

WALLACE MCDOWALL LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

Company Registration No. SC46491 (Scotland)



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COMPANIES HOUSE 29/04/06

WALLACE MCDOWALL LIMITED

COMPANY INFORMATION

Directors	Robert McKay James Wilson Mr Mark Doolan
Secretary	James Wilson
Company number	SC46491
Registered office	18 - 20 York Street Ayr KA8 8AN
Auditors	William Duncan & Co. 30 Miller Road Ayr KA7 2AY
Business address	Building 11C BAE Systems Tarbolton Road Monkton KA9 2RR
Bankers	Bank of Scotland 123 High Street Ayr KA7 1QP
Solicitors	Martin & Co. Solicitors 2 Wellington Square KA7 1EW

WALLACE MCDOWALL LIMITED

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WALLACE MCDOWALL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activities of the company in the year under review are the provision of sub-contract machining and sheet metal work services for OEM's and major supply chain companies.

The Directors are encouraged by the continuing progress into improved margins during 2005. The relocation of all our major capital equipment to new premises has now been completed and the resultant benefits are now visible through the improved performance over the last quarter of the year.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2005:

Robert McKay
James Wilson
Mr Mark Doolan

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2005	1 January 2005
Robert McKay	256,000	256,000
James Wilson	16,000	16,000
Mr Mark Doolan	16,000	16,000

Redeemable ordinary shares of £ 1 each

	31 December 2005	1 January 2005
Robert McKay	-	-
James Wilson	-	-
Mr Mark Doolan	-	-

Deferred ordinary shares of £ 1 each

	31 December 2005	1 January 2005
Robert McKay	167,176	167,176
James Wilson	-	-
Mr Mark Doolan	-	-

None of the directors have any interest in the shares of the company's subsidiary.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that William Duncan & Co. be reappointed as auditors of the company will be put to the Annual General Meeting.

WALLACE MCDOWALL LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

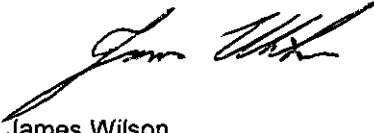
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



James Wilson

Director

30 March 2006

WALLACE MCDOWALL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WALLACE MCDOWALL LIMITED

We have audited the financial statements of Wallace McDowall Limited for the year ended 31 December 2005 set out on pages 5 to 19. 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 audit 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 the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or 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 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.

WALLACE MCDOWALL LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF WALLACE MCDOWALL 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 company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



William Duncan & Co.
Chartered Accountants
Registered Auditor
30 Miller Road
Ayr
KA7 2AY

30 March 2006

WALLACE MCDOWALL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover	2	4,366,268	3,846,328
Cost of sales		(3,478,944)	(3,138,000)
Gross profit		887,324	708,328
Distribution costs		(327,735)	(191,993)
Administrative expenses		(306,478)	(316,013)
Other operating income		12,348	23,000
Operating profit	3	265,459	223,322
Other interest receivable and similar income	4	1,822	1,079
Interest payable and similar charges	5	(139,690)	(171,341)
Profit on ordinary activities before taxation		127,591	53,060
Tax on profit on ordinary activities	6	(30,176)	(439)
Profit on ordinary activities after taxation	17	97,415	52,621

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

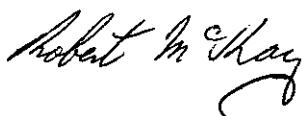
WALLACE MCDOWALL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	7	1,673,903		1,651,009	
Investments	8	100		100	
		<u>1,674,003</u>		<u>1,651,109</u>	
Current assets					
Stocks	9	364,044		279,304	
Debtors	10	1,019,788		937,205	
Cash at bank and in hand		42,809		35,233	
		<u>1,426,641</u>		<u>1,251,742</u>	
Creditors: amounts falling due within one year	11	(1,915,684)		(1,789,414)	
Net current liabilities		<u>(489,043)</u>		<u>(537,672)</u>	
Total assets less current liabilities		<u>1,184,960</u>		<u>1,113,437</u>	
Creditors: amounts falling due after more than one year	12	(610,640)		(693,278)	
Provisions for liabilities and charges	13	(100,450)		(70,931)	
Accruals and deferred income	14	(70,728)		(43,502)	
		<u>403,142</u>		<u>305,726</u>	
Capital and reserves					
Called up share capital	16	547,176		547,176	
Revaluation reserve	17	42,494		43,438	
Profit and loss account	17	(186,528)		(284,888)	
Shareholders' funds - equity interests	18	<u>403,142</u>		<u>305,726</u>	

The financial statements were approved by the Board on 30 March 2006

Robert McKay
Director



James Wilson
Director



WALLACE MCDOWALL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	£	2005 £	£	2004 £
Net cash inflow from operating activities		430,858		216,490
Returns on investments and servicing of finance				
Interest received	1,822		1,079	
Interest paid	(112,086)		(147,940)	
Interest element of finance lease rentals	(27,604)		(23,401)	
Net cash outflow for returns on investments and servicing of finance		(137,868)		(170,262)
Capital expenditure				
Payments to acquire tangible assets	(144,915)		(9,302)	
Receipts from sales of tangible assets	12,500		70,000	
Net cash (outflow)/inflow for capital expenditure		(132,415)		60,698
Acquisitions and disposals				
Purchase of subsidiary undertakings (net of cash acquired)	-		(100)	
Net cash outflow for acquisitions and disposals		-		(100)
Net cash inflow before management of liquid resources and financing		160,575		106,826
Financing				
New long term bank loan	-		332,000	
Other new long term loans	50,000		48,501	
Other new short term loans	59,271		170,950	
Government grant received	80,000		-	
Repayment of long term bank loan	(16,600)		(297,500)	
Repayment of other long term loans	(28,721)		(13,841)	
Capital element of hire purchase contracts	(234,677)		(332,611)	
Net cash outflow from financing		(90,727)		(92,501)
Increase in cash in the year		69,848		14,325

WALLACE MCDOWALL LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating profit to net cash inflow from operating activities	2005	2004
		£	£
	Operating profit	265,459	223,322
	Depreciation of tangible assets	230,956	264,576
	Loss/(profit) on disposal of tangible assets	496	(8,280)
	Increase in stocks	(84,740)	(120,041)
	Increase in debtors	(82,583)	(193,051)
	Increase in creditors within one year	154,044	89,408
	Movement on grant provision	(52,774)	(39,444)
	Net cash inflow from operating activities	430,858	216,490

2	Analysis of net debt	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	35,233	7,576	-	42,809
	Bank overdrafts	(92,041)	62,272	-	(29,769)
		<u>(56,808)</u>	<u>69,848</u>	<u>-</u>	<u>13,040</u>
	Bank deposits	-	-	-	-
	Debt:				
	Finance leases	(554,404)	112,747	-	(441,657)
	Debts falling due within one year	(738,542)	(92,382)	-	(830,924)
	Debts falling due after one year	(346,263)	(289)	-	(346,552)
		<u>(1,639,209)</u>	<u>20,076</u>	<u>-</u>	<u>(1,619,133)</u>
	Net debt	(1,696,017)	89,924	-	(1,606,093)

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	Increase in cash in the year	69,848	14,325
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	20,076	(453,823)
	Movement in net debt in the year	89,924	(439,498)
	Opening net debt	(1,696,017)	(1,256,519)
	Closing net debt	(1,606,093)	(1,696,017)

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% straight line
Leasehold Improvements	over the term of the lease
Plant and machinery	15-33.3% reducing balance
Motor vehicles	20% reducing balance

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.8 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.9 Deferred taxation

Deferred taxation is provided in respect of the tax effect of all timing differences at the rates of tax expected to apply when the timing differences reverse, with the exception of the timing difference arising on industrial buildings which is not expected to reverse within the foreseeable future.

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

(continued)

1.10 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	230,956	264,576
Loss on disposal of tangible assets	496	-
Operating lease rentals	30,000	20,000
Auditors' remuneration	4,500	3,900
and after crediting:		
Profit on disposal of tangible assets	-	(8,280)

4 Investment income

	2005	2004
	£	£
Bank interest	1,822	1,079

5 Interest payable

	2005	2004
	£	£
On bank loans and overdrafts	80,114	76,825
Lease finance charges and hire purchase interest	59,576	94,516
	139,690	171,341

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6	Taxation	2005 £	2004 £
	Domestic current year tax		
	U.K. corporation tax	657	-
	Current tax charge	657	-
	Deferred tax		
	Deferred tax charge credit current year	29,519	439
		30,176	439
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	127,591	53,060
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 19.00%)	24,242	10,081
	Effects of:		
	Non deductible expenses	(21,937)	1,855
	Depreciation not reflected in deferred tax	17,855	7,280
	Tax losses utilised	(18,685)	(19,011)
	Other tax adjustments	(818)	(205)
		(23,585)	(10,081)
	Current tax charge	657	-

If provision were to be made for deferred taxation on the basis of the full potential liability, the tax charge for the year would increase by £ nil (2004: £ 1,647).

The company has estimated losses of £ nil (2004: £ 98,000) available for carry forward against future trading profits.

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7 Tangible fixed assets

	Land and buildings Freehold £	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2005	490,980	11,125	2,326,730	128,082	2,956,917
Additions	-	77,180	164,959	24,707	266,846
Disposals	-	(11,125)	(13,857)	-	(24,982)
At 31 December 2005	490,980	77,180	2,477,832	152,789	3,198,781
Depreciation					
At 1 January 2005	37,589	5,365	1,246,024	16,930	1,305,908
On disposals	-	(5,921)	(6,065)	-	(11,986)
Charge for the year	9,396	11,294	184,332	25,934	230,956
At 31 December 2005	46,985	10,738	1,424,291	42,864	1,524,878
Net book value					
At 31 December 2005	443,995	66,442	1,053,541	109,925	1,673,903
At 31 December 2004	453,391	5,760	1,080,706	111,152	1,651,009

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £	Motor vehicles £	Total £
Net book values			
At 31 December 2005	437,502	109,927	547,429
At 31 December 2004	753,194	111,158	864,352
Depreciation charge for the year			
At 31 December 2005	71,559	25,938	97,497
At 31 December 2004	191,961	16,925	208,886

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost or valuation	
At 1 January 2005 & at 31 December 2005	100

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
SPS (Ayr) Limited	Scotland	Ordinary	100

These financial statements refer only to Wallace McDowall Ltd as the group is permitted not to prepare consolidated accounts by reason of its size under section 248 of The Companies Act 1985. The subsidiary company's accounting reference date is 31 December 2005.

9 Stocks and work in progress	2005 £	2004 £
Raw materials and consumables	197,880	165,803
Work in progress	166,164	113,501
	<u>364,044</u>	<u>279,304</u>

10 Debtors	2005 £	2004 £
Trade debtors	879,132	840,376
Other debtors	55,314	47,679
Prepayments and accrued income	85,342	49,150
	<u>1,019,788</u>	<u>937,205</u>

The company's debtors are subject to a factoring arrangement.

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

11 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	860,693	830,583
Net obligations under finance leases and hire purchase contracts	177,569	207,389
Trade creditors	680,117	609,792
Corporation tax	657	-
Other taxes and social security costs	71,457	61,797
Other creditors	1,244	32,122
Accruals and deferred income	123,947	47,731
	<u>1,915,684</u>	<u>1,789,414</u>
Debt due in one year or less	<u>66,311</u>	<u>61,921</u>

The aggregate amount of creditors for which security has been given amounted to £1,038,262 (2004-£1,066,693).

Bank loans and overdrafts includes £764,613 (2004 - £705,342) in respect of factoring advances.

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Creditors: amounts falling due after more than one year	2005 £	2004 £
Bank loans	282,200	298,800
Other loans	64,352	47,463
Net obligations under finance leases and hire purchase contracts	264,088	347,015
	<u>610,640</u>	<u>693,278</u>
Analysis of loans		
Not wholly repayable within five years by instalments:	149,400	166,000
Wholly repayable within five years	1,028,076	918,805
	<u>1,177,476</u>	<u>1,084,805</u>
Included in current liabilities	(830,924)	(738,542)
	<u>346,552</u>	<u>346,263</u>
Instalments not due within five years	<u>149,400</u>	<u>166,000</u>
Loan maturity analysis		
In more than one year but not more than two years	62,136	64,227
In more than two years but not more than five years	135,016	116,036
In more than five years	<u>149,400</u>	<u>166,000</u>

Bank of Scotland, Ayrshire Development Fund Limited and West of Scotland Loan Fund Limited hold the following security over their respective loans provided:

Standard security over the factory premises and ground at 18/20 York Street, Ayr.
Bond & Floating charge over the whole company assets and undertaking.

Bank of Scotland Loan repaid at £33,200 p.a., with interest charged at 2% over the bank's base rate.

Ayrshire Development Fund Limited loan 1, repaid at £14,095 p.a., with interest charged at 3.5% over the company's base rate. Ayrshire Development Fund Limited loan 2, repaid at £16,932 p.a., with interest charged at 3.5% over the company's base rate.

West of Scotland Loan Fund Limited repaid at £12,500 p.a., with interest charged at 2% over the bank's base rate.

Net obligations under finance leases and hire purchase contracts		
Repayable within one year	177,569	207,389
Repayable between one and five years	<u>264,088</u>	<u>347,015</u>

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Creditors: amounts falling due after more than one year (continued)

	441,657	554,404
Included in liabilities falling due within one year	(177,569)	(207,389)
	<u>264,088</u>	<u>347,015</u>

The aggregate amount of creditors for which security has been given amounted to £610,640 (2004 - £693,278).

13 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2005	70,931
Profit and loss account	29,519
	<u>100,450</u>
Balance at 31 December 2005	<u>100,450</u>

The deferred tax liability is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	100,450	85,816
Tax losses available	-	(14,885)
	<u>100,450</u>	<u>70,931</u>

14 Accruals and deferred income

	Government grants £
Balance at 1 January 2005	43,502
Grants received during the year	80,000
Amortisation in the year	(52,774)
	<u>70,728</u>
Balance at 31 December 2005	<u>70,728</u>

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

15 Pension costs

Defined contribution

	2005 £	2004 £
Contributions payable by the company for the year	22,137	22,391

16 Share capital

	2005 £	2004 £
Authorised		
646,277 Ordinary shares of £1 each	646,277	646,277
89,270 Redeemable ordinary shares of £1 each	89,270	89,270
167,176 Deferred ordinary shares of £1 each	167,176	167,176
	<u>902,723</u>	<u>902,723</u>
Allotted, called up and fully paid		
320,000 Ordinary shares of £1 each	320,000	320,000
60,000 Redeemable ordinary shares of £1 each	60,000	60,000
167,176 Deferred ordinary shares of £1 each	167,176	167,176
	<u>547,176</u>	<u>547,176</u>

No dates have been fixed for the redemption of the redeemable ordinary shares. A cash premium is payable on redemption, the amount depending on the period since the date of issue of the shares. The income rights of the redeemable ordinary shares rank *pari passu* with the ordinary shares until the date of redemption. On a return of assets on liquidation or capital reduction or otherwise, the assets of the company remaining after payment of its liabilities shall be distributed equally to the holders of the redeemable ordinary shares on a *pari passu* basis with the holders of the ordinary shares *pro rata* according to the number of shares held.

The deferred ordinary shares do not carry any rights to participate in any profits of the company.

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

17 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2005	43,438	(284,887)
Retained profit for the year	-	97,415
Transfer from revaluation reserve to profit and loss account	(944)	944
Balance at 31 December 2005	<u>42,494</u>	<u>(186,528)</u>

18 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	97,415	52,621
Opening shareholders' funds	<u>305,726</u>	<u>253,105</u>
Closing shareholders' funds	<u>403,142</u>	<u>305,726</u>

19 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006:

	Land and buildings 2005 £	2004 £
Operating leases which expire: Between two and five years	<u>75,000</u>	<u>20,000</u>

20 Directors' emoluments

	2005 £	2004 £
Emoluments for qualifying services	116,250	111,475
Company pension contributions to money purchase schemes	<u>7,119</u>	<u>6,334</u>
	<u>123,369</u>	<u>117,809</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2004 - 2).

WALLACE MCDOWALL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
Number of employees - Production	77	64
Number of employees - Administration	3	3
Number of employees - Technical	4	4
Number of employees - Sales	5	7
	<u>89</u>	<u>78</u>

Employment costs

	2005 £	2004 £
Wages and salaries	1,506,303	1,300,891
Social security costs	144,320	124,006
Other pension costs	22,137	22,391
	<u>1,672,760</u>	<u>1,447,288</u>

22 Control

Robert McKay owns 80% of the ordinary shares in the company and as such is the controlling shareholder. James Wilson, Mark Doolan, Jim Gillies and Alistair Simond each own 5% of the ordinary shares.

23 Related party transactions

Wallace McDowall Limited holds 100% of the share capital of SPS (Ayr) Limited. During the year to 31 December 2005 Wallace McDowall Limited made sales totalling £36,400 to SPS (Ayr) Limited, of which £5,679 is an outstanding debtor at 31 December 2005. Wallace McDowall Limited also made purchases to the value of £350 from SPS (Ayr) Limited, of which £Nil is an outstanding creditor at 31 December 2005.

Included within 'Other Debtors' is an amount of £54,314 due from SPS (Ayr) Limited which is interest free and has no set repayment terms.