

Wallace Group Limited
Annual report for the
for the year ended 31 May 2007

Registered Number 245921



Wallace Group Limited

Annual report for the year ended 31 May 2007

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Wallace Group Limited

Directors and advisers for the year ended 31 May 2007

Directors

H Cairns

R McIntyre (resigned 2nd April 2007)

A McMillan

H Turnbull

J Turnbull

Secretary

H Turnbull

Independent auditors

PricewaterhouseCoopers LLP

Kintyre House

209 West George Street

Glasgow

G2 2LW

Solicitors

Burness

120 Bothwell Street

Glasgow

G2 7JL

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 for the year ended 31 May 2007

The directors present their report and the audited financial statements for the year ended 31 May 2007

Business review and principal activities

Wallace Group Ltd ("the company") comprises Stirling Stone Ltd, Toffolo Stirling Ltd, Natstone Developments Ltd, Natural Stone Quarries Ltd, Construction Materials Consultants Ltd and Stone Design Ltd, offering a unique, diverse service within the dimensional stone industry throughout the United Kingdom

The results for the company show a pre tax profit of £38,000 (2006 restated profit of £52,000) for the year and sales of £7,160,000 (2006 £9,539,000) The consolidated profit and loss account for the year is set out on page 7

The company has net funds of £91,000 (2006 £158,000)

Future outlook

The directors are very positive and confident of the further development of the company taking advantage of the progressive up turn in market conditions

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks affecting the company are considered to relate to competition from other stone companies, employee retention, and material availability

Key performance Indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Dividends and transfers to reserves

The directors do not recommend payment of a dividend to equity holders Non equity appropriations amounted to £15,000 (2006 £17,000) for the year ended 31 May 2007 The profit for the year of £38,000 (2006 £52,000) will be transferred to reserves

Directors

The directors of the company at 31 May 2007, all of whom were directors for the whole of the year ended on that date except where stated, are listed on page 1

Wallace Group Limited

Directors' interests

The interests of the directors in the shares of the company at 31 May 2007 were as follows

	2007 Number	2006 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 (resigned 2 nd April 2007)		5,000
	115,001	120,001

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of affairs of the company and group and of the profit or loss of the company and group for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Wallace Group Limited

Auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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', with a long horizontal stroke extending to the right.

H Turnbull

Director

31 March 2008

Wallace Group Limited

Independent auditors' report to the members of Wallace Group Limited

We have audited the group and parent company financial statements (the "financial statements") of Wallace Group Limited for the year ended 31 May 2007 which comprise the consolidated profit and loss account, the group and company balance sheets, the group cash flow statement and 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is 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 director's 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 group's and company's circumstances, consistently applied and adequately disclosed.

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

Wallace Group Limited

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 group's and parent company's affairs as at 31 May 2007 and of its profit 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

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

31 March 2008

Wallace Group Limited

Consolidated profit and loss account for the year ended 31 May 2007

	Note	2007 £'000	2006 Restated £'000
Turnover	1	7,160	9,539
Cost of sales		(4,551)	(7,099)
Gross profit		2,609	2,440
Administration expenses		(2,602)	(2,385)
Other operating income		49	18
Operating profit	4	56	73
Interest payable and similar charges	5	(18)	(21)
Profit on ordinary activities before taxation		38	52
Tax on profit on ordinary activities	6		
Profit for the financial year	18	38	52

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

The group has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

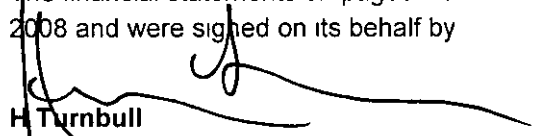
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents

Wallace Group Limited

Balance sheets as at 31 May 2007

	Note	Group 2007 £'000	Company 2007 £'000	Group 2006 Restated £'000	Company 2006 £'000
Fixed assets					
Intangible assets	8	201		214	
Tangible assets	9	83		111	
Investments	10		40		40
		284	40	325	40
Current assets					
Stocks	12	254		279	
Debtors	13	969	129	1,136	147
Cash at bank and in hand		189	71	271	53
		1,412	200	1,686	200
Creditors' amounts falling due within one year	14	(1,398)		(1,722)	
Net current assets/(liabilities)		14	200	(36)	200
Total assets less current liabilities		298	240	289	240
Creditors, amounts falling due after more than one year	15	(168)		(197)	
Net assets		130	240	92	240
Capital and reserves					
Called up share capital	17	125	125	125	125
Profit and loss account	18	5	115	(33)	115
Total shareholders' funds	19	130	240	92	240

The financial statements on pages 7 to 23 were approved by the board of directors on 31 March 2008 and were signed on its behalf by


H Turnbull
Director

Wallace Group Limited

Cash flow statement for the year ended 31 May 2007

	Note	2007 £'000	2006 £'000
Net cash (outflow)/inflow from operating activities	22	(64)	101
Returns on investment and servicing of finance			
Interest paid		(3)	(4)
Net cash inflow from returns on investment and servicing of finance		(67)	97
Taxation			
Capital expenditure and financial investment			
Purchase of tangible fixed assets			(26)
Sale of tangible fixed assets			13
Net cash inflow before financing		(67)	84
Financing			
Repayment of principal under hire purchase contracts			(8)
Repayment of other loan		(15)	(18)
(Decrease)/increase in cash	21	(82)	58

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.

In accordance with the presentational requirements contained within FRS 25 'Financial Instruments Disclosure and presentation' the Company has reclassified its preference shares as a financial liability and now discloses the shares within creditors in the balance sheet. In addition, the dividends payable on these shares are now disclosed within finance charges. Comparative figures have been restated accordingly.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the group and all its subsidiary undertakings made up to 31 May 2007. 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)

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.

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 2007

1 Turnover

All sales are made in the United Kingdom

2 Directors' emoluments

The remuneration paid to the directors of the company was

	2007	2006
	£'000	£'000
Aggregate emoluments	487	516
Company pension contributions to money purchase schemes	15	10

Retirement benefits are accruing to three (2006: four) directors under a money purchase pension scheme

	2007	2006
Highest paid director	£'000	£'000
Aggregate emoluments	121	121

Wallace Group Limited

3 Employee information

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

	2007	2006
	Number	Number
Production	32	32
Administration	31	27
	63	59

	2007	2006
Staff costs (for the above persons)	£'000	£'000
Wages and salaries	1,808	1,718
Social security costs	215	201
Other pension costs (note 24)	68	45
	2,091	1,964

Wallace Group Limited

4 Operating profit

	2007 £'000	2006 £'000
Operating profit is stated after charging		
Depreciation charge for the year		
Tangible owned fixed assets	28	37
Goodwill amortisation	13	12
Auditors' remuneration		
Audit services	29	27
Non audit services	8	5
Operating lease rentals – land and buildings	152	120

5 Interest payable and similar charges

	2007 £'000	2006 Restated £'000
Interest on preference shares	15	17
Bank overdraft and other loans	3	3
Hire purchase contracts		1
	18	21

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6 Tax on profit on ordinary activities

	2007	2006
	£'000	£'000
Current tax		
UK corporation tax on profits for the period		
Tax on profit on ordinary activities		

The tax assessed for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007	2006
	£'000	Restated £'000
Profit on ordinary activities before tax	38	52
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	11	16
Effects of		
Expenses not deductible for tax purposes and other permanent differences	11	5
Depreciation for the period in excess of capital allowances/STTDs	8	11
Prior year losses utilised	(30)	(54)
Unutilised tax losses		22
Current tax charge for the period		

A deferred tax asset of £325,835 (2006 £371,777) has not been recognised at the year end due to the uncertainty over its future recoverability

Wallace Group Limited

7 Profit 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 for the financial year is made up as follows

	2007	2006
	£'000	£'000
Retained profit by subsidiary undertakings	38	52
Dealt with in the accounts of the parent company		
Consolidated profit for the year	38	52

8 Intangible assets

Group	2007
	£'000
Cost	
At 1 June 2006 and 31 May 2007	245
Accumulated amortisation	
At 1 June 2006	31
Charge for the year	13
At 31 May 2007	44
Net book amount	
At 31 May 2007	201
At 1 June 2006	214

Wallace Group Limited

9 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Total
Group	£'000	£'000	£'000
Cost			
At 1 June 2006 and at 31 May 2007	213	3	216
Accumulated depreciation			
At 1 June 2006	104	1	105
Charge for the year	28		28
At 31 May 2007	132	1	133
Net book amount			
At 31 May 2007	81	2	83
At 1 June 2006	109	2	111

10 Fixed asset investments

	2007	2006
Company	£'000	£'000
At 1 June 2006 and at 31 May 2007	40	40

Wallace Group Limited

11 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

12 Stocks

	2007	2006
Group	£'000	£'000
Raw materials and consumables	254	279

Wallace Group Limited

13 Debtors

	Group	Company	Group	Company
	2007	2007	2006	2006
	£'000	£'000	£'000	£'000
Trade debtors	799		797	
Amounts recoverable on contracts	158		325	
Amounts owed by subsidiary undertakings		129		147
Other debtors	12		14	
	969	129	1,136	147

Amounts due from subsidiary undertakings due within one year accrue no interest and are repayable on demand

14 Creditors falling due within one year

	Group	Company	Group	Company
	2007	2007	2006	2006
	£'000	£'000	£'000	£'000
Other loans	6		6	
Trade creditors	646		684	
Other taxation and social security	186		210	
Other creditors	278		268	
Accruals and deferred income	218		411	
Interest owed to preference share holders	54		38	
Payments on account	10		105	
	1,398		1,722	

Wallace Group Limited

15 Creditors falling due after one year

Group	2007	2006
	£'000	Restated £'000
Preference shares	70	70
Other loans	22	37
Deferred income	76	90
	168	197

The 70,000 cumulative redeemable preference shares held within a subsidiary undertaking Natural Stone Quarries Limited, must be redeemed by 31 December 2008. On a winding up, the holders have priority before all other classes of shares. The holders have no voting rights.

16 Loans and other borrowings

Group	2007	2006
	£'000	Restated £'000
Preference shares	70	70
Other loans	28	43
	98	113

The maturity of debt is as follows

Group	2007	2006
	£'000	Restated £'000
In one year or less	6	14
Between one and two years	92	17
Between two and five years		82
	98	113

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

16 Loans and other borrowings (continued)

Deferred income

	2007	2006
Group	£'000	£'000
At 1 June 2006	104	118
Released during the year	(14)	(14)
At 31 May 2007	90	104

17 Called up share capital

	2007	2006
Group	£'000	Restated £'000
Authorised		
250,000 ordinary shares of £1 each	250	250
Allotted and fully paid		
125,001 ordinary shares of £1 each	125	125

	2007	2006
Company	£'000	£'000
Authorised		
250,000 ordinary shares of £1 each	250	250
Allotted and fully paid		
125,001 ordinary shares of £1 each	125	125

18 Profit and loss account

	Group	Company
	£'000	£'000
At 1 June 2006	(33)	115
Profit for the year	38	
At 31 May 2007	5	115

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19 Reconciliation of movements in shareholders' funds

	Group	Company	Group Restated	Company
	2007	2007	2006	2006
	£'000	£'000	£'000	£'000
Opening shareholders' funds	92	240	40	240
Profit for the financial year	38		52	
Closing shareholders' funds	130	240	92	240

20 Financial commitments

At 31 May 2007 the group had annual commitments under non cancellable operating leases as follows

	Land and buildings	
Group	2007	2006
	£'000	£'000
Expiring after 5 years	110	145

The company had no annual commitments under non cancellable finance leases

21 Analysis of net funds

	Note	At 1 June 2006 Restated £'000	Cashflows £'000	At 31 May 2007 £'000
Net cash				
Cash at bank and in hand		271	(82)	189
		271	(82)	189
Debt				
Preference shares		(70)		(70)
Other loan		(43)	15	(28)
Net funds	23	158	(67)	91

Wallace Group Limited

22 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2007 £'000	2006 £'000
Operating profit	56	73
Depreciation	28	37
Goodwill amortisation	13	12
Decrease in stocks	25	72
Decrease in debtors	167	82
Decrease in creditors	(353)	(175)
Net cash (outflow)/inflow from operating activities	(64)	101

23 Reconciliation of net cash flow to movement in net funds

	Note	2007 £'000	2006 Restated £'000
(Decrease)/increase in cash		(82)	58
Cash outflow from financing		15	26
Change in net funds		(67)	84
Opening net funds		158	74
Closing net funds	21	91	158

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 £68,000 (2006: £45,000).

25 Ultimate controlling party

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