

**Wallaces of Ayr Limited**  
**Directors' Report and Financial Statements**  
**for the Year Ended 31 March 2007**



Robert J Hart & Company  
Chartered Accountants and Registered Auditors  
Riversleigh  
9 Kilwinning Road  
Irvine  
Ayrshire  
KA12 8RR

## Wallaces of Ayr Limited

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**Wallaces of Ayr Limited**  
**Officers and Advisers**

<b>Directors</b>	B J Calder C Cosh
<b>Secretary</b>	I Meikle
<b>Registered office</b>	10 Crompton Way North Newmoor Industrial Estate IRVINE Ayrshire KA11 4HU
<b>Solicitors</b>	McMillan Kilpatrick 12 Alloway Place Ayr
<b>Bankers</b>	The Royal Bank of Scotland 100 West George Street Glasgow G2 1PP
<b>Auditors</b>	Robert J Hart & Company Chartered Accountants and Registered Auditors Riversleigh 9 Kilwinning Road Irvine Ayrshire KA12 8RR

**Wallaces of Ayr Limited**  
**Directors' Report for the Year Ended 31 March 2007**

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

**Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

select suitable accounting policies and apply them consistently;

make judgements and estimates that are reasonable and prudent,

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,

prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken 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. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

**Principal activity and business review**

The principal activity of the company is conducted in the wholesale licensed trade.

The directors consider that the results for the year as detailed in the financial statements to be satisfactory and are of the opinion that the position at the end of the financial year leaves the company able to maintain its position within the market over the forthcoming years.

The past year has been challenging one for the company which has seen a downturn within the licensed trade sector of approximately 8%. Despite this downturn, the company has managed to maintain its turnover levels, only suffering a decrease on the prior years turnover of 0.4%. The turnover levels have been achieved through maintaining existing customers and developing new customers within existing geographical areas operated from.

Despite the small decrease in the turnover, the gross profit level has increased on previous years levels through increasing the gross profit percentage achieved from 15.6% to 15.7%. The operating profit of the company decreased by 8.3% to £4,087,150, as a result of increased overheads mainly due to increasing vehicle running costs.

The difficult trading climate has continued since the year end and another challenging year is expected.

**Risk Management Policy**

The principal financial risks that the company is exposed to are as follows:

**Liquidity risk** The liquidity of the company is managed on a daily basis to ensure that contractual and potential cash flow obligations can be met as they arise.

**Post balance sheet events**

No events have occurred since the year end which require reporting or disclosing in the financial statements.

**Wallaces of Ayr Limited**  
**Directors' Report for the Year Ended 31 March 2007**

*continued*

**Results and dividend**

The results for the company are set out in the financial statements

An interim ordinary dividend of £620,000 was paid during the year

**Fixed assets**

In the opinion of the directors no fixed assets have a significant difference in value between the book value reported and the market value

**Directors and their interests**

The directors who held office during the year were as follows

B J Calder

C Cosh

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent undertaking

**Retirement of directors**

In accordance with the Articles of Association, directors are not required to retire from the board on a rotational basis

**Auditors**

The auditors, Robert J Hart & Company, will be proposed for re appointment in accordance with section 385 of the Companies Act 1985

Approved by the Board on 28 May 2007 and signed on its behalf by



I Meikle  
Company Secretary

## **Independent Auditors' Report to the Members of Wallaces of Ayr Limited**

We have audited the financial statements of Wallaces of Ayr Limited for the year ended 31 March 2007 set out on pages 5 to 16. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of Directors' responsibilities on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 directors' remuneration and transactions with the company 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 an 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit 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.



Robert J Hart & Company  
Chartered Accountants and Registered Auditors

29 May 2007

Riversleigh  
9 Kilwinning Road  
Irvine  
Ayrshire  
KA12 8RR

**Wallaces of Ayr Limited**  
**Profit and Loss Account for the Year Ended 31 March 2007**

	Note	2007 £	2006 £
Turnover	2	65,530,824	65,773,365
Cost of sales		(55,232,830)	(55,544,841)
<b>Gross profit</b>		<u>10,297,994</u>	<u>10,228,524</u>
Administrative expenses		(6,210,844)	(5,773,360)
<b>Operating profit</b>	3	<u>4,087,150</u>	<u>4,455,164</u>
Other interest receivable and similar income		2,671	83,389
Interest payable and similar charges	6	(541)	(1,515)
<b>Profit on ordinary activities before taxation</b>		<u>4,089,280</u>	<u>4,537,038</u>
Tax on profit on ordinary activities	7	(1,065,025)	(1,075,845)
<b>Profit for the financial year</b>	18	<u>3,024,255</u>	<u>3,461,193</u>
<b>Profit and loss reserve brought forward</b>		21,213,883	18,852,690
Other profit and loss reserve movements	8	(620,000)	(1,100,000)
<b>Profit and loss reserve carried forward</b>		<u><u>23,618,138</u></u>	<u><u>21,213,883</u></u>

Turnover and operating profit derive wholly from continuing operations

The company has no recognised gains or losses for the year other than the results above


There is no material difference between the result reported above and the result on an unmodified historical cost basis

The notes on pages 8 to 16 form an integral part of these financial statements

**Wallaces of Ayr Limited**  
**Balance Sheet as at 31 March 2007**

		2007	2006
	Note	£	£
<b>Fixed assets</b>			
Intangible assets	9	160,141	216,609
Tangible assets	10	<u>3,092,817</u>	<u>3,254,044</u>
		3,252,958	3,470,653
<b>Current assets</b>			
Stocks	11	4,619,863	4,761,514
Debtors	12	19,544,369	19,877,906
Cash at bank and in hand		<u>1,209,851</u>	<u>546,459</u>
		25,374,083	25,185,879
<b>Creditors: Amounts falling due within one year</b>	13	<u>(4,295,164)</u>	<u>(6,724,466)</u>
<b>Net current assets</b>		21,078,919	18,461,413
<b>Total assets less current liabilities</b>		24,331,877	21,932,066
<b>Provisions for liabilities</b>	16	<u>(116,362)</u>	<u>(120,806)</u>
<b>Net assets</b>		<u>24,215,515</u>	<u>21,811,260</u>
<b>Capital and reserves</b>			
Called up share capital	17	513,158	513,158
Share premium reserve	18	84,219	84,219
Profit and loss reserve	18	<u>23,618,138</u>	<u>21,213,883</u>
<b>Equity shareholders' funds</b>	19	<u>24,215,515</u>	<u>21,811,260</u>

Approved by the Board on 28 May 2007 and signed on its behalf by



B J Calder  
Director



**Wallaces of Ayr Limited**  
**Cash Flow Statement for the Year Ended 31 March 2007**

		2007		2006	
	Note	£	£	£	£
Net cash flow from operating activities	22		3,704,043		3,393,858
<b>Returns on investment and servicing of finance</b>					
Other interest paid		(541)		(1,515)	
Interest received		<u>2,671</u>		<u>83,389</u>	
			2,130		81,874
Taxation paid			(1,095,562)		(1,087,664)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(210,330)		(310,727)	
Sale of tangible fixed assets		<u>33,550</u>		<u>90,887</u>	
Loans made to parent company			<u>(176,780)</u>	<u>(2,680,322)</u>	
					(2,900,162)
Equity dividends paid			<u>(620,000)</u>		<u>(2,100,000)</u>
<b>Net cash flow</b>			<u><u>1,813,831</u></u>		<u><u>(2,612,094)</u></u>

**Reconciliation of net cash flow to movement in net debt**

		2007	2006
	Note	£	£
Increase/(decrease) in cash in the year	23	<u>1,813,831</u>	<u>(2,612,094)</u>
Change in net debt resulting from cash flows		<u>1,813,831</u>	<u>(2,612,094)</u>
Net (debt)/funds at the start of the year	23	<u>(603,981)</u>	<u>2,008,112</u>
<b>Net funds/(debt) at the end of the year</b>	23	<u><u>1,209,850</u></u>	<u><u>(603,982)</u></u>

## Wallaces of Ayr Limited

### Notes to the Financial Statements for the Year Ended 31 March 2007

#### 1 Accounting policies

##### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

##### Going concern

These financial statements have been prepared on a going concern basis

##### Turnover

Turnover represents amounts invoiced, net of value added tax, in respect of the sale of goods and services to customers

##### Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

Goodwill	10 years straight line
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##### Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

Freehold Property	50 years straight line basis
Fixtures and fittings	5 years straight line basis
Motor Vehicles	4 years straight line basis

##### Goodwill

Goodwill is the difference between the fair value of consideration paid for an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

##### Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs

##### Deferred taxation

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted

##### Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

##### Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount

# Wallaces of Ayr Limited

## Notes to the Financial Statements for the Year Ended 31 March 2007

*continued*

### 2 Turnover

An analysis of turnover by geographical market is given below

	2007 £	2006 £
Sales UK	<u>65,530,824</u>	<u>65,773,365</u>

### 3 Operating profit

Operating profit is stated after charging/(crediting)

	2007 £	2006 £
Auditors remuneration	6,250	6,500
Auditors' remuneration non audit services	3,251	3,759
Profit on sale of tangible fixed assets	(23,055)	(34,853)
Depreciation of owned tangible fixed assets	361,062	412,825
Amortisation of goodwill	<u>56,468</u>	<u>56,468</u>

### 4 Particulars of employees

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

	2007 No	2006 No.
Retail & Distribution staff	185	173
Administrative staff (including directors)	31	33
	<u>216</u>	<u>206</u>

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	3,577,521	3,250,790
Social security	321,934	319,059
Other pension costs	31,000	37,500
	<u>3,930,455</u>	<u>3,607,349</u>

**Wallaces of Ayr Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2007**

*continued*

**5 Directors' emoluments**

The directors' emoluments for the year are as follows

	2007 £	2006 £
Directors' emoluments (including benefits in kind)	275,293	240,190
Directors' pension contributions	24,000	30,500
	<u>299,293</u>	<u>270,690</u>

During the period the number of directors who were accruing benefits under company pension schemes was as follows

	2007 No	2006 No
Money purchase	<u>2</u>	<u>2</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £174,323 (2006 £138,500), and company pension contributions of £22,000 (2006 £28,500) were made to a money purchase scheme on their behalf

**6 Interest payable and similar charges**

	2007 £	2006 £
Bank interest payable	<u>541</u>	<u>1,515</u>

**Wallaces of Ayr Limited**  
**Notes to the Financial Statements for the Year Ended 31 March 2007**

*continued*

**7 Taxation**

**Analysis of current period tax charge**

	2007 £	2006 £
<b>Current tax</b>		
Corporation tax charge	1,074,892	1,079,865
(Over)/under provision in previous year	(5,423)	
UK Corporation tax	<u>1,069,469</u>	<u>1,079,865</u>
 <b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(4,444)</u>	<u>(4,020)</u>
 <b>Total tax on profit on ordinary activities</b>	<u>1,065,025</u>	<u>1,075,845</u>

**Factors affecting current period tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than (2006 lower than) the standard rate of corporation tax in the UK of 30.00% (2006 30.00%)

The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>4,089,280</u>	<u>4,537,038</u>
Standard rate corporation tax charge	1,226,784	1,361,111
Expenses not deductible for tax purposes	16,940	17,144
Depreciation in excess of capital allowances	15,892	30,479
Group losses utilised	(184,724)	(328,869)
Over provision in respect of previous periods	(5,423)	
Total current tax for the year	<u>1,069,469</u>	<u>1,079,865</u>

**8 Dividends**

	2007 £	2006 £
<b>Equity dividends</b>		
Ordinary dividend paid Current period interim dividend	<u>620,000</u>	<u>1,100,000</u>

# Wallaces of Ayr Limited

## Notes to the Financial Statements for the Year Ended 31 March 2007

*continued*

### 9 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
As at 1 April 2006 and 31 March 2007	<u>564,683</u>
<b>Amortisation</b>	
As at 1 April 2006	348,074
Charge for the year	<u>56,468</u>
As at 31 March 2007	<u>404,542</u>
<b>Net book value</b>	
As at 31 March 2007	<u>160,141</u>
As at 31 March 2006	<u>216,609</u>

### 10 Tangible fixed assets

	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>				
As at 1 April 2006	2,826,320	352,747	1,874,057	5,053,124
Additions		16,884	193,446	210,330
Disposals			(204,206)	(204,206)
As at 31 March 2007	<u>2,826,320</u>	<u>369,631</u>	<u>1,863,297</u>	<u>5,059,248</u>
<b>Depreciation</b>				
As at 1 April 2006	239,787	236,228	1,323,065	1,799,080
Eliminated on disposals			(193,711)	(193,711)
Charge for the year	56,526	41,135	263,401	361,062
As at 31 March 2007	<u>296,313</u>	<u>277,363</u>	<u>1,392,755</u>	<u>1,966,431</u>
<b>Net book value</b>				
As at 31 March 2007	<u>2,530,007</u>	<u>92,268</u>	<u>470,542</u>	<u>3,092,817</u>
As at 31 March 2006	<u>2,586,533</u>	<u>116,519</u>	<u>550,992</u>	<u>3,254,044</u>

### 11 Stocks and work in progress

	2007 £	2006 £
Stocks	<u>4,619,863</u>	<u>4,761,514</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

# Wallaces of Ayr Limited

## Notes to the Financial Statements for the Year Ended 31 March 2007

*continued*

### 12 Debtors

	2007 £	2006 £
Trade debtors	5,927,273	6,053,904
Amounts owed by group undertakings	13,018,684	13,091,509
Other debtors	21,718	11,300
Prepayments and accrued income	576,694	721,193
	<u>19,544,369</u>	<u>19,877,906</u>

### 13 Creditors: Amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts		1,150,439
Trade creditors	2,743,805	4,157,481
Corporation tax	534,892	560,985
Social security and other taxes	904,123	778,561
Other creditors	102,344	
Accruals and deferred income	10,000	77,000
	<u>4,295,164</u>	<u>6,724,466</u>

### 14 Maturation of borrowings

Amounts repayable

	Bank loans & overdrafts £
As at 31 March 2007	<u>                    </u>
As at 31 March 2006	<u>                    </u>
In one year or less on demand	1,150,439
	<u>1,150,439</u>

### 15 Security of borrowings

The bank overdraft is secured by Standard Security and a Bond and Floating Charge over the property and undertakings of the company

# Wallaces of Ayr Limited

## Notes to the Financial Statements for the Year Ended 31 March 2007

*continued*

### 16 Provisions for liabilities

	Deferred tax provision £
As at 1 April 2006	120,806
Deferred tax provision charged to the profit and loss account	(4,444)
As at 31 March 2007	<u>116,362</u>

#### Deferred tax

Deferred tax is provided at 30.00% (2006 30.00%)

	2007 £	2006 £
Timing differences in respect of excess capital allowances over depreciation	<u>116,362</u>	<u>120,806</u>

### 17 Share capital

	2007 £	2006 £
<b>Authorised</b>		
<b>Equity</b>		
513,158 Ordinary shares of £1 each	<u>513,158</u>	<u>513,158</u>
<b>Allotted, called up and fully paid</b>		
<b>Equity</b>		
513,158 Ordinary shares of £1 each	<u>513,158</u>	<u>513,158</u>

### 18 Reserves

	Share premium reserve £	Profit and loss reserve £	Total £
Balance at 1 April 2006	84,219	21,213,883	21,298,102
Transfer from profit and loss account for the year		3,024,255	3,024,255
Dividends		(620,000)	(620,000)
Balance at 31 March 2007	<u>84,219</u>	<u>23,618,138</u>	<u>23,702,357</u>



# Wallaces of Ayr Limited

## Notes to the Financial Statements for the Year Ended 31 March 2007

*continued*

### 19 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit attributable to members of the company	3,024,255	3,461,193
Dividends	(620,000)	(1,100,000)
	<u>2,404,255</u>	<u>2,361,193</u>
Opening equity shareholders' funds	21,811,260	19,450,066
Closing equity shareholders' funds	<u>24,215,515</u>	<u>21,811,260</u>

### 20 Contingent liabilities

The company has provided an unlimited inter company guarantee to the group bankers in respect of all sums due from Wallace Express Limited

### 21 Pension schemes

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £31,000 (2006 £37,500)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

### 22 Reconciliation of operating profit to operating cash flows

	2007 £	2006 £
Operating profit	4,087,150	4,455,164
Depreciation, amortisation and impairment charges	417,530	469,293
Profit on disposal of fixed assets	(23,055)	(34,893)
Decrease/(increase) in stocks	141,651	(1,266,646)
Decrease/(increase) in debtors	333,537	(53,043)
Decrease in creditors	(1,252,770)	(176,017)
Net cash inflow from operating activities	<u>3,704,043</u>	<u>3,393,858</u>

# Wallaces of Ayr Limited

## Notes to the Financial Statements for the Year Ended 31 March 2007

*continued*

### 23 Analysis of net funds/(debt)

	At start of period £	Cash flow £	At end of period £
Cash at bank and in hand	546,459	663,392	1,209,851
Bank overdraft	(1,150,440)	1,150,440	
Cash and bank net debt	<u>(603,981)</u>	<u>1,813,832</u>	<u>1,209,851</u>
<b>Net funds/(debt)</b>	<u>(603,981)</u>	<u>1,813,832</u>	<u>1,209,851</u>

### 24 Related parties

#### Controlling entity

The ultimate parent undertaking is Wallaces Express Limited, a company registered in Scotland, which has its registered office at Crompton Way, North Newmoor Industrial Estate, Irvine

Copies of the group accounts may be obtained from the registered office

#### Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with related parties as the company is wholly owned and the parent undertaking produces consolidated accounts in which the company is included