

CALA Group Limited

Annual report

for the period ended 30 June 2000

Registered number: SC 194813



Handwritten signature

CALA Group Limited

Annual report
for the period ended 30 June 2000

	Pages
Directors and advisers	1
Directors' report	2-5
Report of the auditors	6
Group profit & loss account	7
Balance sheets	8
Group cash flow statement	9
Notes on the Group cash flow statement	10-11
Accounting policies	12-13
Notes on the accounts	14-23

CALA Group Limited

Directors & advisers

Directors

Geoffrey A Ball	(appointed 24 March, 2000)
Robert J W Dick	(appointed 24 March, 2000)
Alan W Downie	(appointed 24 March, 2000)
R Guy T Stenhouse	(appointed 28 July, 2000)

Company secretary

Gerry C More

Registered office

Adam House
5 Mid New Cultins
Edinburgh EH11 4DU

Auditors

PricewaterhouseCoopers
Erskine House
PO Box 90
68/73 Queen Street
Edinburgh EH2 4NH

Financial advisers

Noble Grossart
48 Queen Street
Edinburgh EH2 3NR

Principal bankers

Bank of Scotland
The Mound
Edinburgh EH1 1YZ

CALA Group Limited

Directors' report for the period ended 30 June 2000

The directors have pleasure in presenting their first Report and Accounts for the period from 24 March 1999 (date of incorporation) to 30 June 2000.

Principal activities

The main activities of the Group are housebuilding and commercial property development.

Review of the business and future developments

The directors are satisfied with the performance of the Group during the period under review. The principal activities of the Group remained unchanged throughout the period. The directors do not anticipate any change in the principal activities in the foreseeable future.

Acquisition of CALA plc (now CALA Limited)

On 2 June 1999, the Company acquired a controlling interest in the share capital of CALA plc and subsequently acquired 100% of its issued share capital.

On 16 July 1999 CALA plc ceased to be listed on the London Stock Exchange.

Change of name

On 1 December 1999, the Company changed its name from Dotterel Limited to CALA Group Limited.

Results

The profit for the period before tax was £5,768,000. The profit and loss account for the period is presented on page 7 which, together with the notes thereon, deals with the profit and appropriations.

Dividends

In accordance with the Articles of Association, a Participating Dividend has been provided in the accounts amounting to £2,511,000. The dividend will be payable to the holders of 'C' ordinary shares on the occurrence of an exit event (defined as the sale or flotation of the company).

On 1 August, 1999 a preference dividend of £1,000 was paid by a subsidiary company prior to redemption of its preference share capital.

Employees

The directors believe that employee involvement and support is fundamental to the future success of the Group. The directors have put in place an internal market for dealing in the Company's shares, and the directors hope to increase the number of employee shareholders beyond the current total of 93.

The directors aim to keep employees informed on the current status of the Group and its future prospects. Each employee receives a copy of the annual report, and regular staff briefings are held in each office.

The Group continues to be concerned for the health, safety and welfare of its employees and to observe the terms of the Health and Safety at Work Act 1974. Disabled people are employed on equal terms as others and have equal opportunities for training and development. Every effort is made to provide continuous employment for employees who become disabled whilst in employment.

Property values

The directors are of the opinion that there was no significant difference between market and book values of property at 30 June 2000.

Charitable donations

Donations to charities during the period amounted to £19,588.

Directors and their interests

The directors who held office at the period end and during the period are as shown on page 1. Their interests in the shares of CALA Group Limited were as follows:

	At 30 June 2000 Ordinary shares of 1p each	At date of appointment Ordinary shares of 1p each
G A Ball	1,414,800	1
R J W Dick	300,000	1
A W Downie	634,400	1
R G T Stenhouse	Nil	Nil

Prior to the acquisition of CALA plc, G A Ball, R J W Dick, and A W Downie had interests in the share capital of that company, both in shares and options. Details of those holdings are disclosed in the financial statements of CALA plc for the year ended 30 June 1999, copies of which can be obtained from the Registrar of Companies.

Share capital

On 24 March 1999 the Company issued 3 ordinary shares of 1p each at a total value of £3 and on 16 June 1999 issued 8,023,235 ordinary shares of 1p each at a total value of £8,023,235.

Directors' responsibilities

- The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit and cash flows of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 30 June 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

A full review of the impact of Year 2000 on the Group's business and operations had been completed in advance of the date change. As a result of work done, no significant problems were reported.

The costs of becoming Year 2000 compliant were not material and have been accounted for in the same manner as for regular costs of information technology.

European monetary union

The Group's current costs and revenues are almost entirely in sterling. We will monitor closely the development of EMU but at present no specific action is required.

Creditor payment policy

The Company's current policy regarding the payment of the majority of its trade creditors is for payment to be made by the month end following the month of invoice. For other suppliers, the Company's policy is to:

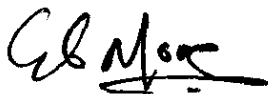
- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies for goods and services. The Company's average creditor payment period at 30 June 2000 was 34.5 days.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board



G C More
Secretary

22 September 2000

CALA Group Limited
Auditors' report to the members of CALA Group Limited

We have audited the financial statements on pages 7 to 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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, 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

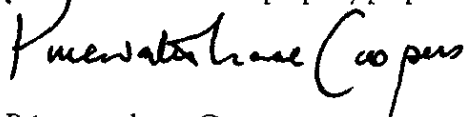
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2000 and of the profit and cash flows of the Group of the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
25 September 2000

Group Profit and Loss Account
for the period ended 30 June 2000

	Notes	2000 £000
Turnover including joint ventures	1	190,830
<i>Less : share of joint ventures turnover</i>		<u>5,025</u>
Group turnover		185,805
Cost of sales		<u>153,107</u>
Gross profit		32,698
Net operating expenses	2	<u>13,817</u>
Group operating profit before amortisation of goodwill		18,881
Amortisation of goodwill	9	<u>2,314</u>
Group operating profit		16,567
Share of operating profit in <i>joint ventures</i>		<u>1,130</u>
Profit on ordinary activities before interest		17,697
Interest payable and similar charges	3	<u>11,929</u>
Profit on ordinary activities before taxation	1,4	5,768
Taxation	6	<u>2,535</u>
Profit on ordinary activities after taxation	7	3,233
Dividends	8	<u>2,512</u>
Profit retained	21	<u>721</u>

All operations were acquired and are continuing.

The Group has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

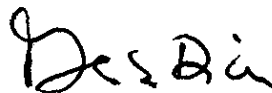
Balance Sheets
at 30 June 2000

	Notes	Group 2000 £000	Company 2000 £000
Fixed assets			
Intangible assets	9	40,432	-
Tangible fixed assets	10	1,605	-
Investments in subsidiaries	11	-	99,097
Investments in joint ventures:	12		
Share of gross assets		20,570	-
Share of gross liabilities		(17,895)	-
Other investment	13	2,850	-
		<u>47,562</u>	<u>99,097</u>
Current assets			
Stocks	14	77,733	-
Debtors	15	15,809	13,918
Cash at bank		30	-
		<u>93,572</u>	<u>13,918</u>
Creditors: due within one year			
Loans and other borrowings	16	(13,650)	(11,310)
Other creditors	17	(26,679)	(1,040)
		<u>53,243</u>	<u>1,568</u>
Net current assets		<u>53,243</u>	<u>1,568</u>
Total assets less current liabilities		<u>100,805</u>	<u>100,665</u>
Creditors: due after more than one year			
Loans and other borrowings	16	(89,557)	(89,557)
Other creditors	17	(2,651)	(2,511)
		<u>8,597</u>	<u>8,597</u>
Net assets	1	<u>8,597</u>	<u>8,597</u>
Share capital and reserves			
Called up share capital	19	80	80
Share premium account	20	7,796	7,799
Capital redemption reserve	21	50	-
Profit and loss account	21	671	718
		<u>8,597</u>	<u>8,597</u>
Shareholders' funds	22	<u>8,597</u>	<u>8,597</u>
Being:			
Non-equity shareholders' funds	22	8,597	8,597
Equity shareholders' funds		<u>8,597</u>	<u>8,597</u>

The accounts on pages 7 to 23 were approved by the Board on 22 September 2000 and signed on its behalf by



G A Ball
Director



R J W Dick
Director

Group Cash Flow Statement
for the period ended 30 June 2000

	Notes	2000 £000
Operating activities		
Net cash inflow from operating activities	A	<u>36,550</u>
Returns on investments and servicing of finance		
Interest received		57
Interest paid		(8,874)
Interest element of hire purchase and finance lease rentals		<u>(11)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(8,828)</u>
Taxation		
UK corporation tax paid		<u>(2,788)</u>
Capital expenditure		
Purchase of tangible fixed assets		(779)
Sale of tangible fixed assets		<u>64</u>
Net cash outflow from capital expenditure		<u>(715)</u>
Acquisitions and disposals		
Acquisition of CALA plc	D	(97,410)
Net borrowings acquired with subsidiary undertaking	D	(28,869)
Disposal of other investment		718
Purchase of other investment		<u>(2,850)</u>
		<u>(128,411)</u>
Non-equity dividends paid		<u>(1)</u>
Net cash outflow before financing		<u>(104,193)</u>
Financing		
Issue of ordinary share capital		7,876
Draw down of bank loans		91,309
Redemption of loan notes		(72)
Capital element of hire purchase and finance lease rentals	C	<u>129</u>
Net cash inflow from financing		<u>99,242</u>
Decrease in cash	B	<u>(4,951)</u>

Notes on the Group Cash Flow Statement
for the period ended 30 June 2000

A. Reconciliation of operating profit to net cash inflow from operating activities	2000 £000
Group operating profit	16,567
Depreciation charges	418
Profit on fixed assets disposals	(42)
Amortisation of goodwill	2,314
Decrease in stocks	12,749
Increase in debtors	(9,839)
Increase in creditors	14,383
Net cash inflow from operating activities	36,550

B. Reconciliation of net cash flow to net debt	£000
Decrease in cash in the period	(4,951)
Cash inflow from hire purchase and lease financing	(129)
Redemption of loan notes	72
Drawdown of bank loans	(93,762)
Change in net debt resulting from cash flows	(98,770)
Provision for bank loan redemption premia	(2,511)
Amortisation of bank arrangement fees	(338)
Issue of loan notes	(1,687)
Hire purchase and finance leases acquired with CALA plc	(72)
Net debt as at 30 June 2000	(103,378)

C. Analysis of net debt	Cash flow	Acquisition	Other non-cash changes	As at 30 June 2000
	£000	£000	£000	£000
Cash :				
Cash at bank and in hand	30	-	-	30
Bank overdrafts	(6,629)	-	(202)	(6,831)
	<u>(6,599)</u>	<u>-</u>	<u>(202)</u>	<u>(6,801)</u>
Debt :				
Bank loans	(92,114)	-	(2,647)	(94,761)
Loan notes	72	(1,687)	-	(1,615)
Hire purchase and finance leases	(129)	-	(72)	(201)
	<u>(92,171)</u>	<u>(1,687)</u>	<u>(2,719)</u>	<u>(96,577)</u>
Net debt	<u>(98,770)</u>	<u>(1,687)</u>	<u>(2,921)</u>	<u>(103,378)</u>

D. Purchase of CALA plc

Net assets acquired

	2000
	<u>£000</u>
Tangible fixed assets	1,042
Investments	4,088
Stocks	90,482
Debtors	5,029
Cash at bank and in hand	-
Creditors	(15,349)
Bank overdrafts	(28,869)
Loans and finance leases	(72)
Deferred taxation	-
	<u>56,351</u>
Goodwill	<u>42,746</u>
	<u>99,097</u>
Satisfied by	
Loan notes issued	1,687
Cash	<u>97,410</u>
	<u>99,097</u>

CALA Group Limited

Accounting policies

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important Group accounting policies which have been consistently applied is set out below.

(i) **Basis of accounting**

The accounts have been prepared under the historical cost convention. In accordance with Section 230 of the Companies Act 1985 the parent company profit and loss account has not been presented.

(ii) **Basis of consolidation**

The consolidated accounts 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. Purchased goodwill is eliminated by amortisation through the profit and loss account over its useful economic life of 20 years.

(iii) **Associates and joint ventures**

The Group's share of turnover and profits less losses of associates and 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.

(iv) **CALA Finance joint arrangements**

For the purposes of FRS 9, CALA Finance joint ventures 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 year-end are included in current assets.

(v) **Turnover**

Turnover consists of the sales of houses net of discounts and sales incentives, land and commercial properties, and profits from CALA Finance joint arrangements. Sales of houses are recognised on legal completion. Sales of land and properties are recognised when contracts are exchanged or missives concluded and, where appropriate, construction is complete.

(vi) **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.

(vii) **Net operating expenses**

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

CALA Group Limited

Accounting policies (continued)

(viii) Depreciation

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) Interest

Interest is charged to the profit and loss account in the period in which it is incurred.

(x) Stocks

Stocks are valued at the lower of cost and net realisable value. 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.

(xi) Deferred tax

Deferred tax is provided on significant timing differences if it is expected that a liability or asset will crystallise. A deferred tax asset is only recognised where a reversal is expected in the foreseeable future.

(xii) Pensions

Pension costs are charged to the profit and loss account so as to spread the cost evenly over the employees' estimated working lives within the Group.

(xiii) Finance and operating leases

Where assets are financed by leasing agreements that 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.

(xiv) Investments

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

Notes to the Accounts
for the period ended 30 June 2000

1. SEGMENTAL ANALYSIS

	2000 £000
Turnover including joint ventures:	
Housebuilding	170,855
Group	430
Joint ventures	171,285
Property development	14,950
Group	4,595
Joint ventures	19,545
	190,830
Profit on ordinary activities before taxation:	
Housebuilding	4,557
Property development	1,211
	5,768
Net assets:	
Housebuilding	100,173
Property development	2,457
Operating divisions	102,630
Central net assets	9,935
Net borrowings	(103,177)
Proposed dividend	(2,587)
Tax liabilities	1,796
	8,597

2. NET OPERATING EXPENSES

	2000 £000
Administration expenses	14,113
Other income	(296)
	13,817

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £000
Interest payable on:	
Bank loans, overdrafts and other borrowings	9,277
Hire purchase and finance leases	57
Share of joint ventures	23
	9,357
Less interest receivable	(277)
	9,080
Bank facility arrangement fees	338
Redemption premia	2,511
Total interest payable and similar charges	11,929

Notes on the Accounts (continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £000
Stated after charging:	
Depreciation	418
Amortisation of goodwill	2,314
Operating leases: - plant & machinery	938
- land & buildings	688
Auditors' remuneration: - Group audit	57
- other services	74
and after crediting:	
Rental income	(124)

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

5. EMPLOYEES

	2000 Number
Average monthly number of employees during the period:	
Housebuilding- site	176
Housebuilding- office	158
Property development	5
	334

Employment costs during the period:	£000
Wages and salaries	9,866
Social security costs	867
Other pension costs	549
	11,282

Directors' remuneration	2000 £000
Aggregate emoluments	738

Highest paid director	2000 £000
Aggregate emoluments	266
Accrued pension at period end	99

Retirement benefits are accruing to one director under an individual defined benefit scheme and to two directors under the Group defined benefit scheme.

Included in the remuneration disclosed above is £13,750 paid to Noble Grossart Limited in respect of the services of RGT Stenhouse.

Notes to the Accounts (continued)

6. TAXATION

	2000 £000
Corporation tax on the profit for the period at 30%	2,470
Deferred tax (note 18)	(150)
	<u>2,320</u>
Share of joint ventures tax	215
	<u>2,535</u>

7. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

The profit on ordinary activities after taxation is dealt with in the accounts as follows:

	2000 £000
Holding company	(7,176)
Subsidiary companies	9,897
Joint ventures	512
	<u>3,233</u>

8. DIVIDENDS

	2000 £000
Participating dividend at 29.99% of adjusted Group profits	2,511
Subsidiary company preference dividend	1
	<u>2,512</u>

Further details of the participating dividend are given in the directors' report.

On 1 August, 1999 a preference dividend of £1,000 was paid by a subsidiary company prior to redemption of its preference share capital.

9. INTANGIBLE FIXED ASSETS

	2000 £000
Goodwill	
	<u>42,746</u>
Arising on acquisition of CALA plc (note 25)	2,314
Amortisation for the period	<u>40,432</u>
Net book value at 30 June 2000	

Notes to the Accounts (continued)

10. TANGIBLE FIXED ASSETS

	Group				Company
	Land & buildings £000	Computers £000	Plant & equipment £000	Total £000	Total £000
Cost or valuation:					
Acquisition of CALA plc	329	1,360	2,524	4,213	-
Additions	-	243	758	1,001	-
Disposals	-	(20)	(374)	(394)	-
At 30 June 2000	329	1,583	2,908	4,820	-
Depreciation:					
Acquisition of CALA plc	40	999	2,130	3,169	-
Provided during the period	5	171	242	418	-
Disposals	-	(9)	(363)	(372)	-
At 30 June 2000	45	1,161	2,009	3,215	-
Net book value at 30 June 2000	284	422	899	1,605	-

Land and buildings are freehold and heritable.

The net amount of computers and plant and equipment held under hire purchase and finance leases as lessee, and included in the totals of £422,000 and £899,000 above, is £196,000 after charging depreciation for the year of £26,000.

At 30 June 2000 the Group had no capital commitments relating to the purchase of plant and equipment.

11. INVESTMENTS

Investments in subsidiaries

	Cost £000	Provisions £000	Book value £000
Acquired during the period to 30 June 2000	99,097	-	99,097

The directors are of the opinion that the number of undertakings in respect of which the Company is required to disclose information under Schedule 5 of the Companies Act 1985 is such that compliance would result in information of excessive length being given. Full information will be annexed to the next annual return.

The principal subsidiaries of the Group are:

Name of Company	% of £1 ordinary shares held	Accounting year end	Nature of business
CALA Limited	100	30 June	Administrative & holding company
CALA Management Limited	100	30 June	Housebuilding
CALA Homes (Scotland) 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	Housebuilding
CALA Properties (Scotland) Limited	100	30 June	Property development
CALA Properties (Cowcaddens) Limited	100	30 June	Property development
Trueline Systems Limited	52	31 December	Computer services

All the above companies are incorporated in Great Britain.

The main activities of CALA Management Limited are housebuilding and commercial property development.

CALA Management Limited is the Group's principal operating subsidiary. All other companies listed above, with the exception of CALA Limited, Trueline Systems Limited, and CALA Properties (Cowcaddens) Limited are agents of CALA Management Limited.

Notes to the Accounts (continued)

12. INVESTMENTS IN JOINT VENTURES

Joint ventures	Share capital £000	Share of retained profits £000	Total £000
Acquisition of CALA plc	760	2,353	3,113
Retained profits for period	-	512	512
Disposals	(760)	(190)	(950)
At 30 June 2000	-	2,675	2,675

The joint venture companies are:

Name of company	% of £1 ordinary shares held	Accounting year end	Nature of business
CALA Ashleigh Developments Limited	50	31 December	Property development
CALA Assets Limited	50	31 December	Acquisition of long-term land
CALA Grandholm Limited	50	31 March	Housebuilding
CALA-Morrison Limited	50	31 July	Property development
CALA Evans Residential Limited	50	30 June	Housebuilding
CALA-Morrison Residential Limited	50	31 December	Housebuilding
CALA-Morrison Residential 2002 Limited	50	31 December	Housebuilding
CALA Morrison Commercial Limited	50	30 June	Property development
Mydub Development Company Limited	50	30 June	Housebuilding

All the above companies are incorporated in Great Britain.

CALA Management Limited has the right to acquire the other 50% of the issued share capital of Mydub Development Company Limited.

13. OTHER INVESTMENT

The other investment represents a holding of 20% in the ordinary share capital of Morrison Merlin (Great Northern) Limited.

The Group's interest is of a short term nature and does not involve significant influence over the running of the business.

The latest audited financial statements, which are for the year ended 31 March 1999, show total Capital & Reserves of £10,037,000

and a profit for the year of £386,000. The directors believe that there has been no permanent impairment in the value of the Group's investment since acquisition.

14. STOCKS

	Group 2000 £000	Company 2000 £000
Housebuilding:		
Land	46,642	-
Part exchange stocks	6,543	-
Work in progress and other stocks	23,529	-
	76,714	-
Property development	1,019	-
	77,733	-

15. DEBTORS

Amounts falling due within one year:

Trade debtors	6,405	-
Interests in joint arrangements	2,933	-
Amounts owed by subsidiary companies	-	13,918
Other debtors	1,628	-
Prepayments and accrued income	857	-
	11,823	13,918

Amounts falling due after more than one year:

Trade debtors	1,301	-
Amounts owed by joint ventures	2,180	-
Other debtors	505	-
	3,986	-
Total debtors	15,809	13,918

Notes to the Accounts (continued)

16. LOANS AND OTHER BORROWINGS

	Group 2000 £000	Company 2000 £000
Creditors: amounts falling due within one year		
Loans and other borrowings	13,650	11,310
Creditors: amounts falling due after more than one year		
Loans and other borrowings	89,557	89,557

The Group's borrowings result from the acquisition of CALA plc (now called CALA Limited) and ongoing working capital requirements. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

During the year interest was at floating rates linked to bank base rate.

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

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.

	Notes	Weighted average interest rate	Group 2000 £000	Company 2000 £000
(a) Analysis by instrument				
Bank overdrafts			6,831	4,491
Term loan and guarantee facility	(1)	6.8%	44,732	44,732
Revolving credit facility	(2)	6.8%	-	-
Unsecured redeemable variable rate loan notes 1999-2006	(3)	5.5%	1,615	1,615
Mezzanine term loan	(4)	16.8%	8,625	8,625
Secured loan stock 2014	(5)	12.8%	41,404	41,404
			103,207	100,867

(1) Term loan & guarantee facility - £45.3m is repayable between 31 December 2000 and 30 June 2007 in six-monthly instalments.

(2) Revolving credit facility - the whole amount is repayable on 30 June 2009.

(3) Unsecured redeemable guaranteed variable rate loan notes 1999-2006 are guaranteed as to principal in full and in respect of six month's interest by the Bank of Scotland. The loan notes bear interest, payable in arrears on 31 March and 30 September at a rate of 0.5 per cent per annum below six month LIBOR. The holders have the option to redeem all or any part of their loan notes on 31 March and 30 September in each year up to and including 30 June 2006.

(4) Mezzanine term loan - £8.0m is repayable in 2 equal instalments on 31 December 2009 and 30 June 2010. A redemption premium, based on a required internal rate of return (IRR) over the 11 year loan period, is payable on 30 June 2010.

(5) Secured loan stock - £40.4m is repayable in 8 equal instalments between 31 December 2010 and 30 June 2014. A redemption premium, based on a required IRR over the first 5 years of the 15 year loan period, is payable in equal instalments at the time of each repayment of principal.

	Group 2000 £000	Company 2000 £000
(b) Maturity analysis		
Repayments fall due as follows:		
Within one year, or on demand	13,650	11,310
After more than one year	89,557	89,557
	103,207	100,867

Repayments due after more than one year are analysed as follows:

	Group 2000 £000	Company 2000 £000
Between one and two years	6,245	6,245
Between two and five years	18,735	18,735
In five years or more	64,577	64,577
	89,557	89,557

(c) Borrowing facilities

The Group has the following undrawn committed borrowing facilities at 30 June 2000 in respect of which all conditions precedent have been met:

	Group 2000 £000	Company 2000 £000
Repayment due on demand	26,658	26,658

Notes to the Accounts (continued)

16. LOANS AND OTHER BORROWINGS (continued)

(d) Security

Bank borrowings are secured by way of a floating charge and guarantee granted by CALA Group Limited and the following subsidiaries: CALA Limited, CALA Management Limited, CALA Finance Limited, CALA Properties (Scotland) Limited, CALA Homes (Scotland) Limited, CALA Homes (Midlands) Limited, CALA Homes (South) Limited, and CALA Homes (Yorkshire) Limited.

In addition, the bank holds a Standard Security over a specific development owned by CALA Management Limited, and Guarantees and Debentures (incorporating fixed charges) over developments owned by CALA Homes (South) Limited and CALA Homes (Yorkshire) Limited.

17. OTHER CREDITORS

	Group 2000 £000	Company 2000 £000
Amounts falling due within one year:		
Trade creditors	18,320	-
Corporation tax	1,555	-
Other taxes and social security costs	472	-
Obligations under finance leases	61	-
Amounts owed to joint ventures	397	-
Other creditors	1,863	-
Accruals	4,011	1,040
	<u>26,679</u>	<u>1,040</u>
Amounts falling due after more than one year:		
Dividends payable	2511	2511
Obligations under finance leases		
-payable between one and two years	59	-
-payable between two and five years	81	-
	<u>2,651</u>	<u>2,511</u>

Total trade creditors include £1,176,000 which is secured against land acquired for development.

18. DEFERRED TAXATION

	Group 2000 £000	Company 2000 £000
Amount provided:		
Other timing differences at 30 June 2000		
included in prepayments and accrued income	(150)	-
	<u>(150)</u>	<u>-</u>
The deferred taxation movement for the period is as follows:		
Credited to profit & loss account	(150)	-
	<u>(150)</u>	<u>-</u>

19. SHARE CAPITAL

	Authorised Number of Shares	Allotted, called up and fully paid Number of Shares	Authorised £000	Allotted, called up and fully paid £000
Non-equity share capital:				
'A' Ordinary shares of 1p each	500,000	500,000	5	5
'B' Ordinary shares of 1p each	5,117,000	5,117,000	51	51
'C1' Ordinary shares of 1p each	2,406,138	1,227,131	24	12
'C2' Ordinary shares of 1p each	1,179,007	1,179,007	12	12
Equity share capital:				
'D' Ordinary shares of 1p each	100	100	-	-
At 30 June 2000	<u>9,202,245</u>	<u>8,023,238</u>	<u>92</u>	<u>80</u>

The different classes of shares have different rights and restrictions, relating principally to transferability, and rights upon a listing or sale of the company.

Holders of all types of shares have equal voting rights.

Holders of 'A' shares may deal only through the internal market; individual holders of 'B' shares may transfer their shares to various restricted categories of related persons; and corporate holders of 'B' shares may transfer shares to any wholly owned subsidiary company. Holders of 'C' and 'D' shares may transfer their holding to any member of the same corporate group. On occurrence of an exit event (defined as the sale or flotation of the company), holders of 'A', 'B', and 'C' shares would receive a priority cash dividend at par; holders of 'C' shares would then receive the participating dividend. Thereafter all other shares rank pari passu in the distribution of the remaining reserves.

Notes to the Accounts (continued)

20. SHARE PREMIUM

	Total £000
Arising at subscription: 8,023,238 shares at 99 pence	7,943
Amounts written off:	
Costs directly related to equity arrangements	145
Subsidiary preference shares redeemed in the period	2
At 30 June 2000	<u>7,796</u>

21. RESERVES

	Share premium £000	Capital redemption reserve £000	Profit and loss £000	Total £000
Group				
At issue of share capital	7,799	-	-	7,799
Movement in the period	(3)	-	-	(3)
Retained profit for the period	-	-	721	721
Transfer from profit & loss account	-	50	(50)	-
At 30 June 2000	<u>7,796</u>	<u>50</u>	<u>671</u>	<u>8,517</u>
Company				
At issue of share capital	7,799	-	-	7,799
Retained profit for the period	-	-	718	718
At 30 June 2000	<u>7,799</u>	<u>-</u>	<u>718</u>	<u>8,517</u>

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £000	Company £000
Shareholders' funds at incorporation	-	-
Profit attributable to shareholders	3,233	3,214
Dividends	(2,512)	(2,496)
	<u>721</u>	<u>718</u>
Issue of ordinary share capital	7,879	8,023
Share premium account movement	(3)	(144)
Shareholders' funds at 30 June 2000	<u>8,597</u>	<u>8,597</u>

23. CONTINGENT LIABILITIES

	Group 2000 £000	Company 2000 £000
Borrowings of subsidiary companies	-	2,340
Guarantees on behalf of CALA Finance joint arrangements	3,760	3,760
Indemnities for performance bonds	<u>8,442</u>	<u>8,442</u>

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.

24. FINANCIAL COMMITMENTS

	Land & buildings 2000 £000	Plant & machinery 2000 £000
At 30 June 2000 the Group had annual commitments under operating leases as set out below:		
Operating leases which expire:		
-within one year	-	65
-between one and two years	21	357
-between two to five years	-	471
-over five years	<u>755</u>	-
	<u>776</u>	<u>893</u>

Notes to the Accounts (continued)

25. ACQUISITION OF CALA plc

On 2 June 1999 the Group acquired CALA plc for a total consideration of £99,097,000. The acquisition method of accounting has been adopted and the goodwill arising on the purchase has been capitalised and is being amortised over 20 years. The directors have estimated the useful economic life of the goodwill acquired after consideration of the long term nature of CALA's business and its well-established position in the market.

Summarised profit and loss account information, which has been derived from the individual financial statements of CALA plc for the relevant periods prior to acquisition, is as follows:

	Period from 1 July 1998 to 2 June 1999 £000	Year ended 30 June 1998 £000
Turnover	81,178	108,825
Operating profit	6,302	11,360
Profit on ordinary activities before taxation	6,525	10,723
Taxation	(2,358)	(3,452)
Profit on ordinary activities after taxation	4,167	7,271
Dividends	(730)	(2,109)
Profit retained for the financial period	3,437	5,162
Goodwill on acquisition of CALA plc (note 9)	Group & Company 2000 £000	
Net assets acquired:		
Tangible fixed assets	1,044	
Investments in joint ventures	3,113	
Other investments	975	
Stocks	90,482	
Debtors	5,029	
Creditors	(15,423)	
Borrowings	(28,869)	
	56,351	
Consideration	99,097	
Goodwill	42,746	

After due consideration, the directors are confident that, at the date of acquisition, the fair value of the assets of CALA plc was not materially different to the book value.

As a result, no fair value adjustment is required.

26. PENSION COMMITMENTS

The Group operates a funded defined benefit pension scheme based on members' final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1997. The principal assumptions adopted were that the investment return would be 9% per annum; that salary increases would average 7% per annum; and that increases to pensions in payment would be 3% per annum for service prior to 6 April 1997 and 4.5% per annum on average thereafter. The valuation showed that the market value of the relevant assets of the scheme was £7,786,000 and the actuarial value of these assets represented 107% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contribution rates in the period to 30 June 2000 were 8.5% from the Group and 5% from employees. The pension charge for the year was £435,000.

The Group operates an individual defined benefit pension scheme for a director. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over his working life with the Group. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the attained age method.

The most recent valuation was at 1 July 1998. The principal assumptions adopted were that the investment return would be 9% per annum; that salary increases would average 8.5% per annum; and that increases to pensions in payment would be 3% per annum for service up to 30 June 1995, and 4.5% per annum for service thereafter. The valuation showed that the market value of the relevant assets of the scheme was £1,448,000 and the actuarial value of these assets represented 104% of the benefits that had accrued to the director after allowing for expected future increases in earnings. The contribution rate in the period to 30 June 2000 was 31.5% from the Group. The assets of the director's scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions paid and payable by the Group to the scheme and amounted to £70,000, of which £26,000 was payable at the period end.

The Group also makes contributions to individual defined contribution pension schemes for two subsidiary company employees. The total contributions paid and payable to the schemes by the Group were £70,000 which was fully paid at the period end.

Notes on the accounts (continued)

27. RELATED PARTY DISCLOSURES

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

	2000 £000
Relating to joint ventures with members of the Morrison plc group:	
Amounts due by joint ventures	3,761
Amounts due to joint ventures	875
Fees received from joint ventures	659
Relating to other joint ventures:	
Amounts due by joint ventures	2,590
Sales to joint ventures	4,930
Fees received from joint ventures	150
Interests in joint arrangements	2,933

CALA Management Limited may be required to provide funding of up to £250,000 under an arrangement entered into with a subsidiary of Morrison plc. Under a separate arrangement, CALA Management Limited is entitled to future income of £75,000 from a subsidiary of Morrison plc.

Morrison plc is a shareholder in CALA Group Limited.

Included in creditors falling due within one year is an amount of £1,059,000 payable to Noble Grossart Limited. Interest at LIBOR is payable on this amount. Noble Grossart Investments Limited, a subsidiary of Noble Grossart Limited, is a shareholder in CALA Group Limited. RGT Stenhouse, a director of the company, is a director of Noble Grossart Limited.