation charged in the year, the remaining decrease being attributable to exchange rate movements and the sale of the Thornaby and Halfweg properties. Capital expenditure levels at £28.0m (2009: £33.4m) were lower than last year, as the Group focused capital expenditure on higher return investments and essential replacements.

Working capital (the sum of inventories, trade and other receivables and trade and other payables) decreased to £26.6m from £44.0m at the year end thereby consolidating the gains made last year when working capital was reduced by £48.5m. This improvement was achieved in spite of higher polymer prices in the latter part of the year, and reflect further reductions in inventory levels and improvements in credit payment terms. Working capital as a percentage of sales for the year improved from 5.7% in 2008/09 to 3.6% (based on annualised second half revenue).

The long-term employee benefit liabilities increased by £16.6m to £56.7m (2009: £40.1m) due to an increase in the UK defined benefit pension scheme deficit of £16.3m. This was mainly due to a reduction in the discount rate and an increase in the inflation rate used to calculate the present value of liabilities which was only partially offset by a significant rise in the market value of assets. The UK deficit, on an IAS 19 basis, stands at £32.4m (pre-tax). Presently a triennial valuation is being carried out based on the position as at 31 March 2009. In order to repair the pension fund deficit, the principal employer has reached agreement in principle with the Trustee to pay a one-off contribution of £10m in 2010/11 and to make deficit reduction payments of £1.8m per annum increasing at 3% per annum over a period of approximately 13.3 years (present deficit reduction contributions are circa £0.5m per annum). As part of this process the participating companies in the UK are currently engaged in a 60 day consultation with affected employees on proposals to close the UK pension scheme to both new entrants and future service accrual with effect from 31 July 2010 and to replace it with a contract based defined contribution plan for future service.

Capital and reserves reduced in the period by £14.5m, from £170.9m in 2008/09 to £156.4m, the net profit for the year of £13.2m being offset by pension related actuarial losses (net of tax) of £13.7m, dividends paid of £9.4m, exchange rate movements on translation of £4.7m and other share-based payment transactions. Further details are shown in the Consolidated Statement of Changes in Equity which is included in the financial statements.

The generation of net cash from operating activities (after tax and interest) at £64.7m (2009: £99.5m) was strong, with an improved EBITDA performance and lower interest and tax expenditure whilst working capital was further reduced.

Net debt reduced by a further £36.4m in the year, from £116.6m to £80.2m, due to the strong cash flow performance. Gearing reduced from 68% at 31 March 2009 to 51%. At the year end the Group had total finance facilities of approximately £308m leaving an amount of £225m undrawn. The facilities are unsecured and comprise a revolving credit facility of up to £200m, seven year floating notes totalling €35m and $40m, and various overdraft arrangements. The majority of the facilities do not expire until 2012.

Group KPIs

The Group's main financial KPIs focus on return on investment, business profitability and cash generation.

	2010	2009
Return on capital employed *(1)*	**11.8%**	9.1%
Added value per tonne *(2)*	**£2,057**	£2,090
Gross margin *(3)*	**49%**	46%
Free cash flow *(4)*	**£60.1m**	£87.7m
Cash conversion *(5)*	**163%**	291%

(1) Return on capital employed, which is measured over the previous 12 months, is defined as adjusted operating profit divided by the average of opening and closing shareholders' equity, adding back deferred tax assets and liabilities, retirement benefit obligations and liabilities in connection with derivative financial instruments, and after adding back average net borrowings for the year in question.
(2) Added value per tonne is the difference between production sales value per tonne produced and the cost of polymer per tonne produced. The 2008/09 comparative numbers have been re-stated using 2009/10 exchange rates.
(3) Gross margin is the difference between sales price and all directly variable costs such as polymer, packaging, transport and electricity.
(4) Free cash flow is defined as cash generated from operations less net capital expenditure, net interest and tax, adjusted to exclude exceptional cash flows.
(5) Cash conversion is defined as the ratio of cash generated from operations less net capital expenditure excluding exceptional cash flows, to adjusted operating profit.

The key measure of the Group's financial performance is return on capital employed (ROCE). This shows a 2.7% improvement versus the total for the year 2008/09 due to the higher adjusted operating profit and a reduced capital employed. The average capital employed (12 months rolling average) reduced to £347m compared with £392m for the year 2008/09 driven by lower working capital requirements and average net debt levels.

Following completion of the RPC 2010 programme, the Group's target is to achieve an average of at least 15% ROCE across the economic cycle. RPC 2010 is expected to be completed by the end of 2010/11 with the final benefits coming through in the financial year 2011/12. The RPC 2010 revised target of steady-state structural benefits (compared with the first half of 2008/09 cost base) is at least £19m, an increase of £3m compared with the previous estimate.

The added value per tonne has reduced primarily due to the effect of the constantly increasing polymer prices during the year, the majority of which the Group can pass through to the customer base but with a time lag. The effect of the time lag reduced the 2009/10 added value per tonne. Gross margins as a percentage of revenue improved and reflects the much needed restoration of margins following a long period of attrition. The continued good free cash flow performance and high cash conversion rate are a consequence of the Group's continued focus on cash generation.

Consolidated income statement
for the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Revenue	3	**719.9**	769.1
Operating costs		**(697.1)**	(759.4)
Operating profit		**22.8**	9.7
Analysed as:			
Operating profit before:	3	**40.9**	35.5
Restructuring and closure costs	4	**(17.2)**	(22.4)
Impairment losses	4	**(0.9)**	(3.4)
Operating profit		**22.8**	9.7
Financial income		**1.3**	2.3
Financial expenses		**(4.9)**	(16.5)
Net financing costs	5	**(3.6)**	(14.2)
Profit / (loss) before taxation	3	**19.2**	(4.5)
Taxation	6	**(6.0)**	(3.2)
Profit / (loss) for the period attributable to equity shareholders of the parent		**13.2**	(7.7)
Basic earnings per ordinary share	7	**13.5p**	(7.8)p
Diluted earnings per ordinary share	7	**13.3p**	(7.8)p
Adjusted basic earnings per ordinary share	7	**26.4p**	18.0p
Adjusted diluted earnings per ordinary share	7	**26.2p**	18.0p

Consolidated statement of comprehensive income
for the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Profit / (loss) for the period		**13.2**	(7.7)
Other comprehensive income / (expense)			
Foreign exchange translation differences		**(4.7)**	17.3
Effective portion of movement in fair value of interest rate swaps		**0.3**	(1.9)
Deferred tax on above		**(0.1)**	0.5
Actuarial losses on defined benefit pension plans	9	**(19.1)**	(12.3)
Deferred tax on actuarial losses		**5.4**	3.5
Other comprehensive (expense) / income for the period		**(18.2)**	7.1
Total comprehensive expense for the period		**(5.0)**	(0.6)

Consolidated balance sheet at 31 March 2010

	Notes	**2010 £m**	2009 £m
Non-current assets			
Goodwill		**23.1**	24.0
Other intangible assets		**3.7**	3.0
Property, plant and equipment		**258.1**	278.1
Derivative financial instruments		**0.7**	1.1
Deferred tax assets		**17.5**	8.2
Total non-current assets		**303.1**	314.4
Current assets			
Inventories		**86.4**	87.9
Trade and other receivables		**125.8**	120.7
Cash and cash equivalents		**32.2**	35.8
Total current assets		**244.4**	244.4
Current liabilities			
Bank loans and overdrafts		**(1.0)**	-
Trade and other payables		**(185.6)**	(164.6)
Current tax liabilities		**(6.0)**	(4.9)
Employee benefits		**(6.2)**	(6.9)
Provisions		**(2.4)**	(2.8)
Derivative financial instruments		**(1.0)**	(0.2)
Total current liabilities		**(202.2)**	(179.4)
Net current assets		**42.2**	65.0
Total assets less current liabilities		**345.3**	379.4
Non-current liabilities			
Bank loans and other borrowings	8	**(111.4)**	(152.4)
Employee benefits	9	**(56.7)**	(40.1)
Deferred tax liabilities		**(20.7)**	(14.8)
Derivative financial instruments		**(0.1)**	(1.2)
Total non-current liabilities		**(188.9)**	(208.5)
Net assets		**156.4**	170.9
Equity			
Called up share capital		**5.0**	5.0
Share premium account		**3.4**	3.3
Capital redemption reserve		**0.9**	0.9
Retained earnings		**112.7**	122.8
Cash flow hedging reserve		**(0.8)**	(1.0)
Cumulative translation differences reserve		**35.2**	39.9
Total equity attributable to equity shareholders of the parent		**156.4**	170.9

Consolidated cash flow statement
for the year ended 31 March 2010

	Notes	**2010 £m**	2009 £m
Cash flows from operating activities			
Profit / (loss) before tax		**19.2**	(4.5)
Net financing costs		**3.6**	14.2
Profit from operations		**22.8**	9.7
Adjustments for:			
Amortisation of intangible assets		**0.9**	0.6
Impairment of goodwill		**-**	1.4
Impairment loss on property, plant and equipment		**0.9**	2.0
Depreciation		**34.4**	34.6
Share-based payments		**1.1**	0.6
Profit on disposal of property, plant and equipment		**(0.4)**	(3.4)
(Decrease) / increase in provisions		**(2.5)**	4.1
Other non-cash items		**(1.3)**	-
Operating cash flows before movements in working capital		**55.9**	49.6
(Increase) / decrease in inventories		**(1.0)**	35.9
(Increase) / decrease in receivables		**(10.0)**	25.0
Increase in payables		**26.5**	4.7
Cash generated by operations		**71.4**	115.2
Taxes paid		**(2.2)**	(5.1)
Interest paid		**(4.5)**	(10.6)
Net cash from operating activities		**64.7**	99.5
Cash flows from investing activities			
Interest received		**0.1**	0.2
Proceeds on disposal of property, plant and equipment		**4.7**	7.1
Acquisition of property, plant and equipment		**(28.0)**	(33.4)
Acquisition of intangible assets		**(1.6)**	(0.5)
Net cash flows from investing activities		**(24.8)**	(26.6)
Cash flows from financing activities			
Dividends paid		**(9.4)**	(8.9)
Purchase of own shares		**(1.5)**	-
Proceeds from the issue of share capital		**0.1**	0.1
Repayments of borrowings		**(30.8)**	(60.9)
New bank loans raised		**-**	3.2
Finance leases received		**-**	0.4
Net cash flows from financing activities		**(41.6)**	(66.1)
Net (decrease) / increase in cash and cash equivalents		**(1.7)**	6.8
Cash and cash equivalents at beginning of period		**35.8**	28.6
Effect of foreign exchange rate changes		**(1.9)**	0.4
Cash and cash equivalents at end of period		**32.2**	35.8
Cash and cash equivalents comprise:			
Cash at bank		**32.2**	35.8
		32.2	35.8

Consolidated statement of changes in equity
for the year ended 31 March 2010

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
At 1 April 2008	5.0	3.2	0.9	22.6	0.4	147.6	179.7
Loss for the period	-	-	-	-	-	(7.7)	(7.7)
Actuarial losses	-	-	-	-	-	(12.3)	(12.3)
Deferred tax on actuarial losses	-	-	-	-	-	3.5	3.5
Exchange differences on foreign currencies	-	-	-	17.3	-	-	17.3
Movement in fair value of swaps	-	-	-	-	(1.9)	-	(1.9)
Deferred tax on hedging movements	-	-	-	-	0.5	-	0.5
Total comprehensive income / (expense) for the period	-	-	-	17.3	(1.4)	(16.5)	(0.6)
Issue of shares	-	0.1	-	-	-	-	0.1
Equity-settled share-based payments	-	-	-	-	-	0.6	0.6
Dividends paid	-	-	-	-	-	(8.9)	(8.9)
Total transactions with owners, recorded directly in equity	-	0.1	-	-	-	(8.3)	(8.2)
At 31 March 2009	5.0	3.3	0.9	39.9	(1.0)	122.8	170.9
At 1 April 2009	**5.0**	**3.3**	**0.9**	**39.9**	**(1.0)**	**122.8**	**170.9**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**13.2**	**13.2**
Actuarial losses	**-**	**-**	**-**	**-**	**-**	**(19.1)**	**(19.1)**
Deferred tax on actuarial losses	**-**	**-**	**-**	**-**	**-**	**5.4**	**5.4**
Exchange differences on foreign currencies	**-**	**-**	**-**	**(4.7)**	**-**	**-**	**(4.7)**
Movement in fair value of swaps	**-**	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Deferred tax on hedging movements	**-**	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**(4.7)**	**0.2**	**(0.5)**	**(5.0)**
Issue of shares	**-**	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Equity-settled share-based payments	**-**	**-**	**-**	**-**	**-**	**1.3**	**1.3**
Purchase of own shares	**-**	**-**	**-**	**-**	**-**	**(1.5)**	**(1.5)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(9.4)**	**(9.4)**
Total transactions with owners, recorded directly in equity	**-**	**0.1**	**-**	**-**	**-**	**(9.6)**	**(9.5)**
At 31 March 2010	**5.0**	**3.4**	**0.9**	**35.2**	**(0.8)**	**112.7**	**156.4**

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1. Basis of Preparation

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 March 2010 or 2009. The financial information for the year ended 31 March 2009 is derived from the statutory accounts for 2009 which have been delivered to the Registrar of Companies. The auditors have reported on the 2010 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the 2010 statutory accounts or under section 237(2) or (3) of the Companies Act 1985 in respect of the 2009 statutory accounts. The statutory accounts for 2010 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

2. Accounting Policies

These extracts from the Group financial statements for the year ended 31 March 2010 have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards that were effective as at that date and as adopted by the EU ('Adopted IFRS').

3. Operating Segments

The Group adopted IFRS 8 'Operating Segments' with effect from 1 April 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, which is considered to be the Group's chief operating decision maker, to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (geographical and business), using a risks and rewards approach. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

Products and services from which reportable segments derive their revenues

In prior years, the primary segment information reported externally was based on the geographical region in which businesses were located and the secondary segment information was based on manufacture by specific conversion process. The information reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance is based on manufacturing conversion process. Details of these processes can be found in the Business Review.

Information regarding the Group's operating segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Segment revenues and results

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment with an allocation of central items. Pricing of inter-segment revenue is on an arms length basis.

NOTES TO THE PRELIMINARY ANNOUNCEMENT - *continued*

The following is an analysis of the Group's revenue and results by reportable segment.

	Injection Moulding		**Thermoforming**		**Blow Moulding**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Revenue								
External sales	**299.3**	309.0	**264.4**	291.1	**156.2**	169.0	**719.9**	769.1
Inter-segment sales	**4.2**	5.3	**0.2**	1.3	**1.0**	1.1		
Total revenue	**303.5**	314.3	**264.6**	292.4	**157.2**	170.1		
Segmental results								
Segment operating profit	**20.7**	17.7	**11.7**	12.9	**8.5**	4.9	**40.9**	35.5
Restructuring							**(17.2)**	(22.4)
Impairments							**(0.9)**	(3.4)
Finance costs							**(3.6)**	(14.2)
Profit/(loss) before tax							**19.2**	(4.5)
Tax							**(6.0)**	(3.2)
Profit/(loss) for the period							**13.2**	(7.7)

Geographical information

The Group's revenue and results are divided into the following geographical areas:

2010

	UK	***Germany***	***France***	***Other***	**Mainland Europe***	**Total**
	£m	***£m***	***£m***	***£m***	**£m**	**£m**
External sales	**188.8**	***251.6***	***80.0***	***199.5***	**531.1**	**719.9**
Operating profit	**20.4**				**20.5**	**40.9**
Return on sales	**10.8%**				**3.9%**	**5.7%**

2009

	UK	*Germany*	*France*	*Other*	Mainland Europe*	Total
	£m	*£m*	*£m*	*£m*	£m	£m
External sales	198.2	*257.8*	*82.5*	*230.6*	570.9	769.1
Operating profit	11.0				24.5	35.5
Return on sales	5.6%				4.3%	4.6%

* Mainland Europe also includes an operation in the USA whose sales are predominantly sourced from intra-group supplies manufactured in Germany.

Revenues from external customers have been identified on the basis of origin.

4. Restructuring and Closure Costs

	2010	2009
	£m	£m
Closure costs	**11.6**	20.0
Restructuring of operations	**5.6**	2.4
	17.2	22.4

2010

During the year the Group completed the closure of the five sites announced under the RPC 2010 programme in 2008/09. In addition it announced a social plan to reduce headcount at its Marolles site in France, a proposal to close its operation at Goor in the Netherlands, including restructuring its Dutch thermoforming businesses at Beuningen and Deventer, and the closure of its site at Ploiesti in Romania. During the year costs of £11.6m were incurred relating to the closure of sites announced in this and the previous year under the RPC 2010 programme. Included in restructuring of operations were £4.5m of redundancy costs.

2009

During 2008/09, the Group decided to close and restructure operations in five of its six clusters under the RPC 2010 programme, comprising the closure of the operation at Mozzate in Italy and the rationalisation of the beauté cluster, the closure of sites at Ravenstein and Halfweg in the Netherlands, Aš in Czech Republic, and the closure of Raunds and the rationalisation of the UKSC businesses in the UK, together with the remaining closure costs of the Hereford, Thornaby, Piaseczno and Łaskarzew sites. Costs of £20.0m were incurred in the year relating to the closure of the above sites (comprising £15.3m incurred on the RPC 2010 programme and £4.7m on the earlier closures). Of these costs, £18.3m was incurred on staff redundancy and other closure costs while £1.7m of charges were for asset write downs. The Group's restructuring led to a further £2.4m of costs being incurred in relation to employment termination costs and other restructuring activities, including the professional fees for the Strategic Review of the business.

Impairment losses

	2010	2009
	£m	£m
Impairment losses recognised in respect of assets	**0.9**	3.4

During the year, the Group incurred a £0.9m write down of property, plant and equipment at the sites that were closed. In the previous year, there was a total charge of £3.4m in relation to the write down of property, plant and equipment at the sites that were closed or in the process of being closed (£2.0m) and goodwill in respect of the closure of the Mozzate site (£1.4m).

5. Net Financing Costs

	2010	2009
	£m	£m
Net interest payable	**4.4**	10.4
Mark to market loss / (gain) on foreign currency hedging instruments	**0.4**	(2.1)
Exchange differences on bonds	**(1.2)**	5.9
	3.6	14.2

6. Taxation

	2010 £m	2009 £m
United Kingdom corporation tax at 28% (2009: 28%)	**0.6**	-
Overseas taxation	**2.8**	3.2
Total current tax	**3.4**	3.2
Deferred tax:		
United Kingdom	**3.2**	0.5
Overseas	**(0.6)**	(0.5)
Total tax expense in income statement	**6.0**	3.2

7. Earnings per Share

Basic

Earnings per share has been computed on the basis of earnings of £13.2m profit (2009: £7.7m loss) and on the weighted average number of shares in issue during the year of 98,760,404 (2009: 99,067,693). The weighted average number of shares excludes shares held by the Employee Benefit Trust to satisfy future awards in respect of incentive arrangements.

Diluted

Diluted earnings per share is 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 of 1,033,069 (2009: 82,423). The number of shares used for the diluted calculation for the year was 99,793,473 (2009: 99,150,116).

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 the restructuring and closure costs and impairment losses identified separately on the face of the Consolidated Income Statement together with the debit or credit for the foreign currency hedging instruments and exchange differences on bonds, adjusted for the tax thereon, have been excluded.

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

	2010 £m	2009 £m
Profit/(loss) after tax as reported in the Consolidated Income Statement	**13.2**	(7.7)
Restructuring and closure costs and impairment losses	**18.1**	25.8
Foreign currency hedging instruments and exchange differences on bonds	**(0.8)**	3.8
Tax effect thereon	**(4.4)**	(4.1)
Adjusted profit after tax	**26.1**	17.8

Adjusted basic earnings per share

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

	2010	2009
Weighted average number of shares	**98,760,404**	99,067,693
Adjusted basic earnings per share	**26.4p**	18.0p

Adjusted diluted earnings per share

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

	2010	2009
Weighted average number of shares	**98,760,404**	99,067,693
Effect of share options in issue	**1,033,069**	82,423
	99,793,473	99,150,116
Adjusted diluted earnings per share	**26.2p**	18.0p

8. Non-current Liabilities

	2010	2009
	£m	£m
Bank loans and other borrowings (see below)	**111.0**	152.0
Finance leases	**0.4**	0.4
	111.4	152.4

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

	2010	2009
	£m	£m
Repayable as follows:		
In one year or less	**1.0**	-
Between one and two years	**57.6**	-
Between two and five years	**53.4**	152.0
Greater than five years	**-**	-
	112.0	152.0

These unsecured facilities comprise:

(i) A revolving credit facility of up to £200.0m available in sterling, US dollars or euros at normal commercial interest rates. Of this sum, £28.0m will fall due on 16 June 2011 with the remaining £172.0m available until 16 June 2012.

(ii) Uncommitted overdraft facilities of £10.0m, €27.0m and other small local facilities.

(iii) Seven year floating loan notes totalling €35.0m and US$40.0m maturing in March 2012 at a normal commercial margin over Euribor and Libor.

The currency and interest rate profile of the Group's net debt is as follows:

	Fixed rate 2010 £m	**Floating rate 2010 £m**	**Cash at bank 2010 £m**	**Total 2010 £m**	Fixed rate 2009 £m	Floating rate 2009 £m	Cash at bank 2009 £m	Total 2009 £m
Sterling	**-**	**17.2**	**(12.4)**	**4.8**	-	22.0	(4.5)	17.5
Euro	**3.3**	**64.5**	**(16.1)**	**51.7**	3.9	97.3	(28.4)	72.8
US dollar	**1.0**	**26.4**	**(1.9)**	**25.5**	1.2	28.0	(0.6)	28.6
Other	**-**	**-**	**(1.8)**	**(1.8)**	-	-	(2.3)	(2.3)
	4.3	**108.1**	**(32.2)**	**80.2**	5.1	147.3	(35.8)	116.6

9. Employee Benefits

The liability recognised in the Consolidated Balance Sheet for long-term employee benefits and the movement in retirement benefit obligations was:

	2010 £m	2009 £m
Retirement benefit obligations at 1 April	**33.7**	20.4
Total expense charged to the income statement	**4.1**	3.8
Actuarial losses recognised in the statement of comprehensive income	**19.1**	12.3
Contributions and benefits paid	**(5.8)**	(5.5)
Exchange differences	**(0.8)**	2.7
Retirement benefit obligations at 31 March	**50.3**	33.7
Termination benefits	**3.0**	3.3
Other long-term employee benefit liabilities	**3.4**	3.1
Employee benefits due after one year	**56.7**	40.1

Retirement Benefit Obligations

The liability recognised in the balance sheet for retirement benefit obligations was:

As at 31 March 2010

	UK £m	**Netherlands £m**	**Germany £m**	**France £m**	**Other Mainland Europe £m**	**Group £m**
Present value of funded obligations	**92.9**	**12.2**	**-**	**-**	**-**	**105.1**
Fair value of plan assets	**(60.5)**	**(10.7)**	**-**	**-**	**-**	**(71.2)**
	32.4	**1.5**	**-**	**-**	**-**	**33.9**
Present value of unfunded obligations	**-**	**-**	**14.1**	**2.7**	**0.6**	**17.4**
Unrecognised past service cost	**-**	**(0.4)**	**-**	**(0.6)**	**-**	**(1.0)**
Liability in the balance sheet	**32.4**	**1.1**	**14.1**	**2.1**	**0.6**	**50.3**

As at 31 March 2009

	UK £m	Netherlands £m	Germany £m	France £m	Other Mainland Europe £m	Group £m
Present value of funded obligations	58.4	10.8	-	-	-	69.2
Fair value of plan assets	(42.3)	(9.0)	-	-	-	(51.3)
	16.1	1.8	-	-	-	17.9
Present value of unfunded obligations	-	-	12.9	2.5	1.6	17.0
Unrecognised past service cost	-	(0.5)	(0.1)	(0.6)	-	(1.2)
Liability in the balance sheet	16.1	1.3	12.8	1.9	1.6	33.7

The Group operates a number of defined benefit pension and similar arrangements. In the UK and the Netherlands these are contributory with funds held separately from the finances of the Group either by trustee-administered funds or by insurance contracts. Elsewhere, principally in Germany and France, the retirement benefit obligations are unfunded arrangements financed by balance sheet provisions. The liability recognised in the balance sheet 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 method. Differences between the actual and expected return on assets, changes in actuarial assumptions and experience gains and losses on liabilities have been recognised in the Consolidated Statement of Comprehensive Income.

The principal source of the rise in the retirement benefit obligations at 31 March 2010 is an increase in the UK Pension Scheme deficit from £16.1m at 31 March 2009 to £32.4m. This was due to a reduction in the discount rate and an increase in the inflation rate used to calculate the present value of liabilities which was only partially offset by a significant rise in the market value of assets.

Presently a triennial valuation is being carried out based on the position as at 31 March 2009. As part of this process, the participating companies in the UK are currently engaged in a 60 day consultation with affected employees on proposals to close the UK Pension Scheme to both new entrants and future service accrual with effect from 31 July 2010 and to replace it with a contract based defined contribution pension plan for future service. The principal employer has proposed to pay a one-off contribution to the UK pension scheme of £10m in 2010/11 and deficit reduction contributions of approximately £1.8m per annum increasing at 3% per annum over a period of approximately 13.3 years. Presently, deficit reduction contributions are approximately £0.5m per annum.

10. Exchange Rates

The closing rate of exchange for the euro at 31 March 2010 was €1.12 (2009: €1.07) and for the US dollar was $1.51 (2009: $1.43). The average rate of exchange for the euro for 2010 was €1.13 (2009: €1.20) and for the US dollar $1.60 (2009: $1.72).

11. Responsibility Statement

The 2010 Annual Report & Accounts contains a responsibility statement which was approved by the Board of Directors and signed by J R P Pike, Chairman and R J E Marsh, Chief Executive on 16 June 2010.

The directors confirm that to the best of their knowledge, the financial statements are prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and the Director’s Report (incorporating the Business Review) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Annual Report & Accounts will be sent to all shareholders in June 2010 and published on the Group’s website (www.rpc-group.com). Additional copies will be available from the Company’s registered office at Lakeside House, Higham Ferrers, Northants, NN10 8RP.