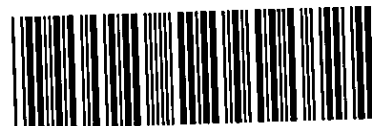


Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2009

Registered number SC077607

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Castle MacLellan Foods Limited
Annual report and financial statements
for the year ended 31 December 2009
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Castle MacLellan Foods Limited

Directors and advisers

Directors

P R Lewney	Managing director
E Volden	Chairman

Company secretary

L Hayes

Registered office

Riverside
Dee Walk
Kirkcudbright
Dumfries and Galloway
DG6 4DR

Bankers

DnBNor
20 St Dunstan's Hill
London
EC3R 8HY

Solicitors

Dickinson Dees	Eversheds
St Ann's Wharf	Bridgewater Place
112 Quayside	Water Lane
Newcastle upon Tyne	Leeds
NE99 1SB	LS11 5DR

Independent auditors

Chartered Accountants and Statutory Auditors
PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2009

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009.

Company number

Registered number SC077607

Principal activities and business review

The company is a wholly owned subsidiary of Kavli Limited and operates as part of the Kavli group's European division, headed by Kavli Holding A/S (the group).

The principal activities of the company are the manufacture and sale of pâté and other food products to the retail food and food service industries in the United Kingdom and Europe. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The company continues to invest in research and development in its products and processes. This has resulted in a number of updates to existing products and processes as well as the launch of new products. The directors regard research and development investment as necessary for continuing success in the medium to long term future.

As shown in the company's profit and loss account on page 7, the company's sales have increased by 10.7% against the prior year and the profit before tax has increased from a loss before tax of £65,263 in 2008 to a profit of £33,294 in 2009. This is due primarily to sales growth.

The directors do not recommend a final dividend in the year in respect of the year ended 31 December 2009 (2008: £171,263, being 118.11p per share).

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year end is, in net asset terms, consistent with the prior year. Details of amounts owed to its parent company are shown in notes 11 and 12.

There are no significant events since the balance sheet date.

Land and buildings

In the opinion of the directors, the current value of the properties and cost are not materially different.

Key performance indicators ("KPIs")

The group manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European division of Kavli Holding A/S, which includes the company, is discussed in the group's annual report which does not form part of this report.

Principal risks and uncertainties

Competitive pressure in the United Kingdom is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing value-added services to its customers, having fast response times not only in supplying products but in handling all customer queries, product development and by maintaining strong relationships with its customers.

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2009 (continued)

The company's sales in Ireland are in Euros and the company purchases some of its raw material inputs and services from European companies. It is therefore exposed to the movement in the Euro to Pound exchange rate. The group's treasury function takes out contracts to manage this risk at a group level.

The company has a loan from its parent which attracts interest charges at a margin of 1.40% above LIBOR. It is therefore exposed to interest rate movements.

Group risks are discussed in the group's annual report which does not form part of this report.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the cost of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The company does not utilise debt finance, relying on its own controls to manage credit risk.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a variable rate. The company has a policy of maintaining low levels of debt to reduce the volatility of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Environment

The group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies which are described in the group's annual report which does not form part of this report. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2009 (continued)

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

P R Lewney

E Volden

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 elected to prepare the 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 company and of the profit or loss of the company 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;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Castle MacLellan Foods Limited

Directors' report for the year ended 31 December 2009 (continued)

Independent auditors and disclosure of information to auditors

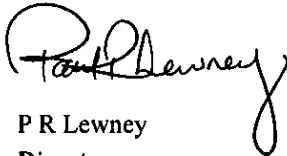
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report".

The directors have taken all the steps they ought to have taken in their duty 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'P R Lewney', is written over the printed name.

P R Lewney

Director

16 February 2010

Castle MacLellan Foods Limited

Independent auditors' report to the members of Castle MacLellan Foods Limited

We have audited the financial statements of Castle MacLellan Foods Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, the statement of 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 Directors' Responsibilities Statement set out on page 4 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 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 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year 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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Michael Jeffrey (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
17 February 2010

Castle MacLellan Foods Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	1	7,971,609	7,198,956
Net operating expenses	2	(7,920,616)	(7,172,190)
Operating profit		50,993	26,766
Interest receivable and similar income	4	12,505	3,362
Interest payable and similar charges	5	(30,204)	(95,391)
Profit/(loss) on ordinary activities before taxation		33,294	(65,263)
Tax on profit/(loss) on ordinary activities	6	(11,183)	31,746
Profit/(loss) for the financial year	17	22,111	(33,517)

All of the operations of the company are continuing.

There are no recognised gains and losses other than those included in the results above for the current financial year and the preceding financial year and therefore no separate statement of total recognised gains and losses has been prepared.

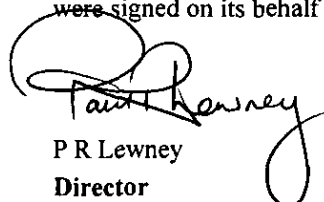
There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the year stated above and their historical cost equivalents.

Castle MacLellan Foods Limited

Balance sheet as at 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	8		2,297,895		2,567,740
Current assets					
Stocks	9	557,691		698,373	
Debtors	10	2,637,701		1,957,986	
Cash at bank and in hand		455		373	
		3,195,847		2,656,732	
Creditors: amounts falling due within one year	11	(3,615,263)		(3,682,428)	
Net current liabilities			(419,416)		(1,025,696)
Total assets less current liabilities			1,878,479		1,542,044
Creditors: amounts falling due after more than one year	12		(1,298,272)		(949,937)
Provisions for liabilities	13		(103,003)		(137,014)
Net assets			477,204		455,093
Capital and reserves					
Called up share capital	16		145,000		145,000
Capital redemption reserve	17		120,000		120,000
Profit and loss account	17		212,204		190,093
Total shareholders' funds	18		477,204		455,093

The financial statements on pages 7 to 20 were approved by the board of directors on 16 February 2010 and were signed on its behalf by:


 P R Lewney
 Director

Castle MacLellan Foods Limited

Statement of accounting policies

The financial statements are prepared on the 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 principal accounting policies adopted are described below and have been applied consistently in the current and prior year.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 "Cash flow statements" (revised 1996) from the requirement to produce a cash flow statement, due to the results of the company being included in the consolidated financial statements of the immediate parent.

Tangible fixed assets and depreciation

Tangible fixed assets are held at historic cost less accumulated depreciation. Tangible fixed assets are stated at purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2.5%
Plant and machinery	10% - 33.33%

Freehold land is not depreciated

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value including any provision for obsolete or slow moving stock. Cost comprises the invoiced value of goods purchased plus direct labour and attributable overheads, where applicable. Net realisable value is based upon estimated selling price in the normal course of business after allowing for disposal costs.

Foreign currencies/exchange

Monetary assets and liabilities arising in overseas currencies are converted into sterling at the exchange rate ruling on the transaction date. Payments are converted at the actual rates incurred. The resulting exchange differences are charged or credited to the profit and loss account in the period in which they arise. At the end of the financial year foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at that date.

Turnover

Turnover, which excludes value added tax, represents amounts receivable for goods and services provided in the normal course of business, less returns. Turnover is recognised at the point at which goods are received by the customer.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the useful life of the related asset. Grants received in respect of specific projects are treated as deferred income and credited to the profit and loss account over the duration of the project.

Pension costs

The company operates a defined contribution pension scheme for employees. Pension costs are charged to the profit and loss account in the year in which they are incurred.

Castle MacLellan Foods Limited

Statement of accounting policies (continued)

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Taxation

Current tax, including United Kingdom corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future 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 and expenditure in taxation computations in periods different from those which are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are measured at the average tax rates that are expected to apply and are on an undiscounted basis.

Research and development

Costs in respect of research and development activities are charge to the profit and loss account as they are incurred.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009

1 Turnover

All of the turnover derives from operations based in the United Kingdom and relates to the sale of food products. Turnover by destination has been split as follows:

	2009 £	2008 £
United Kingdom	7,934,879	7,036,122
Europe	36,730	162,834
	7,971,609	7,198,956

2 Net operating expenses

	2009 £	2008 £
Change in stocks of finished goods and work in progress	134,711	(147,527)
Raw materials and consumables	3,805,120	3,869,986
Employment costs (note 3)	1,616,290	1,452,339
Depreciation charge for the year:		
Tangible owned fixed assets (note 8)	338,890	340,535
Amortisation of government grants	(75,115)	(78,778)
Other operating charges	1,837,337	1,612,897
Hire of plant and machinery – operating leases	33,574	23,970
Hire of other assets – operating leases	12,742	9,792
Research & development costs	81,677	84,526
Auditors remuneration:		
Audit of company	6,800	6,800
Tax services	1,000	2,500
Loss/(profit) on sale of fixed assets	127,590	(4,850)
Net operating expenses	7,920,616	7,172,190

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

3 Information regarding directors and employees

The directors of Castle MacLellan Foods Limited are also directors of the parent company Kavli Limited. The directors received total emoluments of £217,612 (2008: £284,470) from Kavli Limited during the year, but it is not practical to allocate this between their services as executives of Castle MacLellan Limited and their services as directors of Kavli Limited.

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

	2009 Number	2008 Number
Production	81	77
Sales	-	-
Administration	4	4
	85	81

	2009 £	2008 £
Staff costs during the year (including executive directors):		
Wages and salaries	1,460,451	1,314,823
Social security costs	125,968	111,807
Other pension costs (see note 15)	29,871	25,709
	1,616,290	1,452,339

4 Interest receivable and similar income

	2009 £	2008 £
Financial income	12,501	-
Bank interest	4	1,591
Other interest receivable	-	1,771
	12,505	3,362

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

5 Interest payable and similar charges

	2009	2008
	£	£
Interest payable on overdrafts	14,477	54,806
Interest payable on group loans	15,727	40,585
	30,204	95,391

6 Tax on profit/(loss) on ordinary activities

	2009	2008
	£	£
Current tax:		
United Kingdom corporation tax on profits/(losses) of the year	45,194	(13,729)
Adjustments in respect of prior years	-	16,529
Total current tax	45,194	2,800
Deferred tax:		
Origination and reversal of timing differences	(34,011)	(34,546)
Total deferred tax (note 13)	(34,011)	(34,546)
Tax on profit/(loss) on ordinary activities	11,183	(31,746)

The tax assessed is higher (2008: lower) than that resulting from applying the standard rate of corporation tax in the United Kingdom of 28% (2008: 28.5%).

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

6 Tax on (profit)/loss on ordinary activities (continued)

The differences are explained below:

	2009	2008
	£	£
Profit/(loss) on ordinary activities before taxation	33,294	(65,263)
Tax on profit/(loss) multiplied by the standard rate in the United Kingdom of 28% (2008: 28.5%)	9,322	(18,598)
Expenses not deductible for tax purposes	1,798	(5,481)
Capital allowances less than depreciation	37,146	5,790
Movement in short term timing differences	(3,135)	4,560
Tax charged on pension scheme contribution refund	63	
Adjustments in respect of prior years	-	16,529
Current tax charge for the year	45,194	2,800

Factors that may affect future tax charges

There are no other factors which are expected to significantly affect the future tax charge.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

7 Dividends

	2009	2008
	£	£
Ordinary:		
Final dividend of nil per share (2008: 118.11p)	-	171,263

8 Tangible assets

	Land and buildings	Plant and machinery	Total
	£	£	£
Cost			
At 1 January 2009	876,675	4,046,055	4,922,730
Additions	-	196,635	196,635
Disposals	-	(233,353)	(233,353)
At 31 December 2009	876,675	4,009,337	4,886,012
Accumulated depreciation			
At 1 January 2009	232,731	2,122,259	2,354,990
Charge for the year	20,758	318,132	338,890
Disposals	-	(105,763)	(105,763)
At 31 December 2009	253,489	2,334,628	2,588,117
Net book value			
At 31 December 2009	623,186	1,674,709	2,297,895
At 31 December 2008	643,944	1,923,796	2,567,740

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

9 Stocks

	2009	2008
	£	£
Raw materials and consumables	319,542	287,797
Packaging	138,254	175,970
Work in progress	5,051	8,429
Finished goods and goods for resale	94,844	226,177
	557,691	698,373

10 Debtors

	2009	2008
	£	£
Trade debtors	1,743,548	1,755,378
Amounts owed by group undertakings	781,875	54,474
Other debtors	37,426	46,120
Prepayments	74,852	102,014
	2,637,701	1,957,986

11 Creditors: amounts falling due within one year

	2009	2008
	£	£
Bank overdraft	367,089	1,502,995
Trade creditors	628,984	652,817
Amounts due to group undertakings	1,520,169	738,939
Corporation tax	45,131	-
Taxation and social security	91,983	73,543
Other creditors and accounts	892,433	644,210
Deferred income (note 14)	69,474	69,924
	3,615,263	3,682,428

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

12 Creditors: amounts falling due after more than one year

	2009	2008
	£	£
Deferred income (note 14)	384,272	458,937
Amounts owed to group undertakings	914,000	491,000
	1,298,272	949,937

Amounts owed to group undertakings include an intra group loan of £1,211,000 (2008: £626,000). This loan is unsecured and due for repayment by 31 January 2014. The loan attracts interest charges at a margin of 1.40% above LIBOR. The effective rate as at 31 December 2009 was 1.90% (2008: 3.25%). The bank overdraft is secured by a guarantee given by Kavli Holding A/S and attracts an interest rate of 0.9% above UK base rate. The maturity of the loan and the bank overdraft is given below.

	2009	2008
	£	£
Repayable as follows:		
Within one year	664,089	1,637,995
In more than one year but not more than two year	306,000	153,000
In more than two years but not more than five years	608,000	338,000
	1,578,089	2,128,995

13 Provisions for liabilities

	£
Deferred taxation	
At 1 January 2009	137,014
Profit and loss account credit for the year	(34,011)
At 31 December 2009	103,003

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

13 Provisions for liabilities (continued)

	2009	2008
	£	£
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	114,506	151,536
Short term timing differences	(11,503)	(8,543)
Losses carried forward	-	(5,979)
	103,003	137,014

A deferred tax asset amounting to £nil (2008: £5,979) for capital and trading losses has not been recognised because in the opinion of the directors there will be no suitable taxable gains available in the foreseeable future.

14 Deferred income

	2009	2008
	£	£
Government grants		
At 1 January	528,861	503,792
Grants received in year	-	103,847
Amortisation in year	(75,115)	(78,778)
At 31 December	453,746	528,861
Within creditors due within one year	69,474	69,924
Within creditors due after more than one year	384,272	458,937
	453,746	528,861

If the company does not maintain approved headcount numbers, the company may be liable to repay certain government grants.

15 Pension schemes

The company operates a funded defined contribution pension scheme. Contributions charged in the profit and loss account in the year totalled £29,871 (2008: £25,709).

At 31 December 2009 an accrual of £132 (2008: £249) was included in the balance sheet in respect of pension payments.

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

16 Called up share capital

	2009 £	2008 £
Authorised		
370,000 ordinary shares of £1 each	370,000	370,000
Allotted and fully paid		
145,000 ordinary shares of £1 each	145,000	145,000

17 Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 January 2009	120,000	190,093
Profit for the financial year	-	22,111
Dividends (note 7)	-	-
At 31 December 2009	120,000	212,204

The capital redemption reserve represents the nominal value of preference shares redeemed.

18 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit/(loss) for the financial year	22,111	(33,517)
Dividends (note 7)	-	(171,263)
Net increase/(decrease) in shareholders' funds	22,111	(204,780)
Opening shareholders' funds	455,093	659,873
Closing shareholders' funds	477,204	455,093

Castle MacLellan Foods Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

19 Financial commitments

At 31 December the company had annual commitments under non cancellable operating leases, none of which related to land and buildings, as detailed below:

	2009 £	2008 £
Expiring within one year	11,095	-
Expiring within two to five years	10,088	21,278
	21,183	21,278

20 Capital commitments

	2009 £	2008 £
Capital expenditure contracted for but not provided in the financial statements.	-	-

21 Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8 "Related party disclosures" on the grounds that it is a wholly owned subsidiary of a group headed by Kavli Holding A/S, whose consolidated financial statements are publicly available.

22 Ultimate and immediate parent companies

The company is a wholly owned subsidiary of Kavli Limited, a company registered in England. The ultimate parent company is Kavli Holding A/S, a company incorporated in Norway.

The parent undertaking of the largest group which includes the company, and for which consolidated financial statements are prepared, is Kavli Holding A/S. The parent undertaking of the smallest such group is Kavli Limited.

Copies of the financial statements for this group can be obtained from:

Kavli Holding A/S
Postboks 7360
5020 Bergen
Norway

The ultimate controlling party of Kavli Holding A/S is O Kavli og Knut Kavli's Almennyttige Fond established in Norway.

Notes on the Group Cash Flow Statement
for the period ended 30 June 2009

	Year ended 30 June 2009 £000	Period ended 30 June 2008 £000		
A. Reconciliation of operating loss to net cash outflow from operating activities				
Group operating loss	(18,105)	(190,611)		
Depreciation charges	600	459		
Profit on fixed assets disposals	(10)	(18)		
Amortisation/impairment of goodwill	-	140,745		
Excess of contributions paid over pension current service cost	(2,682)	(3,325)		
Increase in provision for redemption premia	2,265	1,174		
Amortisation of bank arrangement fees	637	443		
Decrease in stocks	54,261	42,806		
Decrease in debtors	2,231	14,696		
(Decrease)/increase in creditors	(5,753)	399		
Net cash inflow from operating activities	33,444	6,768		
B. Reconciliation of net cash flow to net debt	£000	£000		
Increase/(decrease) in cash in the period	556	(15,710)		
Net debt excluding cash & overdrafts acquired with subsidiaries	-	(174,664)		
Cash outflow/(inflow) from increase/(decrease) in amounts owed by joint ventures	3,308	(12,014)		
Cash outflow from hire purchase and lease financing	71	42		
Redemption of loan notes	221	4		
Net repayment/(drawdown) of bank loans	10,102	(55,080)		
Change in net debt resulting from cash flows	14,258	(257,422)		
Provision for bank loan redemption premia	(2,265)	(1,174)		
Amortisation of bank arrangement fees	(637)	(443)		
Issue of loan notes	-	(6,356)		
	11,356	(265,395)		
Net debt as at 1 July 2008	(265,395)	-		
Net debt as at 30 June 2009	(254,039)	(265,395)		
C. Analysis of net debt	As at 1 July 2008 £000	Cash flow £000	Other non-cash changes £000	As at 30 June 2009 £000
Cash :				
Cash at bank and in hand	513	(285)	-	228
Bank overdrafts	(16,223)	841	-	(15,382)
	(15,710)	556	-	(15,154)
Loans :				
Amounts owed by joint ventures	34,984	3,308	-	38,292
Debt :				
Bank loans	(278,206)	10,102	(2,902)	(271,006)
Loan notes	(6,352)	221	-	(6,131)
Hire purchase and finance leases	(111)	71	-	(40)
	(284,669)	10,394	(2,902)	(277,177)
Net debt	(265,395)	14,258	(2,902)	(254,039)

CALA Group Limited

Statement of accounting policies for the period ended 30 June 2009

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies of the Group are set out below. The policies have been consistently applied.

(i) Basis of accounting

The financial statements have been prepared under the historical cost convention. In accordance with Section 408 of the Companies Act 2006 the parent company profit and loss account has not been presented.

The directors have made a number of key judgements, estimates and assumptions in applying the group's accounting policies for the period ended 30 June 2009, particularly around the carrying value of land and work in progress, future sales volumes and margins on sites. These judgements have been carefully made based on all available internal information and supported by information from various external sources where appropriate.

(ii) Going concern

The consolidated balance sheet at 30 June 2009 shows the group in a net liabilities position. Notwithstanding this, the directors have prepared these financial statements on the going concern basis which assumes that the group will be able to realise its assets and discharge its liabilities in the normal course of business.

A financial restructuring of the group was completed on 21 December 2009, the key elements of which are outlined in note 27 of the financial statements. The combined effect of the restructuring had it been implemented at 30 June 2009 would have been to increase net assets by £298.1 million resulting in a positive net assets position on a post restructuring basis of £48.4 million as illustrated in the pro forma statement of net assets on page 43 of the financial statements.

The group's most recent financial projections show that for the foreseeable future net assets remain in a positive position at each financial year end and the group is in compliance with its new banking covenants at each test date.

As a result the projected trading position for the group enables the directors to form a judgment that the company and group have adequate resources to continue to trade for the foreseeable future.

For these reasons the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

CALA Group Limited

Statement of accounting policies for the period ended 30 June 2009 (continued)

(ii) Going concern (continued)

These financial statements do not include any adjustments to the balance sheet if assets were to be realised at significantly less than book value or provision for further liabilities that may be required if the going concern basis of preparation is inappropriate.

(iii) Basis of consolidation

The consolidated financial statements comprise those of the company and all its subsidiaries. Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on consolidation is eliminated by amortisation through the profit and loss account over its useful economic life of 20 years on a straight line basis. The carrying value of goodwill is reviewed for impairment on an annual basis and any impairment is written-off to the profit and loss account.

Where goodwill arises on the acquisition of a subsidiary operating a specific development, the goodwill is written-off on a unit completion basis.

Goodwill was fully impaired during the period ended 30 June 2008.

(iv) Investment in joint ventures

The group's share of turnover and profits less losses of joint ventures is included in the consolidated profit and loss account. The group's investment in their net assets, as adjusted for differing accounting policies, is included in the consolidated balance sheet and accounted for under the gross equity method. Where the group's share is represented by net liabilities, it is accounted for as a provision.

(v) CALA Finance joint arrangements

For the purposes of FRS 9 Associates and Joint Ventures, CALA Finance activities are classified as "joint arrangements". Profits are recognised on similar principles as other profits from the group's activities, and are included in turnover and trading profit. Any losses arising from joint arrangements are included in cost of sales. Interests in joint arrangements at the period end are included in current assets.

(vi) Turnover

Turnover consists of the sales of houses net of discounts and sales incentives, land and commercial properties, profits from CALA Finance joint arrangements and joint venture management fees. Sales of houses are recognised on legal completion. Sales of land and commercial property are recognised when contracts are exchanged or missives concluded and, where appropriate, construction is complete. Where construction of commercial property is incomplete, sales are recognised on a stage of completion basis. Management fees which represent a reimbursement of costs incurred on behalf of joint ventures are recognised as invoiced. Other management fees are recognised as turnover when realised or in proportion to the group's share in the respective joint ventures.

CALA Group Limited

Statement of accounting policies for the period ended 30 June 2009 (continued)

(vii) Net operating expenses

Net operating expenses include, inter alia, the overhead costs of all office based employees, including construction and sales management not based permanently on site.

(viii) Depreciation

Tangible assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on fixed assets is provided on a straight line basis at rates estimated to write off the cost of the relevant assets over their expected useful lives. The annual rates used are:

Buildings	2%
Computers	25 - 33%
Plant and equipment	25%

Freehold land is not depreciated.

(ix) Cost of sales

Housebuilding cost of sales includes land, construction, design, advertising, selling and marketing costs, and site overheads. All such costs are written off on a site by site basis by comparing turnover to date with turnover forecast for the whole site, and applying the resulting proportion to the total forecast costs.

Where construction of commercial property is incomplete, costs are written off on a stage of completion basis.

(x) Interest

Interest incurred by the group is charged to the profit and loss account in that period. Interest incurred by joint venture development companies is treated as a development cost and carried in work-in-progress. It is charged to the profit and loss account in accordance with the stage of completion of the development. Interest incurred by joint venture development companies which relates to land without the benefit of a planning consent is charged to the profit and loss account in that period. Interest incurred by joint venture companies which hold property for trading purposes is charged to the profit and loss account as incurred.

(xi) Exceptional items

Exceptional items comprise items of income and expense that are material in amount and unusual or infrequent in nature and which merit separate disclosure in order to provide an understanding of the group's underlying performance.

Examples of events giving rise to the disclosure of income and expense as exceptional items include, but are not limited to, reorganisation of operations and economic events which necessitate a review of asset valuations including land, and work in progress.

CALA Group Limited

Statement of accounting policies for the period ended 30 June 2009 (continued)

(xii) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(xiii) Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value for housebuilding and commercial property assets is assessed internally after taking account of any relevant available market information. Land option premiums are amortised over the life of the option or written off in full if planning is unlikely to be achieved. All other option costs are written off as incurred.

(xiv) Pensions

In accordance with FRS 17, Retirement benefits, the operating and financing costs of pensions are charged to the profit and loss account in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in the statement of total recognised gains and losses. Pension costs are assessed in accordance with the advice of qualified actuaries.

(xv) Finance and operating leases

Where assets are financed by leasing agreements which give rights approximating to ownership (finance leases) the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the profit and loss account on the same basis as other fixed assets. Leasing payments are allocated between capital and interest and the interest is charged to the profit and loss account in proportion to the reducing capital element outstanding. Costs in respect of operating leases are charged to the profit and loss account as incurred.

CALA Group Limited

Statement of accounting policies for the period ended 30 June 2009 (continued)

(xvi) Investments in subsidiaries

Investments are carried in the balance sheet at the lower of cost or directors' valuation. Provisions are made where necessary to reflect any impairment.

Notes to the accounts
for the year ended 30 June 2009

1. SEGMENTAL ANALYSIS

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Turnover including joint ventures:		
Housebuilding		
Group: continuing operations	128,941	132,730
Joint ventures	35,192	31,311
	<u>164,133</u>	<u>164,041</u>
Property development		
Group: continuing operations	279	396
Joint ventures	4,482	10,783
	<u>4,761</u>	<u>11,179</u>
	<u>168,894</u>	<u>175,220</u>

2. NET OPERATING EXPENSES

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Administrative expenses	22,057	18,413
Other operating income	(468)	(232)
	<u>21,589</u>	<u>18,181</u>

3. NET INTEREST PAYABLE

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Interest payable and similar charges		
Bank loans, overdrafts and other borrowings	20,236	14,503
Other finance income	(150)	(214)
Share of joint ventures' interest payable	7,393	7,830
	<u>27,479</u>	<u>22,119</u>
Interest receivable	(845)	(708)
	<u>26,634</u>	<u>21,411</u>
Bank facility arrangement fees	637	443
Redemption premia	2,265	1,174
	<u>29,536</u>	<u>23,028</u>

4. EXCEPTIONAL ITEMS

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Restructuring costs and administrative expenses	2,368	858
Impairment of goodwill (note 8)	-	136,110
Land and work in progress write downs	9,534	102,591
Land and work in progress (write backs)	(13,742)	-
	<u>(1,840)</u>	<u>239,559</u>

The carrying value of stocks has been reviewed to take account of market conditions and trading performance. The group had significant write downs as at 30 June 2008 and review of these has resulted in some write backs which are disclosed separately above to distinguish from any further write downs made. The review of land and work in progress has been carried out on a site-by-site basis using internal valuations incorporating projected sales rates and prices that reflect both current and anticipated trading conditions. Where appropriate, external market research has been used to support land valuations.

Restructuring costs consist principally of professional fees and redundancy costs.

Notes to the Accounts for the year ended 30 June 2009 (continued)

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Stated after charging/(crediting):		
Depreciation	600	459
Amortisation and impairment of goodwill	-	140,745
Operating leases: - plant and machinery	817	684
- land and buildings	978	489
Auditors' remuneration: - Group audit	190	226
- other services: tax services	68	52
Profit on sale of tangible fixed assets	(10)	(18)
Rental income	(20)	(10)

The Group audit fee disclosed above includes £1,000 in respect of the company.

6. EMPLOYEES

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 Number
Average monthly number of employees during the period (including directors):		
Housebuilding- site	174	210
Housebuilding- office	209	266
Property development	9	14
	<u>392</u>	<u>490</u>

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Employment costs during the period:		
Wages and salaries	17,456	12,505
Social security costs	2,013	1,445
Other pension costs	1,087	555
	<u>20,556</u>	<u>14,505</u>

Notes to the accounts for the year ended 30 June 2009 (continued)

6. EMPLOYEES (continued)

Directors' remuneration

	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Aggregate emoluments	<u>1,506</u>	<u>1,202</u>
Highest paid director	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Aggregate emoluments (2008: from date of appointment to 30 June 2008)	<u>275</u>	<u>238</u>

Retirement benefits are accruing to four directors under the Group defined benefit scheme.

Included in the remuneration disclosed above is £35,000 (2008: £24,000) paid to Noble Grossart Limited in respect of the services of RGT Stenhouse.

7. TAXATION

(a) Analysis of tax charge in the period:	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Tax on loss on ordinary activities:		
UK corporation tax at 28% for the period (2008: 29.5%)	171	3,589
Adjustment in respect of prior years	<u>(27)</u>	<u>(225)</u>
Total current year tax charge (note b)	<u>144</u>	<u>3,364</u>
Deferred tax (note 17)		
- current year	793	1,093
Total deferred tax charge	<u>793</u>	<u>1,093</u>
Share of joint ventures' tax	<u>(569)</u>	<u>1,443</u>
Total tax charge	<u>368</u>	<u>5,900</u>
(b) Factors affecting tax charge for period:	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Loss on ordinary activities before taxation	(33,878)	(266,065)
Less: share of loss in joint ventures before taxation	<u>(6,370)</u>	<u>60,256</u>
Group loss on ordinary activities before taxation	<u>(40,248)</u>	<u>(205,809)</u>
Group loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 28% (2008: 29.5%)	(11,269)	(60,713)
Effects of:		
Goodwill	-	41,519
Group relief not paid for	-	(2)
Items not deductible for tax purposes	588	2,973
Adjustments in respect of prior years	(27)	(225)
Marginal rates of tax	-	10
Impact of pre-acquisition profits	-	410
Accelerated capital allowances and other timing differences	<u>10,852</u>	<u>19,392</u>
Group tax charge for the period	<u>144</u>	<u>3,364</u>

Notes to the Accounts for the period ended 30 June 2009 (continued)

8. INTANGIBLE ASSETS

Group	Year ended 30 June 2009 £000	Period from 26 June 2007 to 30 June 2008 £000
Goodwill		
Cost:		
As at 30 June 2008	140,745	-
Additions arising from acquisition during the period	-	140,745
As at 30 June 2009	140,745	140,745
Amortisation:		
As at 30 June 2008	140,745	-
Charge for the financial period	-	4,635
Impairment losses for the financial period	-	136,110
As at 30 June 2009	140,745	140,745
Net book value at 30 June 2008 and 2009	-	-

The group's goodwill was fully impaired as at 30 June 2008.

Notes to the accounts for the year ended 30 June 2009 (continued)

9. TANGIBLE FIXED ASSETS

	Group			
	Land and buildings £000	Computers £000	Plant and equipment £000	Total £000
Cost or valuation:				
At 30 June 2008	322	2,645	4,507	7,474
Disposals	(2)	-	(177)	(179)
At 30 June 2009	320	2,645	4,330	7,295
Accumulated depreciation:				
At 30 June 2008	79	2,169	3,833	6,081
Provided during the period	4	249	347	600
Disposals	(2)	-	(147)	(149)
At 30 June 2009	81	2,418	4,033	6,532
Net book value at 30 June 2009	239	227	297	763
Net book value at 30 June 2008	243	476	674	1,393

Land and buildings are freehold and heritable.

The net book value of computers and plant and equipment held under hire purchase and finance leases as lessee, and included in the totals of £227,000 (2008: £476,000) and £297,000 (2008: £674,000) above, is £103,000 (2008: £179,000) after charging depreciation for the period of £71,000 (2008: £62,000).

The company has no fixed assets.

10. INVESTMENTS IN SUBSIDIARIES

	Company £000
Cost as at 30 June 2008 and 30 June 2009	122,668
Provision for diminution in value	(122,668)
Net book value at 30 June 2008 and 30 June 2009	-

In accordance with the provisions of Schedule 5 of the Companies Act 1985, the principal subsidiaries of the Group are:

Name of Company	% of £1 ordinary shares held	Accounting year end	Nature of business
CALA 1999 Limited	100	30 June	Administrative & holding company
CALA Limited	100	30 June	Administrative & holding company
CALA Management Limited	100	30 June	Housebuilding & property development
CALA Homes (East) Limited *	100	30 June	Housebuilding
CALA Homes (West) Limited *	100	30 June	Housebuilding
CALA Homes (Midlands) Limited *	100	30 June	Housebuilding
CALA Homes (South) Limited *	100	30 June	Housebuilding
CALA Homes (Yorkshire) Limited *	100	30 June	Housebuilding
CALA Finance Limited *	100	30 June	Provision of finance and housebuilding services
CALA Properties Limited *	100	30 June	Property development
CALA Homes (Surrey) Limited	100	30 June	Housebuilding
CALA Greenbank 2 Limited	100	30 June	Housebuilding
CALA Homes Limited	100	30 June	Selling & marketing
CALA Land Investments Limited	100	30 June	Land acquisition

All the above companies are incorporated in Great Britain.

CALA Management Limited is the Group's principal operating subsidiary. All other companies marked * above are agents of CALA Management Limited.

Provision has been made to reflect full impairment in the value of the investment.

Notes to the accounts for the year ended 30 June 2009 (continued)

11. INVESTMENTS IN JOINT VENTURES

Joint ventures	Share capital £000	Share of profits/ (losses) £000	Total £000
At 30 June 2008	628	4,540	5,168
Losses for the financial period	-	(1,107)	(1,107)
Dividends distributed	-	(140)	(140)
Transfer to provisions (note 16)	-	1,425	1,425
At 30 June 2009	628	4,718	5,346

The amounts included in net assets in respect of joint ventures comprise the following:

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Share of assets:				
Share of current assets	25,157	35,713	-	-
	25,157	35,713	-	-
Share of liabilities:				
Due within one year	(1,218)	(27,817)	-	-
Due after more than one year	(18,593)	(2,728)	-	-
	(19,811)	(30,545)	-	-
	5,346	5,168	-	-

The group's share of current assets and liabilities in respect of joint ventures represents: trade debtors and creditors arising in the normal course of business; tangible stocks of land and work-in-progress on each development; and loan balances due to the joint venture partners and financial institutions.

The joint venture companies are:

Name of company	% of £1 ordinary shares held	Accounting year end	Nature of business
Canniesburn Limited	50	31 December	Housebuilding
CALA City Limited	50	30 September	Housebuilding
CALA Grandholm Limited	50	31 March	Housebuilding
CALA Evans Residential Limited	50	30 June	Housebuilding
CALA Domus Limited	50	30 June	Housebuilding
Southspirit Limited	50	30 June	Housebuilding
Lancefield Quay Limited	50	31 December	Housebuilding
CALA Evans Restoration Limited	50	30 June	Housebuilding
CALA Campus Limited	50	31 December	Housebuilding
CALA Ventures Limited	50	30 June	Housebuilding
Stockdale-CALA Limited	50	30 June	Property development
CALA-FM Developments Limited	50	30 June	Property development
CALA Properties (Banbury) Limited	50	30 June	Property development
CALA-AWG Limited	50	31 July	Property development
CALA Properties (Slateford) Limited	50	30 June	Property development
Business Homes-CALA Limited	50	30 June	Property development
CALA Properties (Holdings) Limited	50	30 June	Property development
Westside Plaza Limited	50	30 June	Property development
Tipton Shopping Centre Limited	50	30 June	Property development
CALA Land Investments (Bearsden) Limited	75	30 June	Land acquisition

All the above companies are incorporated in Great Britain.

With the exception of CALA Land Investments (Bearsden) Limited, the joint venture companies were formed for the purpose of carrying out large site-specific housing or commercial property developments where the Group considered the additional risks and funding requirements attaching to such projects merited a sharing arrangement. Most of these developments are project managed by a subsidiary of the Group on normal commercial terms negotiated on an arms-length basis.

CALA Land Investments (Bearsden) Limited was formed to procure all necessary development consents for a specific development site.

Each company has a properly constituted Board which meets on a regular basis. Systems are in place to ensure regular reporting of financial information to each Board, and to the Group, and such financial information is sufficient to give a full understanding of the financial position of the joint venture company.

Each company is separately funded by a financial institution on either a non-recourse or limited guarantee basis, secured over the assets of that company. Additional unsecured loan funding is provided by the joint venture shareholders at varying rates of interest.

Notes to the accounts for the year ended 30 June 2009 (continued)

12. STOCKS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Housebuilding:				
Land	146,646	161,928	-	-
Part exchange stocks	3,637	11,034	-	-
Work in progress and other stocks	46,630	78,212	-	-
	<u>196,913</u>	<u>251,174</u>	<u>-</u>	<u>-</u>

13. DEBTORS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Amounts falling due within one year:				
Trade debtors	1,357	2,103	-	-
Amounts owed by joint ventures	19,779	14,105	13	296
Amounts owed by subsidiary companies	-	-	469	834
Other debtors	592	1,086	-	-
Corporation tax	117	286	-	-
Prepayments and accrued income	249	364	-	-
Interests in joint arrangements	680	2,167	-	-
	<u>22,774</u>	<u>20,111</u>	<u>482</u>	<u>1,130</u>
Less: amounts irrecoverable from joint ventures (note 16)	<u>(9,214)</u>	<u>(8,918)</u>	<u>-</u>	<u>-</u>
	<u>13,560</u>	<u>11,193</u>	<u>482</u>	<u>1,130</u>
Amounts falling due after more than one year:				
Trade debtors	316	85	-	-
Amounts owed by joint ventures	18,513	20,879	-	-
Prepayments and accrued income	450	350	-	-
Other debtors	53	53	-	-
Interests in joint arrangements	1,060	429	-	-
	<u>20,392</u>	<u>21,796</u>	<u>-</u>	<u>-</u>
Less: amounts irrecoverable from joint ventures (note 16)	<u>(9,450)</u>	<u>(9,395)</u>	<u>-</u>	<u>-</u>
	<u>10,942</u>	<u>12,401</u>	<u>-</u>	<u>-</u>
	<u>24,502</u>	<u>23,594</u>	<u>482</u>	<u>1,130</u>

The group has offset £18,664,000 of loans due from joint ventures against provisions for the group's share of joint ventures' net liabilities (note 16).

Notes to the accounts for the year ended 30 June 2009 (continued)

14. LOANS AND OTHER BORROWINGS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Creditors: amounts falling due within one year:				
Loans and other borrowings	292,519	300,781	69,478	62,179

At the date of approval of these financial statements the Group's borrowing facilities are repayable on demand (see statement of accounting policies on page 25).

The main risk arising from the group's financial instruments is interest rate risk. The board reviews and agrees policies for managing this risk.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

All issue costs in respect of capital instruments are offset against debt immediately after issue. Finance costs, including provisions for redemption premia are allocated to periods over the term of the debt at a constant rate on the carrying amount.

The fair value of the financial liabilities is equal to the carrying value.

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
(a) Analysis by instrument				
Bank overdrafts	15,382	16,223	7,341	2,575
Term loan and guarantee facility	-	10,204	-	-
Revolving credit facility	215,000	214,750	-	-
Mezzanine term loan	56,006	53,252	56,006	53,252
Unsecured redeemable variable rate				
Loan notes	6,131	6,352	6,131	6,352
	292,519	300,781	69,478	62,179

The Group has entered into interest rate SWAP arrangements in respect of £120,000,000 of debt at rates of between 4.75% and 5.48% excluding margin. These arrangements expire on various dates up to June 2013.

(b) Borrowing facilities

The Group and the company had no undrawn committed borrowing facilities at 30 June 2009 in respect of which all conditions precedent had been met.

(c) Security

Bank borrowings from Bank of Scotland plc are secured by way of a bond and floating charge and guarantees granted by CALA Group Limited and the following main subsidiaries: CALA 1999 Limited, CALA Limited, and CALA Management Limited. A number of other bonds and floating charges, fixed securities and debentures over land and assets have been granted by certain subsidiaries of the company in favour of the bank.

15. OTHER CREDITORS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Amounts falling due within one year:				
Trade creditors:				
Land	25,460	28,870	-	-
Other	27,196	31,422	-	-
Amounts owed to joint ventures	397	353	-	-
Other taxation and social security costs	751	944	-	-
Obligations under finance leases	36	71	-	-
Other creditors	345	594	-	-
Accruals	3,903	8,325	53	1,045
	58,088	70,579	53	1,045
Amounts falling due after more than one year:				
Trade creditors:				
Land	74,955	56,815	-	-
Other	4,667	12,449	-	-
Amounts due to joint ventures	-	901	-	-
Obligations under finance leases				
-payable between one and two years	4	36	-	-
-payable between two and five years	-	4	-	-
Accruals	569	70	-	-
	80,195	70,275	-	-

Total trade creditors include accruals of £97,653,000 (2008: £85,684,000) for development land under contract but not yet acquired.

Total land creditors also include £24,233,000 (2008: £74,264,000) which is secured by way of legal charge against land acquired for development.

Notes to the accounts for the year ended 30 June 2009 (continued)

16. PROVISIONS

	Group 2009 £000	Group 2008 £000
Provision for joint venture deficit		
The Group share of net liabilities is as shown below:		
Fixed assets	3,625	3,700
Current assets	193,944	189,093
Share of gross assets	197,569	192,793
Share of liabilities:		
Due within one year	(87,371)	(51,001)
Due after more than one year	(168,907)	(207,122)
Share of joint venture net liabilities	(58,709)	(65,330)
Less: offset against amounts due from joint ventures (note 13)	18,664	18,313
	(40,045)	(47,017)

The above provisions reflect accounting under the equity method for the group's share of net liabilities of entities under joint ownership. The provisions are significantly in excess of the group's commitments under financing arrangements with no recourse to the rest of the CALA Group in respect of certain entities.

The Group's share of net liabilities shown above in respect of CALA Properties (Holdings) Limited and its wholly owned subsidiaries amounted to £22,801,000. The Group's commitments under funding arrangements with no recourse to the rest of the CALA Group amounted to £7,366,000.

17. DEFERRED TAXATION

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Deferred tax assets:				
Included in prepayments and accrued income:				
Accelerated capital allowances	-	-	-	-
Other timing differences	-	-	-	-
Set against pension liability:				
Deferred tax on pension liability (note 24)	(2,565)	(1,179)	-	-
	(2,565)	(1,179)	-	-
Deferred tax liabilities/(assets):				
Amount provided (on pension liability)	(2,565)	(1,179)	-	-
Amount not provided	(33,413)	(22,345)	-	-
The deferred taxation movement for the period is as follows:				
At 30 June 2008 (2008: Acquisition of CALA 1999 Limited)	(1,179)	(1,622)	-	-
Charged to profit and loss account (note 7):				
Deferred tax asset	-	102	-	-
Pension liability	793	991	-	-
Amount (credited) to statement of total recognised gains and losses	(2,179)	(650)	-	-
At 30 June 2009	(2,565)	(1,179)	-	-

No recognition has been made in these financial statements for the deferred tax asset of £33,413,000 (shown above as unprovided) comprising losses of £32,767,000 and accelerated capital allowances and other timing differences of £646,000. The losses will be available for offset against future profits.

Notes to the accounts for the year ended 30 June 2009 (continued)

18. CALLED UP SHARE CAPITAL

	Authorised 2009	Authorised 2008	Allotted and fully paid 2009	Allotted and fully paid 2008
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Equity share capital:				
'A' ordinary shares of 1p each	87,255,300	87,255,300	38,962,646	38,962,646
'B' ordinary shares of 1p each	54,138,155	54,138,155	18,343,218	18,343,218
'C' ordinary shares of 1p each	54,137,955	54,137,955	6,488,226	6,488,226
At 30 June 2009	195,531,410	195,531,410	63,794,090	63,794,090
	Authorised 2009 £000	Authorised 2008 £000	Allotted and fully paid 2009 £000	Allotted and fully paid 2008 £000
Equity share capital:				
'A' ordinary shares of 1p each	872	872	390	390
'B' ordinary shares of 1p each	542	542	183	183
'C' ordinary shares of 1p each	542	542	65	65
At 30 June 2009	1,956	1,956	638	638

At the year end the different classes of shares had different rights and restrictions, relating principally to transferability, and rights upon a listing or sale of the company.

Holders of A and B shares have equal voting rights. C shares carry no right to vote in any circumstances.

Individual holders of A shares may transfer their shares to various restricted categories of related person, trust, company or pension scheme and may deal through the internal market. Corporate holders of A shares may transfer shares to any wholly owned subsidiary company, subject to certain conditions.

Holders of B and C shares may transfer shares to companies within the same group of companies, subject to conditions and to certain other defined companies, again subject to conditions. On the occurrence of an exit event (defined as the sale or listing of the company), holders of shares would rank pari passu in the distribution of the reserves.

The impact on the capital structure of the company arising from the restructuring completed on 21 December 2009, is described in note 27.

The CALA Group Limited Unapproved Share Option Scheme

The company operates an Unapproved Share Option Scheme for the benefit of eligible employees. On 28 January 2008, the company granted 1,693,900 options over 'A' Ordinary shares in the company at a price of £1 per share.

The options are exercisable between the 2nd and the 10th anniversaries of the date of grant of the options. The options are also exercisable under other limited circumstances such as an option holder ceasing to hold office or employment by reason of injury or ill health and on the occurrence of certain events such as a change of control of the company. If not previously exercised the options will lapse on the 10th anniversary of the date of grant.

The options are granted over existing issued A shares in the company.

No cost is recognised in these financial statements as the directors do not consider that the market value of the shares is higher than £1 at the balance sheet date.

19. RESERVES

Group

	Share premium account £000	Profit and loss account £000	Total £000
At 30 June 2008	63,156	(273,637)	(210,481)
Loss for the financial period	-	(34,246)	(34,246)
Actuarial loss recognised in pension scheme (note 24)	-	(7,781)	(7,781)
Movement on deferred tax relating to pension scheme (note 17)	-	2,179	2,179
At 30 June 2009	63,156	(313,485)	(250,329)

Company

	Share premium account £000	Profit and loss account £000	Total £000
At 30 June 2008	63,156	(125,888)	(62,732)
Loss for the financial year	-	(6,955)	(6,955)
At 30 June 2009	63,156	(132,843)	(69,687)

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
At 30 June 2008	(209,843)	-	(62,094)	-
Issue of ordinary share capital	-	63,794	-	63,794
Loss for the financial period	(34,246)	(271,965)	(6,955)	(125,888)
Actuarial loss net of deferred tax	(5,602)	(1,672)	-	-
Closing shareholders' funds at 30 June 2009	(249,691)	(209,843)	(69,049)	(62,094)

Notes to the accounts for the year ended 30 June 2009 (continued)

21. CONTINGENT LIABILITIES

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Guarantees on behalf of CALA Finance joint arrangements	2,537	5,079	2,537	5,079
Indemnities for performance bonds	2,121	2,430	2,121	2,430

The performance bonds consist of road, sewer and other development agreements entered into in the normal course of business.
The company has also guaranteed the performance of certain subsidiary and joint venture obligations arising from normal trading agreements.

22. CAPITAL COMMITMENTS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Authorised but not contracted	-	-	-	-
Contracted but not provided for	-	-	-	-

23. FINANCIAL COMMITMENTS

At 30 June 2009 the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2009 £000	Plant and machinery 2009 £000	Land and buildings 2008 £000	Plant and machinery 2008 £000
Operating leases which expire:				
-within one year	17	141	157	116
-within one and two years	157	401	-	255
-within two to five years	492	301	232	511
-after five years	206	-	495	-
	872	843	884	882

24. RETIREMENT BENEFITS

This reporting statement covers the CALA Retirement and Death Benefits Scheme, which is a defined benefit pension scheme.
This scheme existed prior to the acquisition of CALA 1999 Limited.
With effect from 31 December 2007, the scheme was closed to new members and changed from a Final Salary to a Career Average Revalued Earnings benefit structure.
Pension costs are assessed in accordance with the advice of the independent professionally qualified actuaries, AON Consulting Limited.
The most recent triennial valuation was carried out at 6 April 2006 and updated as at 30 June 2009.

The amounts recognised in the balance sheet are as follows:

	2009 £'000	2008 £'000
Present value of funded liabilities	41,020	38,118
Fair value of scheme assets	(31,859)	(33,906)
Deficit	9,161	4,212
Related deferred tax asset	(2,565)	(1,179)
Net liability	6,596	3,033

The amounts recognised in profit and loss are as follows:

	Year ended 30 June 2009 £000	Period from 29 November 2007 to 30 June 2008 £000
Current service cost	1,087	555
Interest cost	2,443	1,259
Expected return on pension scheme assets	(2,593)	(1,473)
	937	341
Actual return on scheme assets	(3,672)	(2,553)

Changes in the amounts recognised in the statement of total recognised gains and losses (STRGL):

	2009 £'000	2008 £'000
Opening cumulative STRGL (2008: at acquisition of CALA 1999 Limited)	(11,628)	(9,306)
Actuarial losses	(7,781)	(2,322)
Closing cumulative STRGL	(19,409)	(11,628)

Notes to the accounts for the year ended 30 June 2009 (continued)

24. RETIREMENT BENEFITS (continued)

Changes in the present value of the defined benefit liabilities are as follows:

	2009 £'000	2008 £'000
Opening defined benefit liability (2008: at acquisition of CALA 1999 Limited)	38,118	39,317
Current service cost	1,087	555
Employee/member contributions	474	338
Interest cost	2,443	1,259
Actuarial losses (gains)	1,516	(1,704)
Benefits paid	(2,618)	(1,647)
Closing defined benefit liability	41,020	38,118

Changes in the fair value of scheme assets are as follows:

	2009 £'000	2008 £'000
Opening fair value of scheme assets (2008: at acquisition of CALA 1999 Limited)	33,906	33,888
Expected return on scheme assets	2,593	1,473
Actuarial (losses)	(6,265)	(4,026)
Contributions by employer	3,769	3,880
Contributions by employees/members	474	338
Benefits paid	(2,618)	(1,647)
Closing fair value of scheme assets	31,859	33,906

Employer contributions for the year commencing 1 July 2009 are due to be paid at 17% of contribution salaries.

The fair value of the scheme assets as a percentage of total scheme assets and target allocations are set out below:

	2009 £'000	2008 £'000
Equities	65.4%	61.3%
Bonds	24.2%	20.8%
Properties	6.6%	9.2%
Cash	3.8%	8.7%

Principal assumptions:

	2009	2008
Discount rate at 30 June	6.00%	6.50%
Expected return on scheme assets at 30 June	7.46%	7.47%
Future salary increases	n/a	n/a
Future pension increases:		
- pension accrued between 6 April 1997 and 5 May 2005	3.74%	4.00%
- pension accrued from 6 May 2005	2.43%	2.50%
Post retirement mortality	PXA92 tables projected by birth year allowing for medium cohort effect	PXA92 tables projected by birth year allowing for medium cohort effect

The expected return on assets is derived from the assumptions of long term expected returns on each asset class, these are shown below:

	2009	2008
Equities	8.25%	8.00%
Bonds	6.20%	6.70%
Properties	8.25%	8.00%
Cash	0.50%	5.00%

Historical pension scheme information:

	2009 £'000	2008 £'000
Defined benefit liability	(41,020)	(38,118)
Scheme assets	31,859	33,906
Deficit	(9,161)	(4,212)
Experience adjustments on scheme liabilities	632	283
Experience adjustments on scheme assets	(6,265)	(5,137)

A recovery plan has been agreed between the group and the Trustees of the scheme which is estimated to eliminate the FRS17 deficit in full by 30 June 2011.

Notes to the accounts for the period ended 30 June 2009 (continued)

25. RELATED PARTY DISCLOSURES

The Group's related parties as defined by Financial Reporting Standard 8 "Related Party Transactions", the nature of the relationship and the extent of transactions with them are summarised below :

	2009 £000	2008 £000
Relating to joint ventures with members of Bank of Scotland:		
Amounts owed by joint ventures	17,853	17,853
Amounts owed to joint ventures	167	1,203
Sales to joint ventures	787	638
Fees received from joint ventures	2,092	1,699
Relating to other joint ventures:		
Amounts owed by joint ventures	20,438	17,131
Amounts owed to joint ventures	231	50
Sales to joint ventures	855	716
Fees received from joint ventures	555	1,462
Interests in joint arrangements	1,740	2,596
Interest received from joint ventures	313	981

Uberior Ventures Limited, a subsidiary of Bank of Scotland, is a shareholder in CALA Group Limited.

During the period an amount of £45,000 (2008: £41,000) was paid to Focus 2 Limited, a company controlled by M J Freshney, in respect of consultancy services.

26. ULTIMATE CONTROLLING PARTY

Ownership of CALA Group Limited is spread over a number of shareholders. Accordingly, the directors believe that there continues to be no ultimate controlling party.

Notes to the accounts for the year ended 30 June 2009 (continued)

27. POST BALANCE SHEET EVENTS

On 21 December 2009, with the approval of shareholders, the group finalised a financial restructuring arrangement with Bank of Scotland putting in place agreed borrowing facilities for the group until 30 June 2013. The financial restructure centred on a debt for equity conversion which reduced the group's gearing and strengthened its balance sheet. The restructure was of the form contemplated when the financial statements for the period ended 30 June 2008 were published.

The combined effect of the restructuring had it been implemented at 30 June 2009 would have been to increase net assets by £298.1 million resulting in a positive net assets position on a post restructuring basis of £48.4 million as illustrated in the pro forma statement of net assets set out below.

The pro forma statement of net assets has been prepared for illustrative purposes only and because of its nature addresses a hypothetical situation and, therefore, does not and will not represent the group's actual financial position.

The pro forma statement of net assets does not include the results of any trading from 30 June 2009 to the restructure date.

Pro forma statement of net assets as at 30 June 2009

	<u>£000</u>
Fixed assets	
Tangible fixed assets	763
Investments in joint ventures	<u>4,764</u>
	<u>5,527</u>
Current assets	
Stocks	349,397
Debtors	34,753
Cash at bank and in hand	<u>1,538</u>
	<u>385,688</u>
Creditors: amounts falling due within one year	
Loans and other borrowings	(12,569)
Other creditors	<u>(82,788)</u>
Net current liabilities	<u>290,331</u>
Total assets less current liabilities	<u>295,858</u>
Creditors: amounts falling due after more than one year	
Loans and other borrowings	(129,193)
Other creditors	(102,583)
Provisions	<u>(9,094)</u>
Net assets excluding pension liability	<u>54,988</u>
Net pension liability	<u>(6,596)</u>
Net assets	<u>48,392</u>

As part of the company's restructuring, there were significant changes made to the capital structure of the company. These were set out in detail in a Circular to shareholders dated 17 December 2009. As a result of these changes, the shareholder voting rights now rest with Bank of Scotland and the three executive directors of the company.