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BUCKLAND GROUP PLC
Report and Financial Statements
For the year ended 31 December 2006

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BUCKLAND GROUP PLC

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2006

Company Registration No 3148295

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BUCKLAND GROUP PLC

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Directors

Philip E Palmer (*Executive Chairman*)
Kevin F Baker (*Executive Director*)
Leon K Sharples PhD (*Non-Executive Director*)
Christopher K Foster (*Non-Executive Director*)

Secretary and Registered Office

Leon K Sharples
14 New Street
London EC2M 4HE

Company Number:

3148295

Auditors:

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

Registrars:

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

Lawyers:

Pritchard Englefield
14 New Street
London EC2M 4HE

Bankers

HSBC bank plc
69 Pall Mall
London SW1Y 5EY

BUCKLAND GROUP PLC

CHAIRMAN'S STATEMENT

For the year ended 31 December 2006

I present the financial results for the Buckland Group plc for the year ended 31 December 2006

At the half year we reported a loss of £148,397. The second half shows a loss of £147,494, but reflects an improvement in trading performance as this includes a charge of £146,221 for exceptional items.

The full year therefore shows a Group loss of £295,891 (2005 loss of £2,029,416). Sales at £2,752,230 (2005 £3,443,290) are down mainly due to discontinued operations. The loss per share improved to 0.036p compared with a loss of 0.51p in 2005. No dividend is proposed.

At the end of 2006 the majority of the Board became dissatisfied with the unsatisfactory performance and direction of the Group and decided to reassess the management of the Group and its future strategy. The result was a change in the composition of the Board during the first half of 2007 and the implementation of a new strategy.

The new strategic plan required the Group to raise further funds and to improve the balance sheet by converting debt and loan notes to equity. The fund raising of £900,000 (as detailed in the circular to shareholders on 6 June 2007) will allow the Group to plan production more effectively and build sufficient stocks to fill the supply chain. This will allow order shipment to the customer by sea container, which will reduce airfreight significantly, saving in the region of £130,000 per year based on current levels of production.

The concentration in Thailand of all production and administrative functions, in the first half of 2007, and the closure of all UK based operations, except for a European sales presence and a minimal head office function, has further reduced costs and improved efficiency. It is anticipated that as a result of the changes there will be further improvement in the Group's performance in the six months to 30 June 2007.

The new funding will also enable an increase in sales activity with a focus on moving into new markets where we can leverage the benefits of an economic labour force and our expertise in the manufacture of small components.

The prospects for the group are now very positive.

Philip E Palmer
Chairman

29 June 2007

BUCKLAND GROUP PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

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 2006

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 year together with an indication of future developments is given in the Chairman's statement on page 3

Research and development

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

Key events during 2006

The transfer of the groups manufacturing operations to Thailand was completed successfully during the first half of the year. However, in view of the poor trading performance of DK Gas, the Directors of Buckland Group PLC, being the ultimate parent company of DK Gas Components Ltd, resolved on 28 June 2006 to seek the advice of an insolvency practitioner and concluded that steps should be taken to place the company into Creditors Voluntary Liquidation

With the closure of DK Gas the stock handling was sub-contracted to a third party, however it was felt that Derlite needed a sales office based in the United Kingdom to service its European customers. A company was incorporated in the name of Derlite Limited to provide this customer support

Due to the substantial reorganisation many of the indicators of performance during the year do not provide a fair assessment of the progress of the Group during the year. The focus throughout the restructuring is to improve gross margins and productivity and to manage working capital efficiently. The gross profit as a percentage of sales for 2006 was 26% (2005 14%) and productivity as measured by gross profit per employee is £4,267 (2005 £1,859). For the efficiency of working capital we review stock turn, 2006 was 7.9 (2005 7.0), debtor days 66 days in 2006 (2005 85 days) and creditor days 109 days in 2006 (2005 106 days). These indicators have been affected by the Groups poor liquidity situation during 2006 with stock turn increasing, debtors days reducing and creditor days increasing. The fund raising and debt to equity conversions that have taken place in June 2007 will reverse these trends. All of these calculations are based on year-end figures

Post balance sheet events

The reorganisation of the group has continued after the end of the year and the main developments since the year end are outlined in note 27 of the financial statements

BUCKLAND GROUP PLC

Directors

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

	<i>Ordinary shares of 0.01p each 31 December 2006</i>	<i>Ordinary shares of 0.01p each 31 December 2005</i>
Patrick CRC Rogers ⁽¹⁾	20,000,000	23,066,666
Leon K Sharples ⁽²⁾	48,245,000	35,801,666
Phillip E Palmer ⁽³⁾	31,366,666	31,366,666

Notes

- (1) includes shares held by Wharton Holdings Corporation
- (2) includes shares held by L. R. Nominees
- (3) includes shares held by Consortia Trustees Limited on behalf of a discretionary trust the beneficiaries of which include the family of Mr Palmer

On 6 June 2007 Mr Rogers resigned from the board and Mr Baker and Mr Foster were appointed

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

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 223 days of average supplies for the year (2005 183 days). All of these calculations are based on year-end figures.

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.

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.

The current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO Stoy Hayward LLP will be proposed at the forthcoming Annual General Meeting, in accordance with section 385 of the Companies Act 1985.

On behalf of the Board
Philip E Palmer
Director

29 June 2007



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

BUCKLAND GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BUCKLAND GROUP PLC

We have audited the group and parent company financial statements of Buckland plc for the year ended 31 December 2006 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 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 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 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

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 2006 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 2006
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements


Bill Stoy Hayward LLP
Chartered Accountants
and Registered Auditors

Emerald House,
East Street, Epsom KT17 1HS

29 June 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

	Note	Continuing operations	Discontinued operations	Year ended 31 December 2006	Year ended 31 December 2005
		£	£	£	£
Turnover	2	2,752,230	-	2,752,230	3,443,290
Cost of sales		<u>(2,047,723)</u>	<u>(322)</u>	<u>(2,048,045)</u>	<u>(2,954,418)</u>
Gross profit/(loss)		704,507	(322)	704,185	488,872
Administrative expenses		(1,170,428)	(13,968)	(1,184,396)	(1,607,272)
Exceptional items	6	162,467	61,418	223,885	(1,004,465)
Other operating income		<u>-</u>	<u>-</u>	<u>-</u>	<u>63,838</u>
Operating (loss)/profit on ordinary activities before interest	7	<u>(303,454)</u>	<u>47,128</u>	<u>(256,326)</u>	<u>(2,059,027)</u>
Profit on disposal of fixed assets				-	100,660
Interest receivable	8			33	218
Interest payable and similar charges	9			<u>(39,598)</u>	<u>(71,267)</u>
Loss on ordinary activities before and after taxation transferred to reserves	12,24	<u><u></u></u>	<u><u></u></u>	<u><u>(295,891)</u></u>	<u><u>(2,029,416)</u></u>
(Loss)/Profit per ordinary share:					
Basic and diluted	11	<u><u>(0 04 p)</u></u>	<u><u>0 00 p</u></u>	<u><u>(0 04p)</u></u>	<u><u>(0 51p)</u></u>

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 2006

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
Consolidated statement of total recognised gains and losses		
Loss for the year	(295,891)	(2,029,416)
Exchange translation loss on foreign currency net investments in subsidiary undertakings	<u>(35,701)</u>	<u>24,366</u>
Total recognised loss for the year	<u><u>(331,592)</u></u>	<u><u>(2,005,050)</u></u>
Consolidated reconciliation of movements in shareholders' funds		
Total recognised loss	(331,592)	(2,005,050)
New ordinary share capital subscribed for and allotted in the period, including share premium (net of expenses)	<u>50,000</u>	<u>1,414,497</u>
Net reduction in equity shareholders' funds	(281,592)	(590,553)
Opening equity shareholders' funds	<u>(540,751)</u>	<u>49,802</u>
Closing equity shareholders' (deficit)/funds	<u><u>(822,343)</u></u>	<u><u>(540,751)</u></u>

The accompanying notes form an integral part of these financial statements

BUCKLAND GROUP PLC

CONSOLIDATED BALANCE SHEET

at 31 December 2006

	Note	At 31 December 2006 £	At 31 December 2005 £
Fixed assets			
Intangible assets	13	–	243,387
Tangible assets	14	<u>116,405</u>	<u>256,791</u>
		116,405	500,178
Current assets			
Stocks	16	259,571	425,052
Debtors	17	534,490	937,668
Cash at bank and in hand	26b	<u>7,245</u>	<u>29,717</u>
		801,306	1,392,437
Creditors amounts falling due within one year	18	<u>(1,624,054)</u>	<u>(2,324,585)</u>
Net current liabilities		<u>(822,748)</u>	<u>(932,148)</u>
Total assets less current liabilities		(706,343)	(431,970)
Creditors: amounts falling due after more than one year	19	(116,000)	(9,371)
Provision for liabilities and charges	20	–	<u>(99,410)</u>
Net liabilities		<u>(822,343)</u>	<u>(540,751)</u>
Capital and reserves			
Called up share capital	23	3,533,397	3,526,492
Share premium account	24	1,084,627	1,041,532
Profit and loss account	24	<u>(5,440,367)</u>	<u>(5,108,775)</u>
Shareholders' deficit		<u>(822,343)</u>	<u>(540,751)</u>

The financial statements were approved by the Board on 28 June 2007 and were authorised for issue on 29 June 2007

Philip E Palmer
Director



The accompanying notes form an integral part of these financial statements

BUCKLAND GROUP PLC

COMPANY BALANCE SHEET

at 31 December 2006

	Note	At 31 December 2006 £	At 31 December 2005 £
Fixed assets			
Investments	15	162	162
Current assets			
Debtors	17	126,842	877,996
Cash at bank and in hand		-	4,882
		<u>126,842</u>	<u>882,878</u>
Creditors, amounts falling due within one year	18	<u>(644,626)</u>	<u>(577,038)</u>
Net current (liabilities)/assets		<u>(517,784)</u>	<u>305,840</u>
Total assets less current liabilities		<u>(517,622)</u>	<u>306,002</u>
Creditors: amounts falling due after more than one year	19	<u>(116,000)</u>	<u>-</u>
Net assets/(liabilities)		<u><u>(633,622)</u></u>	<u><u>306,002</u></u>
Capital and reserves			
Called up share capital	23	3,533,397	3,526,492
Share premium account	24	1,084,627	1,041,532
Profit and loss account	24	<u>(5,251,646)</u>	<u>(4,262,022)</u>
Shareholders' (deficit)/funds		<u><u>(633,622)</u></u>	<u><u>306,002</u></u>

The financial statements were approved by the Board on 28 June 2007 and were authorised for issue on 29 June 2007

Philip E Palmer
Director



The accompanying notes form an integral part of these financial statements

BUCKLAND GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	Note	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Net cash outflow from operating activities (see below)		(702,293)	(657,039)
Returns on investments and servicing of finance	26a	(39,565)	(71,049)
Taxation		-	-
Capital expenditure	26a	(14,509)	54,689
Acquisitions	26a	-	(1,254,243)
Cash outflow before management of liquid resources and financing		(756,367)	(1,927,642)
Financing	26a	659,217	1,874,218
Decrease in cash		<u>(97,150)</u>	<u>(53,424)</u>
Reconciliation of net cash flow to movement in net debt	26b		
Decrease in cash in the period		(97,150)	(53,424)
Cash inflow from increase in debt		(609,217)	(459,721)
Non cash movements		656,559	(30,000)
Change in net debt resulting from cash flows		(49,808)	(543,145)
Exchange movement		-	1,719
Movement in net debt in the period		(49,808)	(541,426)
Opening net debt		<u>(830,528)</u>	<u>(289,102)</u>
Closing net debt		<u>(880,336)</u>	<u>(830,528)</u>
Reconciliation of operating loss to net cash inflow/(outflow) from operating activities			
Operating loss		(256,326)	(2,059,027)
Depreciation		95,658	176,532
Amortisation of goodwill		35,749	171,450
Impairment of goodwill		207,639	1,004,465
(Utilisation)/Movement on provision for restructuring costs		(99,410)	99,410
Closure of subsidiaries		(431,524)	-
Loss on sale of fixed assets		9,721	-
Decrease in stocks		122,374	317,464
Increase in debtors		(318,041)	(606,425)
Increase/(decrease) in creditors		(31,275)	228,590
Other non cash operating adjustment		(36,858)	10,502
Net cash outflow from operating activities		<u>(702,293)</u>	<u>(657,039)</u>

The accompanying notes form an integral part of these financial statements

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

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 "Accounting policies" the Group has reviewed its accounting policies and estimation techniques and consider that these policies are the most appropriate.

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 2006. Subsidiaries are consolidated until they cease to be under the control of the Group.

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.

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

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.

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

The company operates a defined contributions pension scheme. The pension costs charged against operating profits are the contributions payable to a scheme in respect of the accounting period.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

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.

2 Turnover, profit, net assets and other operating income

Turnover is related to the manufacture of components used in gas cooking and gas heating appliances.

An analysis by geographical market follows

	<i>Year ended 31 December 2006</i>	<i>Year ended 31 December 2005</i>
	£	£
Turnover by origin		
Europe	906,894	1,984,775
Asia	<u>1,845,336</u>	<u>1,458,515</u>
	<u>2,752,230</u>	<u>3,443,290</u>

	<i>Year ended 31 December 2006</i>	<i>Year ended 31 December 2005</i>
	£	£
Turnover by destination		
Europe	1,844,947	2,776,658
Rest of the World	<u>907,283</u>	<u>666,632</u>
	<u>2,752,230</u>	<u>3,443,290</u>

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.

An analysis by segment follows

	<i>Year ended 31 December 2006</i>	<i>Year ended 31 December 2005</i>
	£	£
Turnover		
Electronic Components	–	337,607
Gas Ignition Equipment	<u>2,752,230</u>	<u>3,105,683</u>
	<u>2,752,230</u>	<u>3,443,290</u>

	<i>Year ended 31 December 2006</i>	<i>Year ended 31 December 2005</i>
	£	£
Operating loss on ordinary activities before interest		
Electronic Components	–	(540,762)
Gas Ignition Equipment	<u>(256,326)</u>	<u>(1,518,265)</u>
	<u>(256,326)</u>	<u>(2,059,027)</u>

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
Net liabilities		
Electronic Components	–	(72,888)
Gas Ignition Equipment	<u>(822,343)</u>	<u>(467,863)</u>
	<u>(822,343)</u>	<u>(540,751)</u>

3. Corresponding figures for discontinued operations

Comparative figures for the 2005 performance of the activities discontinued in 2005 and 2006 are set out below

	Year ended 31 December 2005		
	Continuing	Discontinued in 2005	Total
	£	£	£
Turnover	3,105,683	337,607	3,443,290
Cost of sales	<u>(2,285,742)</u>	<u>(668,676)</u>	<u>(2,954,418)</u>
Gross profit	819,941	(331,069)	488,872
Administrative expenses	(1,441,567)	(1,170,170)	(2,611,737)
Other operating income	<u>16,225</u>	<u>47,613</u>	<u>63,838</u>
Operating loss on ordinary activities before interest	<u>(605,401)</u>	<u>(1,453,626)</u>	<u>(2,059,027)</u>

4 Employees

	Group		Company	
	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2006	Year ended 31 December 2005
	£	£	£	£
Staff costs excluding directors consist of				
Wages and salaries	550,807	1,179,937	–	–
Pension costs	3,114	4,364	–	–
Social security costs	<u>20,735</u>	<u>60,568</u>	–	–
	<u>574,656</u>	<u>1,244,869</u>	–	–

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

	Group		Company	
	Number 2006	Number 2005	Number 2006	Number 2005
Manufacturing	154	245	–	–
Sales	2	4	–	–
Administration	6	9	–	3
Research and development	<u>3</u>	<u>5</u>	–	–
	<u>165</u>	<u>263</u>	–	<u>3</u>

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

5 Directors' emoluments

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
Fees	<u>136,000</u>	<u>119,286</u>

Directors fees include payments to third parties amounting to £76,218

No director receives contributions to a pension scheme

6 Exceptional items

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
Impairment of goodwill	(207,639)	(1,004,465)
Gain on cessation of subsidiaries	<u>431,524</u>	<u>-</u>
	<u>223,885</u>	<u>(1,004,465)</u>

In view of the substantial reorganisation during 2006 and subsequent to the year end, the Directors feel it is appropriate to impair all the goodwill

The gain on cessation of subsidiaries is in connection with the liquidation of DK Gas Components Ltd and the decision to dissolve the non trading subsidiaries Holdsafe Limited and Ravago Plastics Limited

7. Operating loss

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
This has been arrived at after charging / (crediting)		
Depreciation		
- own assets	86,848	103,440
- leased assets	8,810	11,261
Impairment provision against tangible fixed assets	-	61,832
Amortisation of goodwill	35,749	171,450
Loss on disposal of tangible assets	9,721	-
Exceptional items	(223,885)	1,004,465
Reorganisation costs	-	99,410
Operating lease rentals		
- other	83,950	86,205
Auditors' remuneration		
- audit services	25,000	38,750
- non-audit services taxation	5,000	6,000
- audit of subsidiaries	2,143	4,356
Research and development expenditure	8,427	20,233
Net profit on foreign exchange	<u>(5,309)</u>	<u>(72,079)</u>

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

Reorganisation costs

During 2006 the Group relocated all of its UK manufacturing operations to Thailand. The reorganisation costs of £99,410 comprised redundancy costs and the costs of transferring plant and equipment and was provided for in 2005.

8. Interest receivable

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
Interest on bank balances	<u>33</u>	<u>218</u>

9. Interest payable and similar charges

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
Interest on bank loans and overdrafts	33,040	37,334
Finance charges payable under finance leases and hire purchase contracts	3,481	4,009
Other loans	<u>3,077</u>	<u>29,924</u>
	<u>39,598</u>	<u>71,267</u>

10 Taxation

	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
Current tax		
UK corporation tax on loss for the period	-	-
Foreign corporation tax on profits for the year	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below		
Loss on ordinary activities before tax	<u>(295,891)</u>	<u>(2,029,416)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(88,767)	(608,825)
Effects of		
Expenses not deductible for tax purposes	75,000	21,818
Non taxable income	(129,457)	(3,399)
Utilisation of tax losses	-	(9,599)
Current year tax losses	<u>143,224</u>	<u>600,005</u>
Current tax charge for the period	<u>-</u>	<u>-</u>

Current tax losses relate to £103,037 of UK losses and £40,187 of losses in Thailand

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

11. Loss per share

The calculation of basic and diluted loss per share is based on the loss for the year attributable to ordinary shareholders of £295,891 (2005 loss £2,029,416) and the weighted average number of shares in issue during the year of 809,862,908 (2005 393,618,826)

The loss relating to continuing activities is £303,454 (2005 £1,488,654) and the profit relating to discontinued activities is £47,128 (2005 loss £40,762)

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 £989,624 (2005 loss £1,149,341)

13. Intangible assets

<i>Group</i>	<i>Goodwill on</i>			<i>Total Purchased Goodwill £</i>
	<i>Acquisition of business of Kigass £</i>	<i>Acquisition of Holdsafe Limited £</i>	<i>Acquisition of Euro Asia Connectors Co Limited £</i>	
Cost				
At 1 January 2006	1,100,989	357,491	97,472	1,555,952
Addition in the Year	-	-	-	-
At 31 December 2006	<u>1,100,989</u>	<u>357,491</u>	<u>97,472</u>	<u>1,555,952</u>
Amortisation				
At 1 January 2006	1,100,989	114,104	97,472	1,312,565
Provision for the period	-	35,749	-	35,749
Impairment charge	-	207,638	-	207,638
At 31 December 2006	<u>1,100,989</u>	<u>357,491</u>	<u>97,472</u>	<u>1,555,952</u>
Net book value				
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2005	<u>-</u>	<u>243,387</u>	<u>-</u>	<u>243,387</u>

The Directors have reviewed the Group's amortisation policy on intangible assets and in light of the significant reorganisation embarked on over the last few years and since the year-end, have decided to impair the full value of the goodwill acquired.

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

14. Tangible assets

<i>Group</i>	<i>Leasehold improvement</i> £	<i>Plant and equipment</i> £	<i>Total</i> £
Cost			
At 1 January 2006	88,107	1,041,886	1,129,993
Additions during the year	–	30,139	30,139
Disposals	–	(266,814)	(266,814)
Exchange differences	615	4,814	5,429
At 31 December 2006	<u>88,722</u>	<u>810,025</u>	<u>898,747</u>
Depreciation			
At 1 January 2006	85,304	787,898	873,202
Provided for in the year	1,288	94,370	95,658
Disposals	–	(190,789)	(190,789)
Impairment provision	–	–	–
Exchange differences	470	3,801	4,271
At 31 December 2006	<u>87,062</u>	<u>695,280</u>	<u>782,342</u>
Net book value			
At 31 December 2006	<u>1,660</u>	<u>114,745</u>	<u>116,405</u>
At 1 January 2006	<u>2,803</u>	<u>253,988</u>	<u>256,791</u>

The net book value of tangible fixed assets included within plant and equipment, includes an amount of £2,555 (2005 £38,624) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged in the year on assets held under finance lease was £8,810 (2005 £11,261)

15 Fixed asset investments

<i>Company</i>	<i>Subsidiary undertakings</i> £
Cost	
At 1 January 2006	1,022,896
Additions	–
At 31 December 2006	<u>1,022,896</u>
Provisions at 1 January 2006	1,022,734
Provided during the year	–
Provisions at 31 December 2006	<u>1,022,734</u>
Net book value at 31 December 2006	<u>162</u>
Net book value at 31 December 2005	<u>162</u>

As at 31 December 2006 the Group held 100% of the share capital of the following companies

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

<i>Subsidiary undertaking</i>	<i>Country of incorporation</i>	<i>Nature of business</i>	<i>Date of acquisition/set up</i>
Euro Asia Connectors Co Ltd *	Thailand	Non-trading	6 March 1998
Euro Asia Connectors Co (Hong Kong) Ltd	Hong Kong	Trading	19 March 1999
Euro Asia Strip Tinning Ltd *	Thailand	Non-trading	24 April 2000
Ravago Plastics Ltd	United Kingdom	Application to strike off 3 April 2007	5 June 2002
Holdsafe Ltd *	United Kingdom	Dissolved 23 January 2007	22 October 2002
Derlite Co Limited (Thailand) *	Thailand	Manufacturing	21 February 2003
Buckland Group (Hong Kong) Ltd	Hong Kong	Trading	29 October 2003
DK Gas Components Ltd *	United Kingdom	In liquidation 14 July 2006	18 February 2005
Derlite Ltd *	United Kingdom	Trading	June 2006

All companies within the Group have co-terminus year ends

* indicates an investment held through an intermediate holding company

16 Stocks

<i>Group</i>	<i>31 December 2006</i>	<i>31 December 2005</i>
	£	£
Raw materials	66,616	301,996
Work in progress	31,150	17,896
Finished goods	161,805	105,160
	<u>259,571</u>	<u>425,052</u>

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

17. Debtors amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>31 December 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>	<i>31 December 2005</i>
	£	£	£	£
Trade debtors	501,501	797,756	-	13,128
Amounts owed by group undertakings	-	-	125,757	858,529
Other debtors	29,648	114,978	-	1,594
Prepayments and accrued income	3,341	24,934	1,085	4,745
	<u>534,490</u>	<u>937,668</u>	<u>126,842</u>	<u>877,996</u>

At 31 December 2006 £537,981 (2005 £728,121) of the trade debtors have been factored

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

18. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	£	£	£	£
Bank loans and other borrowings	392,429	552,587	-	-
Bank overdrafts	29,351	44,778	23,997	-
Other loans	345,892	231,105	210,348	231,105
Trade creditors	611,620	978,504	200,492	252,810
Amounts owed to group undertakings	-	-	133,652	7,447
Corporation tax	-	-	-	-
Obligations under finance leases and hire purchase contracts	3,909	22,402	-	-
Other taxation and social security	75,135	273,381	5,314	6,715
Accruals	165,718	221,828	70,823	78,961
	<u>1,624,054</u>	<u>2,324,585</u>	<u>644,626</u>	<u>577,038</u>

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

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

19. Creditors amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	£	£	£	£
Obligations under finance leases and hire purchase contracts	-	9,371	-	-
Corporate loan notes	116,000	-	116,000	-
	<u>116,000</u>	<u>9,371</u>	<u>116,000</u>	<u>-</u>

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

On the 25 August 2006 the company resolved to create £125,000 of 12% 2008 loan notes. At 31 December 2006 £116,000 had been issued in exchange for debt or cash

20. Provision for liabilities and charges

	£
Provisions at 1 January 2006	99,410
Reorganisation costs provision utilised during the year	<u>(99,410)</u>
Provisions at 31 December 2006	<u>-</u>

The Group completed the relocation all of its UK manufacturing operations to Thailand in the first half of 2006. The reorganisation costs of £99,410 related to redundancy payments and the cost of transferring plant and equipment

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

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 one third 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 £210,348 (2005 £231,105) are unsecured, repayable on demand, due to a shareholder, Groupe Industrial, and include interest at 10% per annum. Of the amount due £147,174 (2005 £141,623) is related to capital and £63,174 (2005 £89,482) to interest.

Loans amounting to £115,544 (2005 £35,000), are secured by a debenture over the assets of Buckland Group (Hong Kong) Ltd, repayable on demand and are subject to interest at 10% per annum. Of the amount due £105,140 (2005 £35,000) is related to capital and £10,405 (2005 £nil) to interest.

A loan of £20,000 (2005 £20,000) is due to Mr Leon Sharples. The loan is interest free, unsecured and repayable on demand.

Bank loans

Other borrowings amounting to £392,429 (2005 £552,588) relate to invoice finance facilities. The borrowings bear interest of 2.50% over base rate (2005 2.75% per annum).

Bank overdrafts

Other overdrafts amounting to £29,351 (2005 £44,778) are secured by a fixed and floating charge over the Company's assets and personal guarantees from Mr Palmer and Mr Sharples. 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

Maturity of financial liabilities

The group financial liabilities analysis at 31 December 2006 was as follows

Group	2006 £	2005 £
Borrowings are repayable as follows		
Within one year		
Bank loans and overdrafts	421,780	597,365
Other loans	345,892	231,105
Finance leases	3,909	22,404
Between two and five years		
Loan notes	116,000	-
Finance leases	-	9,371
After five years		
Finance leases	-	-
	<u>887,581</u>	<u>860,245</u>

Borrowing facilities

At 31 December 2006 the Group had un-drawn committed borrowing facilities £nil (2005 £nil)

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 local currencies and sterling. 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.

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 2006			
GBP	(210,348)	-	(56,615)
	<u>(210,348)</u>	<u>-</u>	<u>(56,615)</u>
At 31 December 2005			
Euro		135	3,334
GBP	(251,661)	-	(191,592)
	<u>(251,661)</u>	<u>135</u>	<u>(188,258)</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

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

	<i>Group</i>		<i>Company</i>	
	<i>31 December 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>	<i>31 December 2005</i>
Unprovided deferred tax	£	£	£	£
Accelerated capital allowances	(598)	(598)	(598)	(598)
Losses	<u>(1,642,743)</u>	<u>(1,499,519)</u>	<u>(1,162,210)</u>	<u>(1,059,173)</u>
Unrecognised deferred tax asset	<u>(1,643,341)</u>	<u>(1,500,117)</u>	<u>(1,162,808)</u>	<u>(1,059,771)</u>

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.

23. Called up share capital

	<i>2006</i>	<i>2006</i>	<i>2005</i>	<i>2005</i>
	<i>Number</i>	£	<i>Number</i>	£
Authorised				
New Ordinary shares 0.01p each	30,165,809,008	3,016,581	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	404,779,408	1,983,419
	<u>30,585,997,416</u>	<u>6,463,855</u>	<u>30,585,997,416</u>	<u>6,463,855</u>
Allotted, called up and fully paid				
New Ordinary shares of 0.01p each	861,226,247	86,123	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	404,779,408	1,983,419
	<u>1,281,414,655</u>	<u>3,533,397</u>	<u>1,212,367,037</u>	<u>3,526,492</u>

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.

On 21 July 2006 the Company issued 35,714,285 new ordinary shares of 0.01p each at a premium of 0.06p per share.

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

On 13 December 2006 there was an issue of 33,333,333 new ordinary shares of 0.01p each at a premium of 0.065p each. At the same time it was announced that a further 73,333,333 ordinary shares were to be issued but these were not issued until after the year end.

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	<i>Options outstanding at 31 December 2005 and 31 December 2006</i>	<i>Percentage</i>
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	
Consortia Trustees Limited	64,792,520 at 0.10p	6.62
	1,026,845 at 15p	
	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 Mr Sharples. Those held by Consortia Trustees Limited are held on behalf of a discretionary trust, beneficiaries of which include the family of Mr Palmer.

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

- 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.
- 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.
- 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.
- 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.

BUCKLAND GROUP PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

- (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

24 Reserves

	<i>Share premium account</i>	<i>Profit and loss account</i>
	£	£
Group		
At 1 January 2006	1,041,532	(5,108,775)
Loss for the year		(295,891)
Premium on issue of new ordinary share capital net of expenses	43,095	
Exchange differences		(35,701)
At 31 December 2006	<u>1,084,627</u>	<u>(5,440,367)</u>
Company		
At 1 January 2006	1,041,532	(4,262,022)
Loss for the year		(989,624)
Premium on issue of new ordinary share capital net of expenses	43,095	
At 31 December 2006	<u>1,084,627</u>	<u>(5,251,646)</u>

25. Commitments under operating leases

As at 31 December 2006, the group had annual commitments under non-cancellable operating leases as set out below

	<i>Group</i>		<i>Company</i>	
	<i>31 December 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>	<i>31 December 2005</i>
	£	£	£	£
Operating leases which expire				
Within one year	-	25,938	-	-
In two to five years	<u>41,142</u>	<u>41,142</u>	<u>-</u>	<u>-</u>
	<u>41,142</u>	<u>67,080</u>	<u>-</u>	<u>-</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

26 Notes to the cash flow statement

(a) Gross cash flows

	31 December 2006 £	31 December 2005 £
Returns on investments and servicing of finance		
Interest received	33	218
Interest paid	(39,598)	(71,267)
	<u>(39,565)</u>	<u>(71,049)</u>
Cash consideration	-	(1,166,000)
Acquisition expenses	-	(88,243)
	<u>-</u>	<u>(1,254,243)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(30,139)	(130,945)
Receipts from sale of tangible fixed assets	15,630	185,634
	<u>(14,509)</u>	<u>54,689</u>
Financing		
New ordinary share capital net of expenses	50,000	1,414,497
Issue of loan notes	116,000	-
Increase in bank loans and other borrowings	499,833	483,942
Repayment of finance leases	(6,616)	(24,221)
	<u>659,217</u>	<u>1,874,218</u>

(b) Analysis of changes in net debt

	At 1 January 2006 £	Cash Flow £	Exchange movement £	Non cash movements £	At 31 December 2006 £
Cash in hand and at bank	29,717	6,376	-	(28,848)	7,245
Bank overdrafts	(44,778)	(103,526)	-	118,953	(29,351)
	(15,061)	(97,150)	-	90,105	(22,106)
Bank loans and Other borrowings	(783,692)	(615,833)	-	545,204	(854,321)
Finance leases	(31,775)	6,616	-	21,250	(3,909)
Net (debt)	<u>(830,528)</u>	<u>(706,367)</u>	<u>-</u>	<u>656,559</u>	<u>(880,336)</u>

The non cash movements relate to subsidiary bank and loan balances falling outside of the control of the group due to the liquidation or dissolution of the subsidiary

27 Post balance sheet events

The reorganisation of the group has continued after the end of the year with the transfer of the activities of Derlite Ltd in the United Kingdom to Derlite Co Ltd in Thailand. This company ceased to trade on 30 April 2007 and will be dissolved once all liabilities have been met.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 (continued)

The dormant subsidiary, Holdsafe Limited, was dissolved on the 23 January 2007 and the Directors are allowing Ravago Plastics Limited to be struck off the register in July 2007

On the 6 June 2007 the Directors announced their plans to restructure the share capital by the consolidation of every 100 0 01p ordinary share into one new ordinary share of 1p

The Directors also announced their proposal to place 12,857,142 new ordinary shares to raise £900,000 to repay high cost borrowings and finance extra working capital to remove the need for expensive worldwide air-freight costs

At the same time the Directors have negotiated a debt for equity swap amounting to about £510,000 This has been accepted by the corporate loan note holders and providers of outstanding loan capital

On the 6 June 2007 the group agreed to acquire all the share capital of Gas Ignition Limited, a company incorporated by Mr Palmer and Mr Sharples to supply gas boiler and industrial ignitors The business was valued at £150,000 and Mr Palmer and Mr Sharples have accepted the issue of 2,142,857 new shares in Buckland plc as consideration

Changes to the board of Directors were effected on the 6 June 2007 with the resignation of Mr Rogers There will be a termination payment of £60,000 in respect of his notice period

28. Related party transactions

During the year, Gas Ignition Limited, a company owned by Mr Palmer and Mr Sharples, bought gas igniters from Derlite Limited totalling £22,043 (2005 £nil) Derlite Limited also provided sales and administration services for a sum of £12,059 (2005 £nil) At the end of the year Gas Ignition Limited owed Derlite Limited £17,913 (2005 £nil)

Mr Palmer and Mr Sharples have provided personal guarantees in respect of the overdraft facility of Buckland plc in the sum of £20,000

A loan from Mr Sharples was outstanding at the year-end of £20,000 (2005 £20,000)

29. Pension

During the year one of the subsidiaries, DK Gas Limited, operated a defined contribution scheme in which the assets of the scheme were held separately to the assets of the Group During the year contributions were made totalling £3,114 (2005 £4,364) of which total contributions outstanding at the year-end were £nil (2005 £4,277) On the 14 July 2006 DK Gas Limited was placed into Creditors Voluntary Liquidation and the pension scheme proceeded to be wound up

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 Crown House, 72 Hammersmith Road, London W14 8TH on Monday 13 August 2007 at 10 00 a m 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 2006 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 29 June 2007

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