

BPI PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Registered number 1734308



BPI PLC

Directors' report and financial statements

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BPI PLC

Directors:	J T Langlands A Thorburn British Polythene Limited
Secretary:	R B Brooksbank
Registered Office:	One London Wall London EC2Y 5AB
Head Office:	96 Port Glasgow Road Greenock PA15 2UL
Auditors:	KPMG Audit Plc Chartered Accountants 191 West George Street Glasgow G2 2LJ
Bankers:	Royal Bank of Scotland plc

BPI PLC

Directors' report for the year ended 31 December 2005

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2005.

Principal activities

The Company owns and receives rents on freehold properties occupied by UK subsidiaries of the ultimate parent company, British Polythene Industries PLC, and third parties.

Profit and loss account

The operating profit for 2005 amounted to £3,140,000 (2004 - £3,547,000). After tax and exceptional non operating items, the profit for the financial year was £2,980,000 (2004 - £2,517,000). Dividends paid on ordinary shares of £2,750,000 (2004 - £3,000,000) resulted in a £230,000 addition to reserves (2004 - £483,000 reduction to reserves).

Share capital

Information relating to share capital of the Company is given in Note 11 to the financial statements.

Directors

The Directors of the Company at the date of this report and throughout the financial year are shown on page 1.

The Directors have no interest in the shares of the Company and are either directors of the ultimate parent company, British Polythene Industries PLC, where their interests in the share capital of British Polythene Industries PLC are disclosed, or have no interest in the share capital of British Polythene Industries PLC.

There are no indemnifications in place for the Directors.

Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the Company and for their remuneration to be fixed by the Directors.

By Order of the Board



R B Brooksbank
Secretary

11 May 2006

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company *will continue in business*.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BPI PLC

We have audited the financial statements of BPI PLC for the year ended 31 December 2005 which comprise the Profit and Loss Account, Note of Historical Cost Profits and Losses, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and *International Standards on Auditing (UK and Ireland)*.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

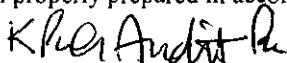
BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Glasgow

11 May 2006

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	<i>Notes</i>	2005 £'000	2004 £'000
Turnover	<i>2</i>	4,032	4,184
Operating profit	<i>2</i>	3,140	3,547
Exceptional non operating items			
Gain on disposal of properties		832	-
Profit on ordinary activities before interest and taxation		3,972	3,547
Net interest receivable and similar income	<i>3</i>	140	-
Profit on ordinary activities before taxation		4,112	3,547
Tax on profit on ordinary activities	<i>4</i>	(1,132)	(1,030)
Profit on ordinary activities after taxation and for the financial year		2,980	2,517

All the Company's activities are continuing.

There are no recognised gains or losses for the current and previous year other than those recognised above.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 December 2005

	2005 £'000	2004 £'000
Reported profit on ordinary activities before taxation	4,112	3,547
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	8	10
Realisation of property revaluation gains of previous years	211	-
Historical cost profit on ordinary activities before taxation	4,331	3,557
Historical cost profit / (loss) for the year retained after taxation and dividends	449	(473)

BALANCE SHEET

At 31 December 2005

			As restated - note 1
	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	6	22,041	24,664
Current assets			
Amounts due from group undertakings (including £24,695,000 (2004: £24,695,000) due after more than one year)	7	35,241	31,240
Other debtors	7	-	75
		35,241	31,315
Creditors - amounts falling due within one year			
Amounts due to group undertaking	8	(40,558)	(39,369)
Other creditors	8	(1,402)	(1,365)
		(41,960)	(40,734)
Net current liabilities		(6,719)	(9,419)
Total assets less current liabilities		15,322	15,245
Creditors - amounts falling due after more than one year			
Amounts due to group undertaking	9	(2,364)	(2,364)
Preference shares	9	(3,398)	(3,398)
		(5,762)	(5,762)
Provision for liabilities and charges			
Deferred taxation	10	(2,407)	(2,560)
Net assets		7,153	6,923
Capital and reserves			
Called up share capital	11	2,810	2,810
Share premium account	12	1,679	1,679
Capital redemption reserve	12	1,602	1,602
Revaluation reserve	12	310	529
Retained earnings	12	752	303
Shareholders' funds - equity interests	13	7,153	6,923

The financial statements were approved by the Board of Directors on 11 May 2006 and signed on its behalf by:

A Thorburn, Director



BPI PLC

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Accounts have been prepared under the historical cost convention, with the exception of certain fixed assets which are included at valuation, and in accordance with applicable UK Accounting Standards which have been applied consistently.

Changes in accounting policies

The Company has adopted FRS 21 "Events after the Balance Sheet Date", and the presentation requirements of FRS 25 "Financial Instruments: Disclosure and Presentation" in these financial statements. The adoption of these standards, which represents a change in accounting policy, has resulted in the reclassification of preference shares from equity to liabilities on the face of the balance sheet in both the current and prior year. FRS 28 "Corresponding amounts" has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Cashflow Statement

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Turnover recognition

Turnover from rental properties is measured at the fair value of the consideration net of VAT and other sales-related taxes.

Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation. Depreciation is provided on fixed assets to write off the cost less estimated residual value, on a straight line basis over their estimated useful lives as follows:

Freehold buildings	20-50 years
No depreciation has been provided on freehold land.	

On the adoption of FRS15, the Company followed the transitional provisions to retain the book value of land and buildings which were revalued in 1981 and 1983, and has decided not to adopt a policy of revaluation in future.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Financial guarantee contracts

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

Deferred Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends payable

Dividends payable to the Company's shareholders are recorded as a liability in the period in which the dividends are approved.

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Notes to the Financial Statements (continued)

2. ANALYSIS OF TURNOVER AND OPERATING PROFIT

	2005 £'000	2004 £'000
Turnover - UK	4,032	4,184
Cost of sales	(806)	(818)
Other operating items	(86)	181
Operating profit	3,140	3,547

	2005 £'000	2004 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets	806	818
Reduction in provision for lease termination	-	(184)
Audit fees	2	2
Other fees paid to auditors and their associates - Tax Compliance	1	1

No remuneration was paid to any of the Directors of the Company in the current or previous year

3. NET INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £'000	2004 £'000
Group interest receivable	140	-

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2004 £'000
Current corporation tax		
UK corporation tax on profits for the year	1,311	1,042
Adjustments in respect of previous years	(26)	(85)
Total current corporation tax	1,285	957
Deferred tax (see note 10)		
Reversal / origination of timing differences	(98)	84
Adjustments in respect of previous years	(55)	(11)
Total deferred tax	(153)	73
Tax on profit on ordinary activities	1,132	1,030

Factors affecting the tax charge for the current period

The difference between the corporation tax charge for the period and the standard rate of corporation tax in the UK is explained below:

	2005 £'000	2004 £'000
Corporation tax reconciliation		
Profit on ordinary activities before tax	4,112	3,547
Current tax at 30%	1,234	1,064
Effects of:		
Capital allowances less than / (in excess of) depreciation	43	(22)
Other timing differences	34	-
Adjustments to tax charge in respect of previous periods	(26)	(85)
Total current corporation charge	1,285	957

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Notes to the Financial Statements (continued)

5. DIVIDENDS

	2005 £'000	2004 £'000
Dividends paid to ultimate parent company	2,750	3,000

British Polythene Industries PLC waived its entitlement to a £315,000 (2004 - £315,000) dividend on the cumulative redeemable preference shares (see note 9).

6. TANGIBLE FIXED ASSETS

	Land and Buildings £'000
Cost or Valuation	
At 1 January 2005	36,253
Intra - group transfers	20
Disposals	(2,694)
At 31 December 2005	33,579
Aggregate Depreciation	
At 1 January 2005	11,589
Disposals	(857)
Charge for year	806
At 31 December 2005	11,538
Net book amount at 31 December 2005	22,041
Net book amount at 31 December 2004	24,664

(i) If the land and buildings were stated under the historical cost convention, the net book value would be lower than that shown by approximately £310,000 (2004 - £529,000).

(ii) The amount of land not depreciated is £2,370,000 (2004 - £2,471,000).

The net book amount of land and buildings comprises:

	2005 £'000	2004 £'000
Freehold	21,265	23,856
Long leasehold	776	808
	22,041	24,664

7. DEBTORS

	2005 £'000	2004 £'000
Other debtors	-	75
Amounts due by group undertakings	35,241	31,240
	35,241	31,315

Amounts due by group undertakings includes £24,695,000 (2004 - £24,695,000) which falls due after more than one year.

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Notes to the Financial Statements (continued)

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Bank overdraft	70	179
Corporation tax	1,311	1,042
Accruals and deferred income	21	84
Other creditors	-	60
Due to group undertakings	40,558	39,369
	41,960	40,734

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £'000	As restated - note 1 2004 £'000
Due to group undertakings	2,364	2,364
Preference shares	3,398	3,398
	5,762	5,762

The Company has 7,397,500 (2004: 7,397,500) 9.25% cumulative redeemable preference shares of £1 each authorised, of which 3,397,500 (2004: 3,397,500) are allotted and called up. The Company may redeem the preference shares at par in any of the years 2008 to 2012 inclusive. Any shares in issue at 3 July 2013 will be redeemed at par. These shares carry the right in a winding up to the repayment of nominal capital plus any arrears of dividends less any amounts waived in priority to any other shares in the Company.

10. DEFERRED TAXATION

	Accelerated Capital Allowances £'000	Other Timing Differences £'000	Total £'000
Amounts provided			
At 31 December 2004 at 30%	2,590	(30)	2,560
Transfer to profit and loss account	(153)	-	(153)
At 31 December 2005 at 30%	2,437	(30)	2,407

11. CALLED UP SHARE CAPITAL

	2005 £'000	As restated - note 1 2004 £'000
Authorised		
Equity		
16,000,000 Ordinary shares of 25p each	4,000	4,000
Allotted and called up		
Equity		
11,241,144 Ordinary shares of 25p each	2,810	2,810

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Notes to the Financial Statements (continued)

12. RESERVES

	£'000
Share premium account	
At 31 December 2004 & 31 December 2005	1,679
Capital redemption reserve	
At 31 December 2004 & 31 December 2005	1,602
Revaluation reserve	
At 31 December 2004	529
Release to profit and loss account	(219)
At 31 December 2005	310
Retained earnings	
At 31 December 2004	303
Profit for the financial year	2,980
Dividends	(2,750)
Revaluation reserve released	219
At 31 December 2005	752

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Opening shareholders' funds as previously reported	10,321	10,804
Effect of adoption of FRS 25 in relation to preference shares	(3,398)	(3,398)
Opening shareholders' funds as restated	6,923	7,406
Profit for the financial year	2,980	2,517
Dividends	(2,750)	(3,000)
Net increase / (decrease) in shareholders' funds	230	(483)
Closing shareholders' funds	7,153	6,923

14. CAPITAL COMMITMENTS

There were no capital commitments at the year end (2004 - £nil).

15. CONTINGENT LIABILITIES

The Company has guaranteed loans and bank overdrafts of certain group undertakings amounting to £41,561,000 at 31 December 2005 (2004 - £52,281,000). The Company also has an obligation under the Group VAT registration at 31 December 2005 amounting to £2,025,000 (2004 - £1,003,000).

16. ULTIMATE PARENT COMPANY

The ultimate parent company and parent undertaking of the only group of undertakings for which group accounts are drawn up and of which the Company is a member is British Polythene Industries PLC, which is registered in England and Wales. Copies of the group accounts can be obtained at its head office at 96 Port Glasgow Road, Greenock, PA15 2UL.

16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions under FRS 8 not to disclose inter group transactions on the grounds that it is a wholly owned subsidiary undertaking of British Polythene Industries PLC.