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ARMFIELD LIMITED  
AND ITS SUBSIDIARIES  
REGISTERED NO. 1962034

CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED  
31 DECEMBER 2005



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COMPANIES HOUSE		31/10/2006

JOHN HILL PARTNERSHIP  
  
ACCOUNTANTS AND  
REGISTERED AUDITORS  
FERNDOWN, DORSET.

ARMFIELD LIMITED AND ITS SUBSIDIARIESANNUAL REPORTFOR THE YEAR ENDED 31 DECEMBER 2005

## DIRECTORS

C.J. Addis - Managing Director  
S.F. Farrow  
E.E. Sansom  
S. Studdart

## SECRETARY

S.F. Farrow

## REGISTERED OFFICE

Bridge House, West Street,  
Ringwood, Hampshire  
BH24 1DY

## AUDITORS

John Hill Partnership  
Fairstowe Chambers,  
Library Road, Ferndown,  
Dorset. BH22 9JW

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ARMFIELD LIMITED AND ITS SUBSIDIARIESDIRECTORS' REPORTFOR THE YEAR ENDED 31 DECEMBER 2005

The Directors present their Report and the Accounts.

# 1. RESULTS AND DIVIDENDS

The loss for the period after taxation was £203,659.

In April 2006, the company paid a final dividend of £0.59 per share (£60,000) in respect of the year ended 31 December 2005.

# 2. PRINCIPAL ACTIVITIES

The group's principal activity during the period was the design and supply of research and training equipment for use mainly in the fields of water resource engineering, process engineering and food technology.

# 3. REVIEW OF BUSINESS

Both the level of business and the year end financial position remain satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

# 4. DIRECTORS

The directors during the period and their beneficial interests in the shares of the company were as follows:

	Ordinary shares	
	2005	2004
C.J. Addis	50909	50909
S.F. Farrow	50909	50909
E.E. Sansom	-	-
S. Studdart	-	-

# 5. FIXED ASSETS

Details of the movements of the fixed assets are shown in the attached balance sheet and notes. In the opinion of the directors, there is no significant difference between the book value and the market value of freehold land and buildings.

# 6. STATUS

The company is a close company under the provisions of the Income and Corporation Taxes Act 1988.

# 7. DISCLOSURE OF CONTROL

Throughout the period the company was not under the control of any individual.

ARMFIELD LIMITED AND ITS SUBSIDIARIESDIRECTORS' REPORTFOR THE YEAR ENDED 31 DECEMBER 2005

## 7. DISCLOSURE OF CONTROL

Throughout the period the company was not under the control of any individual.

## 8. DIRECTORS' RESPONSIBILITIES

Company law 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;

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 the group and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## 9. AUDITORS

In accordance with Section 384 Companies Act 1985 a resolution proposing the reappointment of John Hill Partnership as Auditors will be put to the Annual General Meeting.

By order of the board

.....  
C.J. Addis

Director

Date: 26 October 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
ARMFIELD LIMITED AND ITS SUBSIDIARIES

We have audited the financial statements of Armfield Limited for the period ended 31 December 2005, which comprise Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. under the historical cost convention, and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group 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 transactions with the company or the group is not disclosed.

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

Basis of audit opinion

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OFARMFIELD LIMITED AND ITS SUBSIDIARIES

(continued)

Opinion

In our opinion the financial statements:

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

*John Hill Partnership*

John Hill Partnership  
Accountants and Registered Auditors  
Fairstowe Chambers  
Library Road, Ferndown  
Dorset. BH22 9JW

Date: *26 October 2006*  
.....

ARMFIELD LIMITED AND ITS SUBSIDIARIESACCOUNTING POLICIES - CONSOLIDATED ACCOUNTS

## BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention.

## BASIS OF CONSOLIDATION

The group accounts and comparative figures have been consolidated using the merger method of accounting for Armfield Incorporated.

## TANGIBLE FIXED ASSETS AND DEPRECIATION

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Motor Vehicles	25%
Furniture & Equipment	20%
Demonstration Equipment	50%
Computer Equipment	33 1/3%

Designs, moulds, patterns and loose tools are written off in the year of acquisition, as is computer software.

## STOCKS

Stocks are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business. Provision is made where necessary for obsolete, slow moving and defective stocks.

## FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising on the translation and on the conversion of ordinary foreign currency transactions during the year are dealt with as part of the profit on ordinary activities.

## DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

## WARRANTIES FOR PRODUCTS

Provision is made for the estimated costs in relation to commissioning and rectification.

ARMFIELD LIMITED AND ITS SUBSIDIARIESACCOUNTING POLICIES - CONSOLIDATED ACCOUNTS

## RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research and development is charged in the profit and loss account in the year in which it is incurred.

## PENSION SCHEME

The company operates a pension scheme, for employees in post on 31 December 2000, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, and are invested with insurance companies. In accordance with Financial Reporting Standard 17 (FRS17), assets and liabilities of the scheme are shown in the company's Balance Sheet. Contributions to the scheme are charged to the Profit and Loss Account so as to spread the cost of pensions over employees' working lives with company. Adjustments to comply with FRS17 have been made in the Profit and Loss Account, and the Statement of Total Recognised Gains and Losses, as shown in Note 28.

The company operates a defined contribution pension scheme for the benefit of employees joining the company after 31 December 2000. The company also contributes to a separate pension scheme for the benefit of shareholder directors to top up the accrued benefits under the defined benefit scheme.

## OPERATING LEASES

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

## TURNOVER

Turnover represents the invoiced value of goods and services supplied, excluding value added tax.



ARMFIELD LIMITED AND ITS SUBSIDIARIESCONSOLIDATED PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2005

		<u>2005</u>		<u>2004</u>	
	<u>Notes</u>	£	£	£	£
TURNOVER	(1)	7,188,965		8,861,277	
Cost of sales		3,768,188		4,921,470	
GROSS PROFIT		3,420,777		3,939,807	
Other operating income	(2)	1,224		4,000	
		3,422,001		3,943,807	
Selling and distribution costs		379,294	417,254		
Administrative expenses		2,880,237	3,178,032		
		3,259,531		3,595,286	
OPERATING PROFIT	(3)	162,470		348,521	
Non trading income	(6)	52,792		24,616	
		215,262		373,137	
Interest and similar charges	(7)	58,000		-	
		157,262		373,137	
Exceptional Items	(8)	330,000		-	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(172,738)		373,137	
Tax on ordinary activities	(9)	30,921		94,803	
RETAINED PROFIT FOR THE PERIOD		(203,659)		278,334	

Movements on reserves are set out in note (19).

ARMFIELD LIMITED AND ITS SUBSIDIARIESYEAR ENDED 31 DECEMBER 2005STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

		<u>2005</u>	<u>2004</u>
	<u>Notes</u>	£	£
Profit/(Loss) for the year		(203,659)	278,334
Profit/(Loss) on Exchange		50,773	(70,166)
Pension Scheme Deficit:-	(28)		
Prior year adjustment		(695,000)	-
Current year deficit		(213,000)	-
Deferred Taxation		384,000	-
Total gains and losses since last report		<u>(676,886)</u>	<u>208,168</u>

The turnover and operating profit in the current and previous periods relate to continuing operations.

ARMFIELD LIMITED AND ITS SUBSIDIARIESCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

		<u>2005</u>		<u>2004</u>	
	<u>Notes</u>	£	£	£	£
FIXED ASSETS					
Tangible Assets	(10)	128,941		156,734	
Investments	(11)	1,065		1,065	
		<u>130,006</u>		<u>157,799</u>	
CURRENT ASSETS					
Stocks	(12)	896,977	832,703		
Debtors	(13)	787,541	1,373,024		
Cash at Bank and in Hand		<u>1,385,149</u>	<u>1,386,933</u>		
		3,069,667	3,592,660		
CREDITORS - Amounts falling due within one year	(14)	<u>1,149,133</u>	<u>1,749,033</u>		
NET CURRENT ASSETS		<u>1,920,534</u>	<u>1,843,627</u>		
TOTAL ASSETS LESS CURRENT LIABILITIES		2,050,540	2,001,426		
PROVISIONS FOR LIABILITIES AND CHARGES					
Pension Scheme Deficit (Net)	(28)	<u>897,000</u>			-
NET ASSETS		<u><u>1,153,540</u></u>	<u><u>2,001,426</u></u>		

ARMFIELD LIMITED AND ITS SUBSIDIARIESCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

		<u>2005</u>		<u>2004</u>	
	<u>Notes</u>	£	£	£	£
CAPITAL AND RESERVES					
Called up share capital	(17)	101,818		101,818	
Capital redemption reserve	(18)	726,182		726,182	
Profit and loss account	(19)	325,540		1,173,426	
TOTAL SHAREHOLDERS' FUNDS		<u>1,153,540</u>		<u>2,001,426</u>	

Approved by the board

..... )  
 ..... ) C.J. Addis

..... )  
 ..... ) S.F. Farrow

Directors

Date: 26 October 2006

ARMFIELD LIMITEDBALANCE SHEET AS AT 31 DECEMBER 2005

		<u>2005</u>		<u>2004</u>	
	<u>Notes</u>	£	£	£	£
FIXED ASSETS					
Tangible Assets	(10)	95,865		143,021	
Investments	(11)	7,153		7,153	
		<u>103,018</u>		<u>150,174</u>	
CURRENT ASSETS					
Stocks	(12)	773,707	827,077		
Debtors	(13)	818,519	1,154,778		
Cash at Bank and in Hand		<u>1,199,683</u>	<u>1,269,074</u>		
		2,791,909	3,250,929		
CREDITORS - Amounts falling due within one year	(14)	<u>1,076,716</u>	<u>1,670,141</u>		
NET CURRENT ASSETS		<u>1,715,193</u>		<u>1,580,788</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES		1,818,211		1,730,962	
PROVISIONS FOR LIABILITIES AND CHARGES					
Pension Scheme Deficit (Net)	(28)	897,000		-	
NET ASSETS		<u>921,211</u>		<u>1,730,962</u>	
CAPITAL AND RESERVES					
Called up share capital	(17)	101,818		101,818	
Capital redemption reserve	(18)	726,182		726,182	
Profit and loss account	(19)	93,211		902,962	
TOTAL SHAREHOLDERS' FUNDS		<u>921,211</u>		<u>1,730,962</u>	

Approved by the board

.....) C.J. Addis

.....) S.F. Farrow

Directors

Date: 26 October 2006

ARMFIELD LIMITED AND ITS SUBSIDIARIESCASH FLOW STATEMENTFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u> £	<u>2004</u> £
RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES:		
Operating profit	162,470	348,521
Depreciation/Amortisation charges	96,967	105,384
Loss/(Profit) on disposal of fixed assets	(2,102)	(6,805)
Loss/Profit on exchange	50,773	(70,166)
Pension Scheme Provision (FRS17)	144,000	-
(Increase)/Decrease in stock	(64,274)	283,597
Decrease/(Increase) in debtors	585,483	743
Increase/(Decrease) in creditors	(511,926)	220,108
Net cash inflow from operating activities	<u>461,391</u>	<u>881,382</u>

CASH FLOW STATEMENT

NET CASH INFLOW FROM OPERATING ACTIVITIES	461,391	881,382
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE (Note 1)	52,792	24,616
TAXATION	(91,009)	(165,271)
CAPITAL EXPENDITURE (Note 1)	(67,071)	(65,305)
SPECIAL PENSION CONTRIBUTION	(330,000)	-
	<u>26,103</u>	<u>675,422</u>
DIVIDENDS PAID	-	-
	<u>26,103</u>	<u>675,422</u>
MANAGEMENT OF LIQUID RESOURCES	-	-
INCREASE IN CASH	<u>26,103</u>	<u>675,422</u>

RECONCILIATION OF NET CASH FLOW TO  
MOVEMENT IN NET FUNDS (Note 2)

Increase in cash in the period	26,103	675,422
Cash movements in liquid resources	-	-
Change in net funds	<u>26,103</u>	<u>675,422</u>
Net funds at 1 January 2005	1,356,356	680,934
Net funds at 31 December 2005	<u>1,382,459</u>	<u>1,356,356</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES TO CASH FLOW STATEMENT

	<u>2005</u>	<u>2004</u>
<u>Note 1 - GROSS CASH FLOWS</u>		
<u>Returns on investment and servicing of finance</u>		
Interest received	52,792	24,616
Interest paid	-	-
	<u>52,792</u>	<u>24,616</u>
 <u>Capital Expenditure</u>		
Payments to acquire tangible fixed assets	(80,601)	(72,452)
Receipts from sales of tangible fixed assets	13,530	7,147
	<u>(67,071)</u>	<u>(65,305)</u>

Note 2 - ANALYSIS OF CHANGES IN NET FUNDS

	<u>As at 01/01/05</u>	<u>Cash flows</u>	<u>Other changes</u>	<u>As at 31/12/05</u>
Cash in hand/at bank	1,386,933	(1,784)	-	1,385,149
Overdrafts	(30,577)	27,857	-	(2,690)
Debt due within one year	-	-	-	-
Debt due after one year	-	-	-	-
Current asset investments	-	-	-	-
	<u>1,356,356</u>	<u>26,103</u>	<u>-</u>	<u>1,382,459</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## 1. TURNOVER

All turnover originates in the UK and relates to the company's principal activity.

A geographical analysis of turnover is given below.

	<u>2005</u>	<u>2004</u>
	£	£
United Kingdom	1,117,540	497,374
Export	5,130,353	7,228,373
European Union	941,072	1,135,530
	<u>7,188,965</u>	<u>8,861,277</u>

## 2. OTHER OPERATING INCOME

Claim Settlement	1,224	-
Business Introduction Fee	-	4,000
	<u>1,224</u>	<u>4,000</u>

## 3. OPERATING PROFIT

The operating profit is stated after charging:

Auditors' remuneration (audit)	9,300	11,500
Auditors' remuneration (non-audit)	6,020	11,092
Depreciation written off tangible fixed assets	105,384	131,280
Profit on sale of fixed assets	(2,102)	(6,805)
Hire of plant and machinery	10,811	10,827
Research & Development	14,477	45,363
Staff Costs	2,222,043	2,494,742
Operating leases - Premises	103,066	59,958



ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	£	£
4. STAFF COSTS		
Directors' Remuneration	407,707	714,043
Directors' Pension Costs	241,180	320,439
Wages & Salaries	1,116,718	1,112,247
Staff Welfare	29,911	31,566
Social Security Costs	141,937	174,443
Other Pension Costs	101,236	99,530
Pension Scheme Provision (FRS 17)	144,000	-
Other Staff Costs	39,354	42,474
	<hr/>	<hr/>
	2,222,043	2,494,742
Special Pension Contribution	330,000	-
	<hr/>	<hr/>
	<u>2,552,043</u>	<u>2,494,742</u>

## Remuneration of Directors:

The remuneration of the highest paid director was £249,922 (2004 £440,058)

The number of other directors who received emoluments within the following ranges is shown below:

	<u>Number</u>	<u>Number</u>
£95,001 to £105,000	1	1
£100,001 to £105,000	1	-
£105,001 to £110,000	-	1
£415,001 to £420,000	1	-
£445,001 to £450,000	-	1
	<hr/>	<hr/>

## 5. STAFF NUMBERS

The average monthly number of persons (including executive directors) employed by the group during the period was:

	<u>Number</u>	<u>Number</u>
Administration	8	8
Other	37	37
	<hr/>	<hr/>
	<u>45</u>	<u>45</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	£	£
6. NON TRADING INCOME		
Interest Received	-	59
Interest Receivable	52,792	24,557
	<u>52,792</u>	<u>24,616</u>
7. INTEREST AND SIMILAR CHARGES		
Other Finance Charges	58,000	-
	<u>58,000</u>	<u>-</u>
8. EXCEPTIONAL ITEMS		
Special Pension Contribution	330,000	-
	<u>330,000</u>	<u>-</u>
9. TAX ON ORDINARY ACTIVITIES		
Corporation tax on the profit for the period at 30% (2004 - 30%)	28,461	88,549
U.S.A. Tax	2,460	6,298
	<u>30,921</u>	<u>94,847</u>
Adjustments in respect of previous period	-	(44)
	<u>30,921</u>	<u>94,803</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## 10. TANGIBLE ASSETS - GROUP

<u>Cost or Valuation</u>	<u>2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>2005</u>
	£	£	£	£
Motor Vehicles	245,780	60,344	39,783	266,341
Furniture & Equipment	188,674	7,339	-	196,013
Demonstration Equipment	67,589	-	-	67,589
Computer Equipment	95,817	12,918	9,393	99,342
	<u>597,860</u>	<u>80,601</u>	<u>49,176</u>	<u>629,285</u>

<u>Depreciation</u>	<u>2004</u>	<u>Charge for period</u>	<u>Eliminated on disposal</u>	<u>2005</u>
Motor Vehicles	144,971	61,869	28,355	178,485
Furniture & Equipment	158,348	12,993	-	171,341
Demonstration Equipment	59,140	8,449	-	67,589
Computer Equipment	78,666	13,656	9,393	82,929
	<u>441,125</u>	<u>96,967</u>	<u>37,748</u>	<u>500,344</u>

<u>Net Book Amounts</u>	<u>2004</u>	<u>2005</u>
Motor Vehicles	100,809	87,856
Furniture & Equipment	30,326	24,672
Demonstration Equipment	8,449	-
Computer Equipment	17,151	16,413
	<u>156,735</u>	<u>128,941</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## TANGIBLE ASSETS - COMPANY

<u>Cost or Valuation</u>	<u>2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>2005</u>
	£	£	£	£
Motor Vehicles	229,592	27,500	23,595	233,497
Furniture & Equipment	152,643	2,571	-	155,214
Demonstration Equipment	67,589	-	-	67,589
Computer Equipment	95,817	12,918	9,393	99,342
	<u>545,641</u>	<u>42,989</u>	<u>32,988</u>	<u>555,642</u>

<u>Depreciation</u>	<u>2004</u>	<u>Charge for period</u>	<u>Eliminated on disposal</u>	<u>2005</u>
Motor Vehicles	140,211	56,625	23,595	173,241
Furniture & Equipment	124,603	11,415	-	136,018
Demonstration Equipment	59,140	8,449	-	67,589
Computer Equipment	78,666	13,656	9,393	82,929
	<u>402,620</u>	<u>90,145</u>	<u>32,988</u>	<u>459,777</u>

<u>Net Book Amounts</u>	<u>2004</u>	<u>2005</u>
Motor Vehicles	89,379	60,256
Furniture & Equipment	28,041	19,196
Demonstration Equipment	8,450	-
Computer Equipment	17,151	16,413
	<u>143,021</u>	<u>95,865</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## 11. INVESTMENTS

	<u>2005</u>	<u>2004</u>
	£	£
a) SUBSIDIARY COMPANIES		
'Armfield' companies (below) at cost	1,065	1,065
	<u>1,065</u>	<u>1,065</u>

The original cost of the investments in the 'Armfield' companies was £1,455,153. The investment in those companies disclosed above is net of a permanent diminution in value of £1,268,000 which arose following the transfer to the company of the business, assets and liabilities of Armfield Technical Education Company Limited and was charged to the profit and loss account in the year ended 31 December 1989.

<u>Name of undertaking</u>	<u>Country of incorporation</u>	<u>Description of shares held</u>	<u>Proportion of nominal value of issued shares held</u>
Armfield Inc	U S A	Shares of \$1	100%
Armfield Technical Education Company Limited*	Gt Britain	Ordinary £1 shares	100%

\* This company is inactive.

The principal business of Armfield Inc is the distribution in the USA of research and training equipment manufactured by Armfield Limited. The aggregate of capital and reserves of Armfield Inc at 31 December 2004 in sterling was £238,471 (2004: £271,345) with the loss after tax for the year being £69,561 (2004:- £14,195). There was an unrealised loss on exchange at the balance sheet date of £7,898.

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	£	£
b) OTHER INVESTMENTS		
OMVE Netherlands BV	-	-

Products developed by OMVE Netherlands BV are included in the company's product range. The investment cost is being amortised over five years from the date of first introduction of the products.

## 12. STOCKS

	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Stock	896,977	832,703	773,707	827,077

## 13. DEBTORS

	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Trade Debtors	649,154	1,221,674	556,111	984,433
Other Debtors	41,121	43,323	41,121	43,323
Inter Group Loans	-	-	127,328	18,995
Prepayments & Accrued Income	97,266	108,027	93,959	108,027
	787,541	1,373,024	818,519	1,154,778

## 14. CREDITORS

	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Amounts Falling Due Within One Year:				
Bank Overdraft	2,690	30,577	2,690	30,577
Trade creditors	649,697	712,693	607,493	633,801
Other creditors	223,007	337,275	223,007	337,275
Corporation Tax	28,461	88,549	28,461	88,549
Social Security & Other Taxes	44,631	211,889	44,631	211,889
Accruals	200,647	368,050	170,434	368,050
	1,149,133	1,749,033	1,076,716	1,670,141

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## 15. LOANS AND OVERDRAFTS

The aggregate amount of loans and overdrafts was as follows:

	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Falling due within one year:				
Bank Overdraft	2,690	30,577	2,690	30,577

The company has an overdraft facility of £250,000 (2004: £250,000) which is secured by an unscheduled mortgage debenture incorporating a fixed and floating charge over all current and future assets of the company. The above balance was the reconciled figure at the year end, - the account was not overdrawn at the bank. The company has deposit funds with the same bank which stood at £759,180 (2004: £1,265,193) at the year end.

## 16. CALLED UP SHARE CAPITAL

Authorised Share Capital		
Ordinary Shares of £1 each	500,000	500,000
Preference Shares of £1 each	578,000	578,000
	<u>1,078,000</u>	<u>1,078,000</u>
Allotted, issued and fully paid		
Ordinary Shares of £1 each	<u>101,818</u>	<u>101,818</u>

## 17. CAPITAL REDEMPTION RESERVE

Balance Brought Forward	<u>726,182</u>	<u>726,182</u>
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## 18. PROFIT AND LOSS ACCOUNT

	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Balance Brought Forward	1,173,426	965,258	902,962	690,331
(Loss)/Profit for Period	(203,659)	278,334	(134,098)	264,141
Profit/(Loss) on Exchange	50,773	(70,166)	-	-
Pension Scheme Deficit	(695,000)	-	-	-
Balance Carried Forward	<u>325,540</u>	<u>1,173,426</u>	<u>93,211</u>	<u>902,962</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>		<u>2004</u>	
	£		£	
19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS				
	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Profit/(Loss) for period	(203,659)	278,334	(134,098)	264,141
Profit/(Loss) on Exchange	50,773	(70,166)	19,347	(51,510)
Pension Scheme Deficit	(695,000)	-	(695,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(847,886)	208,168	(809,751)	212,631
Opening shareholders' funds	2,001,426	1,793,258	1,730,962	1,518,331
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	1,153,540	2,001,426	921,211	1,730,962

## 20. DEFERRED TAXATION

No provision is required for deferred taxation.



ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
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	£	£
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## 21. CONTINGENT LIABILITIES

	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Amount of guarantees given to the group's bankers in respect of:				
Performance bonds	97,720	128,399	97,720	128,399
Bid bonds	1,648	1,916	1,648	1,916
	<u>99,368</u>	<u>130,315</u>	<u>99,368</u>	<u>130,315</u>

At 31 December 2005 the group has no forward exchange contracts.  
(2004: Nil).

## 22. CAPITAL COMMITMENTS

Contracted but not provided	-	Nil
Authorised by the directors but not yet contracted	-	Nil

## 23. LEASE COMMITMENTS

At 31 December 2005 the company had annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	Group		Company	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Expiring within one year	7,023	-	-	-
Expiring two to five years	-	7,165	-	-
Expiring in over five years	96,000	36,000	96,000	36,000

The company had annual commitments under operating leases in respect of equipment, as follows:

Expiring within one year	-	10,375	-	10,375
Expiring in two to five years	10,811	6,017	10,811	6,017

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	£	£

## 24. TRANSACTIONS WITH DIRECTORS AND SHAREHOLDERS

Messrs C.J. Addis and S.F. Farrow declare their interest in transactions between the company and its subsidiary, as detailed below, by reason of their positions as directors of that company.

During the year the company paid rent in the sum of £60,000 to Messrs C.J. Addis and S.F. Farrow under a lease, in respect of the company's office accommodation.

## 25. POST BALANCE SHEET EVENTS

In April 2006, the company paid a final dividend of £0.59 per share (£60,000) in respect of the year ended 31 December 2005.

## 26. RELATED PARTY TRANSACTIONS

During the year the company carried out the following transactions with its subsidiary company, Armfield Incorporated:

	£	£
Sales to and other income from Armfield Inc	886,919	788,272
Payment of Armfield Inc costs and overheads	77,014	79,257
Company costs and overheads paid by Armfield Inc	33,389	49,222
Cash transfers from Armfield Incorporated	780,848	777,778

The company incurred a loss on foreign exchange in connection with the transactions with armfield Incorporated, amounting to £41,364 (2004 Loss £51,510).

At the period end, the balance owing to the company from Armfield Incorporated was £127,328. (2004 - £19,995)

During the period, the company carried out the following transactions with OMVE BV, in which the company has a 25% shareholding.

	£	£
Purchases	314,791	149,930

## 27. DISCLOSURE OF CONTROL

Throughout the period the company was not under the control of any individual.

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## 28. COMPANY PENSION SCHEME

The company sponsors the Armfield Limited Pension and Life Assurance Scheme which is a defined benefit arrangement for employees in post on 31 December 2000. The last full actuarial valuation of this scheme was carried out by an independent qualified actuary as at 1 April 2002 and updated on an approximate basis to 31 December 2004.

The total contributions made by the employer over the financial year have been £173,680. After allowing for members' contributions the net employer contributions amount to £112,249. The current contribution rate of 18.5% of pensionable salaries is to continue until reviewed following the triennial valuation of the scheme due as at 1 April 2005.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31 December 2004 calculated in accordance with the requirements of FRS17. They also require disclosure of the items that would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 31 December 2004 balance sheet or on this year's performance statements.

## ASSUMPTIONS

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	<u>31/12/04</u>	<u>31/12/03</u>	<u>31/12/02</u>
Inflation	3.10%	2.80%	2.30%
Salary increases	4.10%	3.80%	3.30%
Rate of discount	5.30%	5.30%	5.20%
Pension in payment increases:			
- Dynamic	2.30%	2.30%	2.20%
- LPI	3.10%	2.80%	2.20%
Revaluation rate for deferred pensioners	5.00%	5.00%	5.00%
Expected return on assets	4.75%	6.00%	6.00%
ILLUSTRATIVE BALANCE SHEET FIGURES	<u>31/12/04</u>	<u>31/12/03</u>	<u>31/12/02</u>
Assets	3,454,000	3,349,000	2,835,000
Liabilities	4,320,000	3,928,000	3,395,000
Surplus	(866,000)	(579,000)	(560,000)
Related deferred tax asset	260,000	174,000	168,000
Net Pension Liability	<u>(606,000)</u>	<u>(405,000)</u>	<u>(392,000)</u>

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## COMPANY PENSION SCHEME (Continued)

## ILLUSTRATIVE CHARGE TO PROFIT AND LOSS ACCOUNT OVER THE FINANCIAL YEAR

	<u>Y/E 31/12/04</u>	<u>Y/E 31/12/03</u>
OPERATING CHARGE:		
Current service cost	200,000	177,000
Employee contributions	(61,000)	(48,000)
	<hr/>	<hr/>
TOTAL OPERATING CHARGE	139,000	129,000
	<hr/>	<hr/>
OTHER FINANCE CHARGES		
Interest on pension scheme liabilities	219,000	188,000
Expected return on pension scheme assets	(206,000)	(174,000)
	<hr/>	<hr/>
NET FINANCE CHARGE	13,000	14,000
	<hr/>	<hr/>
TOTAL CHARGE TO PROFIT & LOSS ACCOUNT	152,000	143,000
	<hr/>	<hr/>

ILLUSTRATIVE AMOUNTS THAT WOULD BE INCLUDED WITHIN THE STATEMENT OF  
RECOGNISED GAINS AND LOSSES (STRGL)

	<u>Y/E 31/12/04</u>	<u>Y/E 31/12/03</u>
Difference between expected and actual return on scheme assets:		
- Amount	(120,000)	(60,000)
- Percentage of scheme assets	(3.50)%	(1.70)%
Experience gains and losses arising on the scheme liabilities:		
- Amount	4,000	(60,000)
- Percentage of present value of scheme liabilities	0.10%	(1.40)%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
- Amount	(131,000)	(109,000)
- Percentage of present value of scheme liabilities	(3.00)%	(2.50)%
Total amount recognised in STRGL:		
- Amount	(247,000)	(229,000)
- Percentage of scheme liabilities	(5.70)%	(5.30)%

The company also contributes to a separate pension scheme for the benefit of Messrs C.J. Addis and S.F. Farrow in order to top up the accrued benefits under the above general scheme. Contributions to the separate scheme during the period totalled £280,000 (2003: £248,000).

ARMFIELD LIMITED AND ITS SUBSIDIARIESNOTES ON ACCOUNTSFOR THE YEAR ENDED 31 DECEMBER 2005

## COMPANY PENSION SCHEME (Continued)

The company operates a defined contribution pension scheme for the benefit of employees joining the company after 31 December 2000. Employer contributions to this scheme during the year amounted to £4,781 (2004 £2,338). There were no outstanding liabilities under this scheme at the balance sheet date.