



31 August 2010

BRITISH POLYTHENE INDUSTRIES PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Highlights

- Revenues increased to £260.8m (2009: £231.4m) reflecting sales price rises in response to higher input costs and increased volumes
- Profits before tax increased by over 40% to £13.1m (2009: £9.1m) as a result of a credit for net restructuring due to a property gain
- Operating profits fell only by some 10% to £12.2m (2009: £13.7m) despite significantly higher input costs
- Diluted earnings per share before restructuring costs fell over 3% to 27p (2009: 28p)
- Interim dividend per share increased by 4% to 3.65p (2009: 3.5p)
- Net borrowings reduced to £49.5m from £55.1m at 30 June 2009
- Restructuring progressing and Stockton site sold for £6.0m
- Volumes expected to remain sound in the second half. Outcome for the year will depend on a respite from polymer price increases and improved operational efficiencies from measures taken to improve our cost base.

Commenting on the results Cameron McLatchie, Chairman of BPI, said:

“As we indicated in our trading update published on 29 June, our expectations for the half year results were slightly lower than we achieved in the first half of 2009 due to continuing polymer price increases and a poor early summer demand for silage stretchwrap due to abnormal growing conditions.

We expect our volumes to remain sound for the second half and the outcome for the year will depend on a respite from polymer price increases and improved operational efficiencies from the measures we have taken to improve our cost base.”

Enquiries

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INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

As we indicated in our trading update published on 29 June, our expectations for the half year results were slightly lower than we achieved in the first half of 2009 due to continuing polymer price increases and a poor early summer demand for silage stretchwrap due to abnormal growing conditions.

Sales increased to £260.8 million (2009: £231.4 million) reflecting sales price rises in response to higher input costs and an overall increase in volumes of over 3%.

Our operating profit, although impacted by these higher input costs, only fell by some 10% to £12.2 million (2009: £13.7 million). After significantly reduced interest charges of £1.0 million (2009: £1.8 million), profit before net restructuring reduced to £11.2 million (2009: £11.9 million). The net restructuring items comprised a £3.5 million gain from the sale of our Stockton site and costs of £0.7 million from the closure of the Brampton site. The net result was a material increase in profit before tax to £13.1 million (2009: £9.1 million). Diluted earnings per share increased to 38.25p (2009: 23.12p) and, before net restructuring, fell to 27.00p (2009: 28.05p).

The Board has been encouraged by this performance during difficult trading conditions, the progress that has been made in restructuring and the cash generation achieved despite significant increases in raw material costs. Consequently, the Board is declaring an increased interim dividend of 3.65p (2009: 3.5p). This dividend will be paid on 18 November to shareholders on the register on the close of business on 22 October 2010.

Our balance sheet was impacted by a reduction in asset values and an increase in liabilities of the Group Pension Scheme at the end of June. After consultation with members, we have announced the closure of the Scheme to any future service accrual after the end of September this year.

It is pleasing to note that net bank borrowings at 30 June reduced to £49.5 million (2009: £55.1 million). We have two properties for sale, one at Brampton and the other in Essex. We currently anticipate completing the sale of both these properties within the next year, with combined proceeds expected to be in excess of £2.5 million.

Raw material costs have continued to perplex buyers in Western Europe. We experienced price increases every month of the first six months of 2010, while watching prices fall in North America and the Far East. In June, raw material costs were some \$300 per tonne lower in China than in Western Europe and, in some cases, shipped from the same European factories. A review of import tariffs for polymer imports into the EC is long overdue. Prices have eased in August but some producers are seeking increases in September.

In May we announced that we had been visited by officials from the European Commission ("EC") and the Office of Fair Trading ("OFT"), as part of enquiries which they are conducting into the agricultural films market. We are co-operating with the requests for information from the EC and the OFT. While these enquiries are ongoing, it is not possible at this stage to ascertain whether or not any further action will be taken by these regulatory bodies as a result of these enquiries. We have extensive guidelines and controls in place designed to ensure compliance with competition laws across our operations.

We continue to experience competitive pressures in almost every market, combined with increases in input costs and abnormal weather patterns.

However, with the completion of the Stockton closure and the transfer of equipment to Greenock and Ardeer, the cost base of our UK Industrial operation is better aligned to current demands. Similar action at Brampton has reduced the cost base in our UK Films operation.

Sales to the construction sector have improved from the first half of 2009 and we continue to see good progress in sales of printed films for industrial, retail and horticultural markets.

Sales of silage stretchwrap have continued into a somewhat showery August and demand should continue as long as growing conditions are suitable.

We expect our volumes to remain sound for the second half and the outcome for the year will depend on a respite from polymer price increases and improved operational efficiencies from the measures we have taken to improve our cost base.

Cameron McLatchie

Chairman

BUSINESS REVIEW

Summary

The Group profit from operations, after restructuring costs of £0.7 million and a gain on the sale of property of £3.5 million, increased from £11.7 million to £15.0 million. The operating profit before these items fell from £13.7 million to £12.2 million due to the impact of increased raw material prices despite some recovery in volumes. The contribution from our agricultural sales is normally seasonally weighted to the first half and we expect this again to be the case in the current year.

Raw Material Prices

In Europe, polymer prices in the first half increased every month and the average LDPE Platts price was the highest ever recorded for a six month accounting period. The prices have increased initially due to rising raw material costs and then tightness of supply with the lack of the expected competition from the new Middle East plants. This new Middle East commodity polymer is now starting to arrive in Europe but only in relatively small volumes. Prices eased in August but some suppliers are now pushing for a September price rise. The North American market saw prices peak in April then ease but an increase is proposed for September based on supply-demand criteria.

Sales and Margins

Total sales for the six months are up by 13% to £261 million as a result of increased selling prices to recover raw material input costs and some recovery in volumes.

Margins have been impacted by the rising raw material costs and the normal lag in recovering these costs.

In spite of this increase in LD Platts of £240 per tonne, an operating profit per tonne of £78 per tonne (2009: £91 per tonne) has been achieved due to increased selling prices, higher volumes and a reduced cost base.

Sales Volumes

Total volumes were up by 3.5% with good recovery in Europe, some recovery in the UK construction sector and growth in UK refuse sacks and horticultural films. Sales of silage stretch from the UK were down as the dry warm weather reduced grass growth.

Restructuring

We continued the run down of our large site at Stockton and the remaining industrial film lines were transferred to Ardeer. Production on the site ceased in early June and we completed the sale of the site at the end of June. The cost base of our UK industrial business based at Ardeer and Greenock is now better aligned with current demand.

In April we completed the closure of our Brampton facility in Cumbria with the transfer of production to our large site at Bromborough. A programme is now underway at Bromborough to increase capacity and enable the production of thinner films.

Borrowing Costs

Borrowing costs have reduced from £1.8 million to £1.0 million reflecting reduced average borrowings and the repayment of a more expensive long term facility in 2009.

Capital Expenditure

Capital expenditure of £7.7 million exceeded depreciation and the main items of spend were on a new extrusion hall and the new five layer wide agricultural and horticultural film line at Ardeer.

Gross capital expenditure for 2010 is anticipated to be more than 25% higher than the £13 million spent in 2009 as we continue to invest for the future of the business.

The sale of the Stockton site was completed in June for a cash consideration of £6 million, resulting in a gain on sale of £3.5 million. Discussions are continuing regarding the sale of two small vacant sites.

Cash Flow and Borrowings

Net borrowings reduced from £52.2 million at 31 December 2009 to £49.5 million at 30 June 2010. The positive effect of currency translation on non sterling borrowings, which are maintained to hedge the net investment in our overseas subsidiaries, accounted for a reduction of £2.7 million.

Working capital increased by £10.2 million due primarily to increased raw material prices. The cash impact of restructuring costs in the period was £1.5 million (2009 £3.0 million).

Capital expenditure, including computer software was £7.7 million (2009 £5.1 million). The sale of the Stockton site realised proceeds of £6 million.

The payment of the second interim dividend in March 2010, in lieu of a final dividend, accelerated £2 million of cash outgoings into the first half of the year (2009 Nil).

The Company purchased 300,000 of the Company's shares at a cost of £0.7 million to be held in the Employee Share Ownership Trust.

Total available bank facilities of £108.5 million are in place, comprising a three year revolving credit facility of £57.5 million repayable in November 2011, £38.0 million of short term facilities and £13.0 million of HP and Leasing facilities.

Pension Fund

The deficit in the UK pension fund increased from £56.9 million (Net of tax £40.9 million) to £68.9 million (Net of tax £49.4 million). The movement in the deficit is analysed below.

	£M
Deficit at 31 December 2009	(56.9)
Surplus of contributions over current service cost	1.2
Lower than expected return from investments	(9.3)
Increase in liabilities due to reduced real yields	(3.9)
Deficit at 30 June 2010	(68.9)

The lower than expected return from investments was mainly due to the reductions in equity markets towards the end of the period.

Whilst the assumed rate of long term inflation reduced from 3.5% to 3.2%, the reduction in the discount factor, used for liabilities, from 5.75% to 5.4% caused a net reduction in real yields.

After consultation with employees, the Scheme will be closed to future service accrual from 30 September 2010.

Principal Risks & Uncertainties

The 2009 Annual Report sets out the principal risks and uncertainties faced by the Group at December 2009, 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 2009 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.

Liquidity Risk

The continuing weak economic conditions combined with rising input costs creates a challenging environment for the Group, however, the Directors believe the performance of the Group in these conditions is reasonable.

More than two thirds of the Group's business is in sectors such as agriculture, retail food chain, healthcare and waste services which have demonstrated greater resilience during the economic downturn. Whilst some improvements in other sectors have been experienced a further reduction in demand remains a risk.

The risk of customer insolvencies remains relatively high, but the Group's customers are spread across a wide range of market sectors and geographical regions with no customer representing more than 3% of Group turnover. Some credit insurance is carried in Europe and the agricultural sector.

Movements in exchange rates can also be a risk but weakness in sterling, particularly against the Euro, tends to be positive for the Group's performance. The competitiveness of UK exports improves and UK domestic sales are better protected from Mainland European competition.

However, sterling has slightly strengthened in 2010. Euro denominated borrowings have reduced in sterling terms with equivalent reductions in the sterling value of related assets and profits from the Mainland European operations are worth less.

The restructuring of the UK business to align capacity with demand and reduce costs is at an advanced stage.

Banking facilities provide sufficient headroom to support the Group's trading and restructuring plans. The revolving credit elements of these facilities are repayable in November 2011 and some of the asset finance lines extend beyond that. Short term overdraft facilities are renewable on an annual basis. Where this renewal period falls within 12 months, no matters have been drawn to the attention of the Directors to suggest that renewal will not be forthcoming on acceptable terms.

Going Concern

The Group's projections, taking account of the risks outlined above, show that the Group will be able to operate within its current banking facilities. As a result, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Strategy

Our current strategy is set out in our 2009 Annual Report.

Outlook

The second half continues to look challenging as our suppliers seek further raw material price increases and the earlier dry weather restricts the demand for silage products but we expect to benefit in the second half from our restructuring actions.

OPERATING REVIEW

Mainland Europe

	2010	2009
Operating Profit	£6.2m	£5.6m
Tonnes Sold	40,700	36,900

Total sales volumes increased by 10% due to a recovery in industrial markets and full utilisation of our increased silage capacity. The benefit from these increased volumes and good cost control were offset by the impact on margins of rising raw material costs. The operating profit increased from £5.6 million to £6.2 million.

A new 8 colour printing press is currently being installed at Zele in Belgium and this will enable further growth in sales of printed film to the food industry.

UK & Ireland

	2010	2009
Operating Profit	£5.7m	£7.8m
Tonnes Sold	110,500	109,200

Operating profits fell in the UK and Ireland from £7.8 million to £5.7 million as margins suffered from continued increases in raw material prices.

Total volumes moved ahead as we saw some growth in refuse sacks and a small recovery in the construction sector offset by continued downgauging.

Restructuring of our UK business continued with a number of machinery moves as we relocated machinery to Ardeer and Bromborough following the closure of Stockton and Brampton. All these moves resulted in significant disruption to the sites involved. Greenock has now settled down following significant changes in 2009 and this has resulted in an improved performance. All the changes at Ardeer and Bromborough are expected to be completed by the end of the year.

Sales of silage stretch from the UK are below 2009 due to the dry warm weather restricting grass growth. The National Farmers Union has stated that dry weather has halved the silage yield in the UK and, subject to the right weather conditions, the season could now last until October.

Refuse sack sales were 9% ahead of 2009 levels due to the continuing growth of our 100% recycled Green Sack which is now stocked by a major UK retailer and used increasingly by service companies. Construction volumes showed a modest recovery from the depressed levels of 2009.

Recycling volumes increased as we were able to secure more scrap including contaminated agricultural waste.

Sales of printed consumer products increased but a very competitive market prevented full recovery of raw material price increases.

Sales of wide agricultural and horticultural films increased by 15% with good growth in horticultural films. The new five layer wide line for agricultural and horticultural films at Ardeer will start production in September. This new line will be one of the largest film lines in the world, with capacity of over 15,000 tonnes per annum, capable of producing films up to 25 metres wide. We will be able to further develop our range of advanced horticultural films.

North America

	2010	2009
Operating Profit	£0.3m	£0.3m
Tonnes Sold	5,100	4,900

Sales volumes recovered 4% to 5,100 tonnes as we experienced very competitive conditions in the horticulture market despite increasing raw material costs. We achieved better growth in our silage products with reasonably strong demand in the second quarter. High raw material prices impacted on margin and we did well to maintain operating profits.

A new blown film line for the manufacture of silage stretchwrap will be installed in September and enable us to supply the silage stretchwrap market in 2011.

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.

By order of the board

John Langlands
Chief Executive

David Harris
Finance Director

British Polythene Industries PLC
Condensed Consolidated Income Statement
For the six months ended 30 June 2010

		6 months ended 30 June		Year ended
		2010	2009	31 December
		(unaudited)	(unaudited)	2009
		£m	£m	£m
	Note			
Turnover	3	260.8	231.4	424.7
Profit from operations before net restructuring	3	12.2	13.7	19.0
Net restructuring	4	2.8	(2.0)	(3.1)
Profit from operations		15.0	11.7	15.9
Borrowing costs		(1.0)	(1.8)	(2.7)
Net retirement benefit financing	5	(0.9)	(0.8)	(1.4)
Net financing costs		(1.9)	(2.6)	(4.1)
Profit before tax		13.1	9.1	11.8
Tax	6	(2.9)	(3.0)	(3.7)
Profit for the period		10.2	6.1	8.1
Attributable to:				
Equity holders of the parent		10.2	6.1	8.1
Earnings per share				
Basic	8	38.85p	23.24p	30.86p
Diluted	8	38.25p	23.12p	30.36p
Diluted before net restructuring	8	27.00p	28.05p	38.60p

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	Note	6 months ended 30 June		Year ended
		2010 (unaudited) £m	2009 (unaudited) £m	31 December 2009 £m
Profit for the period		10.2	6.1	8.1
Cash flow hedges: effective portion of net changes in fair value		(0.5)	0.6	0.1
Actuarial loss on defined benefit pension scheme	11	(12.5)	(26.5)	(32.4)
Movement on translation of overseas undertakings and related borrowings		-	(1.1)	(0.8)
Movement on translation of minority interests		-	(0.1)	(0.1)
Tax on components of other comprehensive income	6	3.5	7.3	9.0
Other comprehensive income for the period		(9.5)	(19.8)	(24.2)
Total comprehensive income for the period		0.7	(13.7)	(16.1)
Attributable to:				
Equity holders of the parent		0.7	(13.6)	(16.0)
Minority interests		-	(0.1)	(0.1)
Total comprehensive income for the period		0.7	(13.7)	(16.1)

British Polythene Industries PLC
Condensed Consolidated Balance Sheet
At 30 June 2010

		30 June 2010 (unaudited)	30 June 2009 (unaudited)	31 December 2009
	Note	£m	£m	£m
Non-current assets				
Goodwill		0.4	0.4	0.4
Other intangible assets		1.9	1.8	2.0
Property, plant and equipment	9	84.4	85.4	87.0
Investments		-	0.1	-
Deferred tax assets		18.3	15.2	16.1
		105.0	102.9	105.5
Current assets				
Inventories		55.8	49.5	61.4
Trade and other receivables		83.1	78.1	49.3
Current tax assets		0.6	0.7	0.5
Cash at bank	10	0.4	0.5	0.5
		139.9	128.8	111.7
Current liabilities				
Bank overdraft	10	5.3	7.8	4.8
Other loans and borrowings	10	2.0	1.3	2.0
Derivative financial instruments		0.6	-	0.3
Trade and other payables		84.3	74.2	64.8
Dividends payable		-	2.0	-
Current tax liabilities		1.9	4.3	1.6
		94.1	89.6	73.5
Net current assets		45.8	39.2	38.2
Total assets less current liabilities		150.8	142.1	143.7
Non-current liabilities				
Other loans and borrowings	10	42.6	46.5	45.9
Derivative financial instruments		0.6	-	0.3
Retirement and employee benefit obligations	11	70.3	53.5	58.4
Deferred tax liabilities		3.6	4.0	3.9
Deferred government grants		1.1	0.6	0.8
		118.2	104.6	109.3
Net assets		32.6	37.5	34.4
Equity				
Issued share capital	12	6.6	6.6	6.6
Share premium account		25.1	25.1	25.1
Other reserves	13	8.1	8.8	8.6
Retained earnings		(7.5)	(3.3)	(6.2)
Total equity attributable to equity holders of the parent		32.3	37.2	34.1
Minority interests		0.3	0.3	0.3
Total equity		32.6	37.5	34.4

British Polythene Industries PLC
Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2010

	6 months ended 30 June		Year ended
	2010	2009	31 December
	(unaudited)	(unaudited)	2009
	£m	£m	£m
Profit from operations	15.0	11.7	15.9
Amortisation of intangible assets	0.3	0.2	0.5
Depreciation and impairment of property, plant and equipment	6.5	6.9	13.5
IFRS 2 charge in relation to equity settled transactions	0.2	0.1	0.3
Impairment of investments	-	-	0.1
Gain on disposal of property, plant and equipment	(3.6)	-	(0.1)
Adjustment relating to pensions	(1.4)	(1.1)	(2.6)
Operating cash flows before movements in working capital	17.0	17.8	27.6
Decrease in inventories	5.1	10.7	0.2
(Increase) / decrease in trade and other receivables	(35.0)	(19.4)	10.2
Increase in trade and other payables	19.7	14.2	4.7
Movements in working capital	(10.2)	5.5	15.1
Cash generated from operations	6.8	23.3	42.7
Interest paid	(1.1)	(2.7)	(3.2)
Income taxes (paid) / received	(1.4)	0.3	(2.5)
Net cash from operating activities	4.3	20.9	37.0
Investing activities			
Purchase of property, plant and equipment	(7.5)	(5.0)	(12.2)
Capital amount of hire purchase received	-	-	2.8
Net purchase of property, plant and equipment	(7.5)	(5.0)	(9.4)
Purchase of intangible assets	(0.2)	(0.1)	(0.8)
Proceeds from sale of property, plant and equipment	6.1	0.2	0.3
Net cash used in investing activities	(1.6)	(4.9)	(9.9)
Net cash flows before financing	2.7	16.0	27.1
Financing activities			
Dividends paid	(2.0)	-	(2.9)
Net increase in bank loans	0.2	4.4	0.7
Repayment of other loans	-	(20.0)	(20.0)
Repayment of obligations under finance leases/hire purchase	(1.0)	(0.6)	(1.6)
Repurchase of ordinary shares	(0.7)	-	-
Net cash used in financing activities	(3.5)	(16.2)	(23.8)
Net (decrease) / increase in cash and cash equivalents	(0.8)	(0.2)	3.3
Cash and cash equivalents at beginning of period	(4.3)	(8.0)	(8.0)
Effect of foreign exchange rate changes	0.2	0.9	0.4
Cash and cash equivalents at end of period	(4.9)	(7.3)	(4.3)

British Polythene Industries PLC
Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2010

6 months ended 30 June 2010							
	Share Capital (unaudited)	Share Premium (unaudited)	Other Reserves ¹ (unaudited)	Retained Earnings ² (unaudited)	Attributable to owners of the parent (unaudited)	Minority Interests (unaudited)	Total (unaudited)
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2010	6.6	25.1	8.6	(6.2)	34.1	0.3	34.4
Profit for the period	-	-	-	10.2	10.2	-	10.2
Cash flow hedges: effective portion of net changes in fair value	-	-	(0.5)	-	(0.5)	-	(0.5)
Actuarial loss on defined benefit pension scheme	-	-	-	(12.5)	(12.5)	-	(12.5)
Tax on components of other comprehensive income	-	-	-	3.5	3.5	-	3.5
Total comprehensive income for the period	-	-	(0.5)	1.2	0.7	-	0.7
IFRS 2 charge in relation to equity settled transactions	-	-	-	0.2	0.2	-	0.2
Own shares purchased	-	-	-	(0.7)	(0.7)	-	(0.7)
Dividends	-	-	-	(2.0)	(2.0)	-	(2.0)
Balance at 30 June 2010	6.6	25.1	8.1	(7.5)	32.3	0.3	32.6

6 months ended 30 June 2009							
	Share Capital (unaudited)	Share Premium (unaudited)	Other Reserves ¹ (unaudited)	Retained Earnings ² (unaudited)	Attributable to owners of the parent (unaudited)	Minority Interests (unaudited)	Total (unaudited)
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2009	6.6	25.1	9.3	11.7	52.7	0.4	53.1
Profit for the period	-	-	-	6.1	6.1	-	6.1
Cash flow hedges: effective portion of net changes in fair value	-	-	0.6	-	0.6	-	0.6
Actuarial loss on defined benefit pension scheme	-	-	-	(26.5)	(26.5)	-	(26.5)
Movement on translation of overseas undertakings and related borrowings	-	-	(1.1)	-	(1.1)	-	(1.1)
Movement on translation of minority interests	-	-	-	-	-	(0.1)	(0.1)
Tax on components of other comprehensive income	-	-	-	7.3	7.3	-	7.3
Total comprehensive income for the period	-	-	(0.5)	(13.1)	(13.6)	(0.1)	(13.7)
IFRS 2 charge in relation to equity settled transactions	-	-	-	0.1	0.1	-	0.1
Dividends	-	-	-	(2.0)	(2.0)	-	(2.0)
Balance at 30 June 2009	6.6	25.1	8.8	(3.3)	37.2	0.3	37.5

British Polythene Industries PLC
Condensed Consolidated Statement of Changes in Equity (continued)
For the period ended 30 June 2010

Year ended 31 December 2009	Share Capital £m	Share Premium £m	Other Reserves ¹ £m	Retained Earnings £m	Attributable to owners of the parent £m	Minority Interests £m	Total £m
Balance at 1 January 2009	6.6	25.1	9.3	11.7	52.7	0.4	53.1
Profit for the period	-	-	-	8.1	8.1	-	8.1
Cash flow hedges: effective portion of net changes in fair value	-	-	0.1	-	0.1	-	0.1
Actuarial loss on defined benefit pension scheme	-	-	-	(32.4)	(32.4)	-	(32.4)
Movement on translation of overseas undertakings and related borrowings	-	-	(0.8)	-	(0.8)	-	(0.8)
Movement on translation of minority interests	-	-	-	-	-	(0.1)	(0.1)
Tax on components of other comprehensive income	-	-	-	9.0	9.0	-	9.0
Total comprehensive income for the period	-	-	(0.7)	(15.3)	(16.0)	(0.1)	(16.1)
IFRS 2 charge in relation to equity settled transactions	-	-	-	0.3	0.3	-	0.3
Dividends	-	-	-	(2.9)	(2.9)	-	(2.9)
Balance at 31 December 2009	6.6	25.1	8.6	(6.2)	34.1	0.3	34.4

1 Refer to note 13 for breakdown of other reserves.

2 As at 31 December 2009 the holding company retained earnings under UK GAAP amounted to £17.8m (2008: £21.1m) and are not affected by movements in retirement benefit obligations.

British Polythene Industries PLC
Notes to the Condensed Consolidated 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 2010. 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 27 August 2010.

The interim statements do not constitute statutory accounts as defined in section 434 of the Companies Act 2006 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 2009 which is available on request from the Company’s registered office, or from the Company website; www.bpipoly.com.

The comparative figures for the financial year ended 31 December 2009 are not the Company’s statutory accounts for that financial year. The statutory accounts for the year ended 31 December 2009, 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 498 (2) or (3) of the Companies Act 2006.

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, intangible assets acquired through business combinations and the assets and liabilities of the defined benefit pension scheme. These are stated at their fair value.

The interim statements have been prepared on a going concern basis. The reasons for this are outlined in the Operating Review.

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 2009. Although the Group has adopted a number of new interpretations and amendments to existing standards in the period, the application of these has not had any material impact on the net assets or results of the Group.

The adoption of *IFRS 3 (Revised) “Business Combinations”* may impact on any future acquisitions by the Group. The revised standard requires acquisition costs incurred in a business combination to be expensed as incurred rather than included in the cost of acquisition and determination of goodwill. It also brings about changes to current accounting treatment in relation to contingent consideration and various other aspects of accounting for business combinations.

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 2009 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 generally peak in the first half of the year due to seasonal weather conditions.

3. Segment reporting

The Group has three reportable segments; UK and Ireland, Mainland Europe and North America.

UK & Ireland includes all of the UK manufacturing and merchandising activities along with the Irish sales office which distributes predominantly UK manufactured products. It also includes the manufacturing operation in China from which most of the output is exported for sale by the Group in the UK. Mainland Europe comprises the manufacturing and merchandising activities located in Belgium, the Netherlands and France. North America comprises the manufacturing business in Canada with sales throughout North America.

The accounting policies of the reporting segments are the same as those described in Note 1. Inter-segment pricing is determined on an arms length basis.

Segment profit

An analysis of the Group's revenue and results by operating segment for the periods is presented below.

6 months ended 30 June	UK & Ireland		Mainland Europe		North America		Total	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m	£m	£m
Turnover								
Total sales	177.4	160.0	73.4	64.4	11.9	10.0	262.7	234.4
Inter-segment sales	(0.9)	(0.6)	(1.0)	(2.3)	-	(0.1)	(1.9)	(3.0)
External sales	176.5	159.4	72.4	62.1	11.9	9.9	260.8	231.4
Profit from operations before net restructuring	5.7	7.8	6.2	5.6	0.3	0.3	12.2	13.7
Net restructuring	2.8	(1.3)	-	(0.7)	-	-	2.8	(2.0)
Profit from operations	8.5	6.5	6.2	4.9	0.3	0.3	15.0	11.7
Net financing costs							(1.9)	(2.6)
Profit before tax							13.1	9.1
Tax							(2.9)	(3.0)
Profit for the period							10.2	6.1

Year ended 31 December	UK & Ireland		Mainland Europe		North America		Total	
	2009	2009	2009	2009	2009	2009	2009	2009
	£m	£m	£m	£m	£m	£m	£m	£m
Turnover								
Total turnover	303.1	103.3	22.6	429.0				
Inter-segment sales	(0.9)	(3.2)	(0.2)	(4.3)				
External sales	302.2	100.1	22.4	424.7				
Profit from operations before restructuring costs	10.2	8.0	0.8	19.0				
Restructuring costs	(2.4)	(0.7)	-	(3.1)				
Profit from operations	7.8	7.3	0.8	15.9				
Net financing costs				(4.1)				
Profit before tax				11.8				
Tax				(3.7)				
Profit for the period				8.1				

3. Segment reporting (continued)

Segment assets

The Group's assets are analysed by operating segment as follows:

6 months ended 30 June	UK & Ireland		Mainland Europe		North America		Total	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets*	65.5	64.4	19.4	22.0	1.8	1.3	86.7	87.7
Inventories and trade and other receivables	105.9	100.6	28.0	23.7	11.8	11.8	145.7	136.1
	171.4	165.0	47.4	45.7	13.6	13.1	232.4	223.8
Elimination of intercompany debtors							(6.8)	(8.5)
Deferred tax assets							18.3	15.2
Current tax assets							0.6	0.7
Cash at bank							0.4	0.5
Total assets							244.9	231.7

Year ended 31 December	UK & Ireland		Mainland Europe		North America		Total	
	2009		2009		2009		2009	
	£m		£m		£m		£m	
Non-current assets*	66.0		21.9		1.5		89.4	
Inventories and trade and other receivables	83.4		27.3		5.8		116.5	
	149.4		49.2		7.3		205.9	
Elimination of intercompany debtors							(5.8)	
Deferred tax assets							16.1	
Current tax assets							0.5	
Cash at bank							0.5	
Total assets							217.2	

* The measure of non-current asset used for segmental reporting comprises goodwill, other intangible assets, investments and property, plant and equipment. It excludes deferred tax assets.

4. Net restructuring

	6 months ended 30 June		Year ended
	2010	2009	31 December
	(unaudited)	(unaudited)	2009
	£m	£m	£m
Gain on sale of property	3.5	-	-
Redundancy costs	(0.5)	(1.2)	(1.5)
Other machinery and site related costs	(0.2)	(0.8)	(1.6)
Net restructuring	2.8	(2.0)	(3.1)

5. Net retirement benefit financing

	6 months ended 30 June		Year ended
	2010	2009	31 December
	(unaudited)	(unaudited)	2009
	£m	£m	£m
Expected return on pension scheme assets	(5.6)	(5.0)	(9.8)
Interest on pension liabilities	6.5	5.8	11.2
Net retirement benefit financing	0.9	0.8	1.4

6. Tax

Corporation tax for the interim period is charged at 30% (June 2009: 33%), representing the estimated annual effective tax rate for the full financial year.

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by approximately £0.6m. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Tax on components of other comprehensive income relates solely to tax on actuarial losses on the defined benefit pension scheme.

7. Dividend

	6 months ended 30 June (unaudited)		Year ended 31 December
	2010 £m	2009 £m	2009 £m
Amounts recognised as distributions to equity holders in the period:			
Second interim dividend for the year ended 31 December 2009 of 7.5p per share	2.0	-	-
Final dividend for the year ended 31 December 2008 of 7.5p per share	-	2.0	2.0
Interim dividend for the year ended 31 December 2009 of 3.5p per share	-	-	0.9
	2.0	2.0	2.9
Proposed interim dividend for the year ending 31 December 2010 of 3.65p (2009: 3.5p) per share	1.0	0.9	-

The proposed interim dividend of 3.65p (2009: 3.5p) per share will be paid on 18 November 2010 to shareholders on the register at close of business on 22 October 2010.

The interim dividend was approved by the Board on 27 August 2010 and has not been included as a liability as at 30 June 2010.

8. Earnings per ordinary share

	6 months ended 30 June		Year ended 31 December
	2010 (unaudited)	2009 (unaudited)	2009
Weighted average number of ordinary shares	000	000	000
Issued ordinary shares at 1 January	26,498	26,498	26,498
Effect of own shares held	(245)	(249)	(250)
Weighted average number of ordinary shares	26,253	26,249	26,248
Effect of share options and long-term incentive plan shares in issue	413	131	436
Diluted weighted average number of ordinary shares	26,666	26,380	26,684
Profit attributable to ordinary shareholders	£10.2m	£6.1m	£8.1m
Profit attributable to ordinary shareholders before net restructuring	£7.2m	£7.4m	£10.3m
Basic earnings per ordinary share	38.85p	23.24p	30.86p
Diluted earnings per ordinary share	38.25p	23.12p	30.36p
Diluted earnings per ordinary share before net restructuring	27.00p	28.05p	38.60p

9. Property, Plant and Equipment

	30 June 2010 (unaudited) £m	30 June 2009 (unaudited) £m	31 December 2009 £m
Cost			
Balance at 1 January	313.5	320.8	320.8
Effect of movements in foreign exchange	(4.3)	(12.0)	(7.1)
Additions	7.5	5.9	12.5
Disposals	(7.5)	(1.7)	(12.7)
Balance at end of period	309.2	313.0	313.5
Depreciation			
Balance at 1 January	226.5	230.5	230.5
Effect of movements in foreign exchange	(3.2)	(8.2)	(5.0)
Depreciation charge for the period	6.5	6.9	13.5
Disposals	(5.0)	(1.6)	(12.5)
Balance at end of period	224.8	227.6	226.5
Carrying amount at end of period	84.4	85.4	87.0
Carrying amount at 1 January	87.0	90.3	90.3

Capital commitments were as follows:

	30 June 2010 (unaudited) £m	30 June 2009 (unaudited) £m	31 December 2009 £m
Contracts in place for future capital expenditure relating to property, plant and equipment not provided in the financial statements	7.5	6.9	8.3

10. Bank and other borrowings

	30 June 2010 (unaudited) £m	30 June 2009 (unaudited) £m	31 December 2009 £m
Amounts falling due within one year:			
Bank overdrafts	5.3	7.8	4.8
Other loans	-	-	-
Finance leases / hire purchase	2.0	1.3	2.0
	7.3	9.1	6.8
Amounts falling due after more than one year:			
Bank loans	39.2	43.2	41.5
Finance leases / hire purchase	3.4	3.3	4.4
	42.6	46.5	45.9
Bank and other borrowings	49.9	55.6	52.7
Cash at bank	(0.4)	(0.5)	(0.5)
Net borrowings	49.5	55.1	52.2

11. Retirement and employee benefit obligations

	6 months ended 30 June		Year ended
	2010	2009	31 December
	(unaudited)	(unaudited)	2009
	£m	£m	£m
Fair value of scheme assets	160.6	148.1	169.4
Present value of scheme liabilities	(229.5)	(200.3)	(226.3)
Deficit in British Polythene defined benefit pension scheme	(68.9)	(52.2)	(56.9)
Other employee benefit obligations	(1.4)	(1.3)	(1.5)
Retirement and employee benefit obligations	(70.3)	(53.5)	(58.4)
Related deferred tax asset	19.5	14.6	16.0
	(50.8)	(38.9)	(42.4)

Provision for retirement benefit obligations at 30 June has been calculated on a similar basis to that used at the previous 31 December with the same assumptions other than those detailed below.

Long term inflation assumption	3.20%	3.30%	3.50%
Discount rate applied to scheme liabilities	5.40%	6.40%	5.75%

12. Share capital

	30 June	30 June	31 December
	2010	2009	2009
	(unaudited)	(unaudited)	
	£m	£m	£m
Allotted called up and fully paid			
Equity			
26,498,160 ordinary shares of 25p each	6.6	6.6	6.6

13. Other reserves

	Capital redemption reserve		Capital reserve		Hedging reserve		Foreign currency translation reserve		Total	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	7.2	7.2	0.5	0.5	(0.6)	(0.7)	1.5	2.3	8.6	9.3
Movement during the period	-	-	-	-	(0.5)	0.6	-	-	(0.5)	0.6
Movement on retranslation of overseas operations	-	-	-	-	-	-	-	(1.1)	-	(1.1)
At 30 June	7.2	7.2	0.5	0.5	(1.1)	(0.1)	1.5	1.2	8.1	8.8

	Capital redemption reserve		Capital reserve		Hedging reserve		Foreign currency translation reserve		Total	
	2009		2009		2009		2009		2009	
	£m		£m		£m		£m		£m	
At 1 January	7.2		0.5		(0.7)		2.3		9.3	
Movement during the period	-		-		0.1		-		0.1	
Movement on retranslation of overseas operations	-		-		-		(0.8)		(0.8)	
At 31 December	7.2		0.5		(0.6)		1.5		8.6	

14. Related Parties

There are no related party transactions requiring disclosure. Key management compensation will be disclosed in the 2010 annual financial statements.

15. Contingent Liabilities

During the period the Group was visited by officials from the European Commission and the Office of Fair Trading, as part of enquiries which they are conducting into the agricultural films market. While their enquiries are ongoing, it is not possible at this stage to ascertain whether or not any further action will be taken by these regulatory bodies as a result.

16. Interim report

The interim report will be available on the Company website, www.bpipoly.com, from 31 August 2010. The Company's Registered Office is One London Wall, London, EC2Y 5AB.