

Wallace Group Limited
Annual report for the
for the year ended 31 May 2005

Registered Number 245921



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Wallace Group Limited
Annual report
for the year ended 31 May 2005

Contents

Directors and advisors	1
Directors' report.....	2
Independent auditors' report to the members of Wallace Group Limited	4
Consolidated profit and loss account for the year ended 31 May 2005.....	5
Balance sheets as at 31 May 2005	6
Cash flow statement for the year to 31 May 2005	7
Accounting policies.....	8
Notes to the financial statements for the year ended 31 May 2005.....	10

Wallace Group Limited

Directors and advisors

Directors

H Cairns

R McIntyre

A McMillan

G J Taylor (resigned 31 January 2005)

H Turnbull

J Turnbull

Secretary

G J Taylor (resigned 21 April 2005)

H Turnbull (appointed 21 April 2005)

Independent auditors

PricewaterhouseCoopers LLP

Kintyre House

209 West George Street

Glasgow

G2 2LW

Solicitors

Burness

242 West George Street

Glasgow

G2 4QY

Registered Office

Wallace House

Whitehouse Road

Stirling

FK7 7TA

Bankers

Clydesdale Bank plc

23 South Methven Street

Perth

PH1 5PQ

Wallace Group Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 May 2005.

Principal activities

The principal activities of the group consist of designing, supplying and fixing sandstone, limestone, granite, marble and slate on buildings throughout the United Kingdom.

The consolidated profit and loss account for the year is set out on page 5.

Review of business and future developments

In view of the difficult trading conditions, the directors consider the results satisfactory and are confident that the result for the current year shall show significant improvement.

Dividends and transfers to reserves

The directors do not recommend payment of a dividend to equity holders. Non-equity appropriations amounted to £15,000 (2004: £6,000) for the year ended 31 May 2005. The profit for the year of £29,000 (2004: loss of £114,000) will be transferred to (2004: deducted from) reserves.

Directors

The directors of the company at 31 May 2005, all of whom were directors for the whole of the year ended on that date except where stated, are listed on page 1.

Directors' interests

The interests of the directors in the shares of the company at 31 May 2005 were as follows:

	2005 Number	2004 Number
H Turnbull	42,501	42,501
J Turnbull	20,000	20,000
H Cairns	20,000	20,000
A McMillan	20,000	20,000
K Turnbull	12,500	12,500
R McIntyre	5,000	5,000
G J Taylor	5,000	5,000
	125,001	125,001

Wallace Group Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. The directors are required to 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 that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that 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.

Auditors

PricewaterhouseCoopers LLP have indicated 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

A handwritten signature in black ink, appearing to be 'H Turnbull', written over a horizontal line.

H Turnbull
Director
31 March 2006

Wallace Group Limited

Independent auditors' report to the members of Wallace Group Limited

We have audited the financial statements which comprise the consolidated profit and loss account, the group and company balance sheets, the group cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 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 of the state of affairs of the company and the group at 31 May 2005 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

31 March 2006

Wallace Group Limited

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

	Note	12 months ended 31 May 2005 £'000	14 months ended 31 May 2004 £'000
Turnover	1	7,358	4,448
Cost of sales		(5,491)	(3,123)
Gross profit		1,867	1,325
Administration expenses		(2,324)	(1,615)
Other operating income		32	193
Operating loss	4	(425)	(97)
Gain on sale of fixed asset		485	-
Interest payable and similar charges	5	(19)	(8)
Profit/(loss) on ordinary activities before taxation		41	(105)
Tax on profit/loss on ordinary activities	6	3	(3)
Profit/(loss) for the financial year		44	(108)
Dividends – non-equity	7	(15)	(6)
Retained profit/(loss) for the financial year	20	29	(114)

All items dealt with in arriving at operating loss relate to continuing operations.

The company has no recognised gains and losses other than the profits/(losses) above and therefore no separate statement of total recognised gains and losses has been presented.

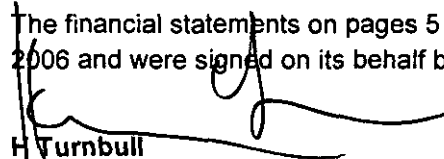
There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above, and their historical cost equivalents.

Wallace Group Limited

Balance sheets as at 31 May 2005

	Note	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Fixed assets					
Intangible assets	9	226	-	238	-
Tangible assets	10	123	-	400	-
Investments	11	-	40	-	40
		349	40	638	40
Current assets					
Stocks	13	351	-	347	-
Debtors	14	1,218	168	1,952	17
Cash at bank and in hand		213	32	-	234
		1,782	200	2,299	251
Creditors: amounts falling due within one year	15	(1,786)	-	(2,146)	(49)
Net current (liabilities)/assets		(4)	200	153	202
Total assets less current liabilities		345	240	791	242
Creditors: amounts falling due after more than one year	16	(235)	-	(707)	-
Provisions for liabilities and charges	18	-	-	(3)	-
Net assets		110	240	81	242
Capital and reserves					
Called up share capital	19	195	125	195	125
Profit and loss account	20	(85)	115	(114)	117
Total shareholders' funds	21	110	240	81	242
Analysis of shareholders' funds:					
Equity		40	240	11	242
Non-equity		70	-	70	-
		110	240	81	242

The financial statements on pages 5 to 23 were approved by the board of directors on 31 March 2006 and were signed on its behalf by:


H Turnbull
Director

Wallace Group Limited

Cash flow statement for the year ended 31 May 2005

	Note	2005 £	2004 £
Net cash outflow from operating activities	25	(296)	(148)
Returns on investment and servicing of finance			
Interest paid		(8)	(4)
Interest element of finance lease payments		(3)	(4)
Net cash outflow from returns on investment and servicing of finance		(307)	(156)
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(9)	(252)
Sale of tangible fixed assets		731	-
Acquisitions			
Purchase of subsidiary undertakings		-	(40)
Net overdrafts acquired with subsidiary undertakings		-	(44)
		-	(88)
Net cash inflow/(outflow) before financing		415	(496)
Financing			
Issue of ordinary shares		-	125
Issue of preference shares		-	70
Repayment of principal under hire purchase contracts		(18)	(20)
New other loans		-	56
New bank loan		-	200
Repayment of bank loan		(171)	(29)
Increase/(decrease) in cash	23	226	(94)

Wallace Group Limited

Accounting policies

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the group and all its subsidiary undertakings made up to 31 May 2005. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the period are included in the consolidated profit and loss account from the date of acquisition.

Intangible Assets

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and is amortised through the profit and loss account over its estimated economic life. The estimated economic life of goodwill is twenty years.

Tangible fixed assets

The cost of tangible fixed assets in their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets over the expected useful economic life of the asset concerned. The principal annual rates used for this purpose are:

Buildings	2%	(straight line)
Plant and machinery	25%	(reducing balance)
Fixtures and fittings	2%	(reducing balance)

Finance and operating leases

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

Assets acquired under finance leases are capitalised and depreciated on a straight-line basis over the period of the lease term.

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

Stocks are valued at the lower of cost and net realisable value after making the due allowance for obsolete and slow moving items.

Government Grants

Grants that are related to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Wallace Group Limited

Turnover

Turnover represents amounts invoiced to outside customers, net of trade discounts and value added tax, except in respect of contracting activities where turnover represents the value of work carried out during the year including amounts not invoiced. Turnover from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership of the goods to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the company.

Profit on individual contracts is taken only when their outcome can be foreseen with reasonable certainty, based on the lower of the percentage margin earned to date and that prudently forecast at completion, taking account of agreed claims. Full provision is made for all known or expected losses on individual contracts immediately such losses are foreseen.

Taxation

The tax charge is composed of current tax and deferred tax. Current tax is based on the profit for the year at the current rate. Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. A deferred tax asset is not recognised unless it is more likely than not that there will be sufficient future taxable profits from which the future reversal of the underlying timing difficulties can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

Pension

The Pension costs charged against profits represent the amounts of contributions payable into individual plans for the benefit of employees.

Wallace Group Limited

Notes to the financial statements for the year ended 31 May 2005

1 Turnover

All sales are made in the United Kingdom.

2 Directors' emoluments

The remuneration paid to the directors of the company was:

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Aggregate emoluments	616	281
Company pension contributions to money purchase schemes	14	8

Retirement benefits are accruing to four (2004: four) directors under a money purchase pension scheme.

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Highest paid director		
Aggregate emoluments	98	57

Wallace Group Limited

3 Employee information

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

	2005 Number	2004 Number
Production	32	18
Administration	30	23
	62	41

Staff costs (for the above persons):	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Wages and salaries	1,800	1,201
Social security costs	210	141
Other pension costs (note 24)	58	31
	2,068	1,373

Wallace Group Limited

4 Operating loss

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Operating loss is stated after charging:		
Depreciation charge for the year:		
- Tangible owned fixed assets	34	22
- Tangible fixed assets held under hire purchase contracts	6	11
Goodwill amortisation	12	7
Auditors' remuneration:		
- Audit services (company: £1,000)	27	22
- Non-audit services	5	5
Operating lease rentals – land and buildings	87	66

5 Interest payable and similar charges

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Bank overdraft and other loans	16	4
Hire purchase contracts	3	4
	19	8

Wallace Group Limited

6 Tax on profit/(loss) on ordinary activities

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Current tax		
UK corporation tax on profits/(losses) for the period	-	-
Deferred tax		
Accelerated capital allowances (note 18)	-	3
Adjustment in respect of previous periods	(3)	-
Tax on profit/(loss) on ordinary activities	(3)	3

The tax assessed for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Profit/(loss) on ordinary activities before tax	41	(106)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%:	12	(32)
Effects of:		
Non-qualifying depreciation	-	1
Expenses not deductible for tax purposes and other permanent differences	3	7
Capital allowances for the period in excess of depreciation / STTDs	11	3
Prior year losses	(26)	-
Unutilised tax losses	-	21
Current tax charge for the period	-	-

Wallace Group Limited

7 Dividends

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Non-equity – Preference: accrued £0.09 per £1 share	15	6

8 Profit/(loss) for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial year is made up as follows:

	12 month period ended 31 May 2005 £'000	14 month period ended 31 May 2004 £'000
Retained profit/(loss) by subsidiary undertakings	31	(231)
Dealt with in the accounts of the parent company	(2)	117
Consolidated profit/(loss) for the year	29	(114)

9 Intangible assets

Group	2005 £'000
Cost	
At 1 June 2004 and 31 May 2005	245
Accumulated amortisation	
At 1 June 2004	7
Charge for the year	12
At 31 May 2005	19
Net book amount	
At 31 May 2005	226
At 31 May 2004	238

Wallace Group Limited

10 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Total
Group	£'000	£'000	£'000	£'000
Cost				
At 1 June 2004	250	180	3	433
Additions	-	9	-	9
Disposals	(250)	-	-	(250)
At 31 May 2005	-	189	3	192
Accumulated depreciation				
At 1 June 2004	4	28	1	33
Charge for the year	-	40	-	40
On disposals	(4)	-	-	(4)
At 31 May 2005	-	68	1	69
Net book amount				
At 31 May 2005	-	121	2	123
At 31 May 2004	246	152	2	400

The net book value of tangible fixed assets includes an amount of £17,415 (2004: £23,220) in respect of assets held under hire purchase contracts.

11 Fixed asset investments

	2005	2004
Company	£'000	£'000
At 1 June 2004	40	-
Additions	-	40
At 31 May 2005	40	40

Wallace Group Limited

12 Interest in group undertakings

Name of subsidiary undertaking	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Stirling Stone Limited	Scotland	£1 ordinary shares	100%	Supply and fixing of natural stone
Natural Stone Quarries Limited	Scotland	£1 ordinary shares	100%	Quarrying and working dimensional stone
Toffolo Stirling Limited	Scotland	£1 ordinary shares	100%	Supply and installation of marble and granite
Stone Design Limited	Scotland	£1 ordinary shares	100%	Sourcing, design and budgetary control and fixing of natural stone
Construction Materials Consultants Limited	Scotland	£1 ordinary shares	100%	Consultancy service relating to material analysis
Natstone Developments Limited	Scotland	£1 ordinary shares	100%	Developing and letting of property
Stirling Stone (Restoration) Limited	Scotland	£1 ordinary shares	100%	Dormant
Natstone Limited	Scotland	£1 ordinary shares	100%	Dormant
Stirling Sealants Limited	Scotland	£1 ordinary shares	100%	Dormant
Stirling Stone (Management) Limited	Scotland	£1 ordinary shares	100%	Dormant
Toffolo Limited	Scotland	£1 ordinary shares	100%	Dormant
Quality Stone Limited	Scotland	£1 ordinary shares	100%	Dormant
Steading Developments Limited	Scotland	£1 ordinary shares	100%	Dormant

13 Stocks

Group	2005 £'000	2004 £'000
Raw materials and consumables	351	347

Wallace Group Limited

14 Debtors

	Group	Company	Group	Company
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Trade debtors	837	-	1,410	-
Amounts recoverable on contracts	313	-	515	-
Amounts owed by fellow subsidiary undertakings	-	-	-	17
Prepayments	5	168	8	-
Other debtors	63	-	19	-
	1,218	168	1,952	17

15 Creditors falling due within one year

	Group	Company	Group	Company
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Bank overdraft	-	-	13	-
Bank loan	-	-	50	-
Other loans	5	-	5	-
Obligations under hire purchase contracts and finance leases	8	-	18	-
Trade creditors	684	-	705	1
Amounts owed to fellow subsidiary undertakings	-	-	-	48
Other taxation and social security	640	-	829	-
Other creditors	282	-	280	-
Accruals and deferred income	146	-	240	-
Non-equity dividends	21	-	6	-
	1,786	-	2,146	49

Wallace Group Limited

16 Creditors falling due after one year

	2005	2004
Group	£'000	£'000
Bank loan	-	121
Other loans	56	56
Obligations under hire purchase contracts and finance leases	-	8
Other taxation and social security	75	404
Deferred income	104	118
	235	707

17 Loans and other borrowings

	2005	2004
Group	£'000	£'000
Bank overdraft	-	13
Bank loans	-	171
Other loans	61	61
	61	245

The maturity of debt is as follows:

	2005	2004
Group	£'000	£'000
In one year or less	13	68
Between one and two years	15	50
Between two and five years	33	127
	61	245

The bank loan was repaid in full on 12 November 2005.

A loan was also obtained from the Business Growth Fund. Interest is charged at 10% per annum and is repayable by 31 January 2009.

A further loan was obtained from Scottish Enterprise Forth Valley upon which interest is charged at 6% per annum.

Wallace Group Limited

17 Loans and other borrowings (continued)

Hire purchase contracts

The net hire purchase obligations to which the group is committed are:

Group	2005 £'000	2004 £'000
In one year or less	8	18
Between one and two years	-	8
	8	26

Deferred income

Group	2005 £'000	2004 £'000
At 1 June 2004	132	-
Additions in the year	-	140
Released during the year	(14)	(8)
At 31 May 2005	118	132

18 Provisions for liability charges

Deferred taxation provided in the financial statements, which reflects the full potential liability, is as follows:

Group	£'000
At 18 March 2004	3
Deferred tax released to profit and loss account for the year (note 6)	(3)
At 31 May 2005	-

A deferred tax asset of £392,075 (2004: £392,659) has not been recognised at the balance sheet date due to the uncertainty over its future recoverability.

Wallace Group Limited

19 Called up share capital

Group	2005 £'000	2004 £'000
Authorised		
250,000 ordinary shares of £1 each	250	250
70,000 cumulative preference shares of £1 each	70	70
	320	320
Allotted and fully paid		
125,001 ordinary shares of £1 each	125	125
70,000 cumulative redeemable preference shares of £1 each	70	70
	195	195

The cumulative redeemable preference shares must be redeemed by 31 December 2008. On a winding up, the holders have a priority before all other classes of share. The holders have no voting rights.

Company	2005 £'000	2004 £'000
Authorised		
250,000 ordinary shares of £1 each	250	250
Allotted and fully paid		
125,001 ordinary shares of £1 each	125	125

20 Profit and loss account

	Group £'000	Company £'000
At 1 June 2004	(114)	117
Profit/(loss) for the year	29	(2)
At 31 May 2005	(85)	115

Wallace Group Limited

21 Reconciliation of movements in shareholders' funds

	Group	Company	Group	Company
	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Opening shareholders' funds	81	242	-	-
Proceeds from issue of ordinary share capital	-	-	125	125
Proceeds from issue of cumulative redeemable preference shares	-	-	70	-
Profit/(loss) for the financial year	29	(2)	(114)	117
Closing shareholders' funds	110	240	81	242

22 Financial commitments

At 31 May 2005 the group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings	Land and buildings
	2005	2004
	£'000	£'000
Expiring after 5 years	110	110

The company had no annual commitments under non cancellable operating leases.

23 Analysis of net debt

	Note	At 1 June 2004 £	Cashflows £	At 31 May 2005 £
Net cash				
Cash at bank and in hand		-	213	213
Bank overdraft		(13)	13	-
		(13)	226	213
Debt				
Bank loan		(171)	171	-
Other loan		(61)	-	(61)
Hire Purchase		(26)	18	(8)
		(258)	189	(69)
Net debt	26	(271)	415	144

24 Pension costs

The company operates an executive pension plan for the directors and a group personal pension scheme for all other employees. Both of these are defined contribution schemes. The contributions paid to these schemes are charged annually in the financial statements and amounted to £58,000 (2004: £31,000).

Wallace Group Limited

25 Reconciliation of operating loss to net cash outflow from operating activities

	2005 £	2004 £
Operating loss	(425)	(97)
Depreciation	40	33
Goodwill amortisation	12	7
(Increase)/decrease in stocks	(4)	52
Decrease in debtors	734	184
Decrease in creditors	(653)	(327)
Net cash outflow from operating activities	(296)	(148)

26 Reconciliation of net cash flow to movement in net debt

	Note	2005 £	2004 £
Increase/(decrease) in cash		226	(94)
Borrowings net of short term deposits acquired with subsidiaries		-	(95)
Cash flow inflow/(outflow) from financing		189	(207)
Change in net debt		415	(396)
Opening net debt		(271)	125
Closing net debt	23	144	(271)

27 Ultimate controlling party

The ultimate controlling party of the group is the Turnbull family by way of their aggregate majority shareholding.