

Wallace Group Limited
Annual report and financial statements
for the 18 months period ended 30 November
2011

Registered Number SC245921

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Wallace Group Limited

Annual report and financial statements for the 18 months period ended 30 November 2011

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Wallace Group Limited

Directors and advisers for the 18 months period ended 30 November 2011

Directors

H Cairns
A McMillan
H Turnbull
J Turnbull
K Turnbull

Secretary

H Turnbull

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7QE

Solicitors

MacRoberts	Levy & McRae
152 Bath Street	266 St Vincent Street
Glasgow	Glasgow
G2 4TB	G2 5RL

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 18 months period ended 30 November 2011

Registered Number 245921

The directors present their report and the audited consolidated financial statements for the 18 months period ended 30 November 2011. During the period the company changed its accounting reference date to 30 November. The comparative period is for the year ended 31 May 2010.

Business review and principal activities

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

The directors take into consideration:

- The likely consequences of any decision in the long term.
- The interests of the company's employees.
- The need to foster the company's business relationships with suppliers, customers and others.
- The impact of the company's operations on the community and the environment.
- The desirability for the company maintaining a reputation for high standards of business conduct.
- The need to act fairly as between the company's members.

The results for the company show a profit for the financial period of £136,738 (year ended 31 May 2010: loss £59,000) and sales of £8,083,841 (year ended 31 May 2010: £5,967,549). The consolidated profit and loss account for the period is set out on page 7.

The company has net assets of £333,657 (31 May 2010: £197,000).

Future outlook

The directors anticipate that the group results will continue to strengthen over the coming financial year.

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.

Wallace Group Limited

Directors' report for the 18 months period ended 30 November 2011 (continued)

Dividends and deductions from reserves

The directors do not recommend payment of a dividend to equity holders. Non-equity appropriations amounted to £nil (year ended 31 May 2010: £nil) for the 18 months period ended 30 November 2011. The profit for the period of £136,738 (year ended 31 May 2010: loss £59,000) will be transferred to reserves.

Directors

The directors of the company who were in office during the period and up to the date of signing the financial statements were as listed on page 1.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the 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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Wallace Group Limited

Directors' report for the 18 months period ended 30 November 2011 (continued)

Independent 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.

Small company provisions

This report has been, where appropriate, prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

By order of the Board



H Turnbull
Director

31 August 2012

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 18 months period ended 30 November 2011 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 November 2011 and of the group's profit and cash flows for the 18 months period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Wallace Group Limited

Independent auditors' report to the members of Wallace Group Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Kenneth Wilson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
31 August 2012

Wallace Group Limited

Consolidated profit and loss account for the 18 months period ended 30 November 2011

	Note	18 months period ended 30 Nov 2011	Year ended 31 May 2010
		£'000	£'000
Turnover	1		
Continuing operations		8,084	5,965
Discontinued operations		-	2
Total turnover		8,084	5,967
Cost of sales		(4,977)	(3,069)
Gross profit		3,107	2,898
Administration expenses		(2,935)	(2,594)
Exceptional costs	5	-	(289)
Other operating income		29	14
Operating profit	4		
Continuing operations		201	99
Discontinued operations		-	(70)
Total operating profit		201	29
Interest payable and similar charges	6	(2)	(2)
Profit on ordinary activities before taxation		199	27
Tax on profit on ordinary activities	7	(62)	(86)
Profit/(loss) for the financial period	20	137	(59)

The group has no recognised gains and losses other than the profit/(loss) 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 for the financial periods stated above, and their historical cost equivalents.

Wallace Group Limited

Balance sheets as at 30 November 2011

	Note	Group 30 Nov 2011 £'000	Company 30 Nov 2011 £'000	Group 31 May 2010 £'000	Company 31 May 2010 £'000
Fixed assets					
Intangible assets	9	152	-	164	-
Tangible assets	10	53	-	81	-
Investments	11	-	40	-	40
		205	40	245	40
Current assets					
Stocks	13	102	-	96	-
Debtors	14	1,646	27	722	-
Cash at bank and in hand		584	22	1,271	161
		2,332	49	2,089	161
Creditors: amounts falling due within one year	15	(2,158)	(35)	(1,871)	(147)
Net current assets		174	14	218	14
Total assets less current liabilities		379	54	463	54
Creditors: amounts falling due after more than one year	16	(45)	-	(266)	-
Net assets		334	54	197	54
Capital and reserves					
Called up share capital	19	125	125	125	125
Profit and loss account	20	209	(71)	72	(71)
Total shareholders' funds	21	334	54	197	54

The financial statements on pages 7 to 24 were approved by the board of directors on 31 August 2012 and were signed on its behalf by:



H Turnbull
Director

Wallace Group Limited

Consolidated cash flow statement for the 18 months period ended 30 November 2011

	Note	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Net cash outflow/(inflow) from operating activities	24	(466)	669
Returns on investment and servicing of finance			
Interest paid		(46)	(23)
Taxation		(86)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		-	(47)
Net cash (outflow)/inflow before financing		(598)	599
Financing			
(Decrease)/increase in debt		(89)	55
(Decrease)/increase in cash	25	(687)	654

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 2006 and applicable accounting standards in the United Kingdom. The accounting policies have been consistently applied. There have been no changes in accounting policy during the financial period. 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 30 November 2011. 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 is 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:

Plant and machinery	25%	(reducing balance)
Fixtures and fittings	25%	(reducing balance)
Motor vehicles	25%	(reducing balance)

Hire purchase contracts 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.

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

Accounting policies (continued)

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 period 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 forecast at completion, taking account of agreed claims. Full provision is made for all known or expected losses on individual contracts immediately as 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 period 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 18 months period ended 30 November 2011

1 Turnover

All sales are made in the United Kingdom.

2 Directors' emoluments

The remuneration paid to the directors of the company was:

	18 months period ended 30 Nov 2011	Year ended 31 May 2010
	£'000	£'000
Aggregate emoluments	1.087	775
Company pension contributions to defined contribution schemes	-	3

Retirement benefits are accruing to three (2010: three) directors under a defined contribution pension scheme.

Highest paid director	18 months period ended 30 Nov 2011	Year ended 31 May 2010
	£'000	£'000
Aggregate emoluments	227	166

3 Employee information

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

	18 months period ended 30 Nov 2011	Year ended 31 May 2010
	Number	Number
Production	32	32
Administration	18	22
	50	54

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

3 Employee information (continued)

Staff costs (for the above persons):	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Wages and salaries	2,005	1,666
Social security costs	243	201
Other pension costs (note 26)	12	3
	2,260	1,870

4 Operating profit

	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Operating profit is stated after charging:		
Depreciation charge for the period:		
- Tangible owned fixed assets	28	27
Goodwill amortisation	12	13
Services provided by the company's auditors:		
- Fees payable for the audit	29	29
- Fees payable for other services – tax compliance	14	15
Operating lease rentals – land and buildings	130	130

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

5 Exceptional costs

Exceptional costs are as follows:

a) Write off of Natural Stone Quarries Limited related balances

On 29 July 2009 the group's subsidiary, Natural Stone Quarries Limited, was placed into liquidation. Any costs in relation to balances settled on behalf of Natural Stone Quarries Limited have been charged to the profit and loss account as an exceptional item for the period ended 31 May 2010.

'b) Court fine in respect of fatal accident

On 12 April 2011 the company incurred a fine of £200,000 in respect to a fatal accident in 2007. The fine has been charged to the profit and loss account as an exceptional item for the period ended 31 May 2010.

6 Interest payable and similar charges

	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Hire purchase contracts	2	2

7 Tax on profit on ordinary activities

	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Current tax		
UK corporation tax on profits for the period	55	86
Tax on profit on ordinary activities	55	86

The tax assessed for the period is higher (2010: higher) than the standard rate of corporation tax in the UK (26%). The differences are explained below:

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

7 Tax on profit on ordinary activities (continued)

	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Profit on ordinary activities before tax	199	27
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.11% (2010: 28%)	54	8
Effects of:		
Expenses not deductible for tax and other permanent differences	8	85
Depreciation for the period in excess of capital allowances/STTDs	(3)	(2)
Adjustment in respect of prior period	7	-
Tax at small rates	-	16
Tax at marginal rates	(4)	-
Group relief claimed	-	(21)
Current tax charge for the period	62	86

A deferred tax asset of £83,594 (2010: £96,464) has not been recognised at the period-end due to the uncertainty over its future recoverability.

8 Profit/(loss) for the financial period

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The profit/(loss) for the financial period is made up as follows:

	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Retained profit by subsidiary undertakings	137	88
Dealt with in the financial statements of the parent company	-	(147)
Consolidated profit/(loss) for the period	137	(59)

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

9 Intangible assets

Group	£'000
Cost	
At 1 June 2010 and 30 November 2011	245
Accumulated amortisation	
At 1 June 2010	81
Charge for the period	12
At 30 November 2011	93
Net book amount	
At 30 November 2011	152
At 31 May 2010	164

10 Tangible fixed assets

Group	Motor Vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 June 2010	56	280	7	343
Additions	-	-	-	-
At 30 November 2011	56	280	7	343
Accumulated depreciation				
At 1 June 2010	18	237	7	262
Charge for the period	13	15	-	28
At 30 November 2011	31	252	7	290
Net book amount				
At 30 November 2011	25	28	-	53
At 31 May 2010	38	43	-	81

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

11 Fixed asset investments

	2011	2010
Company	£'000	£'000
At 31 May 2010 and at 30 November 2011	40	40

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
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	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

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

13 Stocks

Group	30 Nov 2011 £'000	31 May 2010 £'000
Raw materials and consumables	102	96

14 Debtors

	Group 30 Nov 2011 £'000	Company 31 May 2011 £'000	Group 30 Nov 2010 £'000	Company 31 May 2010 £'000
Trade debtors	640	-	483	-
Amounts recoverable on contracts	270	-	195	-
Amounts owed by subsidiary undertakings	-	27	-	-
Other debtors	701	-	-	-
Prepayments and accrued income	35	-	44	-
	1,646	27	722	-

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

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

15 Creditors: amounts falling due within one year

	Group 30 Nov 2011 £'000	Company 30 Nov 2011 £'000	Group 31 May 2010 £'000	Company 31 May 2010 £'000
Obligations under hire purchase contracts	13	-	14	-
Trade creditors	560	-	339	-
Other taxation and social security	274	-	225	-
Corporation tax	62	-	86	-
Other creditors	728	-	395	-
Deferred income	14	-	14	-
Accruals	61	-	140	-
Preference shares	35	35	103	103
Interest owed to preference share holders	-	-	44	44
Payments on account	411	-	511	-
	2,158	35	1,871	147

Preference shares 35,000 (2010: 103,000) held within a subsidiary undertaking Natural Stone Quarries are now being repaid. On a winding up, the holders have priority before all other classes of shares. The holders have no voting rights.

16 Creditors: amounts falling due after more than one year

Group	30 Nov 2011 £'000	31 May 2010 £'000
Obligations under hire purchase contracts	12	32
Deferred income	13	34
Other creditors	20	200
	45	266

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

17 Loans and other borrowings

Group	30 Nov 2011 £'000	31 May 2010 £'000
Preference shares	35	147
Obligations under hire purchase contracts	25	46
	60	193

The maturity of debt is as follows:

Group	30 Nov 2011 £'000	31 May 2010 £'000
In one year or less	48	161
Between one and two years	12	32
	60	193

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

Group	30 Nov 2011 £'000	31 May 2010 £'000
In one year or less	13	14
Between two and five years	12	32
	25	46

Deferred income

Group	30 Nov 2011 £'000	31 May 2010 £'000
At 1 June 2010	48	62
Released during the period	(21)	(14)
At 30 November 2011	27	48

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

18 Discontinued operations

On 9 July 2009, the directors of one of the Company's, Natural Stone Quarries Limited presented a petition to the Court for that Company to be wound up and placed into liquidation. On 29 July 2009, the liquidation of Natural Stone Quarries Limited was completed.

In line with the requirements of FRS 3 "Reporting financial performance", details of turnover and operating profit attributable to this discontinued operation have been disclosed in the profit and loss account on page 7.

At the date of liquidation the assets and liabilities of Natural Stone Quarries Limited were as follows;

	£'000
Stock	65
Trade debtors	3
Other debtors	86
Trade creditors	(88)
Taxation and social security	(24)
Accruals and deferred income	(70)
Net assets sold	(28)

19 Called up share capital

	30 Nov 2011	31 May 2010
Group	£'000	£'000
Authorised		
250,000 (2010: 250,000) ordinary shares of £1 each	250	250
Allotted and fully paid		
125,001 (2010: 125,001) ordinary shares of £1 each	125	125

	30 Nov 2011	31 May 2010
Company	£'000	£'000
Authorised		
250,000 (2010: 250,000) ordinary shares of £1 each	250	250
Allotted and fully paid		
125,001 (2010: 125,001) ordinary shares of £1 each	125	125

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

20 Profit and loss account

	Group £'000	Company £'000
At 1 June 2010	72	(71)
Profit for the period	137	-
At 30 November 2011	209	(71)

21 Reconciliation of movements in shareholders' funds

	Group 30 Nov 2011 £'000	Company 30 Nov 2011 £'000	Group 31 May 2010 £'000	Company 31 May 2010 £'000
Opening shareholders' funds	197	54	256	201
Profit/(loss) for the financial period	137	-	(59)	(147)
Closing shareholders' funds	334	54	197	54

22 Financial commitments

At the period end the group had annual commitments under non-cancellable operating leases as follows:

	30 Nov 2011 Land and buildings £	31 May 2010 Land and buildings £
Expiring between 2 – 5 years	130,000	130,000

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

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

23 Analysis of net funds

	Note	At 1 June 2010 £'000	Cashflows £'000	At 30 November 2011 £'000
Net cash				
Cash at bank and in hand		1,271	(687)	584
Debt				
Preference shares		(103)	68	(35)
Obligations under Hire Purchase		(46)	21	(25)
Net funds	25	1,122	(598)	524

24 Reconciliation of operating profit to net cash inflow from operating activities

	18 months period ended 30 Nov 2011 £'000	Year ended 31 May 2010 £'000
Operating profit	201	29
Depreciation	28	27
Goodwill amortisation	12	13
(Increase)/decrease in stocks	(6)	96
(Increase)/decrease in debtors	(924)	251
Increase in creditors	223	253
Net cash (outflow)/inflow from operating activities	(466)	669

Wallace Group Limited

Notes to the financial statements for the 18 months period ended 30 November 2011 (continued)

25 Reconciliation of net cash flow to movement in net funds

	Note	30 Nov 2011 £'000	31 May 2010 £'000
(Decrease)/increase in cash		(687)	654
Cash outflow/(inflow) from financing		89	(55)
Change in net funds		(598)	599
Opening net funds		1,122	523
Closing net funds	23	524	1,122

26 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 amounted to £11,888 (year ended 31 May 2010: £3,009).

27 Ultimate controlling party

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

Wallace Group Limited is the only company to consolidate the company's financial statements.

29 Related party transactions

During the period the Group incurred expenses to the value of £693,728 (year ended 31 May 2010: £nil) on behalf of Ramoyle Group Limited. The debtor balance at 30 November 2011 of £693,728 (31 May 2010: £nil) is included within other debtors.

The entities are related through the common directorships of H Turnbull and J Turnbull.