

Wallace Group Limited
Annual report for the
for the year ended 31 May 2008

Registered Number 245921

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Wallace Group Limited
Annual report
for the year ended 31 May 2008

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Wallace Group Limited

Directors and advisers for the year ended 31 May 2008

Directors

H Cairns
A McMillan
H Turnbull
J Turnbull
K Turnbull

Secretary

H Turnbull

Independent auditors

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

Solicitors

Burness	MacRoberts
120 Bothwell Street	152 Bath Street
Glasgow	Glasgow
G2 7JL	G2 4TB

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 2008

The directors present their report and the audited financial statements for the year ended 31 May 2008.

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 £230,000 (2007: £38,000) for the year and sales of £7,430,000 (2007: £7,160,000). The consolidated profit and loss account for the year is set out on page 6.

The company has net funds of £1,115,000 (2007: £91,000).

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 £11,680 (2007: £15,000) for the year ended 31 May 2008. The profit for the year of £230,000 (2007: £38,000) will be transferred to reserves.

Directors

The directors of the company at 31 May 2008, all of whom were directors for the whole of the year ended on that date except where stated, are listed on page 1.

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:

Wallace Group Limited

- 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.

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



H Turnbull
Director

24 March 2009

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 2008 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 2008 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

24 March 2009

Wallace Group Limited

Consolidated profit and loss account for the year ended 31 May 2008

	Note	2008 £'000	2007 £'000
Turnover	1	7,430	7,160
Cost of sales		(5,014)	(4,551)
Gross profit		2,416	2,609
Administration expenses		(2,932)	(2,602)
Other operating income		14	49
Operating (loss)/profit	5	(502)	56
Gain on sale of property	3	750	-
Interest payable and similar charges	6	(18)	(18)
Profit on ordinary activities before taxation		230	38
Tax on profit on ordinary activities	7	-	-
Profit for the financial year	19	230	38

All items dealt with in arriving at operating (loss)/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.

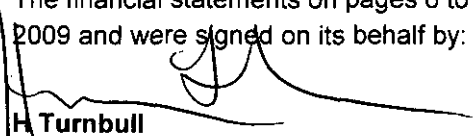
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

Wallace Group Limited

Balance sheets as at 31 May 2008

	Note	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Fixed assets					
Intangible assets	9	189	-	201	-
Tangible assets	10	150	-	83	-
Investments	11	-	40	-	40
		339	40	284	40
Current assets					
Stocks	13	207	-	254	-
Debtors	14	656	54	969	129
Cash at bank and in hand		1,221	146	189	71
		2,084	200	1,412	200
Creditors: amounts falling due within one year	15	(1,977)	-	(1,398)	-
Net current assets		107	200	14	200
Total assets less current liabilities		446	240	298	240
Creditors: amounts falling due after more than one year	16	(86)	-	(168)	-
Net assets		360	240	130	240
Capital and reserves					
Called up share capital	18	125	125	125	125
Profit and loss account	19	235	115	5	115
Total shareholders' funds	20	360	240	130	240

The financial statements on pages 6 to 22 were approved by the board of directors on 24 March 2009 and were signed on its behalf by:


H Turnbull
Director

Wallace Group Limited

Cash flow statement for the year ended 31 May 2008

	Note	2008 £'000	2007 £'000
Net cash inflow/(outflow) from operating activities	23	398	(64)
Returns on investment and servicing of finance			
Interest paid		(7)	(3)
Taxation		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(117)	-
Sale of tangible fixed assets		750	-
Net cash inflow before financing		1,024	(67)
Financing			
Increase/(decrease) in debt		8	(15)
Increase/(decrease) in cash	22	1,032	(82)

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 accounting policies have been consistently applied. There have been no changes in accounting policies during the financial year. 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 2008. 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.

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Notes to the financial statements for the year ended 31 May 2008

1 Turnover

All sales are made in the United Kingdom.

2 Directors' emoluments

The remuneration paid to the directors of the company was:

	2008 £'000	2007 £'000
Aggregate emoluments	779	487
Company pension contributions to money purchase schemes	35	15

Retirement benefits are accruing to three (2007: four) directors under a money purchase pension scheme.

	2008 £'000	2007 £'000
Highest paid director		
Aggregate emoluments	161	121

3 Gain on sale of property

	2008 £'000	2007 £'000
Group		
Gain on sale of property	750	-

The exceptional income of £750,000 relates to a final amount received in the current financial year relating to the sale of the Alloa yard in November 2004.

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4 Employee information

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

	2008 Number	2007 Number
Production	32	32
Administration	35	31
	67	63

Staff costs (for the above persons):	2008 £'000	2007 £'000
Wages and salaries	2,018	1,808
Social security costs	240	215
Other pension costs (note 25)	82	68
	2,340	2,091

5 Operating (loss)/profit

	2008 £'000	2007 £'000
Operating (loss)/profit is stated after charging:		
Depreciation charge for the year:		
- Tangible owned fixed assets	50	28
Goodwill amortisation	12	13
Auditors' remuneration:		
- Audit services	31	29
- Non-audit services	8	8
Operating lease rentals – land and buildings	150	152

Wallace Group Limited

6 Interest payable and similar charges

	2008 £'000	2007 £'000
Interest on preference shares	12	15
Bank overdraft and other loans	5	3
Hire purchase contracts	1	-
	18	18

7 Tax on profit on ordinary activities

	2008 £'000	2007 £'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 (2007: lower) than the standard rate of corporation tax in the UK (29.67%). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	230	38
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.67% (2007: 30%)	68	11
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	11	11
Depreciation for the period (less than)/in excess of capital allowances/STTDs	(9)	8
Prior year losses utilised	(69)	(30)
Charges on income utilised	(1)	-
Current tax charge for the period	-	-

A deferred tax asset of £254,406 (2007: £325,835) has not been recognised at the year-end due to the uncertainty over its future recoverability.

Wallace Group Limited

8 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:

	2008	2007
	£'000	£'000
Retained profit by subsidiary undertakings	230	38
Dealt with in the accounts of the parent company	-	-
Consolidated profit for the year	230	38

9 Intangible assets

Group	£'000
Cost	
At 1 June 2007 and 31 May 2008	245
Accumulated amortisation	
At 1 June 2007	44
Charge for the year	12
At 31 May 2008	56
Net book amount	
At 31 May 2008	189
At 1 June 2007	201

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10 Tangible fixed assets

	Motor Vehicles	Plant and machinery	Fixtures and fittings	Total
Group	£'000	£'000	£'000	£'000
Cost				
At 1 June 2007	-	420	7	427
Additions	77	40		117
At 31 May 2008	77	460	7	544
Accumulated depreciation				
At 1 June 2007	-	337	7	344
Charge for the year	19	31	-	50
At 31 May 2008	19	368	7	394
Net book amount				
At 31 May 2008	58	92	-	150
At 1 June 2007	-	83	-	83

11 Fixed asset investments

	2008	2007
Company	£'000	£'000
At 1 June 2007 and at 31 May 2008	40	40

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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

	2008	2007
Group	£'000	£'000
Raw materials and consumables	207	254

Wallace Group Limited

14 Debtors

	Group	Company	Group	Company
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Trade debtors	404	-	799	-
Amounts recoverable on contracts	147	-	158	-
Amounts owed by subsidiary undertakings	-	39	-	129
Director loan	15	15	-	-
Other debtors	90	-	12	-
	656	54	969	129

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

15 Creditors falling due within one year

	Group	Company	Group	Company
	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Other loans	4	-	6	-
Obligations under hire purchase contracts	7	-	-	-
Trade creditors	689	-	646	-
Other taxation and social security	157	-	186	-
Other creditors	241	-	278	-
Deferred income	15	-	14	-
Accruals	99	-	204	-
Preference shares	70	-	-	-
Interest owed to preference share holders	65	-	54	-
Payments on account	630	-	10	-
	1,977	-	1,398	-

The 70,000 cumulative redeemable preference shares held within a subsidiary undertaking Natural Stone Quarries Limited, were due to 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.

Wallace Group Limited

16 Creditors falling due after one year

	2008	2007
Group	£'000	£'000
Preference shares	-	70
Obligations under hire purchase contracts	25	-
Other loans	-	22
Deferred income	61	76
	86	168

17 Loans and other borrowings

	2008	2007
Group	£'000	£'000
Preference shares	70	70
Other loans	36	28
	106	98

The maturity of debt is as follows:

	2008	2007
Group	£'000	£'000
In one year or less	81	6
Between one and two years	25	92
Between two and five years	-	-
	106	98

The net hire purchase obligations to which the company has committed to are:

	2008	2007
	£	£
In one year or less	7	-
Between two and five years	25	-
	32	-

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17 Loans and other borrowings (continued)

A loan was also obtained from the Business Growth Fund. Interest is charged at 10% per annum and is repayable by 31 January 2008.

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

Deferred income

	2008	2007
Group	£'000	£'000
At 1 June 2007	90	104
Released during the year	(14)	(14)
At 31 May 2008	76	90

18 Called up share capital

	2008	2007
Group	£'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

	2008	2007
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

Wallace Group Limited

19 Profit and loss account

	Group £'000	Company £'000
At 1 June 2007	5	115
Profit for the year	230	-
At 31 May 2008	235	115

20 Reconciliation of movements in shareholders' funds

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Opening shareholders' funds	130	240	92	240
Profit for the financial year	230	-	38	-
Closing shareholders' funds	360	240	130	240

21 Financial commitments

At 31 May 2008 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
Group	2008 £'000	2007 £'000
Expiring after 5 years	110	110

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

Wallace Group Limited

22 Analysis of net funds

	Note	At 1 June 2007 £'000	Cashflows £'000	At 31 May 2008 £'000
Net cash				
Cash at bank and in hand		189	1,032	1,221
		189	1,032	1,221
Debt				
Preference shares		(70)	-	(70)
Obligations under Hire Purchase		-	(32)	(32)
Other loan		(28)	24	(4)
Net funds	24	91	1,024	1,115

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

	2008 £'000	2007 £'000
Operating (loss)/profit	(502)	56
Depreciation	50	28
Goodwill amortisation	12	13
Decrease in stocks	47	25
Decrease in debtors	313	167
Increase/(decrease) in creditors	478	(353)
Net cash inflow/(outflow) from operating activities	398	(64)

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24 Reconciliation of net cash flow to movement in net funds

	Note	2008 £'000	2007 £'000
Increase/(decrease) in cash		1,032	(82)
Cash (outflow)/inflow from financing		(8)	15
Change in net funds		1,024	(67)
Opening net funds		91	158
Closing net funds	22	1,115	91

25 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 £82,000 (2007: £68,000).

26 Ultimate controlling party

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