

CALA Group Limited

Annual report

for the year ended 30 June 2001

Registered number: SC 194813



CALA Group Limited

Directors & advisers

Directors

Geoffrey A Ball
Robert J W Dick
Alan W Downie
R Guy T Stenhouse
Professor J P (Ian) Percy CBE (appointed 27 November 2000)
J Graham G Reid (appointed 1 July 2001)
Robert J Millar (appointed 1 July 2001)

Company secretary

Moira R Sibbald (appointed 25 July 2001)
Gerry C More (resigned 25 July 2001)

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 year ended 30 June 2001

The directors have pleasure in presenting their Report and Accounts for the year ended 30 June 2001.

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 year under review. The principal activities of the Group remained unchanged throughout the year. The directors do not anticipate any change in the principal activities in the foreseeable future.

Results

The profit for the period before tax was £5,093,000 (Period 24 March 1999 to 30 June 2000- £5,768,000). The profit and loss account for the year 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 and as described in the accounting policies, a Participating Dividend has been provided in the accounts amounting to £2,146,000 (Period 24 March 1999 to 30 June 2000- £2,511,000).

Board committees

The Board has established an Audit committee and a Remuneration committee, which meet on a regular basis. Both of these committees are chaired by Professor J P Percy, a non-executive director.

Charitable donations

Donations to charities during the period amounted to £12,083 (Period 24 March 1999 to 30 June 2000- £19,588).

CALA Group Limited

Directors' report for the year ended 30 June 2001 (continued)

Employees

The directors believe that employee involvement is fundamental to the future success of the Group. The directors are committed to creating a business which gives every employee the opportunity to achieve their potential in a supportive but challenging working environment. Skills training is given a high priority and all employees are encouraged to take responsibility for their own personal development.

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 102.

The directors keep employees informed on the current status of the Group and its future prospects through regular staff briefings held in each office.

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.

Health and safety

The Board is committed to the promotion of a positive health and safety culture throughout the Group. 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.

The Group operates a comprehensive health and safety monitoring system, which includes regular on-site inspections, staff training and management reporting. All health and safety issues are reported to the Board for consideration on a regular basis.

A W Downie is the director responsible for health and safety throughout the Group.

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.

CALA Group Limited

Directors' report for the year ended 30 June 2001 (continued)

Directors and their interests

The directors who held office at 30 June 2001 and during the year are as shown on page 1. Their interests in the shares of CALA Group Limited were as follows:

	At 30 June 2001 Ordinary shares of 1p each	At 30 June 2000 (or date of appointment) Ordinary shares of 1p each
G A Ball	1,414,800	1,414,800
R J W Dick	300,000	300,000
A W Downie	634,400	634,400
R G T Stenhouse	Nil	Nil
J P (Ian) Percy CBE	Nil	Nil

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 year ended 30 June 2001. 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.

Going concern

The directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. It is therefore appropriate to continue to prepare the Accounts on a going concern basis.

CALA Group Limited

Directors' report for the year ended 30 June 2001(continued)

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:

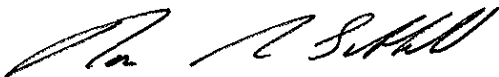
- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

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 2001 was 33.5 days (2000: 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



M R Sibbald
Secretary
7 September 2001

CALA Group Limited
Independent auditors' report to the members of CALA Group Limited

We have audited the financial statements on pages 7 to 25.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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. The other information comprises only the directors' report.

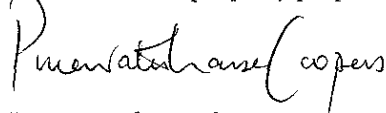
Basis of audit opinion

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
7 September 2001

Group Profit and Loss Account
for the year ended 30 June 2001

	Notes	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Turnover including joint ventures	1	158,217	190,830
Less : share of joint ventures' turnover		<u>11,338</u>	<u>5,025</u>
Group turnover		146,879	185,805
Cost of sales		<u>111,921</u>	<u>153,107</u>
Gross profit		34,958	32,698
Net operating expenses	2	<u>16,391</u>	<u>13,817</u>
Group operating profit before amortisation of goodwill		18,567	18,881
Amortisation of goodwill	9	<u>2,136</u>	<u>2,314</u>
Group operating profit		16,431	16,567
Share of operating profit in joint ventures		<u>1,768</u>	<u>1,130</u>
Profit on ordinary activities before interest		18,199	17,697
Interest payable and similar charges	3	<u>13,106</u>	<u>11,929</u>
Profit on ordinary activities before taxation	1,4	5,093	5,768
Taxation	6	<u>2,894</u>	<u>2,535</u>
Profit on ordinary activities after taxation	7	2,199	3,233
Dividends	8	<u>2,146</u>	<u>2,512</u>
Profit retained	21	<u>53</u>	<u>721</u>

All operations 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.

The comparative period 24 March 1999 to 30 June 2000 included thirteen months' trading being 1 June 1999 to 30 June 2000.

CALA Group Limited

Balance Sheets
at 30 June 2001

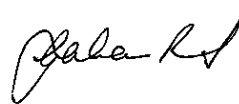
	Notes	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Fixed assets					
Intangible assets	9	38,296	40,432	-	-
Tangible fixed assets	10	1,533	1,605	-	-
Investments in subsidiaries	11	-	-	99,097	99,097
Investments in joint ventures:	12				
Share of gross assets		26,150	20,570	-	-
Share of gross liabilities		(22,189)	(17,895)	-	-
		3,961	2,675	-	-
Other investment	13	1,592	2,850	-	-
		<u>45,382</u>	<u>47,562</u>	<u>99,097</u>	<u>99,097</u>
Current assets					
Stocks	14	69,281	77,733	-	-
Debtors	15	44,328	15,809	28,608	13,918
Cash at bank		13,293	30	7,420	-
		<u>126,902</u>	<u>93,572</u>	<u>36,028</u>	<u>13,918</u>
Creditors: due within one year					
Loans and other borrowings	16	(3,929)	(13,650)	(3,929)	(11,310)
Other creditors	17	(37,267)	(26,679)	(615)	(1,040)
		<u>85,706</u>	<u>53,243</u>	<u>31,484</u>	<u>1,568</u>
Net current assets					
		<u>85,706</u>	<u>53,243</u>	<u>31,484</u>	<u>1,568</u>
Total assets less current liabilities		<u>131,088</u>	<u>100,805</u>	<u>130,581</u>	<u>100,665</u>
Creditors: due after more than one year					
Loans and other borrowings	16	(117,274)	(89,557)	(117,274)	(89,557)
Other creditors	17	(5,164)	(2,651)	(4,657)	(2,511)
		<u>Net assets</u>	<u>8,650</u>	<u>8,597</u>	<u>8,597</u>
Share capital and reserves					
Called up share capital	19	80	80	80	80
Share premium account	20	7,796	7,796	7,799	7,799
Capital redemption reserve	21	50	50	-	-
Profit and loss account	21	724	671	771	718
		<u>Shareholders' funds</u>	<u>8,650</u>	<u>8,597</u>	<u>8,597</u>
Being:					
Non-equity shareholders' funds	22	8,650	8,597	8,650	8,597
Equity shareholders' funds		<u>8,650</u>	<u>8,597</u>	<u>8,650</u>	<u>8,597</u>

The accounts on pages 7 to 25 were approved by the Board on 7 September 2001 and signed on its behalf by

G A Ball
Director



J G G Reid
Director



Group Cash Flow Statement
for the year ended 30 June 2001

		Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
	Notes		
Operating activities			
Net cash inflow from operating activities	A	<u>7,257</u>	<u>36,550</u>
Returns on investments and servicing of finance			
Interest received		468	57
Interest paid		(9,865)	(8,874)
Interest element of hire purchase and finance lease rentals		(1)	(11)
Non-equity dividends paid		<u>-</u>	<u>(1)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(9,398)</u>	<u>(8,829)</u>
Taxation			
UK corporation tax paid		<u>(1,590)</u>	<u>(2,788)</u>
Capital expenditure			
Purchase of tangible fixed assets		(447)	(779)
Sale of tangible fixed assets		<u>87</u>	<u>64</u>
Net cash outflow from capital expenditure		<u>(360)</u>	<u>(715)</u>
Acquisitions and disposals			
Acquisition of CALA plc		-	(97,410)
Net borrowings acquired with subsidiary undertaking		-	(28,869)
Disposal of other investment		-	718
Investments in joint ventures		(573)	-
Purchase of other investment		<u>-</u>	<u>(2,850)</u>
		<u>(573)</u>	<u>(128,411)</u>
Net cash outflow before financing		<u>(4,664)</u>	<u>(104,193)</u>
Financing			
Issue of ordinary share capital		-	7,876
Draw down of bank loans		29,218	91,309
Repayment of bank term loan		(4,132)	-
Redemption of loan notes		(259)	(72)
Capital element of hire purchase and finance lease rentals	C	<u>(69)</u>	<u>129</u>
Net cash inflow from financing		<u>24,758</u>	<u>99,242</u>
Increase/(decrease) in cash	B	<u>20,094</u>	<u>(4,951)</u>

Notes on the Group Cash Flow Statement
for the year ended 30 June 2001

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000		
A. Reconciliation of operating profit to net cash inflow from operating activities				
Group operating profit	16,431	16,567		
Depreciation charges	523	418		
Profit on fixed assets disposals	(43)	(42)		
Amortisation of goodwill	2,136	2,314		
Amounts written off of investments	1,258	-		
Decrease in stocks	8,452	12,749		
Increase in debtors	(28,192)	(9,839)		
Increase in creditors	6,692	14,383		
Net cash inflow from operating activities	7,257	36,550		
B. Reconciliation of net cash flow to net debt	£000	£000		
Increase/(decrease) in cash in the period	20,094	(4,951)		
Cash inflow/(outflow) from hire purchase and lease financing	69	(129)		
Redemption of loan notes	259	72		
Net drawdown of bank loans	(22,266)	(93,762)		
Change in net debt resulting from cash flows	(1,844)	(98,770)		
Provision for bank loan redemption premia	(2,617)	(2,511)		
Amortisation of bank arrangement fees	(203)	(338)		
Issue of loan notes	-	(1,687)		
New hire purchase and finance leases	(49)	-		
Hire purchase and finance leases acquired with CALA plc	-	(72)		
	(4,713)	(103,378)		
Net debt as at 30 June 2000	(103,378)	-		
Net debt as at 30 June 2001	(108,091)	(103,378)		
C. Analysis of net debt	As at 30 June 2000 £000	Cash flow £000	Other non-cash changes £000	As at 30 June 2001 £000
Cash :				
Cash at bank and in hand	30	13,263	-	13,293
Bank overdrafts	(6,831)	6,831	-	-
	(6,801)	20,094	-	13,293
Debt :				
Bank loans	(94,761)	(22,266)	(2,820)	(119,847)
Loan notes	(1,615)	259	-	(1,356)
Hire purchase and finance leases	(201)	69	(49)	(181)
	(96,577)	(21,938)	(2,869)	(121,384)
Net debt	(103,378)	(1,844)	(2,869)	(108,091)

CALA Group Limited

Accounting policies

The accounts 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 and have remained unchanged from the previous period.

(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 on a straight line basis.

(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, profits from CALA Finance joint arrangements and joint venture management fees. 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. 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.

(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.

CALA Group Limited

Accounting policies (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**

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 incurred by the Group is charged to the profit and loss account in that period. Interest incurred by joint venture 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.

(x) **Dividends**

An annual participating dividend is calculated by reference to the Group's adjusted profit after taxation. This 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).

(xi) **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.

(xii) **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.

(xiii) **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.

CALA Group Limited

Accounting policies (continued)

(xiv) **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.

(xv) **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 year ended 30 June 2001

1. SEGMENTAL ANALYSIS

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Turnover including joint ventures:		
Housebuilding		
Group	135,426	170,855
Joint ventures	11,338	430
	<u>146,764</u>	<u>171,285</u>
Property development		
Group	11,453	14,950
Joint ventures	-	4,595
	<u>11,453</u>	<u>19,545</u>
	<u>158,217</u>	<u>190,830</u>
Profit on ordinary activities before taxation:		
Housebuilding	14,364	16,442
Property development	5,971	3,569
	<u>20,335</u>	<u>20,011</u>
Goodwill amortisation	(2,136)	(2,314)
Interest payable and similar charges	(13,106)	(11,929)
	<u>5,093</u>	<u>5,768</u>
Net assets:		
Housebuilding	124,475	100,173
Property development	4,904	2,457
Operating divisions	<u>129,379</u>	<u>102,630</u>
Central net (liabilities)/assets	(5,572)	9,935
Net borrowings	(107,909)	(103,177)
Proposed dividend	(4,657)	(2,587)
Tax liabilities	<u>(2,591)</u>	<u>1,796</u>
	<u>8,650</u>	<u>8,597</u>

2. NET OPERATING EXPENSES

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Administration expenses	15,271	14,113
Amounts written off investments	1,258	-
Other income	(138)	(296)
	<u>16,391</u>	<u>13,817</u>

Notes to the Accounts (continued)

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Interest payable on:		
Bank loans, overdrafts and other borrowings	10,294	9,277
Hire purchase and finance leases	1	57
Share of joint ventures	459	23
	10,754	9,357
Less interest receivable	(468)	(277)
	10,286	9,080
Bank facility arrangement fees	203	338
Redemption premia	2,617	2,511
	13,106	11,929

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Stated after charging:		
Depreciation	523	418
Amortisation of goodwill	2,136	2,314
Operating leases: - plant & machinery	907	938
- land & buildings	748	688
Auditors' remuneration: - Group audit	77	57
- other services	134	74
and after crediting:		
Gain on sale of fixed assets	(43)	(42)
Rental income	(91)	(124)

The Group audit fee disclosed above includes £1,000 (period to 30 June 2000: £1,000) in respect of the company.

5. EMPLOYEES

	Year ended 30 June 2001 Number	Period 24 March 1999 to 30 June 2000 Number
Average monthly number of employees during the year:		
Housebuilding- site	167	176
Housebuilding- office	183	158
Property development	6	5
	356	339
Employment costs during the year:	£000	£000
Wages and salaries	10,891	9,866
Social security costs	995	867
Other pension costs	717	549
	12,603	11,282

Notes to the Accounts (continued)

5. EMPLOYEES (continued)

Directors' remuneration

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Aggregate emoluments	<u>734</u>	<u>648</u>

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Highest paid director	<u>276</u>	<u>266</u>
Aggregate emoluments	<u>276</u>	<u>266</u>
Accrued pension at period end	<u>114</u>	<u>99</u>

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 £15,000 (period to 30 June 2000: £13,750) paid to Noble Grossart Limited in respect of the services of RGT Stenhouse.

6. TAXATION

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Corporation tax on the profit for the year at 30% (2000:30%)	2,626	2,470
Deferred tax (note 18)	<u>(327)</u>	<u>(150)</u>
	2,299	2,320
Share of joint ventures tax	<u>595</u>	<u>215</u>
	<u>2,894</u>	<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:

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Holding company	(8,746)	(7,176)
Subsidiary companies	10,051	9,897
Joint ventures	<u>894</u>	<u>512</u>
	<u>2,199</u>	<u>3,233</u>

Notes to the Accounts (continued)

8. DIVIDENDS

	Year ended 30 June 2001 £000	Period 24 March 1999 to 30 June 2000 £000
Participating dividend at 29.99% of adjusted Group profits	2,146	2,511
Subsidiary company preference dividend	-	1
	<u>2,146</u>	<u>2,512</u>

Further details of the participating dividend are given in the accounting policies.

9. INTANGIBLE FIXED ASSETS

Goodwill

	<u>£000</u>
Cost at 30 June 2000 and 2001	<u>42,746</u>
Amortisation:	
At 30 June 2000	2,314
Provided during the year	<u>2,136</u>
At 30 June 2001	<u>4,450</u>
Net book value at 30 June 2001	<u>38,296</u>
Net book value at 30 June 2000	<u>40,432</u>

10. TANGIBLE FIXED ASSETS

	Group				Company
	Land & buildings £000	Computers £000	Plant & equipment £000	Total £000	Total £000
Cost or valuation:					
At 30 June 2000	329	1,583	2,908	4,820	-
Additions	-	255	241	496	-
Disposals	-	(2)	(205)	(207)	-
At 30 June 2001	<u>329</u>	<u>1,836</u>	<u>2,944</u>	<u>5,109</u>	-
Depreciation:					
At 30 June 2000	45	1,161	2,009	3,215	-
Provided during the year	5	205	313	523	-
Disposals	-	(1)	(161)	(162)	-
At 30 June 2001	<u>50</u>	<u>1,365</u>	<u>2,161</u>	<u>3,576</u>	-
Net book value at 30 June 2001	<u>279</u>	<u>471</u>	<u>783</u>	<u>1,533</u>	-
Net book value at 30 June 2000	<u>284</u>	<u>422</u>	<u>899</u>	<u>1,605</u>	-

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 £471,000 (2000: £422,000) and £783,000 (2000: £899,000) above, is £189,000 (2000: £196,000) after charging depreciation for the year of £68,000 (2000: £26,000).

At 30 June 2001 the Group had no capital commitments (2000: £Nil) relating to the purchase of tangible fixed assets.

Notes to the Accounts (continued)

11. INVESTMENTS IN SUBSIDIARIES

	Company		
	Cost £000	Provisions £000	Book value £000
As at 30 June 2000 and 30 June 2001	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 & property development
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	Provision of finance and housebuilding services
CALA Properties Limited	100	30 June	Property development
Mydub Development Company Limited	100	30 June	Housebuilding
Trueline Systems Limited	52	31 December	Computer services

All the above companies are incorporated in Great Britain.

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 Mydub Development Company Limited are agents of CALA Management Limited.

12. INVESTMENTS IN JOINT VENTURES

Joint ventures	Share capital £000	Share of retained profits £000	Total £000
As at 30 June 2000	-	2,675	2,675
Retained profits for year	-	713	713
Additions	573	-	573
At 30 June 2001	573	3,388	3,961

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

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Share of assets:				
Share of fixed assets	-	-	-	-
Share of current assets	26,150	20,570	-	-
	26,150	20,570	-	-
Share of liabilities:				
Due within one year	8,228	8,436	-	-
Due after one year	13,961	9,459	-	-
	22,189	17,895	-	-
	3,961	2,675	-	-

Notes to the Accounts (continued)

12. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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 Properties (Central) Limited	50	30 June	Property development
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
Park House Apartments Limited	50	30 June	Housebuilding

All the above companies are incorporated in Great Britain.

13. OTHER INVESTMENT

	Group £000	Company £000
At 30 June 2000	2,850	-
Amount written off in the year	(1,258)	-
At 30 June 2001	1,592	-

The other investment represents a holding of 20% in the ordinary share capital of Morrison Merlin Great Northern Limited. The directors have considered the value of the Group's shareholding and in the light of recent projections have provided for a write down of the investment to their best estimate of appropriate carrying value.

14. STOCKS

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Housebuilding:				
Land	48,172	46,642	-	-
Part exchange stocks	6,116	6,543	-	-
Work in progress and other stocks	14,993	23,529	-	-
	69,281	76,714	-	-
Property development	-	1,019	-	-
	69,281	77,733	-	-

15. DEBTORS

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Amounts falling due within one year:				
Trade debtors	24,209	6,405	-	-
Interests in joint arrangements	1,559	2,933	-	-
Amounts owed by joint ventures	1,025	-	-	-
Amounts owed by subsidiary companies	-	-	28,608	13,918
Other debtors	2,074	1,628	-	-
Prepayments and accrued income	801	857	-	-
	29,668	11,823	28,608	13,918
Amounts falling due after more than one year:				
Trade debtors	8,719	1,301	-	-
Amounts owed by joint ventures	5,792	2,180	-	-
Other debtors	149	505	-	-
	14,660	3,986	-	-
	44,328	15,809	28,608	13,918

Notes to the Accounts (continued)

16. LOANS AND OTHER BORROWINGS

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Creditors: amounts falling due within one year				
Loans and other borrowings	3,929	13,650	3,929	11,310
Creditors: amounts falling due after more than one year				
Loans and other borrowings	117,274	89,557	117,274	89,557

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.

	Notes	Weighted average period in years for fixed rates	Weighted average interest rate	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
(a) Analysis by instrument							
Bank overdrafts	(1)			-	6,831	-	4,491
Term loan and guarantee facility	(2)	2.6	7.2%	40,456	44,732	40,668	44,732
Revolving credit facility	(3)	3.0	7.0%	26,677	-	26,677	-
Unsecured redeemable variable rate loan notes 1999-2006	(4)		4.8%	1,356	1,615	1,356	1,615
Mezzanine term loan	(5)		16.8%	9,437	8,625	9,437	8,625
Secured loan stock 2014	(6)		12.8%	43,277	41,404	43,065	41,404
				121,203	103,207	121,203	100,867

(1) Interest is at floating rates linked to bank base rate.

(2) Term loan & guarantee facility is repayable between 31 December 2001 and 30 June 2010 in six-monthly instalments.

The whole amount of the facility is hedged in tranches at rates between 6.65% and 7.82% for periods of between 2 and 4 years.

The amount hedged reduces each six months in line with debt repayment terms.

(3) Revolving credit facility is wholly repayable on 30 June 2009. The whole amount of the facility is hedged in tranches at rates between 7.35% and 7.39% for periods between 3 and 4 years.

(4) 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.

(5) Mezzanine term loan 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.

(6) Secured loan stock 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 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
(b) Maturity analysis				
Repayments fall due as follows:				
Within one year, or on demand	3,929	13,650	3,929	11,310
After more than one year	117,274	89,557	117,274	89,557
	121,203	103,207	121,203	100,867
Repayments due after more than one year are analysed as follows:				
Between one and two years	3,929	6,245	3,929	6,245
Between two and five years	11,786	18,735	11,786	18,735
In five years or more	101,559	64,577	101,559	64,577
	117,274	89,557	117,274	89,557

During the year the Group made Term Loan repayments of £4,162,000.

(c) Borrowing facilities

The Group and the company had no undrawn committed borrowing facilities at 30 June 2001 (2000: £27,000,000) in respect of which all conditions precedent have been met.

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 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 Homes (Yorkshire) Limited.

17. OTHER CREDITORS

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Amounts falling due within one year:				
Trade creditors	27,106	18,320	-	-
Corporation tax	2,591	1,555	-	-
Other taxes and social security costs	88	472	-	-
Obligations under finance leases	73	61	-	-
Amounts owed to joint ventures	-	397	-	-
Other creditors	4,036	1,863	-	-
Accruals	3,373	4,011	615	1,040
	<u>37,267</u>	<u>26,679</u>	<u>615</u>	<u>1,040</u>
Amounts falling due after more than one year:				
Dividends payable	4,657	2,511	4,657	2,511
Trade creditors	400	-	-	-
Obligations under finance leases				
-payable between one and two years	68	59	-	-
-payable between two and five years	39	81	-	-
	<u>5,164</u>	<u>2,651</u>	<u>4,657</u>	<u>2,511</u>

Total trade creditors include £6,782,000 (2000: £1,176,000) which is secured against land acquired for development.

18. DEFERRED TAXATION

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Deferred tax assets:				
Other timing differences at 30 June 2001 included in prepayments and accrued income	(477)	(150)	-	-
Deferred tax liabilities:				
Amount provided:	-	-	-	-
Amount not provided:	-	-	-	-
The deferred taxation movement for the year is as follows:				
At 30 June 2000	(150)	-	-	-
Credited to profit & loss account	(327)	(150)	-	-
At 30 June 2001	<u>(477)</u>	<u>(150)</u>	<u>-</u>	<u>-</u>

Notes to the Accounts (continued)

19. SHARE CAPITAL

	Authorised 2001	Authorised 2000	Allotted, called up and fully paid 2001	Allotted, called up and fully paid 2000
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Non-equity share capital:				
'A' Ordinary shares of 1p each	546,800	500,000	546,800	500,000
'B' Ordinary shares of 1p each	5,070,200	5,117,000	5,070,200	5,117,000
'C1' Ordinary shares of 1p each	2,406,138	2,406,138	1,227,131	1,227,131
'C2' Ordinary shares of 1p each	1,179,007	1,179,007	1,179,007	1,179,007
Equity share capital:				
'D' Ordinary shares of 1p each	100	100	100	100
At 30 June 2001	9,202,245	9,202,245	8,023,238	8,023,238
	Authorised 2001 £000	Authorised 2000 £000	Allotted, called up and fully paid 2001 £000	Allotted, called up and fully paid 2000 £000
Non-equity share capital:				
'A' Ordinary shares of 1p each	5	5	5	5
'B' Ordinary shares of 1p each	51	51	51	51
'C1' Ordinary shares of 1p each	24	24	12	12
'C2' Ordinary shares of 1p each	12	12	12	12
Equity share capital:				
'D' Ordinary shares of 1p each	-	-	-	-
At 30 June 2001	92	92	80	80

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.

20. SHARE PREMIUM

	2001 £000	2000 £000
At 30 June 2000	7,796	-
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 2001	7,796	7,796

21. RESERVES

	Share premium £000	Capital redemption reserve £000	Profit and loss £000	Total £000
Group				
At 30 June 2000	7,796	50	671	8,517
Retained profit for the year	-	-	53	53
At 30 June 2000	7,796	50	724	8,570
Company				
At 30 June 2000	7,799	-	718	8,517
Retained profit for the year	-	-	53	53
At 30 June 2001	7,799	-	771	8,570

Notes to the Accounts (continued)

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £000	Company £000
At 30 June 2000	8,597	8,597
Profit attributable to shareholders	2,199	2,199
Dividends	(2,146)	(2,146)
Shareholders' funds at 30 June 2001	8,650	8,650

23. CONTINGENT LIABILITIES

	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Borrowings of subsidiary companies	-	-	-	2,340
Guarantees on behalf of CALA Finance joint arrangements	8,009	3,760	8,009	3,760
Indemnities for performance bonds	5,810	8,442	5,810	8,442

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 2001 £000	Land & buildings 2000 £000	Plant & machinery 2001 £000	Plant & machinery 2000 £000
At 30 June 2001 the Group had annual commitments under operating leases as set out below:				
Operating leases which expire:				
-within one year	-	-	134	65
-between one and two years	97	21	232	357
-between two to five years	187	-	416	471
-over five years	476	755	-	-
	760	776	782	893

25. 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 2000. The principal assumptions adopted were that the investment return would be 6.75% per annum; that salary increases would average 4.5% per annum; and that increases to pensions in payment would be 3% per annum for all service.

The valuation showed that the market value of the relevant assets of the scheme was £13,082,000 and the smoothed market value of these assets represented 95% 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 2001 were 13% from the Group and 5% from employees. The pension charge for the year was £637,000 (2000- £435,000).

As a result of the valuation carried out as at 6 April 2000, the Group's contribution rate was increased by 4.5% to 13%, and backdated to 6 April 2000.

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 2001 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 £80,000 (2000- £70,000), of which £35,000 (2000- £26,000) was payable at the year end.

Notes to the accounts (continued)

26. RETIREMENT BENEFITS

The Group has adopted FRS 17 and the disclosures required by that standard are as follows:

Composition of the scheme

The Group operates a funded defined benefit scheme in the UK. A full valuation was carried out at 6 April 2000 and updated to 30 June 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

	<u>At 30 June 2001</u>
Rates of increase in salaries	4.0%
Rates of increase in pensions in payment	3.0%
Discount rate	6.15%
Inflation assumption	<u>2.5%</u>

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 30 June 2001	Value at 30 June 2001 £000
Equities	7.18%	10,578
Bonds	5.23%	2,603
Property	7.18%	<u>191</u>
		13,372
Present value of scheme liabilities		<u>(15,509)</u>
Deficit in the scheme		(2,137)
Related deferred tax asset		<u>641</u>
Net pension liability		<u>(1,496)</u>

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 30 June 2001 would be as follows:

Balance sheet

	2001 £000
Net assets excluding pension liability	8,650
Net pension liability	<u>(1,496)</u>
Net assets including pension liability	<u>7,154</u>

Reserves

	2001 £000
Profit & loss reserve excluding pension reserve	724
Pension reserve	<u>(1,496)</u>
Profit & loss reserve	<u>(772)</u>

Notes to 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 :

	2001 £000	2000 £000
Relating to joint ventures with members of the AWG plc group:		
Amounts due by joint ventures	5,173	3,761
Amounts due to joint ventures	-	875
Fees received from joint ventures	797	659
Relating to joint ventures with members of the Bank of Scotland group:		
Amounts due by joint ventures	1,300	-
Fees received from joint ventures	707	-
Relating to other joint ventures:		
Amounts due by joint ventures	6,101	2,590
Sales to joint ventures	2,781	4,930
Fees received from joint ventures	1,906	150
Interests in joint arrangements	1,559	2,933

AWG plc is the ultimate holding company of Morrison Limited which is a shareholder in CALA Group Limited.

Bank of Scotland is a shareholder in CALA Group Limited.