

WALLACES EXPRESS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Company Registration number: SC247082



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

WALLACES EXPRESS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

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WALLACES EXPRESS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of Directors	B J Calder C Cosh
Company Secretary	C Cosh
Registered office	10 Crompton Way North Newmoor Industrial Estate IRVINE Ayrshire KA11 4HU
Bankers	Clydesdale Bank Ayr 43 Alloway Street Ayr KA7 1SP
Auditors	Robert J Hart & Company Chartered Accountants and Registered Auditors Riversleigh 9 Kilwinning Road Irvine Ayrshire KA12 8RR

WALLACES EXPRESS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2006.

Directors' responsibilities

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 and group at the end of the financial year and of the profit or loss of the company and group 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 group 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 group 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 group and to prevent and detect fraud and other irregularities.

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 group is conducted in the wholesale licensed trade.

The directors consider that the results for the year and the financial position at the end of the year were satisfactory.

Post balance sheet events

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

Results and dividend

The results for the group are set out in the financial statements.

The directors do not recommend the payment of a dividend.

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 and their beneficial interest in the shares of the company were as follows:

WALLACES EXPRESS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

	'A' Ordinary shares of £1 each		'B' Ordinary shares of £1 each	
	2006 No.	2005 No.	2006 No.	2005 No.
B J Calder	500,000	500,000	..	-
C Cosh	-	-	500,000	500,000

B J Calder's shareholding is held as a beneficiary of the DS Cosh Trust.

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 24 May 2006 and signed on its behalf by:

.....


C Cosh
Company Secretary

WALLACES EXPRESS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2006

We have audited the group and parent company financial statements (the "financial statements") of Wallace's Express Limited for the year ended 31 March 2006 set out on pages 6 to 23. 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. 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the group 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 and other members of the group 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. Our responsibilities do not extend to any other information.

Basis of 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 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.

WALLACES EXPRESS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED 31 MARCH 2006

..... *continued*

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 the parent company's affairs as at 31 March 2006 and of the group's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Riversleigh
9 Kilwinning Road
Irvine
Ayrshire
KA12 8RR

24 May 2006



Robert J Hart & Company
Chartered Accountants and Registered Auditors

WALLACES EXPRESS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 £	2005 £
Turnover		65,773,364	65,183,648
Cost of sales			
Cost of sales		(55,544,840)	(55,578,127)
Gross profit		<u>10,228,524</u>	<u>9,605,521</u>
Administrative expenses			
Administrative expenses		(6,635,733)	(6,184,726)
Operating profit	2	<u>3,592,791</u>	<u>3,420,795</u>
Other interest receivable and similar income		83,389	63,655
Interest payable and similar charges	5		
Interest payable and similar charges		(1,145,668)	(1,084,537)
Profit on ordinary activities before taxation		<u>2,530,512</u>	<u>2,399,913</u>
Tax on profit on ordinary activities	6		
Tax on profit on ordinary activities		(1,075,845)	(1,023,431)
Profit on ordinary activities after taxation		<u>1,454,667</u>	<u>1,376,482</u>
Retained profit brought forward			
Retained profit brought forward		1,402,115	25,633
Retained profit carried forward		<u><u>2,856,782</u></u>	<u><u>1,402,115</u></u>

Turnover and operating profit derive wholly from continuing operations.

The group has no recognised gains or losses for the year other than the profit on ordinary activities before taxation.

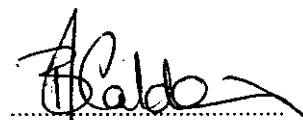
There is no material difference between the result reported above and the result on an unmodified historical cost basis.

The notes on pages 11 to 23 form an integral part of these financial statements.

WALLACES EXPRESS LIMITED
GROUP BALANCE SHEET
AS AT 31 MARCH 2006

		2006	2005
	Note	£	£
Fixed assets			
Intangible assets	7	7,119,695	8,086,460
Tangible assets	8	<u>3,254,044</u>	<u>3,412,135</u>
		10,373,739	11,498,595
Current assets			
Stocks	10	4,761,514	3,494,868
Debtors	11	6,786,396	6,733,355
Cash at bank and in hand		<u>546,459</u>	<u>3,893,487</u>
		12,094,369	14,121,710
Creditors: Amounts falling due within one year	12	<u>(8,419,441)</u>	<u>(9,254,365)</u>
Net current assets		<u>3,674,928</u>	<u>4,867,345</u>
Total assets less current liabilities		14,048,667	16,365,940
Creditors: Amounts falling due after more than one year	13	(9,821,079)	(13,588,999)
Provisions for liabilities	16	<u>(120,806)</u>	<u>(124,826)</u>
Net assets		<u>4,106,782</u>	<u>2,652,115</u>
Capital and reserves			
Called up share capital	17	1,250,000	1,250,000
Profit and loss reserve		<u>2,856,782</u>	<u>1,402,115</u>
Equity shareholders' funds		<u>4,106,782</u>	<u>2,652,115</u>

These accounts were approved by the Director on 24 May 2006



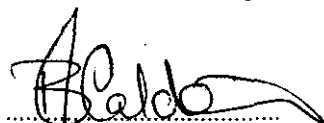
B J Calder
Director

The notes on pages 11 to 23 form an integral part of these financial statements.

WALLACES EXPRESS LIMITED
COMPANY BALANCE SHEET
AS AT 31 MARCH 2006

		2006		2005	
	Note	£	£	£	£
Fixed assets					
Investments	9		25,920,761		25,920,761
Current assets					
Debtors	11	-		1,000,000	
Creditors: Amounts falling due within one year	12	(14,786,484)		(12,022,335)	
Net current liabilities			(14,786,484)		(11,022,335)
Total assets less current liabilities			11,134,277		14,898,426
Creditors: Amounts falling due after more than one year	13		(9,821,079)		(13,588,999)
Net assets			<u>1,313,198</u>		<u>1,309,427</u>
Capital and reserves					
Called up share capital	17		1,250,000		1,250,000
Profit and loss reserve			63,198		59,427
Equity shareholders' funds			<u>1,313,198</u>		<u>1,309,427</u>

These accounts were approved by the Director on 24 May 2006



B J Calder
Director

The notes on pages 11 to 23 form an integral part of these financial statements.

WALLACES EXPRESS LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

		2006		2005	
	Note	£	£	£	£
Net cash flow from operating activities	19		3,461,368		4,018,983
Returns on investment and servicing of financing					
Other interest paid		(1,145,668)		(1,084,536)	
Interest received		<u>83,389</u>		<u>63,655</u>	
			(1,062,279)		(1,020,881)
Taxation			(1,087,664)		(805,844)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(310,727)		(323,655)	
Sale of tangible fixed assets		<u>90,887</u>		<u>25,701</u>	
			(219,840)		(297,954)
Cash inflow before management of liquid resources and financing			1,091,585		1,894,304
Financing					
Increase in loans and borrowings		6,322,625		-	
Repayment of loans and borrowings		<u>(10,021,213)</u>		<u>(1,167,667)</u>	
			(3,698,588)		(1,167,667)
Net cash flow			<u>(2,607,003)</u>		<u>726,637</u>

The notes on pages 11 to 23 form an integral part of these financial statements.

WALLACES EXPRESS LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET DEBT**

		2006	2005
	Note	£	£
(Decrease)/Increase in cash in the year	20	(2,607,003)	726,637
Cash inflow from increase in debt and lease financing		<u>3,698,587</u>	<u>1,167,667</u>
Change in net debt resulting from cash flows		1,091,584	1,894,304
 Net debt at the start of the year	 20	 <u>(12,815,010)</u>	 <u>(14,709,314)</u>
 Net debt at the end of the year	 20	 <u><u>(11,723,426)</u></u>	 <u><u>(12,815,010)</u></u>

The notes on pages 11 to 23 form an integral part of these financial statements.

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

1 ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2006. The acquisitions method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. Its profit for the financial year was £3,771 (2005 - £295).

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.

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

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 basis
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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 group 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 EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

2 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2006 £	2005 £
Auditors' remuneration - audit services		
Company	1,250	1,200
Group	7,750	7,700
Auditors' remuneration - non audit services		
Company	524	450
Group	4,283	7,455
Profit on sale of tangible fixed assets	(34,853)	(9,286)
Depreciation of tangible fixed assets	412,824	440,037
Amortisation of goodwill	966,765	966,765
	<u>966,765</u>	<u>966,765</u>

3 PARTICULARS OF EMPLOYEES

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

	2006 No.	2005 No.
Retail and distribution	173	153
Administrative staff (including directors)	35	30
	<u>208</u>	<u>183</u>

The aggregate payroll costs of these persons were as follows:

	2006 £	2005 £
Wages and salaries	3,282,405	2,996,813
Social security	322,479	268,544
Other pension costs	37,500	8,000
	<u>3,642,384</u>	<u>3,273,357</u>

4 DIRECTORS' EMOLUMENTS

No emoluments were paid to the directors during the year (2005 - £nil).

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank interest payable	1,515	1,482
Bank loan interest payable	715,242	653,660
Loan interest	428,911	429,395
	<u>1,145,668</u>	<u>1,084,537</u>

6 TAXATION

Analysis of current period tax charge

	2006 £	2005 £
Current tax		
UK Corporation tax	<u>1,079,865</u>	<u>1,043,784</u>
Deferred tax		
Origination and reversal of timing differences	<u>(4,020)</u>	<u>(20,353)</u>
Total tax on profit on ordinary activities	<u>1,075,845</u>	<u>1,023,431</u>

Factors affecting current period tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2005 - higher than) the standard rate of corporation tax in the UK of 30.00% (2005 - 30.00%).

The differences are reconciled below:

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>2,530,512</u>	<u>2,399,913</u>
Standard rate corporation tax charge	759,154	719,974
Expenses not deductible for tax purposes	17,144	-
Depreciation in excess of capital allowances	303,567	323,810
Total current tax for the year	<u>1,079,865</u>	<u>1,043,784</u>

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

7 INTANGIBLE FIXED ASSETS

GROUP

	Goodwill £
Cost	
As at 1 April 2005 and 31 March 2006	<u>9,667,653</u>
Amortisation	
As at 1 April 2005	1,581,193
Charge for the year	<u>966,765</u>
As at 31 March 2006	<u>2,547,958</u>
Net book value	
As at 31 March 2006	<u>7,119,695</u>
As at 31 March 2005	<u>8,086,460</u>

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

8 TANGIBLE FIXED ASSETS

GROUP

	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
As at 1 April 2005	2,857,106	322,686	1,850,657	5,030,449
Additions	9,214	30,061	271,452	310,727
Disposals	(40,000)	-	(248,052)	(288,052)
As at 31 March 2006	<u>2,826,320</u>	<u>352,747</u>	<u>1,874,057</u>	<u>5,053,124</u>
Depreciation				
As at 1 April 2005	185,044	197,587	1,235,682	1,618,313
Eliminated on disposals	(2,400)	-	(229,658)	(232,058)
Charge for the year	57,143	38,641	317,041	412,825
As at 31 March 2006	<u>239,787</u>	<u>236,228</u>	<u>1,323,065</u>	<u>1,799,080</u>
Net book value				
As at 31 March 2006	<u>2,586,533</u>	<u>116,519</u>	<u>550,992</u>	<u>3,254,044</u>
As at 31 March 2005	<u>2,672,062</u>	<u>125,099</u>	<u>614,975</u>	<u>3,412,136</u>

9 INVESTMENTS HELD AS FIXED ASSETS

COMPANY

	Group shares £
Cost	
As at 1 April 2005 and 31 March 2006	<u>25,920,761</u>
Net book value	
As at 31 March 2006	<u>25,920,761</u>
As at 31 March 2005	<u>25,920,761</u>

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

10 STOCKS AND WORK IN PROGRESS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Stocks	<u>4,761,514</u>	<u>3,494,868</u>	<u>-</u>	<u>-</u>

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

11 DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	6,053,903	6,260,045	-	-
Other debtors	11,300	12,130	-	1,000,000
Prepayments and accrued income	<u>721,193</u>	<u>461,180</u>	<u>-</u>	<u>-</u>
	<u>6,786,396</u>	<u>6,733,355</u>	<u>-</u>	<u>1,000,000</u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	2,448,805	3,119,497	1,298,365	1,234,123
Trade creditors	4,157,481	4,554,468	-	-
Amounts owed to group undertakings	-	-	13,091,509	10,411,187
Corporation tax	560,984	568,784	-	-
Social security and other taxes	778,561	623,091	-	-
Other creditors	350,000	350,000	350,000	350,000
Accruals and deferred income	<u>123,610</u>	<u>38,525</u>	<u>46,610</u>	<u>27,025</u>
	<u>8,419,441</u>	<u>9,254,365</u>	<u>14,786,484</u>	<u>12,022,335</u>

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... *continued*

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	2,491,079	6,258,999	2,491,079	6,258,999
Non-convertible Debentures due between two and five yrs	7,330,000	7,330,000	7,330,000	7,330,000
	<u>9,821,079</u>	<u>13,588,999</u>	<u>9,821,079</u>	<u>13,588,999</u>

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

14 MATURATION OF BORROWINGS

GROUP

Amounts repayable:

	Non-convertible Debentures £	Bank loans & overdrafts £	Total £
As at 31 March 2006			
In one year or less on demand	-	2,448,805	2,448,805
Between one and two years	-	1,200,000	1,200,000
Between two and five years	7,330,000	1,291,079	8,621,079
	<u>7,330,000</u>	<u>4,939,884</u>	<u>12,269,884</u>
As at 31 March 2005			
In one year or less on demand	-	3,119,497	3,119,497
Between one and two years	-	1,130,667	1,130,667
Between two and five years	7,330,000	3,392,000	10,722,000
After more than five years by instalments	-	1,736,332	1,736,332
	<u>7,330,000</u>	<u>9,378,496</u>	<u>16,708,496</u>

COMPANY

Amounts repayable:

	Non-convertible Debentures £	Bank loans & overdrafts £	Total £
As at 31 March 2006			
In one year or less on demand	-	1,298,365	1,298,365
Between one and two years	-	1,200,000	1,200,000
Between two and five years	7,330,000	1,291,079	8,621,079
	<u>7,330,000</u>	<u>3,789,444</u>	<u>11,119,444</u>

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

As at 31 March 2005

In one year or less on demand	-	1,234,123	1,234,123
Between one and two years	-	1,130,667	1,130,667
Between two and five years	7,330,000	3,392,000	10,722,000
After more than five years by instalments	-	1,736,332	1,736,332
	<u>7,330,000</u>	<u>7,493,122</u>	<u>14,823,122</u>

15 SECURITY OF BORROWINGS

The bank loans and overdrafts are secured by Standard Security and a Floating Charge over the assets and undertakings of the group.

16 PROVISIONS FOR LIABILITIES

GROUP

	Deferred tax provision £
As at 1 April 2005	124,826
Deferred tax provision charged to the profit and loss account	<u>(4,020)</u>
As at 31 March 2006	<u>120,806</u>

WALLACES EXPRESS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

..... continued

17 SHARE CAPITAL

	2006 £	2005 £
Authorised		
500,000 'A' Ordinary shares of £1 each	500,000	500,000
500,000 'B' Ordinary shares of £1 each	500,000	500,000
250,000 'C' Ordinary shares of £1 each	250,000	250,000
	<u>1,250,000</u>	<u>1,250,000</u>
Allotted, called up and fully paid		
500,000 'A' Ordinary shares of £1 each	500,000	500,000
500,000 'B' Ordinary shares of £1 each	500,000	500,000
250,000 'C' Ordinary shares of £1 each	250,000	250,000
	<u>1,250,000</u>	<u>1,250,000</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Profit attributable to members of the company	1,454,667	1,376,482	3,771	295
	<u>1,454,667</u>	<u>1,376,482</u>	<u>3,771</u>	<u>295</u>
Net addition to shareholders' funds	1,454,667	1,376,482	3,771	295
Opening equity shareholders' funds	2,652,115	1,275,633	1,309,427	1,309,132
Closing equity shareholders' funds	<u>4,106,782</u>	<u>2,652,115</u>	<u>1,313,198</u>	<u>1,309,427</u>

WALLACES EXPRESS LIMITED
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19 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2006	2005
	£	£
Operating Profit	3,592,791	3,420,794
Depreciation, amortisation and impairment charges	1,379,590	1,406,801
Profit on disposal of fixed assets	(34,893)	(9,286)
Increase in stocks	(1,266,646)	(534,704)
Increase in debtors	(53,042)	-
Decrease in creditors	(156,432)	(264,622)
Net cash inflow from operating activities	<u>3,461,368</u>	<u>4,018,983</u>

20 ANALYSIS OF NET DEBT

	At start of period £	Cash flow £	At end of period £
Cash at bank and in hand	3,893,487	(3,347,028)	546,459
Bank overdraft	(1,988,831)	740,026	(1,248,805)
Cash and bank net debt	<u>1,904,656</u>	<u>(2,607,002)</u>	<u>(702,346)</u>
Debt due within one year	(1,130,667)	(69,333)	(1,200,000)
Debt due after one year	(13,588,999)	3,767,920	(9,821,079)
Change in debt	<u>(14,719,666)</u>	<u>3,698,587</u>	<u>(11,021,079)</u>
Net debt	<u>(12,815,010)</u>	<u>1,091,585</u>	<u>(11,723,425)</u>

WALLACES EXPRESS LIMITED
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21 RELATED PARTIES

Controlling entity

The company is controlled by the directors who own 80 % of the called up share capital

Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose any related party transactions and balances eliminated on consolidation.

At the balance sheet date there were £400,000 of Non Convertible Loan Notes due to the trustees of the D S Cosh Trust. During the year interest of £22,343 was paid on the loan notes.