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BUCKLAND GROUP PLC

Report and financial statements

for the year ended

31 December 2005

BUCKLAND GROUP PLC

Report and financial statements for the year ended 31 December 2005

Contents

BUCKLAND GROUP PLC

Report and financial statements for the year ended 31 December 2005

Directors

Patrick CRC Rogers BA, executive chairman
Leon K Sharples PhD, non-executive director
Phillip E Palmer, non-executive director

Secretary and registered office

Leon K. Sharples, 3 Draycott Place, London SW3 2SE

Company number

3148295

Auditors

BDO Stoy Hayward LLP,
Emerald House, East Street, Epsom KT17 1HS

Nominated advisor

Seymour Pierce Limited,
Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EC

Nominated broker

Seymour Pierce Limited,
Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EC

Registrars

Capita Registrars,
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

BUCKLAND GROUP PLC

Chairman's statement for the year ended 31 December 2005

I present the financial results for Buckland Group plc for the year ended 31 December 2005. During the year we undertook a fundamental restructuring of the group's activities, closing the loss-making connectors business, reducing significantly the cost base of the continuing operations in Thailand, and acquiring DK Gas Components and commencing its transfer from the UK to Bangkok. These actions have incurred a number of non-recurring costs which have materially affected the 2005 results but following the restructuring, the group is expected to generate profits in the second half of 2006 and beyond.

The group results for 2005 show an operating loss, before amortisation of goodwill and reorganisation costs, of £ 783,702, of which £ 540,762 relates to discontinued operations (2004: loss £ 443,061). Sales for the year were £ 3,443,290 (2004: £ 2,957,083). After amortisation and impairment of goodwill, reorganisation costs and interest, the loss before tax was £ 2,029,416 (2004: £ 488,376) The loss per share was 0.51p compared with a loss of 0.26p in 2004. No dividend is proposed.

Review of Derlite, DK Gas Components and Euro Asia Connectors ('EAC')

Although 2005 was a very difficult year for the Group's Thai operations, all the necessary actions have now been taken to return the business to profitability . Last July we stopped making connectors for the consumer electronics industry, laid off the workforce of EAC and organised the realisation of that company's assets and liabilities. By the year end this process had been largely completed, with the few remaining outstanding issues being provided for in the 2005 accounts. In total the loss attributable to EAC in 2005 was £ 440,102.

In parallel with the closure of EAC, we have reduced the overall costs of running the Thai facility by cutting total employee numbers to 128 at the year end (2004: 358) and by surrendering the lease on half the factory space. This resource level is sufficient to cope with the current manufacturing volumes of Derlite and to absorb all the activities of DK Gas Components as their transfer from the UK is completed.

As already advised to shareholders, we acquired the business of DK Gas Components in February 2005. Our strategy is to transfer all its production to Thailand and from that reduced cost base to seek to grow its sales and product range in tandem with those of Derlite, the two businesses being highly complementary. The transfer of DK Gas has been planned in three phases: the first commenced last September and was completed before the year end; the second phase began in January and has recently been completed successfully and the final phase will be completed by the end of June. At that time the Redditch factory will close and the group's UK operations thereafter will comprise a small team to service the sales, technical support and logistics requirements for Derlite and DK Gas in Europe.

Once the transfer of manufacturing is completed, the sharp reduction in DK Gas' personnel costs and overheads will result in an annual saving of some £ 600,000 on its combined cost of sales and administrative expenses, which in 2005 totalled £ 2,143,280. A re-organisation charge of £ 99,410 has been taken in the 2005 accounts to cover redundancy and other costs associated with the closure of the Redditch facility. The rationalisation of our Thai operations means that administrative expenses from continuing operations of £ 720,579 in 2005 are expected to reduce to around £ 600,000 pa on a like-for-like basis in 2006.

Derlite and DK Gas maintained their market shares in 2005 but sales volumes' were running slightly lower in the closing months of last year compared with 2004, as declining consumer confidence in our major markets of the UK and the USA led to lower sales of cooking appliances, the most important market segment for our products. Sales so far in 2006 have been running at the same underlying rate as the second half of last year. Both Derlite and DK Gas have made progress in developing new products, particularly for the gas water heater market, and it is expected that these will start to make a more significant contribution in the second half of 2006.

Balance sheet

In February 2005, 214,000,000 shares were issued to finance the acquisition of DK Gas and a further 387,399,220 shares were issued last December to provide additional working capital for the group and to pay off various outstanding loans and other liabilities.

BUCKLAND GROUP PLC

Chairman's statement for the year ended 31 December 2005 (continued)

The Directors have decided to write off the Derlite goodwill over ten years, instead of over twenty years as previously. The effect of this change has been to incur an additional charge for the year of £ 39,168. The total goodwill amortisation charge for 2005 was £ 171,450 (2004: £ 17,875) of which £ 96,524 relates to the acquisition of DK Gas. This charge was included in the Preliminary Statement released on 2nd May ; since then the Directors have considered it appropriate to impair the remaining goodwill relating to DK Gas, giving rise to an additional charge to the P&L acount of £ 1,004,465.

The heavy losses incurred in 2005 together with increased working capital requirements to finance goods in transit between Thailand and Europe mean that the group's liquidity position remains under pressure. The Directors are currently examining the options for covering the anticipated additional funding requirements by a combination of additional shareholder loans and the issue of new equity, in which the Directors would participate.

Outlook

Based on current internal forecasts, we expect that the Group should be profitable in the second half of 2006; the first half of the year will see a further, very much reduced loss as we incur the final costs of running parallel production facilities in Redditch and Bangkok.

The prospects for the Group once the transfer of all manufacturing to Thailand is completed remain very positive.

Patrick Rogers
Chairman
30 June 2006

BUCKLAND GROUP PLC

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The profit and loss account is set out on page 9 and shows the result of the group for the year ended 31 December 2005.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The Group ceased manufacturing connectors for consumer electronics products in June 2005 and since that time has concentrated on the manufacture of components used in gas ignition systems for gas cookers, gas ovens and gas boilers.

A review of the group's activities during the period together with an indication of future developments is given in the Chairman's statement on pages 2 and 3.

Research and development

Research and development in the gas ignition businesses is concentrated on the development of new products capable of maintaining and increasing sales.

Key events during 2005

On 18th February 2005 the Group acquired the business and certain of the assets of Kigass Electronics Ltd for a total cash consideration of £ 1.25m, funded by the issue of 214 million new ordinary shares at 0.5p each to institutional and other investors.

At the end of June 2005, Euro Asia Connectors Co Ltd ceased the production of connectors and made redundant its workforce, other than a small number who were transferred to Derlite Co Ltd.

In September 2005 the Group commenced the transfer of the manufacturing activities of DK Gas Components Ltd (formerly Kigass) from Redditch to Bangkok.

At an Extraordinary General Meeting of shareholders held on 5th October 2005 it was resolved that the issued Ordinary shares of 0.5p in the capital of the Company be sub-divided into New Ordinary shares of 0.01p and New Deferred shares of 0.49p. It was further resolved that each remaining authorised but un-issued share of 0.5p be sub-divided into fifty New Ordinary shares of 0.01p. The New Ordinary shares have the same rights attaching to them as the Ordinary shares whilst the New Deferred Shares have no effective value.

On 15th December 2005, the Company raised £ 200,000 by the issue of 200,000,000 New Ordinary shares at a price of 0.1p. In addition, the Company issued 187,399,220 New Ordinary shares in payment for services rendered to the Company and in conversion of short term debt.

Post balance sheet events

During the first six months of 2006, the Group completed the transfer of the majority of DK Gas' production to Bangkok thereby significantly reducing its costs of production. However, in view of the deteriorating performance of DK Gas, the Directors of Buckland Group PLC, being the ultimate parent company of DK Gas Components Ltd, resolved on 28th June 2006 to seek the advice of an insolvency practitioner with regard to the trading position of DK Gas and its potential liquidation.

BUCKLAND GROUP PLC

Report of the directors for the year ended 31 December 2005 (continued)

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	(3)	Ordinary shares of 0.01p each 31 December 2005	Ordinary shares of 0.5p each 31 December 2004
Patrick CRC Rogers	(1)	23,066,666	4,360,000
Leon K Sharples	(1)	35,801,666	15,908,332
Phillip E Palmer	(2)	31,366,666	8,866,666

Notes:

(1) includes shares held by Wharton Holdings Corporation.

(2) includes shares held by C I Law Trustees Limited on behalf of a discretionary trust the beneficiaries of which include the family of Mr Palmer.

(3) on 5 October 2005 the ordinary shares of 0.5p were replaced by ordinary shares of 0.01p.

Details of directors' interests in options to acquire ordinary shares are shown in note 23.

Substantial shareholdings

At 28th June 2006 , those shareholders which have notified the company of disclosable interests of 3 per cent or more in the ordinary share capital of the company are as set out below;

Holder	Ordinary shares of 0.01p each	Percentage
Leon K Sharples	35,801,666	4.5%
Philip E Palmer	31,366,666	4.0%
Kristofer McGuire	24,000,000	3.0%

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. Trade creditors at the year end amount to 106 days of average supplies for the year (2004: 110 days).

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 21 of the financial statements.

Going Concern

The Directors have reviewed the profit and loss and cash flow projections for the Group for the twelve months ending 30 June 2007. Based on current forecasts and assumptions, the Directors anticipate that there may be a short term funding requirement, in excess of banking and loan facilities already in place, during this period. The Directors are currently examining the options for covering this anticipated shortfall by a combination of shareholders' loans and/or additional equity funding and are of the opinion that adequate additional facilities will be forthcoming to cover this requirement.

BUCKLAND GROUP PLC

Report of the directors for the year ended 31 December 2005 (continued)

Auditors

The directors' consider the independence and objectivity of the external auditor and the level of fees payable for both audit and non-audit work. Details of the non-audit related fees are shown in note 7 to the financial statements.

Grant Thornton UK LLP resigned as auditors to the Company and BDO Stoy Hayward LLP have been appointed in their place. A resolution to reappoint BDO Stoy Hayward will be proposed at the forthcoming Annual General Meeting, in accordance with section 385 of the Companies Act 1985.

On behalf of the Board
Patrick Rogers
Director
30 June 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law in the United Kingdom requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and chairman's statement are prepared in accordance with United Kingdom company law. They are also responsible for ensuring that the annual report includes information required by the AIM rules.

Independent Auditor's Report To The Shareholders Of Buckland Group PLC

We have audited the group and parent company financial statements (the "financial statements") of Buckland Group PLC for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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 have been 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 those 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

BUCKLAND GROUP PLC

Report of the independent auditors to the members of Buckland Group Plc (continued)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2005 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2005; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Emphasis of Matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning uncertainty as to the ability of the group to secure the necessary equity funding required to enable it to continue as a going concern. The group incurred a net loss of £2,029,416 during the year ended 31 December 2005 and at that date the group's current liabilities exceeded its total assets by £431,970. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern . The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

BDO Stoy Hayward

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors
Emerald House, East Street, Epsom KT17 1HS
30 June 2006

BUCKLAND GROUP PLC

Consolidated profit and loss account for the year ended 31 December 2005

	Note	Continuing operations	Aquisitions	Discontinued operations	Year ended 31 December 2005	Year ended 31 December 2004
					£	£
Turnover	3	1,120,908	1,984,775	337,607	3,443,290	2,957,083
Cost of sales		(771,849)	(1,513,893)	(668,676)	(2,954,418)	(2,458,683)
Gross profit/(loss)		349,059	470,882	(331,069)	488,872	498,400
Administrative expenses		(720,579)	(1,633,852)	(257,306)	(2,611,737)	(1,030,314)
Other operating income	3	16,225	-	47,613	63,838	70,418
Operating (loss)/profit before amortisation, impairment and reorganisation costs		(280,369)	37,429	(540,762)	(783,702)	(443,621)
Impairment of Goodwill	7	-	(1,004,465)	-	(1,004,465)	-
Amortisation of Goodwill	7	(74,926)	(96,524)	-	(171,450)	(17,875)
Reorganisation costs	7	-	(99,410)	-	(99,410)	-
Operating loss on ordinary activities before interest	7	(355,295)	(1,162,970)	(540,762)	(2,059,027)	(461,496)
Profit on disposal of fixed assets					100,660	560
Interest receivable	8				218	97
Interest payable and similar charges	9				(71,267)	(27,537)
Loss on ordinary activities before taxation					(2,029,416)	(488,376)
Tax on loss on ordinary activities	10				-	-
Loss transferred to reserves	12,24				(2,029,416)	(488,376)
Loss per ordinary share:						
Basic and diluted	11	0.40p		0.11p	(0.51p)	(0.26p)

The accompanying notes form an integral part of these financial statements.

BUCKLAND GROUP PLC

Consolidated statement of total recognised gains and losses and consolidated reconciliation of movements in shareholders' funds for the year ended 31 December 2005

	Year ended 31 December 2005	Year ended 31 December 2004
	£	£
Consolidated statement of total recognised gains and losses		
Loss for the year	(2,029,416)	(488,376)
Exchange translation loss on foreign currency net investments in subsidiary undertakings	24,366	(53,887)
Total recognised loss for the year	(2,005,050)	(542,263)
Consolidated reconciliation of movements in shareholders' funds		
Total recognised loss	(2,005,050)	(542,263)
New ordinary share capital subscribed for and allotted in the period, including share premium (net of expenses)	1,414,497	-
Net reduction in equity shareholders' funds	(590,553)	(542,263)
Opening equity shareholders' funds	49,802	592,065
Closing equity shareholders' (deficit)/funds	(540,751)	49,802

The accompanying notes form an integral part of these financial statements.

BUCKLAND GROUP PLC

Consolidated balance sheet at 31 December 2005

	Note	At 31 December 2005		At 31 December 2004	
		£	£	£	£
Fixed assets					
Intangible assets	13		243,387		318,313
Tangible assets	14		256,791		173,382
			500,178		491,695
Current assets					
Stocks	16	425,052		423,088	
Debtors	17	937,668		331,243	
Cash at bank and in hand	27b	29,717		37,298	
		1,392,437		791,629	
Creditors: amounts falling due within one year	18	(2,324,585)		(1,206,754)	
Net current liabilities			(932,148)		(415,125)
Total assets less current liabilities			(431,970)		76,570
Creditors: amounts falling due after more than one year	19		(9,371)		(26,768)
Provision for liabilities and charges	20		(99,410)		-
Net (liabilities)/assets			(540,751)		49,802
Capital and reserves					
Called up share capital	23		3,526,492		2,417,752
Share premium account	24		1,041,532		735,775
Profit and loss account	24		(5,108,775)		(3,103,725)
Shareholders' (deficit)/funds			**(540,751)**		**49,802**

The financial statements were approved by the Board on 30 June 2006 and were authorised for issue on 30 June 2006.

Patrick C R C Rogers
Director

30 June 2006

The accompanying notes form an integral part of these financial statements.

BUCKLAND GROUP PLC

Company balance sheet at 31 December 2005

	Note	At 31 December 2005 £	£	At 31 December 2004 £	£
Fixed assets					
Investments	15		162		162
Current assets					
Stock				7,115	
Debtors	17	877,996		494,973	
Cash at bank and in hand		4,882		4,493	
		882,878		506,581	
Creditors: amounts falling due within one year	18	(577,038)		(465,897)	
Net current assets			305,840		40,684
Total assets less current liabilities			306,002		40,846
Capital and reserves					
Called up share capital	23		3,526,492		2,417,752
Share premium account	24		1,041,532		735,775
Profit and loss account	24		(4,262,022)		(3,112,681)
Shareholders' funds			306,002		40,846

The financial statements were approved by the Board on 30 June 2006 and were authorised for issue on 30 June 2006.

Patrick L

Patrick C R C Rogers
Director

30 June 2006

The accompanying notes form an integral part of these financial statements.

BUCKLAND GROUP PLC

Consolidated cash flow statement for the year ended 31 December 2005

	Note	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Net cash (outflow)/inflow from operating activities (see below)	27a	(657,039)	47,226
Returns on investments and servicing of finance	27a	(71,049)	(27,440)
Taxation		-	(2,066)
Capital expenditure	27a	54,689	(62,927)
Acquisitions	27a	(1,254,243)	
Cash outflow before management of liquid resources and financing		(1,927,642)	(45,207)
Financing		1,874,218	8,166
Decrease in cash		(53,424)	(37,041)
Reconciliation of net cash flow to movement in net debt	27b		
Decrease in cash in the period		(53,424)	(37,041)
Cash inflow from increase in debt		(45,721)	(8,166)
Non cash movements		(30,000)	-
Change in net debt resulting from cash flows		(543,145)	(45,207)
Exchange movement		1,719	(6,653)
Movement in net debt in the period		(541,426)	(51,860)
Opening net debt		(289,102)	(237,242)
Closing net debt		(830,528)	(289,102)
Reconciliation of operating loss to net cash inflow/(outflow) from operating activities			
Operating loss		(2,059,027)	(461,496)
Depreciation and impairment		176,532	191,095
Amortisation of goodwill		171,450	17,875
Impairment of goodwill		1,004,465	-
Movement on provision for restructuring costs		99,410	-
Decrease in stocks		317,464	48,558
(Increase)/decrease in debtors		(606,425)	250,627
Increase/ in creditors		228,590	30,782
Other non cash operating adjustment		10,502	(30,215)
Net cash inflow/(outflow) from operating activities		(657,039)	47,226

The accompanying notes form an integral part of these financial statements.

BUCKLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 December 2005

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards. The principal accounting policies of the Group are set out below. In accordance with Financial Reporting Standard ('FRS') 18 the Group has reviewed its accounting policies and estimation techniques and consider that these policies are the most appropriate.

In preparing these financial statements the company has adopted for the first time, FRS 21 "Events after the balance sheet date", FRS 22 "Earnings per share" and the presentation requirements of FRS 25 "Financial Instruments: Disclosure and presentation".

Turnover
Turnover represents supplies of components used in consumer electronics products and gas ignition systems to third parties, excluding Value Added Tax or local sales tax where appropriate. Turnover is recognised upon delivery and its treatment is in line with FRS 5.

Basis of consolidation
The group has used the acquisition method of accounting to consolidate the results of subsidiary undertakings. The results of subsidiary undertakings are included in the group results from the date of acquisition. The consolidated financial statements incorporate the financial statements of Buckland Group PLC and all of its subsidiary undertakings made up to 31 December 2005.

Goodwill
Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is amortised through the profit and loss account over the directors' estimate of its useful economic life from the date of acquisition. Any permanent diminutions in value are written off.

Valuation of investments
Investments held as fixed assets are stated at cost less any amounts written off in respect of permanent diminution in value.

Depreciation
Depreciation is provided to write off the cost less estimated residual value, on a straight line basis, of all fixed assets evenly over their expected useful economic lives. Asset lives are as follows:

Leasehold improvements	- 5 years
Fixtures and fittings and equipment	- between 3 and 10 years
Plant, Machinery and Motor vehicles	- between 3 and 5 years

Financial Instruments
The group does not use derivative financial instruments. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Foreign currency
Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The profit and loss accounts of foreign subsidiary undertakings are translated into sterling at the average rate of exchange for the period. Assets and liabilities of foreign subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Differences on exchange arising from the translation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

2 Going Concern

The Directors have reviewed the profit and loss and cash flow projections for the Group for the twelve months ending 30 June 2007. Based on current forecasts and assumptions, the Directors anticipate that there will be a funding requirement, in excess of banking and loan facilities already in place, during this period.

The Directors are currently examining the options for covering this anticipated shortfall through additional equity funding and shareholder loans. The Directors are of the opinion that adequate additional facilities will be forthcoming to cover the funding requirement and therefore, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future.

In addition to the assumptions set out above regarding future equity funding and shareholder loans, in forming this opinion, the directors have taken account of the following facts and assumptions:

The consolidated balance sheet at 30 December 2005 shows that the group had net liabilities of £540,751;
The group currently has available no committed undrawn borrowing facilities;
The Directors have consulted an insolvency practitioner with regard to the current trading position of DK Gas Components Ltd and its potential liquidation.

In view of the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

However, there can be no certainty that the Directors will be successful in securing additional equity funding. The Group may be unable to meet its financial obligations as they fall due and thus be unable to continue as a going concern if the directors are unsuccessful in securing the necessary funding.

The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

3 Turnover, profit, net assets and other operating income

Turnover is related to the manufacture of components used in colour televisions, PC Monitors, VCRs, DVDs and satellite decoders: and to the manufacture of components used in gas ignition systems for gas cooking and gas heating appliances.

An analysis by geographical market follows:

Turnover by origin	**Year ended** 31 December 2005 £	**Year ended** 31 December 2004 £
Europe	1,984,775	-
Asia	1,458,515	2,957,083
	3,443,290	2,957,083

Turnover by destination	**Year ended 31 December 2005 £**	**Year ended 31 December 2004 £**
Europe	2,776,658	2,375,450
Asia	-	269,086
Rest of the World	666,632	312,547
	3,443,290	2,957,083

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

1 Accounting policies (continued)

Product research and development
Product research and development costs are charged to profit and loss account in the period in which the expenditure is incurred.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	- purchase cost on a first in, first out basis.
Work in progress and finished goods	- cost of raw materials and labour together with attributable overheads

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation
Deferred tax has been provided in accordance with FRS 19.

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

Leased assets
Assets acquired under hire purchase contracts and finance leases are capitalised in the balance sheet. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease period.

Retirement benefits
Defined contributions pension scheme. The pension costs charged against operating profits are the contributions payable to a foreign scheme in respect of the accounting period.

Invoice Discounting
The Group discounts a proportion of its trade debts. The accounting policy is to include trade debt within trade debtors due within one year and record cash advances within creditors due within one year.
Discounting fees and interest are charged to the profit and loss account when incurred. Bad debts are borne by the Group and are charged to the profit and loss account when incurred.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

3 Turnover, profit, net assets and other operating income (continued)

An analysis by segment follows:

Turnover by segment	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Electronic Components	337,607	1,534,425
Gas Ignition Equipment	3,105,683	1,422,658
	3,443,290	2,957,083

Loss before tax and net assets relating to each major geographical market are not disclosed as, in the opinion of the directors, their disclosure would be seriously prejudicial to the interests of the group.

4 Corresponding figures for discontinued operations

Comparative figures for the 2004 performance of the activities discontinued in 2005 are set out below:

	Year ended 31 December 2004		
	Continuing £	Discontinued in 2005 £	Total £
Turnover	1,475,108	1,481,975	2,957,083
Cost of sales	(773,115)	(1,685,568)	(2,458,683)
Gross profit	701,993	(203,593)	498,400
Administrative expenses	(684,808)	(344,946)	(1,029,754)
Other operating income	8,737	61,681	70,418
Operating loss on ordinary activities before interest	25,922	(486,858)	(460,936)

5 Employees

	Group		Company	
Staff costs excluding directors consist of:	Year ended 31 December 2005 £	Year ended 31 December 2004 £	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Wages and salaries	1,179,937	712,618	-	-
Pension costs	4,364	661	-	-
Social security costs	60,568	22,065	-	-
	1,244,869	735,344	-	-

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

5 Employees (continued)

The average monthly number of employees of the group, excluding directors, during the year was as follows:

	Group Number 2005	Number 2004	Company Number 2005	Number 2004
Manufacturing	245	344	-	-
Sales	4	2	-	-
Administration	9	9	3	3
Research and development	5	3	-	-
	263	358	3	3

6 Directors' emoluments

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Fees	119,286	134,600

No director receives contributions to a pension scheme.

7 Operating loss

This has been arrived at after charging / (crediting) :		Year ended 31 December 2005 £	Year ended 31 December 2004 £
Depreciation	- own assets	103,440	140,361
	- leased assets	11,261	8,407
Impairment provision		61,832	42,327
Amortisation of goodwill		171,450	17,875
Impairment of goodwill		1,004,465	-
Reorganisation costs		99,410	-
Operating lease rentals	- plant and machinery	85,767	8,047
	- other	438	77,099
Auditors' remuneration	- audit services	38,750	50,056
	- non-audit services: taxation	6,000	8,510
Research and development expenditure		20,233	20,543
Net profit on foreign exchange		(72,079)	(36,280)

Reorganisation costs
As announced in December 2005, the Group is in the process of relocating all of its UK manufacturing operations to Thailand. The reorganisation costs of £99,410 comprise the anticipated costs of a redundancy programme and the costs of transferring plant and equipment.

8 *Interest receivable*

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Interest on bank balances	218	97

9 *Interest payable and similar charges*

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Interest on bank loans and overdrafts	37,334	2,723
Finance charges payable under finance leases and hire purchase contracts	4,009	1,747
Other loans	29,924	23,067
	71,267	27,537

10 Taxation

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Current tax:		
UK corporation tax on loss for the period	-	-
Foreign corporation tax on profits for the year	-	-
	-	-

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2005 £	Year ended 31 December 2004 £
Loss on ordinary activities before tax	(2,029,416)	(488,376)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(608,825)	(146,513)
Effects of:		
Expenses not deductible for tax purposes	21,818	134,586
Capital allowances for the period in (excess of)/less than depreciation	(3,399)	(199)
Utilisation of tax losses	(9,599)	3,483
Current year tax losses	600,005	107,899
Foreign tax exemption	-	(115,081)
Inter company adjustments	-	15,825
Current tax charge for the period	-	-

Current year tax losses relate to £ 342,031 of UK losses and £ 257,974 of losses in Thailand.

11 Loss per share

The calculations of basic and diluted loss per share are based on the loss for the year attributable to ordinary shareholders of £ 1,488,654 relating to continuing activities and £ 540,762 relating to discontinued activities (2004: loss £ 1,518 relating to continuing activities and a loss of £ 486,858 relating to activities discontinued in 2005) and the weighted average number of shares in issue during the year of 393,618,826 (2004:190,779,408).

Note 23 shows that share options exist at 20% of issued share capital. These share options have an anti-dilutive effect on the earnings per share since the exercise prices are in excess of the market price.

12 Loss for the financial period

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss after tax for the year was £ 1,149,341 (2004: loss £ 152,737).

13 Intangible assets

	Goodwill on:			
Group	**Acquisition of business of Kigass**	**Acquisition of Derlite Limited**	**Acquisition of Euro Asia Connectors Co. Limited**	**Total Purchased Goodwill**
	£	£	£	£
Cost				
At 1 January 2005	-	357,491	97,472	454,963
Addition in the Year	1,100,989	-	-	1,100,989
At 31 December 2005	1,100,989	357,491	97,472	1,555,952
Amortisation				
At 1 January 2005	-	39,178	97,472	136,650
Provision for the period	96,524	74,926	-	171,450
Impairment charge	1,004,465	-	-	1,004,465
At 31 December 2005	1,100,989	114,104	97,472	1,312,565
Net book value				
At 31 December 2005	-	243,387	-	243,387
At 31 December 2004	-	318,313	-	318,313

The Directors have reviewed the Group's amortisation policy on intangible assets and have decided to reduce the amortisation period to 10 years, compared with the 20 years previously adopted. Accordingly the total charge for Derlite for 2005 has been increased to £74,927 to reflect this change. The charge for the Kigass business reflects the period since acquisition and the decision to impair the full value of the goodwill acquired.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

14 Tangible assets

Group	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2005	78,859	1,917,992	97,331	2,094,182
Additions during the year	4,893	299,780	28,100	332,773
Disposals	(340)	(1,398,793)	(17,669)	(1,416,802)
Exchange differences	4,695	109,350	5,795	119,840
At 31 December 2005	88,107	928,329	113,557	1,129,993
Depreciation				
At 1 January 2005	76,832	1,762,413	81,555	1,920,800
Provided for in the year	3,897	88,247	22,557	114,701
Disposals	-	(1,314,178)	(17,651)	(1,331,829)
Impairment provision	-	40,950	20,882	61,832
Exchange differences	4,575	98,268	4,855	107,698
At 31 December 2005	85,304	675,700	112,198	873,202
Net book value				
At 31 December 2005	2,803	252,629	1,359	256,791
At 31 December 2004	2,027	155,579	15,776	173,382

The net book value of tangible fixed assets included within plant, machinery and motor vehicles, includes an amount of £ 38,624 (2004: £ 17,916) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in the year on assets held under finance lease was £ 11,261 (2004: £ 8,407).

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

15 Fixed asset investments

Company	**Subsidiary undertakings £**
Cost	
At 1 January 2005	1,022,896
Additions	-
At 31 December 2005	1,022,896
Provisions at 1 January 2005	1,022,734
Provided during the year	-
Provisions at 31 December 2005	1,022,734
Net book value at 31 December 2005	162
Net book value at 31 December 2004	162

As at 31 December 2005 the Group held 100% of the share capital of the following companies.

Subsidiary undertaking	Country of incorporation	Nature of business	Date of acquisition/ set up
Euro Asia Connectors Co Limited *	Thailand	Non-trading	6 March 1998
Euro Asia Connectors Co (Hong Kong) Limited	Hong Kong	Trading	19 March 1999
Euro Asia Strip Tinning Limited *	Thailand	Non-trading	24 April 2000
Ravago Plastics Ltd	United Kingdom	Trading	5 June 2002
Holdsafe Limited *	United Kingdom	Dormant	22 October 2002
Derlite Co. Limited (Thailand) *	Thailand	Manufacturing	21 February 2003
Buckland Group (Hong Kong) Limited	Hong Kong	Trading	29 October 2003
DK Gas Components Ltd *	United Kingdom	Manufacturing	18 February 2005

All companies within the group have co-terminous year ends.

* indicates an investment held through an intermediate holding company.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

16 Stocks

Group	31 December 2005 £	31 December 2004 £
Raw materials	301,996	272,873
Work in progress	17,896	96,829
Finished goods	105,160	53,386
	425,052	423,088

There is no material difference between the replacement cost of stocks and the amounts stated above.

17 Debtors: amounts falling due within one year

	Group		Company	
	31 December 2005 £	31 December 2004 £	31 December 2005 £	31 December 2004 £
Trade debtors	797,756	179,251	13,128	-
Amounts owed by group undertakings	-	-	858,529	474,052
Other debtors	114,978	110,387	1,594	8,269
Prepayments and accrued income	24,934	41,605	4,745	12,652
	937,668	331,243	877,996	494,973

At 31 December 2005 £ 728,121 (2004: £ 13,953) of the trade debtors have been factored.

18 Creditors: amounts falling due within one year

	Group		Company	
	31 December 2005 £	31 December 2004 £	31 December 2005 £	31 December 2004 £
Bank loans and other borrowings	552,587	66,577	-	-
Bank overdrafts	44,778	409	-	-
Other loans	231,105	216,303	231,105	216,303
Trade creditors	978,504	740,329	252,810	208,958
Amounts owed to group undertakings	-	-	7,447	72
Corporation tax	-	-	-	-
Obligations under finance leases and hire purchase contracts	22,402	16,343	-	-
Other taxation and social security	273,381	42,635	6,715	-
Accruals	221,828	124,158	78,961	40,564
	2,324,585	1,206,754	577,038	465,897

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

Accruals include a loan of £20,000 (2004: £ 20,000) is due to Dr Leon Sharples. The loan is interest free, unsecured and repayable on demand after 31 December 2006.

The bank loans and other borrowings relate to the factored trade debtors.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

19 Creditors: amounts falling due after more than one year

	Group	
	31 December 2005	31 December 2004
	£	£
Bank loans and other borrowings	-	18,038
Obligations under finance leases and hire purchase contracts	9,371	8,730
	9,371	26,768

Further details of the terms of the loans are shown in note 21.

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

20 Provision for liabilities and charges

	£
Provisions at 1 January 2005	-
Reorganisation costs provided during the year	99,410
Provisions at 31 December 2005	99,410

As announced in December 2005, the Group is in the process of relocating all of its UK manufacturing operations to Thailand. The reorganisation costs of £99,410 comprise the anticipated costs of a redundancy programme and the costs of transferring plant and equipment.

21 Financial Instruments

The company's treasury policy is to avoid transactions of a speculative nature. The main risks arising from the group's financial instruments are interest rate risk and foreign currency risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Short term debtors and creditors
Short term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Interest rate risk
The group finances its operations through bank borrowings. The group exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities. It is the Group's policy that approximately 1/3 of its borrowings should be at a fixed rate and at the year end 30% per cent of the borrowings were on such terms.

Loans
Loans amounting to £ 231,105 (2004: £ 216,303) are unsecured, repayable on demand, due to a shareholder, Groupe Industriel, and include interest at 10% per annum. Of the amount due £ 141,623 (2004: £133,337) is related to capital and £ 89,482 to interest (2003: £ 82,966)

BUCKLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

21 Financial Instruments (continued)

Bank loans
Other borrowings amounting to £ 552,588 (2004: £ 13,953) relate to invoice finance facilities. The borrowings bear interest of 2.75% over base rate (2004: 9.5% per annum).

Bank overdrafts
Other overdrafts amounting to £ 44,778 (2004: £ 409) are secured by a fixed and floating charge over the Company's assets. The overdraft bears interest of 4% over base rate.

Liquidity risk
The group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably manage the liquidity through the use of overdraft. It is the Group's policy to factor its trade debtors wherever practicable.

Maturity of financial liabilities
The group financial liabilities analysis at 31 December 2005 was as follows:

Group	**2005**	**2004**
	£	**£**
Borrowings are repayable as follows:		
Within one year		
Bank loans	597,365	66,577
Other loans	231,105	216,303
Finance leases	22,402	16,343
Between one and two years		
Bank loans	-	18,038
Finance leases	9,371	6,783
Between two and five years		
Finance leases	-	1,947
	860,243	325,991

Borrowing facilities
At 31 December 2005 the group had un-drawn committed borrowing facilities £ NIL (2004: £ 52,971).

Currency risk
The group does not hedge its exposure of foreign investments held in foreign currencies. The Group considers that the prevailing financial conditions in Thailand preclude the need to hedge against the Baht.

The group is exposed to translation and transaction foreign exchange risk. In relation to translation risk the proportion of assets held in the foreign currency is matched to an appropriate level of borrowings in the same currency.

The group has overseas subsidiaries operating in Thailand and Hong Kong whose revenues and expenses are denominated in US dollars and local currencies. The directors protect the group's sterling balance sheet from movements in the US dollar/local currency exchange rates, by financing its net investments in its subsidiaries, with the exception of Thailand, by means of local currency borrowings.

The majority of the group's sales are to the United Kingdom, USA/Mexico and Asia. These sales are invoiced primarily in GB £ , US dollars and Euros.

BUCKLAND GROUP PLC

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

21 Financial Instruments (continued)

The table below shows, in sterling, the extent to which group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on re-translation of these assets are taken to the profit and loss account of the group companies and the group.

Functional currency of operation	Net foreign currency monetary assets/(liabilities)		
	Euro	**GBP**	**US dollars**
At 31 December 2005			
Euro		135	3,334
GBP	(251,661)	-	(191,592)
	(251,661)	135	(188,258)
At 31 December 2004			
Euro	-	(16,225)	(50,371)
GBP	(216,303)	-	-
	(216,303)	(16,225)	(50,371)

Credit risk
The group is mainly exposed to credit risk from credit sales. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices are then factored into any decisions. The group does not enter into any derivatives to manage credit risk.

Fair Values
The fair value of short term deposits, long term borrowings, loans, overdraft and other financial assets approximates to the carrying amount because of the short maturity of these instruments.

22 Deferred tax

	Group		Company	
Unprovided deferred tax	**31 December 2005 £**	**31 December 2004 £**	**31 December 2005 £**	**31 December 2004 £**
Accelerated capital allowances	(598)	(598)	(598)	(598)
Losses	(1,499,519)	(909,113)	(1,059,173)	(747,772)
Unrecognised deferred tax asset	(1,500,117)	(909,711)	(1,059,771)	(748,370)

No provision for the deferred tax asset has been made in the group or company due to the uncertainty of the group or company being able to generate sufficient future taxable profits from which the future reversal of the timing differences can be deducted.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

23 Called up share capital

	2005 Number	2005 £	2004 Number	2004 £
Authorised				
Ordinary shares 0.5p each			500,000,000	2,500,000
New Ordinary shares 0.01p each	30,165,809,008	3,016,581		
Deferred shares 9.5p each	15,409,000	1,463,855	15,409,000	1,463,855
New Deferred shares of 0.49p each	404,779,408	1,983,419		
	30,585,997,416	6,463,855	515,409,000	3,963,855
Allotted, called up and fully paid				
Ordinary shares 0.5p each			190,779,408	953,897
New Ordinary shares of 0.01p each	792,178,629	79,218		
Deferred shares 9.5p each	15,409,000	1,463,855	15,409,000	1,463,855
New Deferred shares of 0.49p each	404,779,408	1,983,419		
	1,212,367,037	3,526,492	206,188,408	2,417,752

The deferred shares, which are not listed, have no voting rights, no rights to dividends and are not entitled to any payment on winding up.

At an Extraordinary General Meeting of shareholders held on 5th October 2005 it was resolved that the issued Ordinary shares of 0.5p in the capital of the Company be sub-divided into New Ordinary shares of 0.01p and New Deferred shares of 0.49p. It was further resolved that each remaining authorised but un-issued share of 0.5p be sub-divided into fifty New Ordinary shares of 0.01p. The New Ordinary shares have the same rights attaching to them as the Ordinary shares whilst the New Deferred Shares have no effective value.

On 18th February 2005 the Company issued 214 million new ordinary shares of 0.5p each at par value and on 15th December 2005 it issued 387,399,220 new ordinary shares of 0.01p each at a price of 0.1p each.

Options

The company has entered into the following option arrangements under which the holders are entitled to subscribe for a percentage of the company's ordinary share capital from time to time.

Holder	Options outstanding at 31 December 2005	Percentage
Wharton Holdings Corporation	2,075,405 at 15p	13.38
	501,750 at 10p	
	20,633,700 at 0.75p	
	44,488,500 at 0.50p	
	64,792,520 at 0.10p	
C I Law Trustees Limited	1,026,845 at 15p	6.62
	248,250 at 10p	
	10,208,902 at 0.75p	
	22,011,500 at 0.50p	
	32,057,285 at 0.10p	

The options held by Wharton Holdings Corporation are held on behalf of discretionary trusts, the beneficiaries of which include the families of Mr Rogers and Dr Sharples. Those held by C I Law Trustees Limited are held on behalf of a discretionary trust, beneficiaries of which include the family of Mr Palmer.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

23 Called up share capital (continued)

The following is a summary of the principal terms of the options.

(a) The price at which the option holders are entitled to subscribe for ordinary shares is 15p in respect of the rights which accrued to the option holders on 19 September 1997 and on 6 March 1998. The exercise price in respect of rights which accrued to option holders in December 1999 is 10p per share and in respect of rights which accrued on 6 March and 17 April 2003 is 0.75p per share. For rights which accrued on 30 October 2003 and on 18 February 2005 the option price is 0.50p per share and for rights accruing on 15 December 2005 is 0.1p per share.

(b) In respect of any ordinary shares for which the holder is entitled to subscribe as a result of a rights issue, placing, open offer or similar the exercise price shall be the price at which such ordinary shares are issued.

(c) In respect of any ordinary shares for which the holder is entitled to subscribe as a result of any capitalisation of reserves or profits, or a capital reduction or otherwise or on the making of an exempt distribution by virtue of Chapter II Part VI of the Income and Corporation Taxes Act 1998, the exercise price may be varied.

(d) In respect of any ordinary shares for which the option holder is entitled to subscribe as a result of the exercise by any other person, firm or corporation of any rights granted to subscribe for ordinary shares (whether by way of option, warrant or otherwise), the exercise price per ordinary share shall be equal to the average market price of the ordinary shares on each of the five business days preceding the date of the exercise of the said rights, as derived from the Stock Exchange Daily Official List.

(e) The options may be exercised in whole or in part on any one or more occasions at any time between 1 October 1998 and 30 September 2009.

(f) The ordinary shares allotted to the option holder shall rank pari passu in all respects with the ordinary shares of the company then in issue and shall carry the right to receive all dividends and other distributions declared, made or paid by the company in respect of the ordinary shares on and after the date of the exercise of any of the options.

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

24 Reserves

Group	Share premium account £	Profit and loss account £
At 1 January 2005	735,775	(3,103,725)
Loss for the year		(2,029,416)
Premium on issue of new ordinary share capital net of expenses	305,757	
Exchange differences		24,366
At 31 December 2005	1,041,532	(5,108,775)
Company		
At 1 January 2005	735,775	(3,112,681)
Loss for the year		(1,149,341)
Premium on issue of new ordinary share capital *net of expenses*	305,757	
At 31 December 2005	1,041,532	(4,262,022)

25 Acquisitions

Acquisition of the gas ignition trade and assets of Kigass Electronics Limited

On 18 February 2005 the Group acquired the gas ignition trade and assets of Kigass Electronics Limited.

In calculating the goodwill arising on acquisition, the fair value of the net assets acquired have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table :

	Book Value £	Asset impairment £	Revaluation of stock £	Fair Value £
Fixed assets:				
Intangible	20,000	(20,000)		-
Tangible	245,000	(73,173)		171,827
Current assets:				
Stock	443,000		(123,573)	319,427
Total assets	708,000	(93,173)	(123,573)	491,254
Creditors:				
Due within one year	(338,000)			(338,000)
Net assets	370,000	(93,173)	(123,573)	153,254

	Goodwill £
Cash consideration	1,254,243
Net assets	(153,254)
Goodwill arising on acquisition	1,100,989

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

25 Acquisitions (continued)

The revaluation of stock relates to the Directors opinion of the fair value of stock acquired.

The asset impairment adjustment relates to the Directors opinion of the fair value of assets acquired.

The results of Kigass Electronics Limited prior to its acquisition were as follows:

	1 July 2004 to 17 February 2005 £	Year ended 30 June 2004 £
Turnover	1,801,400	2,828,871
Operating loss	20,878	(9,428)
Taxation	(6,263)	5,755
Profit/(loss) for the period	14,615	(3,673)

26 Commitments under operating leases

As at 31 December 2005, the group had annual commitments under non-cancellable operating leases as set out below.

	Group		Company	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Operating leases which expire:	£	£	£	£
Within one year	25,938	108,360	-	-
In two to five years	41,142	-	-	-
	67,080	108,360	-	-

Notes forming part of the financial statements for the year ended 31 December 2005 (continued)

27 Notes to the cash flow statement

(a) Gross cash flows	31 December 2005	31 December 2004
	£	£
Returns on investments and servicing of finance		
Interest received	218	97
Interest paid	(71,267)	(27,537)
	(71,049)	(27,440)
Acquistions		
Cash consideration	1,166,000	-
Acquisition expenses	88,243	-
	1,254,243	-
Capital expenditure		
Payments to acquire tangible fixed assets	(130,945)	(63,607)
Receipts from sale of tangible fixed assets	185,634	680
	54,689	(62,927)
Financing		
New ordinary share capital net of expenses	1,414,497	-
Increase in bank loans and other borrowings	483,942	14,058
Repayment of finance leases	(24,221)	(5,892)
	1,874,218	8,166

(b) Analysis of changes in net debt	At 1 January 2005	Cash Flow	Exchange movement	Non cash movements	At 31 December 2005
	£	£	£	£	£
Cash in hand and at bank	37,298	(9,055)	1,474	-	29,717
Bank overdrafts	(409)	(44,369)	-	-	(44,778)
	36,889	(53,424)	1,474	-	(15,061)
Bank loans and Other borrowings	(300,918)	(483,942)	1,168	-	(783,692)
Finance leases	(25,073)	24,221	(923)	(30,000)	(31,775)
Net (debt)	(289,102)	(543,145)	1,719	(30,000)	(830,528)

The subsidiary undertakings acquired during the year contributed a £ 352,849 outflow to the group's net operating cash flows, paid £ 36,881 in respect of the net returns on investments and utilised £ 7,510 for capital expenditure.

28 Post balance sheet events

During the first six months of 2006, the Group completed the transfer of the majority of DK Gas' production to Bangkok thereby significantly reducing its costs of production. However, in view of the deteriorating performance of DK Gas, the Directors of Buckland Group PLC, being the ultimate parent company of DK Gas Components Ltd, resolved on 28th June 2006 to seek the advice of an insolvency practitioner with regard to the trading position of DK Gas and its potential liquidation.

29 Contingent liabilities

Euro Asia Connectors Co Ltd is in receipt of a claim for Baht 32.3m (£450,000 approx) from a former customer in respect of the supply of allegedly defective products. The Directors consider it unlikely that the claim will succeed in this amount, if at all, and are of the opinion that it is most unlikely that any loss will fall on the rest of the Group.

BUCKLAND GROUP PLC

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the above company will be held at the offices of Seymour Pierce, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EC on Monday 7th August 2006 at 11am when the following ordinary and special business will be transacted:

Ordinary Resolutions:

1. To receive and consider the report of the directors and the statement of accounts for the year ended 31 December 2005 with the auditor's report thereon.

2. To re-elect Mr P Palmer who retires by rotation and being eligible offers himself for re-election.

3. To re-elect the auditors for the ensuing year.

4. To fix the remuneration of the auditors.

5. To transact any other business which may be properly transacted at an annual general meeting.

DATED 30 June 2006

By Order of the Board
Leon Sharples
Secretary

Notes

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the company. Forms of proxy should be returned, by no later than 48 hours before the meeting, to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU