

Defence Systems Eurasia Limited

(Registered Number: 3341262)

Annual Report And Financial Statements

Year Ended 31 December 2006

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Defence Systems Eurasia Limited

Directors' Report For The Year Ended 31 December 2006

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2006

Principal Activity

The principal activity of the company continued to be the provision of protective security services, weapons reduction and mine clearance, management and administration services to fellow group companies and third party customers

The company was incorporated in England and Wales, and its registered office is Egginton House, 25-28 Buckingham Gate, London SW1E 6LD

The Company has one overseas branch, based in Croatia

Review of the Business and Future Developments

The Company's core business continues to be that of devising and implementing solutions to complex security problems through the provision of highly qualified specialists with extensive international experience in practical security

During the year ended 31 December 2006 a reduced requirement for the provision of security specialists was experienced due to the completion of a significant contract

The company continues to seek additional work in Russia and the CIS and also to support the rest of the Group's activities in this region

Results and Dividends

The company made a loss for the year of \$101,054 (2005 \$446,889) which will be deducted from reserves. The directors do not recommend the payment of a dividend (2005 \$nil)

Directors

The directors who held office during the year and up to the date of signing these accounts were as follows

J Hoffman (resigned 14 July 2006)
D J Seaton
N A Philp
C D Beese
M Brabin (appointed 14 July 2006)

Defence Systems Eurasia Limited

Directors' Report For The Year Ended 31 December 2006 (Continued)

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the profit or loss of the Company 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 that the financial statements comply with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors confirm they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Financial risk management

The company's treasury policy is determined by the Board of Directors of ArmorGroup International plc who governs the management of financial risks within the Group. In accordance with this policy, the financial risk exposures are actively monitored and the use of financial instruments, such as derivatives, is permitted. However, under the treasury policy speculative transactions are not permitted.

Liquidity risk

The company's liquidity risk is primarily attributable to balances due to and from group undertakings. The company is part of the ArmorGroup International plc group of companies which actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the group has sufficient available funds for its operations.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets and liabilities include cash balances and certain balances due to and from group undertakings, which earn and bear interest at floating rates. The company does not use interest rate derivatives. However, the ArmorGroup International plc group of companies may from time to time use interest rate derivatives to manage the group's exposure to interest rate fluctuations.

Defence Systems Eurasia Limited

Directors' Report For The Year Ended 31 December 2006 (Continued)

Currency risk

The company's strategy to minimise foreign exchange risk is to draw all significant borrowings in the company's functional currency of US\$ and hold bank accounts in US\$. The company, in general, does not consider it necessary to enter into foreign currency or forward contracts.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company ArmorGroup International plc. The directors have received confirmation that ArmorGroup International plc intends to support the company for at least one year after these financial statements are signed.

Disclosure of information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that

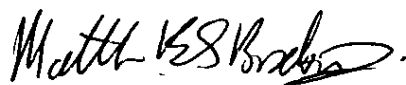
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

The Auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board



M Brabin
Director

26 October 2007

Independent Auditors' Report to the Members of Defence Systems Eurasia Limited

We have audited the financial statements of Defence Systems Eurasia Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholders' Equity 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements 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 the financial statements.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its loss and cash flows for the year then ended,
- 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.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Accountants
West London

30th October 2007

Defence Systems Eurasia Limited

Income statement for the year ended 31 December 2006

	<i>Note</i>	2006 US\$	2005 US\$
Turnover	2	596,698	1,114,427
Cost of sales		(309,264)	(981,072)
Gross profit		287,434	133,355
Administrative expenses		(301,098)	(577,198)
Operating loss	3	(13,664)	(443,843)
Interest receivable	4	7	15
Interest payable	5	(129,947)	-
Loss before tax		(143,604)	(443,828)
Taxation	8	42,550	(3,061)
Loss for the year		(101,054)	(446,889)

All results derive from the continuing activities of the company

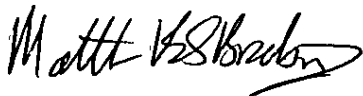
The notes on pages 9 to 21 form part of these financial statements

Defence Systems Eurasia Limited

Balance sheet as at 31 December 2006

	Note	2006 US\$	2005 US\$
Assets			
Non-current assets			
Property, plant and equipment	9	-	135
Investments in subsidiaries	10	341	341
		341	476
Current assets			
Trade and other receivables	11	152,744	260,907
Cash and cash equivalents	15	255,091	47,654
		407,835	308,561
Liabilities			
Current liabilities			
Trade and other payables	12	(2,133,023)	(1,932,830)
Net current liabilities		(1,725,188)	(1,624,269)
Net liabilities		(1,724,847)	(1,623,793)
Shareholders' deficit			
Share capital	14	3	3
Retained earnings		(1,724,850)	(1,623,796)
Total shareholders' deficit		(1,724,847)	(1,623,793)

The financial statements on pages 5 to 21 were approved by the board on 26 October 2007 and signed on its behalf by



M Brabin
Director

The notes on pages 9 to 21 form part of these financial statements

Defence Systems Eurasia Limited

Cash flow statement for the year ended 31 December 2006

	<i>Note</i>	2006 US\$	2005 US\$
Cash flows from operating activities			
Cash inflow/(outflow) from operations	15	207,430	(38,723)
Interest received		7	15
Tax paid		-	(3,023)
Net cash inflow/(outflow) from operating activities		207,437	(41,731)
Net increase/(decrease) in cash and cash equivalents		207,437	(41,731)
Cash and cash equivalents at beginning of year		47,654	89,385
Cash and cash equivalents at end of year	15	255,091	47,654

The notes on pages 9 to 21 form part of these financial statements

Defence Systems Eurasia Limited

Statement of changes in shareholders' equity for the year ended 31 December 2006

	Share capital US\$	Retained earnings US\$	Total US\$
At 1 January 2005	3	(1,176,907)	(1,176,904)
Loss for the year	-	(446,889)	(446,889)
At 31 December 2005	3	(1,623,796)	(1,623,793)
Loss for the year	-	(101,054)	(101,054)
At 31 December 2006	3	(1,724,850)	(1,724,847)

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006

1 Accounting Policies

Basis of preparation

These statements have been prepared in accordance with International Reporting Standards and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historic cost convention on a going concern basis. A summary of the more important company accounting policies, which have been consistently applied, is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

a) Going Concern

The financial statements show net liabilities. However, the directors believe it is appropriate for the financial statements to be prepared on the going concern basis as the ultimate parent undertaking, ArmorGroup International plc, has informed the company that it is its intention to provide the company with sufficient funds for the foreseeable future and for at least the next 12 months from the date that these financial statements were approved, to enable the company to meet its liabilities as they fall due.

b) Revenue recognition

Revenue represents the amounts (excluding value added tax and other sales taxes) derived from the provision of services to third party customers and fellow group undertakings, plus recharges of other contract expenses including insurance, equipment, travel and out-of-pocket expenses at cost or cost plus a handling fee.

Revenue is recognised as services are provided in accordance with the terms of each contract on a contract-by-contract basis over the term of the contract.

c) Segment reporting

The company provides services that are subject to different risks and returns across different business segments and across different geographical segments. The primary segment assessed for the company is business segment.

d) Foreign currency translation

Functional and presentational currency

Transactions included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States Dollars ("US\$") which is the Company's functional and presentation currency. At 31 December 2006 the closing exchange rate to sterling was £1/\$1.958 (31 December 2005 £1/\$1.720) and the average exchange rate to sterling for the year ended 31 December 2006 was £1/\$1.840 (31 December 2005 £1/\$1.818).

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

d) Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange differences on loan relationships between subsidiary undertakings are recognised in the income statement.

e) Property, plant and equipment

Property, plant and equipment is stated at purchase cost together with any incidental expenses of acquisition less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset, on a straight-line basis, over its expected useful economic life as follows:

Office equipment	33 3% per annum
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Assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of assets are included in the income statement and are determined by comparing proceeds with carrying amount.

f) Investments in subsidiary undertakings

Investments in subsidiary undertakings are carried in the Company's balance sheet at cost less any provision for impairment in value in accordance with IAS 27 "Consolidated and Separate Financial Statements".

Investments are assessed annually for impairment by the directors and any impairment losses are charged to the income statement.

g) Trade receivables

Trade receivables are stated at nominal value less any provision for irrecoverable amounts. Trade receivables are first assessed individually for impairment, or collectively where the receivables are not significant. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are collectively assessed for impairment. Movements in the provision for doubtful trade receivables are recorded in the income statement.

h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

1 Accounting Policies (continued)

i) Taxation including deferred taxation

Current income tax is recognised as an income and expense in the income statement for the year, except to the extent that the tax arises from a transaction or event that is recognised directly in equity, either in the same or a different accounting period

Current tax assets and liabilities are measured at the amount expected to be paid to, or recovered from, the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

j) Employee benefit costs

Pensions

The company participates in the group defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge/profits represents the contributions payable by the company to the fund.

Holiday Pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned. An accrual is made at the balance sheet to reflect the fair value of holidays earned but not yet taken.

k) Consolidation

In accordance with IAS 27 and S228 of the Companies Act 1985 the company is exempt from the obligation to prepare and deliver group financial statements as it is included in the consolidated financial statements of ArmorGroup International plc which are publicly available. Accordingly, these financial statements present information about the company as an individual entity and not as a group.

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

2 Segmental reporting

Turnover is attributable to the activity as set out in the report of the directors and is derived in the following segments

	2006 US\$	2005 US\$
Eastern Europe	400,034	689,524
Asia	196,664	424,903
	596,698	1,114,427

3 Operating loss

	2006 US\$	2005 US\$
The following items have been included in arriving at operating loss		
Employee costs (Note 6)	383,021	783,516
Foreign exchange gain	(235)	(11,150)
Depreciation on property, plant and equipment – owned assets	135	323

Auditors' remuneration in respect of audit services for the years ended 31 December 2006 and 2005 was borne by a fellow group company

During the year ended 31 December 2006, fellow group companies have recharged administrative expenses of \$24,837 (2005 \$131,765) to the company

4 Interest receivable

	2006 US\$	2005 US\$
Bank interest	7	15

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

5 Interest payable

	2006 US\$	2005 US\$
Interest on amounts owed to Group undertakings	129,947	-

6 Key management compensation

Key management comprise the executive directors

None of the directors received remuneration in respect of their services as directors of the company (2005 \$nil)

None of the directors (2005 none) are accruing retirement benefits under defined benefit pension schemes or money purchase pension schemes in respect of their services as directors of the company

7 Employee Information

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2006 Number	2005 Number
Management and administration	1	3
Security services	1	3
	2	6

The aggregate payroll costs of these persons were as follows

	2006 US\$	2006 US\$
Wages and salaries	383,021	783,516
	383,021	783,516

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

8 Taxation

	2006 US\$	2005 US\$
UK current tax		
Corporation tax credit	(42,550)	-
Foreign current tax		
Adjustment in respect of prior periods	-	3,061
Income tax (credit) / expense	(42,550)	3,061

The total income tax assessed for the current year is higher (2005 higher) than the standard rate of income tax in the UK (30%) for the reasons set out in the following reconciliation

	2006 US\$	2005 US\$
Loss before income tax	(143,604)	(443,828)
Loss multiplied by standard rate of income tax in the UK of 30% (2005 30%)	(43,081)	(133,148)
Factors affecting income tax expense for the year		
Expenses not deductible for tax purposes	460	(20,882)
Group relief surrendered for nil consideration	-	173,445
Other timing differences	71	(19,415)
Adjustment in respect of prior periods	-	3,061
Total income tax (credit) / expense	(42,550)	3,061

The company has no liability for deferred taxation as at 31 December 2006 (2005 \$nil)

The potential amount of deferred taxation for all timing differences is as follows

	2006 US\$	2005 US\$
Taxation losses carried forward	227,808	200,143
Other timing differences	467	396
Unprovided deferred tax asset	228,275	200,539

The directors consider that it is unlikely that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

9 Property, plant and equipment

	Office equipment 2006 US\$	2005 US\$
Cost		
At 1 January and 31 December	970	970
Accumulated depreciation		
At 1 January	835	512
Charge for the year	135	323
At 31 December	970	835
Net book value		
At 31 December	-	135
At 1 January	135	458

10 Fixed Assets Investments

	Ordinary shares in subsidiary undertakings US\$
Cost	
At 1 January 2005 and 31 December 2005 and 2006	31,461
Provision for impairment	
At 1 January 2005 and 31 December 2005 and 2006	(31,120)
Net Book Value	
As at 31 December 2005 and 31 December 2006	341

At 31 December 2006 the principal subsidiary undertakings of the company were as follows

Subsidiary undertakings	Principal Activity	% ordinary shares held	Country of incorporation
Defence Systems Eurasia Limited Ukraine	Security services	100	Ukraine
Defence Systems Eurasia Limited Kazakhstan	Security services	100	Kazakhstan
Armor Group Eurasia LLC	Security services	100	Azerbaijan
Armor Group Eurasia Zao	Security services	100	Russia

In the opinion of the directors the investments in, and amounts due from, the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

11 Trade and other receivables

	2006 US\$	2005 US\$
Trade receivables	33,305	19,804
Less provision for impairment of receivables	(495)	(201)
Trade receivables - net	32,810	19,603
Amounts owed by group undertakings	118,317	216,864
Other debtors	1,617	24,440
	152,744	260,907

Amounts owed by group undertakings are unsecured and are repayable on demand

12 Trade and other payables

	2006 US\$	2005 US\$
Amounts owed to fellow subsidiary undertakings	2,118,600	1,884,326
Accruals and deferred income	14,423	48,504
	2,133,023	1,932,830

Amounts owed to group undertakings are unsecured, repayable on demand and bear interest at US\$ LIBOR plus 1.75%

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

13 Financial instruments

Currency and interest rate risk disclosures

The currency and interest rate risk profile of the Company's net assets at 31 December 2006 and 31 December 2005 was as follows

Financial assets

2006

Currency	Cash at bank and in hand US\$	Trade receivables less provision US\$	Amounts owed by group undertakings US\$	Other receivables and accrued income US\$	Total US\$
US dollars					
- floating	239,379	-	118,317	-	357,696
- non interest earning	1,722	32,810	-	1,617	36,149
Rouble					
- non interest earning	8,319	-	-	-	8,319
Croatian HRK					
- floating	5,671	-	-	-	5,671
At 31 December 2006	255,091	32,810	118,317	1,617	407,835

2005

Currency	Cash at bank and in hand US\$	Trade receivables less provision US\$	Amounts owed by group undertakings US\$	Other receivables and accrued income US\$	Total US\$
US dollars					
- floating	20,337	-	216,864	-	237,201
- non interest earning	1,883	19,603	-	24,440	45,926
Rouble					
- non interest earning	15,143	-	-	-	15,143
UK Sterling					
- floating	9,941	-	-	-	9,941
Croatian HRK					
- floating	350	-	-	-	350
At 31 December 2005	47,654	19,603	216,864	24,440	308,561

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

13 Financial instruments (continued)

Currency and interest rate risk disclosures (continued)

Financial liabilities

2006

Currency	Amounts due to fellow subsidiary undertakings US\$	Accruals US\$	Total US\$
US dollars			
- floating	2,118,600	-	2,118,600
- no interest paid	-	14,423	14,423
At 31 December 2006	2,118,600	14,423	2,133,023

2005

Currency	Amounts due to fellow subsidiary undertakings US\$	Accruals US\$	Total US\$
US dollars			
- floating	1,884,326	-	1,884,326
- no interest paid	-	48,504	48,504
At 31 December 2005	1,884,326	48,504	1,932,830

Fair values of financial assets and financial liabilities

The fair values of the Group's financial assets and financial liabilities at 31 December 2006 were not materially different from their book values

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

14 Called Up Share Capital

	2006 US\$	2005 US\$
Authorised		
1,000 ordinary shares of £1 each	1,630	1,630
Allotted, called up and fully paid		
2 ordinary shares of £1 each at 1 January and 31 December	3	3

15 Reconciliation of loss after tax to net cash inflow/(outflow) from operating activities

	2006 US\$	2005 US\$
Loss after tax	(101,054)	(446,889)
Adjustments for		
Interest receivable	(7)	(15)
Interest payable	129,947	-
Taxation	(42,550)	3,061
Depreciation	135	323
	(13,529)	(443,520)
Changes in working capital		
Decrease in trade and other receivables	108,413	2,028,939
Increase/(decrease) in payables	112,546	(1,624,142)
Cash inflow/(outflow) from operations	207,430	(38,723)

Cash and bank overdrafts include the following for the purposes of the cash flow statement

	2006 US\$	2005 US\$
Cash and cash equivalents	255,091	47,654
	255,091	47,654

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

16 Reconciliation of net cash flow to movement in net debt

	2006 US\$	2005 US\$
Increase/(decrease) in cash in the period	207,437	(41,731)
Changes in net debt resulting from cash flows	207,437	(41,731)
Movement in net debt in the period	207,437	(41,731)
Net cash at the beginning of the period	47,654	89,385
Net cash at the end of the period	255,091	47,654

17 Related party disclosures

Transactions with directors and senior management

Key management compensation

Key management compensation is disclosed in Note 5

Transactions with fellow subsidiaries

On 1 January 2005, ArmorGroup International plc and its group subsidiary companies entered into a master group netting, assignment and financing deed. Under the terms of this deed, all subsidiaries are required to regularly assign their net debts to a fellow group company, ArmorGroup Finance Management Limited.

During the year, the following transactions arose with fellow group companies:

Sales of services

Sales of services comprise management and administration services provided to other group companies.

	2006 US\$	2005 US\$
Fellow subsidiaries	571,004	1,409,849

Purchases of services

	2006 US\$	2005 US\$
Fellow subsidiaries	578,466	2,069,947

Defence Systems Eurasia Limited

Notes To The Financial Statements - 31 December 2006 (continued)

17 Related party disclosures (continued)

At the year-end, the following related party balances existed between the Company and fellow subsidiary undertakings

	2006 US\$	2005 US\$
Receivables from related parties		
Amounts due from fellow subsidiaries	118,317	216,864
Payables from related parties		
Amounts due to fellow subsidiaries	2,118,600	1,884,326

18 Contingent liabilities

At 31 December 2005, ArmorGroup International plc ('the Group'), the Company's ultimate parent and certain fellow subsidiaries were party to a multicurrency revolving facility bank agreement totaling US\$15,000,000

On 15 March 2006, the Group's multicurrency revolving facility and asset financing facility were extended to a total facility of US\$30,000,000 comprising a multicurrency revolving facility of US\$18,000,000 and an asset financing facility of US\$12,000,000

At 31 December 2006 and 2005 the Company was party to a composite accounting agreement such that the bank has a right of offset between credit balances and all overdrawn balances of those Group undertakings with similar arrangements. In addition, the Company has guaranteed the bank overdrafts of certain Group companies. At 31 December 2006 and 31 December 2005, the maximum contingent liability of the Company under this guarantee was US\$121,000 (US\$913,000)

19 Ultimate Parent Undertaking

The company's immediate parent undertaking is ArmorGroup (Worldwide) Limited, a company incorporated in England and Wales

The ultimate parent undertaking and controlling party is ArmorGroup International plc, a company incorporated in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements

Copies of these financial statements are publicly available and can be obtained from The Secretary, ArmorGroup International plc, Egginton House, 25-28 Buckingham Gate, London SW1E 6LD