



29 August 2008

**BRITISH POLYTHENE INDUSTRIES PLC  
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008**

- Sales of £265.9million (2007: £226.0m) on flat volumes, reflecting the increased input costs experienced during the period which in the main were passed on to customers
- Profit before tax £7.2million (2007: £8.8m)
- Interim dividend maintained at 7.0p per share
- Recently acquired AT Films integrated well, with North American sales volumes 15% ahead
- Board confident in future of business and its resilience

Commenting on the results and prospects, Cameron McLatchie, BPI Chairman said:

*“As we indicated at the time of our AGM in May, and also in our pre-close statement in July, trading over the first six months of the year has been challenging. We have experienced steep increases in raw material input costs and reduced demand from customers in the industrial and construction sectors, although there has been sound demand from the agricultural and consumer related sectors.*”

*Despite the challenges and trading difficulties we continue to face in the short term, your Board remains confident in the future of our business, its resilience and medium to long term prospects.”*

Enquiries

Cameron McLatchie, Chairman

John Langlands, Chief Executive

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## **INTERIM MANAGEMENT REPORT**

### **CHAIRMAN'S STATEMENT**

As we indicated at the time of our AGM in May, and also in our pre-close Statement in July, trading over the first six months of this year has been challenging. We have experienced steep increases in raw material input costs and reduced demand from a number of our customers in the industrial and construction sectors.

Despite these difficulties, we have produced results which, although somewhat below the outcome for the comparative period last year, are in line with previous expectations. The outcome has been helped by sound demand from the agricultural and consumer related sectors. These results, yet again, demonstrate that our business is fundamentally resilient in challenging conditions and that, given time, input cost increases will be passed through to customers.

On turnover of £265.9 million (2007: £226.0 million), our profit before tax was £7.2 million (2007: £8.8 million), resulting in fully diluted earnings per share of 19.83p (2007: 24.30p). The increase in turnover was achieved on overall flat volumes, and reflects increased input costs – both raw material and energy - which we experienced during the period, and which were, in the main, passed on to our customers, albeit with something of an inevitable time lag.

The Board has declared a maintained interim dividend of 7p per share which will be payable on 19 November 2008 to shareholders on the register at the close of business on 24 October 2008.

Our raw material suppliers have imposed further price increases for July and August, and prices are now at an unprecedented level in the EC. Our view remains that these levels will drop, particularly as oil prices seem to have fallen back in the short term. However, the main raw material for ethylene in the EC is naphtha, and prices for that oil-based feedstock have been fixed for the third quarter.

While we cannot forecast the price of raw materials going forward, these results, yet again, have clearly demonstrated our ability to cope with substantial input cost increases in the medium term.

It is clear that certain of our UK operations are not producing acceptable returns. Most of this relates to changes in demand patterns and the downturn of the industrial and construction base in the UK. We are actively taking steps to bring our production capacity into line with current customer demand. We have already closed one small site this year and we are examining all options to improve the return from certain operations. Any action taken will ensure that we preserve our skills and retain and service our customer base.

Despite all of the above challenges, and the trading difficulties we continue to face in the short term, your Board remains confident in the future of our business, its resilience and medium to long term prospects.

**Cameron McLatchie**

Chairman

## **CHIEF EXECUTIVE'S REVIEW**

### **BUSINESS OVERVIEW**

#### **Summary**

Group operating profit reduced from £10.1 million to £8.7 million as raw material prices and energy costs continued to impact on margins. The agricultural acquisition in North America operated in line with expectations and contributed first time operating profits of £0.5 million. The contribution from our agricultural business is normally seasonally weighted to the first half and we expect this again to be the case in the current year.

#### **Raw Material Prices**

Raw material prices continued to increase throughout 2008 and the average polymer price in the first half was 15% ahead of the full year average for 2007. In January, the Platts price index for low density polymer reached a new high of £970 per tonne and this was subsequently exceeded on a number of occasions in the first half. In July, following an upsurge in oil prices, the price reached a new record of £1,200 per tonne with a further increase in August to reach £1,255 per tonne.

Higher increases were charged by our suppliers on certain grades of polymer and some price reference organisations failed to reflect the higher market price movements, requiring our sales teams to increase selling prices above reported movements, in an effort to recover these input costs without excessive delay.

#### **Sales and Margins**

Total sales for the six months were nearly 18% ahead of 2007 and, excluding our North American acquisition, were up 13% reflecting the increases in raw material prices. The normal delay in recovering raw material price increases together with the impact of higher UK electricity costs has resulted in margin compression.

## **Energy Costs**

Electricity prices increased substantially with costs in the UK £2.5 million above the equivalent period for 2007 – a rise of nearly 50%. These price increases will impact even more in the second half with 2008 summer prices now higher than during last winter. While these price increases have been driven by the rise in oil, gas and coal prices, the UK market continues to be the highest priced market in Europe with a subsequent disadvantage to UK industry. We were left with no choice but to instruct our sales forces to recover these excess energy costs from our customers.

## **Sales Volumes**

Total sales volume of manufactured products from our UK and European sites were unchanged at 172,000 tonnes with higher sales of silage stretchfilm for the agricultural sector offsetting lower sales to the construction industry. Sales volumes from North America at just over 6,000 tonnes were 15% ahead of the equivalent period in 2007.

## **Restructuring**

In May, we closed our small unprofitable manufacturing site at Buckhurst Hill in Essex with the loss of 45 jobs and moved the business to our other small sites at Flint and Cowdenbeath.

Our total UK workforce has fallen from around 2,000 at December 2007 to just over 1,900 at June 2008, as we continue to reduce our UK cost base.

## **Capital Expenditure**

Our capital expenditure at £7.7 million was higher than depreciation with the main spend on upgrading our agricultural site at Leominster and deposits for our new stretch line at Zele and printing presses at Worcester. No further significant items have been approved since February.

## **Cash Flow and Borrowings**

Despite raw material price increases and the negative effect of currency translation, careful control of working capital and an earlier silage season ensured that borrowings were maintained at the same level as December 2007.

## **Strategy**

Our current strategy is set out in our 2007 Annual Report and was reviewed during the period. The only changes were to add printed Consumer Products and North American agricultural markets as areas for growth and development and confirm the need to rationalise our traditional UK Film and Industrial businesses.

## **Outlook**

The second half looks very challenging with the record raw material price increases, highest ever energy costs and reducing construction activity.

However, sales of silage stretchwrap have continued during July and August due to good growing conditions in the UK and Scandinavia. Sales to the food and drink sectors and sales of refuse sacks are continuing in line with our expectations.

The second half performance is dependent on our ability to recover the higher raw material and energy costs and normal levels of activity in our non construction activities.

## **Principal Risks & Uncertainties**

The 2007 Annual Report sets out the principal risks and uncertainties faced by the Group at December 2007, and details the process in place for managing those risks.

We do not consider these risk factors to have changed significantly, and therefore the principal risks and uncertainties facing the Group for the remaining six months of the year are consistent with those set out in the 2007 Annual Report. However, there may be additional factors which are not currently known to the Group, or which we currently deem immaterial, which may also have an adverse effect on our business.

There have been no significant changes to the risk management process in the interim period.

## OPERATING REVIEW

### Europe

	2008	2007
Operating Profit	£4.8m	£4.9m
Tonnes Sold	40,100	39,600

The reported sterling profit was broadly in line with 2007 due to the currency movement of the Euro against sterling. Actual Euro profits were nearly €1m below 2007 because of lower margins due to increased raw material price increases.

Total sales volumes were just ahead of 2007 due to growth in silage stretch and printed film for the food industry offsetting lower demand for industrial products.

The two Form Fill & Seal lines at Zele in Belgium have been transferred to Hardenberg in the Netherlands to enable consolidation of all FFS at Hardenberg and to provide space at Zele for the additional stretch line ordered for delivery in late 2008 to cope with growth in our silage products.

### UK & Ireland

	2008	2007
Operating Profit	£3.4m	£5.2m
Tonnes Sold	132,200	132,200

Despite maintained volumes, operating profits fell as margins were squeezed by higher raw material and energy costs. Higher sales volume of silage stretch offset lower sales to the construction sector.

Sales volume of shrinkwrap was below 2007 as the soft drinks industry experienced a disappointing second quarter due to the poor weather. Sales in the converter sector recovered as business was secured due to the weakening of sterling.

Industrial pallet stretchwrap volumes were in line with 2007. Margins suffered in all sectors due to increased raw material costs and higher energy costs.

Sales volume of our silage products was well ahead of 2007 due to more normal timing of the season and beneficial weather conditions. Towards the end of the first half, we completed the installation of our two new five layer stretch lines and both lines are now in full production.

Sales of construction films to the building sector fell 17% due to the reduced demand with sales of specification products down 12%. Volume reduction in the second quarter and July was higher and we expect sales to continue at this lower level for the rest of the year.

Sales of refuse sacks were ahead of 2007 with good demand from the Health and Public Authority sectors. In February, we launched the green sack, a 100% recycled product including farm waste, and this has been well received by the market and our customers.

Sales of industrial packaging reduced due to lower activity in the construction sector and horticultural volumes reduced due to the poor spring weather.

Sales of printed film to the food and drink industry are 10% ahead of the previous year reflecting strong demand from our quality customer base. Our first new 10 colour printing press is due for delivery at the end of August and will be installed in time to meet the normal seasonal surge in demand in quarter four.

### **North America**

	<b>2008</b>
Operating Profit	£0.5m
Tonnes Sold	6,200

Our North American business, AT Films, based at Edmonton in Canada has settled into the Group well following its acquisition in August 2007 and we have installed the infrastructure required to establish the business as a self contained unit.

AT Films successfully implemented our standard IT system towards the end of the second half, with certain functions carried out at our Shared Service Centre in Greenock.

Reflecting the successful integration of AT Films, sales volumes in North America were 15% ahead of the equivalent period in 2007 as we achieved growth in our silage products and increased market share by securing new dealers in geographical areas where we were previously under represented. Selling prices have been increased to reflect the higher raw material costs.

Some small capital expenditure has been incurred to improve efficiency and the quality of the final product. A new wide width welding unit has been installed to enable the supply of wider silage sheet to our customers.

We are pleased with the acquisition of AT Films and the business is progressing in line with our expectations.

**John Langlands**

Chief Executive

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The interim report is the responsibility of, and has been approved by, the directors of British Polythene Industries PLC.

The directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;
- the interim management report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of British Polythene Industries PLC are as listed in the 2007 Annual Report.

By order of the board

**John Langlands**

Chief Executive

**Anne Thorburn**

Finance Director

**British Polythene Industries PLC**  
**Consolidated Income Statement**  
**For the six months ended 30 June 2008**

	<b>6 months ended 30 June</b>		Year ended 31 December 2007	
	<b>2008</b>	<b>2007</b>		
	<b>(unaudited)</b>	<b>(unaudited)</b>		
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
	<b>Note</b>			
<b>Turnover</b>	<b>3</b>	<b>265.9</b>	226.0	424.1
<b>Profit from operations</b>	<b>3,4</b>	<b>8.7</b>	10.1	13.9
Borrowing costs		<b>(2.0)</b>	(1.8)	(3.6)
Net retirement benefit income	<b>5</b>	<b>0.5</b>	0.5	1.2
<b>Net financing costs</b>		<b>(1.5)</b>	(1.3)	(2.4)
<b>Profit before tax</b>		<b>7.2</b>	8.8	11.5
Tax	<b>6</b>	<b>(2.0)</b>	(2.4)	(3.0)
<b>Profit for the period</b>		<b>5.2</b>	6.4	8.5
<b>Attributable to:</b>				
Equity holders of the parent		<b>5.2</b>	6.4	8.5
<b>Earnings per share</b>				
Basic	<b>8</b>	<b>19.83p</b>	24.41p	32.41p
Diluted	<b>8</b>	<b>19.83p</b>	24.30p	32.36p

**Consolidated Statement of Recognised Income and Expense**  
**For the six months ended 30 June 2008**

	<b>6 months ended 30 June</b>		Year ended 31 December 2007
	<b>2008</b>	<b>2007</b>	
	<b>(unaudited)</b>	<b>(unaudited)</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Profit for the period</b>	<b>5.2</b>	6.4	8.5
Cash flow hedges: effective portion of net changes in fair value	-	-	(0.3)
Actuarial (loss)/gain on defined benefit pension scheme	<b>(7.0)</b>	9.1	8.4
Tax on items taken directly to equity	<b>2.0</b>	(3.2)	(3.0)
Movement on translation of overseas undertakings and related borrowings	<b>0.4</b>	-	0.3
<b>Net (expense)/ income recognised directly in equity</b>	<b>(4.6)</b>	5.9	5.4
<b>Total recognised income and expense for the period</b>	<b>0.6</b>	12.3	13.9
<b>Attributable to:</b>			
Equity holders of the parent	<b>0.6</b>	12.3	13.9

**British Polythene Industries PLC**  
**Consolidated Balance Sheet**  
**At 30 June 2008**

		30 June 2008 (unaudited)	30 June 2007 (unaudited)	31 December 2007
		£m	£m	£m
	Note			
<b>Non-current assets</b>				
Goodwill		0.3	0.3	0.3
Other intangible assets		1.7	1.5	1.8
Property, plant and equipment	9	85.6	77.9	82.5
Investments		0.1	0.1	0.1
Deferred tax assets		3.9	2.3	1.9
		<b>91.6</b>	<b>82.1</b>	<b>86.6</b>
<b>Current assets</b>				
Inventories		53.3	47.2	62.1
Trade and other receivables		103.0	83.8	64.0
Current tax assets		1.1	-	1.1
Cash at bank		0.1	0.6	0.6
		<b>157.5</b>	<b>131.6</b>	<b>127.8</b>
<b>Current liabilities</b>				
Bank overdraft		12.4	6.2	16.8
Other loans and borrowings		0.6	1.0	1.1
Trade and other payables		93.3	68.1	62.1
Current tax liabilities		3.2	2.3	1.4
		<b>109.5</b>	<b>77.6</b>	<b>81.4</b>
<b>Net current assets</b>		<b>48.0</b>	<b>54.0</b>	<b>46.4</b>
<b>Total assets less current liabilities</b>		<b>139.6</b>	<b>136.1</b>	<b>133.0</b>
<b>Non-current liabilities</b>				
Other loans and borrowings		51.9	46.7	47.5
Retirement and employee benefit obligations	10	24.3	23.2	19.1
Deferred tax liabilities		3.4	2.5	3.2
Deferred government grants		0.9	0.9	0.8
		<b>80.5</b>	<b>73.3</b>	<b>70.6</b>
<b>Net assets</b>		<b>59.1</b>	<b>62.8</b>	<b>62.4</b>
<b>Equity</b>				
Issued share capital	11	6.6	6.6	6.6
Share premium account	12	25.1	25.0	25.1
Other reserves	13	7.8	7.4	7.4
Retained earnings	14	19.4	23.6	23.1
<b>Total equity attributable to equity holders of the parent</b>		<b>58.9</b>	<b>62.6</b>	<b>62.2</b>
<b>Minority interests</b>		<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
<b>Total equity</b>		<b>59.1</b>	<b>62.8</b>	<b>62.4</b>

**British Polythene Industries PLC**  
**Consolidated Cash Flow Statement**  
**For the six months ended 30 June 2008**

	6 months ended 30 June		Year ended
	2008	2007	31 December
	(unaudited)	(unaudited)	2007
	£m	£m	£m
	Note		
<b>Profit from operations</b>	<b>8.7</b>	10.1	13.9
Amortisation of intangible assets	<b>0.3</b>	0.3	0.6
Depreciation of property, plant and equipment	<b>6.3</b>	6.1	12.1
Negative goodwill recognised in the income statement	-	-	(0.1)
IFRS 2 charge in relation to equity settled transactions	-	0.3	0.1
Gain on disposal of property, plant and equipment	-	(1.4)	(1.4)
Adjustment relating to pensions	<b>(1.3)</b>	(1.9)	(6.0)
<b>Operating cash flows before movements in working capital</b>	<b>14.0</b>	13.5	19.2
Decrease in inventories	<b>9.4</b>	12.3	3.3
(Increase) / decrease in trade and other receivables	<b>(37.5)</b>	(23.3)	0.4
Increase / (decrease) in payables	<b>30.3</b>	8.1	(0.9)
Movements in working capital	<b>2.2</b>	(2.9)	2.8
<b>Cash generated from operations</b>	<b>16.2</b>	10.6	22.0
Interest paid	<b>(1.9)</b>	(1.9)	(3.6)
Income taxes paid	<b>(0.2)</b>	(0.4)	(2.2)
<b>Net cash from operating activities</b>	<b>14.1</b>	8.3	16.2
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	-	2.1	2.2
Purchase of property, plant and equipment	<b>(7.6)</b>	(7.5)	(15.4)
Purchase of intangible assets	<b>(0.1)</b>	-	-
Purchase of business	-	-	(6.5)
<b>Net cash used in investing activities</b>	<b>(7.7)</b>	(5.4)	(19.7)
<b>Net cash flows before financing</b>	<b>6.4</b>	2.9	(3.5)
<b>Financing activities</b>			
Dividends paid	<b>7</b> <b>(3.9)</b>	(4.0)	(5.8)
Proceeds from the issue of share capital	-	-	0.1
Repurchase of ordinary shares	-	(0.2)	(0.3)
Net increase in bank loans	<b>2.7</b>	2.1	1.3
Repayment of obligations under finance leases	<b>(0.6)</b>	(0.5)	(1.0)
<b>Net cash used in financing activities</b>	<b>(1.8)</b>	(2.6)	(5.7)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4.6</b>	0.3	(9.2)
Cash and cash equivalents at beginning of period	<b>(16.2)</b>	(5.9)	(5.9)
Effect of foreign exchange rate changes	<b>(0.7)</b>	-	(1.1)
<b>Cash and cash equivalents at end of period</b>	<b>(12.3)</b>	(5.6)	(16.2)

# **British Polythene Industries PLC**

## **Notes to the Consolidated Interim Financial Statements**

### **1. Basis of preparation and accounting policies**

British Polythene Industries PLC (the “Company”) is a company domiciled and incorporated in the United Kingdom. These interim financial statements (“interim statements”) represent the condensed consolidated financial information of the company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 June 2008. They have been prepared in accordance with the Disclosure and Transparency rules of the UK’s Financial Services Authority and the requirements of IAS 34 ‘Interim Financial Reporting’ as adopted by the EU.

The interim report was authorised for issue by the Directors on 29 August 2008.

The interim statements do not constitute financial statements as defined in section 240 of the Companies Act 1985 and do not include all of the information and disclosures required for full annual financial statements. They should be read in conjunction with the Annual Report 2007 which is available on request from the Company’s registered office, or from the Company website; [www.bpipoly.com](http://www.bpipoly.com).

The comparative figures for the financial year ended 31 December 2007 are not the Company’s statutory accounts for that financial year. The statutory accounts for the year ended 31 December 2007, which were prepared in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU, have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors 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 237 (2) or (3) of the Companies Act 1985.

The interim financial statements for the current and previous period are unaudited. This statement has not been reviewed by the Company’s auditors.

The interim statements are prepared on the historical cost basis except for derivative financial instruments and the assets of the defined benefit pension scheme which are stated at their fair value.

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied in the preparation of the Company’s published consolidated financial statements for the year ended 31 December 2007.

The following new interpretation, which has not yet been endorsed by the EU, is expected to be implemented at 31 December 2008. Its adoption would not have any impact on the interim results or balances.

IFRIC 14 ‘IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction’.

The preparation of the interim statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience 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. There has been no material change in the estimates and judgements applied in the 2007 Annual Report.

### **2. Seasonality of operations**

Management do not consider the business to be highly seasonal. However, revenues in some sectors are subject to seasonal fluctuations. Sales to the agricultural sector peak in the first half of the year due to seasonal weather conditions.

### **3. Segment reporting**

Segment information is presented in respect of the Group’s geographical segments.

Inter-segment pricing is determined on an arms length basis.

Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.



# British Polythene Industries PLC

## Notes to the Consolidated Interim Financial Statements

### 4. Profit from operations

	6 months ended 30 June		Year ended
	2008	2007	31 December
	(unaudited)	(unaudited)	2007
	£m	£m	£m
<b>Profit from operations is stated after charging / (crediting):</b>			
Restructuring costs	0.5	1.4	2.0
Profit on disposal of closed sites	-	(1.1)	(1.2)
	<b>0.5</b>	<b>0.3</b>	<b>0.8</b>

### 5. Net retirement benefit income

	6 months ended 30 June		Year ended
	2008	2007	31 December
	(unaudited)	(unaudited)	2007
	£m	£m	£m
Expected return on pension scheme assets	6.3	5.7	11.3
Interest on pension liabilities	(5.8)	(5.2)	(10.1)
<b>Net retirement benefit income</b>	<b>0.5</b>	<b>0.5</b>	<b>1.2</b>

### 6. Tax

Corporation tax for the interim period is charged at 28% (June 2007: 27%), representing the estimated annual effective tax rate for the full financial year.

### 7. Dividend

	6 months ended 30 June		Year ended
	(unaudited)	2007	31 December
	2008	2007	2007
	£m	£m	£m
<b>Amounts recognised as distributions to equity holders in the period:</b>			
Final dividend for the year ended 31 December 2007 of 15.0p per share	3.9	-	-
Final dividend for the year ended 31 December 2006 of 15.0p per share	-	4.0	4.0
Interim dividend for the year ended 31 December 2007 of 7.0p per share	-	-	1.8
	<b>3.9</b>	<b>4.0</b>	<b>5.8</b>
Proposed interim dividend for the year ending 31 December 2008 of 7.0p (2007: 7.0p) per share	1.8	1.8	-

The proposed interim dividend of 7.0p (2007: 7.0p) per share will be paid on 19 November 2008 to shareholders on the register at close of business on 24 October 2008.

The interim dividend was approved by the Board on 29 August 2008 and has not been included as a liability as at 30 June 2008.

## British Polythene Industries PLC

### Notes to the Consolidated Interim Financial Statements

#### 8. Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2008 was based on the profit attributable to ordinary shareholders of £5.2 million (six months ended 30 June 2007 - £6.4 million, full year 2007 - £8.5 million).

Basic and diluted earnings per share are based on the weighted average number of ordinary shares as calculated below:

	<b>6 months ended 30 June 2008 (unaudited)</b>	6 months ended 30 June 2007 (unaudited)	Year ended 31 December 2007
	000s	000s	000s
<b>Weighted average number of ordinary shares</b>			
Issued ordinary shares at 1 January	26,498	26,462	26,462
Effect of shares issued	-	29	33
Effect of own shares held	(270)	(269)	(270)
<b>Weighted average number of ordinary shares</b>	<b>26,228</b>	26,222	26,225
Effect of share options and long-term incentive plan shares in issue	-	117	42
<b>Diluted weighted average number of ordinary shares</b>	<b>26,228</b>	26,339	26,267

#### 9. Property, Plant and Equipment

	<b>30 June 2008 (unaudited)</b>	30 June 2007 (unaudited)	31 December 2007
	£m	£m	£m
<b>Cost</b>			
Balance at 1 January	285.3	276.3	276.3
Effect of movements in foreign exchange	5.4	0.2	6.1
Additions	7.7	7.3	15.5
Acquisitions through business combinations	-	-	0.5
Disposals	(0.5)	(9.2)	(13.1)
<b>Balance at end of period</b>	<b>297.9</b>	274.6	285.3
<b>Depreciation</b>			
Balance at 1 January	202.8	199.0	199.0
Effect of movements in foreign exchange	3.7	0.1	4.0
Depreciation charge for the period	6.3	6.1	12.1
Disposals	(0.5)	(8.5)	(12.3)
<b>Balance at end of period</b>	<b>212.3</b>	196.7	202.8
<b>Carrying amount at end of period</b>	<b>85.6</b>	77.9	82.5
Carrying amount at 1 January	82.5	77.3	77.3

**British Polythene Industries PLC**  
**Notes to the Consolidated Interim Financial Statements**

**10. Retirement and employee benefit obligations**

	<b>6 months ended 30 June</b>		Year ended
	<b>2008</b>	2007	31 December
	<b>(unaudited)</b>	(unaudited)	2007
	<b>£m</b>	£m	£m
Fair value of scheme assets	<b>176.1</b>	176.0	185.0
Present value of scheme liabilities	<b>(198.9)</b>	(197.7)	(202.6)
<b>Deficit in British Polythene defined benefit pension scheme</b>	<b>(22.8)</b>	(21.7)	(17.6)
Other employee benefit obligations	<b>(1.5)</b>	(1.5)	(1.5)
<b>Retirement and employee benefit obligations</b>	<b>(24.3)</b>	(23.2)	(19.1)
Related deferred tax asset	<b>6.4</b>	6.1	4.9
	<b>(17.9)</b>	(17.1)	(14.2)

Provision for retirement benefit obligations at 30 June has been calculated on a similar basis as at the previous 31 December. The increase in the pension scheme deficit at 30 June 2008 is the result of poor investment returns and higher inflation, offset to an extent by an increase in corporate bond yields.

**11. Share capital**

	<b>30 June</b>	30 June	31 December
	<b>2008</b>	2007	2007
	<b>(unaudited)</b>	(unaudited)	
	<b>£m</b>	£m	£m
<b>Allotted called up and fully paid</b>			
Equity			
26,498,160 (June 2007: 26,497,484; December 2007: 26,498,160) ordinary shares of 25p each	<b>6.6</b>	6.6	6.6

**12. Share premium account**

	<b>30 June</b>	30 June	31 December
	<b>2008</b>	2007	2007
	<b>(unaudited)</b>	(unaudited)	
	<b>£m</b>	£m	£m
<b>At 1 January</b>	<b>25.1</b>	25.0	25.0
On shares issued	<b>-</b>	-	0.1
<b>At end of period</b>	<b>25.1</b>	25.0	25.1

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**Notes to the Consolidated Interim Financial Statements**

**13. Other reserves**

	Capital redemption reserve		Capital reserve		Hedging reserve		Foreign currency translation reserve		Total	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	7.2	7.2	0.5	0.5	(0.3)	-	-	(0.3)	7.4	7.4
Movement on retranslation of overseas operations	-	-	-	-	-	-	0.4	-	0.4	-
<b>At 30 June</b>	<b>7.2</b>	<b>7.2</b>	<b>0.5</b>	<b>0.5</b>	<b>(0.3)</b>	<b>-</b>	<b>0.4</b>	<b>(0.3)</b>	<b>7.8</b>	<b>7.4</b>

	Capital redemption reserve	Capital reserve	Hedging reserve	Foreign currency translation reserve	Total
	2007	2007	2007	2007	2007
	£m	£m	£m	£m	£m
At 1 January	7.2	0.5	-	(0.3)	7.4
Movement during the period	-	-	(0.3)	-	(0.3)
Movement on retranslation of overseas operations	-	-	-	0.3	0.3
<b>At 31 December</b>	<b>7.2</b>	<b>0.5</b>	<b>(0.3)</b>	<b>-</b>	<b>7.4</b>

**14. Retained earnings**

	30 June 2008 (unaudited) £m	30 June 2007 (unaudited) £m	31 December 2007 £m
At 1 January	23.1	15.2	15.2
Profit for the period	5.2	6.4	8.5
Dividends to shareholders	(3.9)	(4.0)	(5.8)
Actuarial (losses)/gains on defined benefit pension schemes	(7.0)	9.1	8.4
Tax on items taken directly to equity	2.0	(3.2)	(3.0)
(Increase)/Decrease in own shares held	-	(0.2)	0.1
Movement relative to shares vested under the restricted share plan	-	-	(0.4)
IFRS 2 charge in relation to equity settled transactions	-	0.3	0.1
<b>At end of period</b>	<b>19.4</b>	<b>23.6</b>	<b>23.1</b>

# **British Polythene Industries PLC**

## **Notes to the Consolidated Interim Financial Statements**

### **15. Related parties**

There are no related party transactions requiring disclosure. Key management compensation will be disclosed in the 2008 annual financial statements.

### **16. Interim report**

The interim report will be available on the Company website, [www.bpipoly.com](http://www.bpipoly.com), from 29 August 2008. The Company's Registered Office is One London Wall, London, EC2Y 5AB.