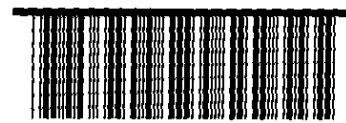


CALA Group Limited

Annual report

for the year ended 30 June 2002

Registered number: SC 194813



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COMPANIES HOUSE 23/12/02

CALA Group Limited

Annual report

For the year ended 30 June 2002

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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
J Graham G Reid
Robert J Millar

Company secretary

Moira R Sibbald

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

Chairman's statement for the year ended 30 June 2002

I am delighted to report that for the third year in succession following our management buy-out we have achieved our target earnings. This year's profits before interest, tax and goodwill amortisation amounted to £16.1 million. Profits from house building, including CALA Finance, were very similar to last year but the profits from CALA Properties were down which can happen where the timing of substantial individual deals produce exceptional results as occurred in 2001.

Looking to our balance sheet the investment in housebuilding land through joint ventures and stocks increased by £62 million. Much of this is due to setting up, with Bank of Scotland, a joint venture vehicle to increase our land bank, so important for our sustainable growth for the future. The joint venture, CALA Land Investments Limited has facilities of £50 million and will acquire residential land for future use by the Group. I would like to thank the Bank for their continued support in this and other areas.

During the year your Board, together with our major shareholders, agreed a change in policy, away from short term earnings to a programme of sustainable growth. We are placing a strong focus on margin improvement and a longer land bank. I believe this is the route to add real value to the Company and your shares over the medium term. As a direct consequence of this change of strategy we are entering the current year with 1672 units owned with planning permission, 42% more than last year. The time and effort involved in obtaining detailed planning consents continues to increase, especially in England, and this is unlikely to improve in the short term, a further reason for increasing the land under our control.

Turning to the future, house prices continue to be stimulated by a shortage of building land and planning consents although there appear to be signs of a slowdown in London where we have no exposure. We are also seeing increased activity in CALA Finance which uses its expertise in developments with smaller builders and in CALA Properties set up for projects in the commercial and office sector. Both of these subsidiaries are becoming more active in England.

I am grateful to my fellow directors and staff who have given their loyal and hard working support to the Group to sustain our success. I am pleased that the number of employee shareholders now stands at 102 and would like this to increase further. Since the buy-out, demand for shares in the internal market has consistently outstripped supply. Future operation of this market will be assisted by the buying back from the Anglian Water Group of the original shares taken up by Morrison Construction at the time of our buy out. Those shares are held by our Employee Share Ownership Trust and will be available to employees.

There are many economic uncertainties at the present time but I am pleased to report that the outlook for our Group in the ensuing year looks encouraging and our strategy of sustainable growth in the medium term is now in place.

CALA Group Limited

Directors' report for the year ended 30 June 2002

The directors have pleasure in presenting their Report and Accounts for the year ended 30 June 2002.

Principal activities

The main activities of the Group are housebuilding and commercial property development. These activities are carried out throughout the United Kingdom by the principal subsidiaries on their own account, and in joint venture with other business partners. The Group also arranges funding and provides advisory services to other housing developers through its subsidiary, CALA Finance Limited.

Results

The profit for the period before tax was £1,134,000 (2001: £5,093,000). The profit and loss account for the year is presented on page 10 which, together with the notes thereon, deals with the profit and appropriations.

Change in accounting policies

The Accounting Standards Board published FRS 19 'Deferred Tax' on 7 December 2000. FRS 19 'Deferred tax' has been adopted in the year. Full detail of this change in accounting policy and its impact on the financial statements is given on page 14.

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 £287,000 (2001: £2,146,000).

Corporate governance

All directors have access to the advice of the Company Secretary, who ensures that the Board, which meets at least ten times per year, receives appropriate information for its decision making, that the Board procedures are followed and that statutory requirements are met.

There is a procedure whereby any director who wishes to do so in the furtherance of his duties, may take independent professional advice.

CALA Group Limited

Directors' report for the year ended 30 June 2002(continued)

Board committees

The Board has delegated certain responsibilities to Board committees which report regularly to the Board.

The Audit committee: assists the Board in fulfilling its overview responsibilities relating primarily to consideration of the financial information being reported, the systems of internal risk management and the audit process. The committee meets at least three times per year and comprises Professor J P Percy who chairs the committee and R G T Stenhouse, both of whom are non-executive directors. The Finance Director attends all meetings and certain meetings are also attended by the external auditors.

The Remuneration committee: ensures that the executive directors and senior management are appropriately rewarded having regard to the financial performance of the Group. The committee comprises the two non-executive directors and is chaired by Professor J P Percy. As appropriate the Chairman, the Managing Director and the Director of Human Resources also attend meetings which are held at least twice per year.

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.

The Group also employs an independent specialist health and safety advisor to monitor and evaluate its processes, procedures and reporting systems. Advice is also provided on health and safety best practice and new legislation.

During the year, the Group launched a health and safety information programme, "Building Sites Bite", aimed at children between the ages of four and sixteen. This initiative is carried out mainly through local schools and its purpose is to assist in educating children on the dangers of unauthorised access to building sites.

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

CALA Group Limited

Directors' report for the year ended 30 June 2002(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 would like to see an increase in 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.

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 2002 was 35 days (2001: 33.5 days).

CALA Group Limited

Directors' report for the year ended 30 June 2002(continued)

Political and charitable contributions

Contributions to charities during the year amounted to £11,146(2001: £12,083). The Group made no political contributions during the year or in the previous financial year.

European monetary union

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

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.

Directors and their interests

The directors who held office at 30 June 2002 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 2002	At 30 June 2001 (or date of appointment)
	Ordinary shares of 1p each	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 J Millar	304,000	304,000
J G G Reid	40,000	25,000
R G T Stenhouse	Nil	Nil
J P (Ian) Percy CBE	Nil	Nil

CALA Group Limited

Directors' report for the year ended 30 June 2002(continued)

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 2002. 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.

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
11 October 2002

CALA Group Limited

Independent auditors' report to the members of CALA Group Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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 in the statement of directors' responsibilities.

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 Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, 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 the chairman's statement and 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.

CALA Group Limited

Independent auditors' report to the members of CALA Group Limited (continued)

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 2002 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.

A handwritten signature in dark ink, reading "PricewaterhouseCoopers" in a cursive, flowing script.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
11 October 2002

Group Profit and Loss Account
for the year ended 30 June 2002

	Notes	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Turnover including joint ventures	1	150,303	158,217
Less : share of joint ventures' turnover		<u>14,815</u>	<u>11,338</u>
Group turnover		135,488	146,879
Cost of sales		<u>107,922</u>	<u>111,921</u>
Gross profit		27,566	34,958
Net operating expenses	2	<u>(14,422)</u>	<u>(16,391)</u>
Group operating profit before amortisation of goodwill		13,144	18,567
Amortisation of goodwill	9	<u>2,136</u>	<u>2,136</u>
Group operating profit		11,008	16,431
Share of operating profit in joint ventures		<u>3,001</u>	<u>1,768</u>
Profit on ordinary activities before interest		14,009	18,199
Interest payable and similar charges	3	<u>12,875</u>	<u>13,106</u>
Profit on ordinary activities before taxation	1,4	1,134	5,093
Taxation	6	<u>179</u>	<u>2,894</u>
Profit on ordinary activities after taxation	7	955	2,199
Dividends	8	<u>287</u>	<u>2,146</u>
Profit retained	21	<u>668</u>	<u>53</u>

All operations are continuing.

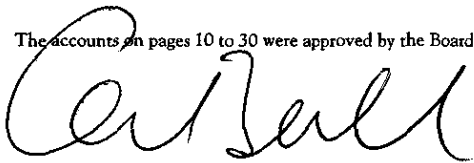
The Group has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance Sheets
at 30 June 2002

	Notes	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Fixed assets					
Intangible assets	9	36,160	38,296	-	-
Tangible fixed assets	10	1,392	1,533	-	-
Investments in subsidiaries	11	-	-	99,097	99,097
Investments in joint ventures:	12				
Share of gross assets		60,716	26,150	-	-
Share of gross liabilities		(54,984)	(22,189)	-	-
		5,732	3,961	-	-
Other investments	13	970	1,592	-	-
		<u>44,254</u>	<u>45,382</u>	<u>99,097</u>	<u>99,097</u>
Current assets					
Stocks	14	127,207	69,281	-	-
Debtors:					
Due within one year	15	52,868	29,668	42,083	28,608
Due after more than one year	15	22,693	14,660	-	-
Cash at bank		65	13,293	-	7,420
		<u>202,833</u>	<u>126,902</u>	<u>42,083</u>	<u>36,028</u>
Creditors: due within one year					
Loans and other borrowings	16	(12,992)	(3,929)	(10,400)	(3,929)
Other creditors	17	(82,517)	(37,267)	(610)	(615)
		<u>107,324</u>	<u>85,706</u>	<u>31,073</u>	<u>31,484</u>
Net current assets		<u>107,324</u>	<u>85,706</u>	<u>31,073</u>	<u>31,484</u>
Total assets less current liabilities		<u>151,578</u>	<u>131,088</u>	<u>130,170</u>	<u>130,581</u>
Creditors: due after more than one year					
Loans and other borrowings	16	(124,438)	(117,274)	(115,909)	(117,274)
Other creditors	17	(17,822)	(5,164)	(4,943)	(4,657)
		<u>9,318</u>	<u>8,650</u>	<u>9,318</u>	<u>8,650</u>
Net assets	1	<u>9,318</u>	<u>8,650</u>	<u>9,318</u>	<u>8,650</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	1,392	724	1,439	771
		<u>9,318</u>	<u>8,650</u>	<u>9,318</u>	<u>8,650</u>
Shareholders' funds	22	<u>9,318</u>	<u>8,650</u>	<u>9,318</u>	<u>8,650</u>
Being:					
Non-equity shareholders' funds	22	9,318	8,650	9,318	8,650
Equity shareholders' funds		-	-	-	-
		<u>9,318</u>	<u>8,650</u>	<u>9,318</u>	<u>8,650</u>

The accounts on pages 10 to 30 were approved by the Board on 11 October 2002 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 2002

		Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
	Notes		
Operating activities			
Net cash (outflow)/inflow from operating activities	A	(18,553)	10,077
Dividends from joint ventures and associates			
Dividends received from joint venture		500	-
Returns on investments and servicing of finance			
Interest received		694	468
Interest paid		(9,858)	(9,865)
Interest element of hire purchase and finance lease rentals		(1)	(1)
Net cash outflow from returns on investments and servicing of finance		(9,165)	(9,398)
Taxation			
UK corporation tax paid		(1,831)	(1,590)
Capital expenditure			
Purchase of tangible fixed assets		(384)	(447)
Sale of tangible fixed assets		21	87
Net cash outflow from capital expenditure		(363)	(360)
Acquisitions and disposals			
Disposal of investments		4,508	-
Investments in joint ventures		(550)	(573)
Purchase of other investments		(970)	-
		2,988	(573)
Net cash outflow before financing		(26,424)	(1,844)
Financing			
Draw down of bank loans		8,714	26,398
Repayment of bank term loan		(4,132)	(4,132)
Redemption of loan notes		(189)	(259)
Capital element of hire purchase and finance lease rentals	C	(75)	(69)
Net cash inflow from financing		4,318	21,938
(Decrease)/increase in cash	B	(22,106)	20,094

Notes on the Group Cash Flow Statement
for the year ended 30 June 2002

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000		
A. Reconciliation of operating profit to net cash inflow from operating activities				
Group operating profit	11,008	16,431		
Depreciation charges	565	523		
Profit on fixed assets disposals	(9)	(43)		
Gain on sale of investments	(2,916)	-		
Amortisation of goodwill	2,136	2,136		
Amounts written off of investments	10	1,258		
Increase in provision for redemption premia	2,753	2,617		
Amortisation of bank arrangement fees	203	203		
Unrealised profit share in joint ventures	(484)	-		
(Increase)/decrease in stocks	(57,926)	8,452		
Increase in debtors	(30,484)	(28,192)		
Increase in creditors	56,591	6,692		
Net cash inflow from operating activities	(18,553)	10,077		
B. Reconciliation of net cash flow to net debt	£000	£000		
(Decrease)/increase in cash in the period	(22,106)	20,094		
Cash inflow from hire purchase and lease financing	75	69		
Redemption of loan notes	189	259		
Net drawdown of bank loans	(4,582)	(22,266)		
Change in net debt resulting from cash flows	(26,424)	(1,844)		
Provision for bank loan redemption premia	(2,753)	(2,617)		
Amortisation of bank arrangement fees	(203)	(203)		
New hire purchase and finance leases	(52)	(49)		
	(29,432)	(4,713)		
Net debt as at 30 June 2001	(108,091)	(103,378)		
Net debt as at 30 June 2002	(137,523)	(108,091)		
C. Analysis of net debt				
	As at 30 June 2001 £000	Cash flow £000	Other non-cash changes £000	As at 30 June 2002 £000
Cash :				
Cash at bank and in hand	13,293	(13,228)	-	65
Bank overdrafts	-	(8,878)	-	(8,878)
	13,293	(22,106)	-	(8,813)
Debt :				
Bank loans	(119,847)	(4,582)	(2,956)	(127,385)
Loan notes	(1,356)	189	-	(1,167)
Hire purchase and finance leases	(181)	75	(52)	(158)
	(121,384)	(4,318)	(3,008)	(128,710)
Net debt	(108,091)	(26,424)	(3,008)	(137,523)

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 with the exception of "Deferred Taxation".

(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) **Change in accounting policies**

The Accounting Standards Board published FRS 19 "Deferred Tax" on 7 December 2000. FRS 19 introduces a form of full provision for accounting for deferred tax. Deferred tax is provided on timing differences recognised by the balance sheet date but only where the Group has an obligation to pay more or less tax in the future as a result of the reversal of those timing differences.

The adoption of FRS 19 "Deferred Tax" has permitted the recognition of a deferred tax asset which would not have been recognised under SSAP 15 "Accounting for deferred tax". The effect on the balance sheet at 30 June 2002 is to increase current assets by £35,000 and increase the reserves of the Group by the same amount. The impact on the profit and loss account for the year ended 30 June 2002 is shown in note 6. The Group, as permitted by the FRS, has not adopted a policy of discounting deferred tax assets and liabilities.

(iii) **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. 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.

(iv) **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.

The Group considers that certain activities of the CALA Land Investments Limited joint venture amount to a financing arrangement under FRS 5. Where the joint venture holds land on its balance sheet at the end of an accounting period, the Group accounting treatment is to reflect that land and corresponding debt on the Group balance sheet.

Any remaining assets and liabilities of CALA Land Investments Limited together with the profit or loss of the joint venture are accounted for by the Group under FRS9 in line with all other joint ventures. Joint venture profit in relation to land not yet developed is

CALA Group Limited

Accounting policies (continued)

(iv) Associates and joint ventures (continued)

not realised by the Group and is eliminated from the Group profit and loss account and is included in the carrying value of the joint venture investment. This profit is recognised on a site by site basis in accordance with the Group's policy for recognising profit on its developments.

(v) 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.

(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 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.

(vii) 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.

(viii) 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.

(ix) 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.

CALA Group Limited

Accounting policies (continued)

(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.

(xi) 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).

(xii) 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.

(xiii) Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated but not reversed by the balance sheet date, where there is an obligation to pay more or less tax in the future as a result of the reversal of those timing differences. Previously deferred tax was only provided to the extent that it was probable that such a liability would become payable.

(xiv) 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.

(xv) 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.

(xvii) 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 2002

1. SEGMENTAL ANALYSIS

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Turnover including joint ventures:		
Housebuilding		
Group	134,159	135,426
Joint ventures	14,690	11,338
	<u>148,849</u>	<u>146,764</u>
Property development		
Group	1,329	11,453
Joint ventures	125	-
	<u>1,454</u>	<u>11,453</u>
	<u>150,303</u>	<u>158,217</u>
Profit on ordinary activities before taxation:		
Housebuilding	14,172	14,364
Property development	1,973	5,971
	<u>16,145</u>	<u>20,335</u>
Goodwill amortisation	(2,136)	(2,136)
Interest payable and similar charges	<u>(12,875)</u>	<u>(13,106)</u>
	<u>1,134</u>	<u>5,093</u>
Net assets:		
Housebuilding	151,724	124,475
Property development	590	4,904
	<u>152,314</u>	<u>129,379</u>
Operating divisions	-	(5,572)
Central net liabilities	(137,365)	(107,909)
Net borrowings	(4,943)	(4,657)
Proposed dividend	(688)	(2,591)
Tax liabilities	<u>9,318</u>	<u>8,650</u>

2. NET OPERATING EXPENSES

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Administration expenses	17,476	15,271
Amounts written off investments	10	1,258
Gain on sale of shares in joint ventures	(1,635)	-
Gain on sale of Other Investment	(1,281)	-
Other income	<u>(148)</u>	<u>(138)</u>
	<u>14,422</u>	<u>16,391</u>

Notes to the Accounts (continued)

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Interest payable on:		
Bank loans, overdrafts and other borrowings	9,858	10,294
Hire purchase and finance leases	1	1
Share of joint ventures	754	459
	<u>10,613</u>	<u>10,754</u>
Less interest receivable	<u>(694)</u>	<u>(468)</u>
	9,919	10,286
Bank facility arrangement fees	203	203
Redemption premia	<u>2,753</u>	<u>2,617</u>
	<u>12,875</u>	<u>13,106</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Stated after charging:		
Depreciation	565	523
Amortisation of goodwill	2,136	2,136
Operating leases: - plant & machinery	935	907
- land & buildings	788	748
Auditors' remuneration: - Group audit	82	77
- other services	91	134
and after crediting:		
Gain on sale of fixed assets	(9)	(43)
Rental income	<u>(52)</u>	<u>(91)</u>

The Group audit fee disclosed above includes £1,000 (2001: £1,000) in respect of the company.

5. EMPLOYEES

	Year ended 30 June 2002 Number	Year ended 30 June 2001 Number
Average monthly number of employees during the year:		
Housebuilding- site	129	167
Housebuilding- office	194	183
Property development	7	6
	<u>330</u>	<u>356</u>
Employment costs during the year:	£000	£000
Wages and salaries	13,163	11,216
Social security costs	1,217	995
Other pension costs	<u>1,129</u>	<u>717</u>
	<u>15,509</u>	<u>12,928</u>

Notes to the Accounts (continued)

5. EMPLOYEES (continued)

Directors' remuneration

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Aggregate emoluments	1,040	734
Highest paid director	308	276
Aggregate emoluments	143	114

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

Included in the remuneration disclosed above is £23,000 (2001: £15,000) paid to Noble Grossart Limited in respect of the services of RGT Stenhouse.

6. TAXATION

(a) Analysis of tax charge in the year:	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Corporation tax on the profit for the year at 30% (2001:30%)	-	2,570
Overtprovision in respect of prior years	(72)	56
Deferred tax (note 18)	(349)	(327)
	(421)	2,299
Share of joint ventures tax	600	595
	179	2,894

(b) Factors affecting tax charge for period:	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Profit on ordinary activities before taxation	1,134	5,093
Less: share of profit in joint ventures before tax adjusted for dividends	(1,347)	(1,309)
Group (loss)/profit on ordinary activities before taxation	(213)	3,784
Group (loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2001- 30%)	(64)	1,135
Effects of:		
Goodwill	640	640
Amounts written off investments	-	377
Adjustment in order to tax net capital gains	(791)	-
Dividend income	(270)	-
Items not deductible for tax purposes	102	90
Other timing differences	34	-
Adjustments relating to prior years' corporation tax	(72)	56
Group tax charge for the year	(421)	2,299

Notes to the Accounts (continued)

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 2002 £000	Year ended 30 June 2001 £000
Holding company	(8,279)	(8,746)
Subsidiary companies	8,487	10,051
Joint ventures	747	894
	<u>955</u>	<u>2,199</u>

8. DIVIDENDS

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
Participating dividend at 29.99% of adjusted Group profits	<u>287</u>	<u>2,146</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 2001 and 2002	<u>42,746</u>
Amortisation:	
At 30 June 2001	4,450
Provided during the year	<u>2,136</u>
At 30 June 2002	<u>6,586</u>
Net book value at 30 June 2002	<u>36,160</u>
Net book value at 30 June 2001	<u>38,296</u>

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:					
At 30 June 2001	329	1,836	2,944	5,109	-
Additions	-	119	317	436	-
Disposals	-	(7)	(86)	(93)	-
At 30 June 2002	329	1,948	3,175	5,452	-
Depreciation:					
At 30 June 2001	50	1,365	2,161	3,576	-
Provided during the year	5	211	349	565	-
Disposals	-	(2)	(79)	(81)	-
At 30 June 2002	55	1,574	2,431	4,060	-
Net book value at 30 June 2002	274	374	744	1,392	-
Net book value at 30 June 2001	279	471	783	1,533	-

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 £374,000 (2001: £471,000) and £744,000 (2001: £783,000) above, is £169,000 (2001: £189,000) after charging depreciation for the year of £72,000 (2001: £68,000).

At 30 June 2002 the Group had no capital commitments (2001: £Nil) relating to the purchase of tangible fixed assets.

11. INVESTMENTS IN SUBSIDIARIES

	Company		
	Cost £000	Provisions £000	Book value £000
As at 30 June 2001 and 30 June 2002	99,097	-	99,097

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 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
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 and Trueline Systems Limited, are agents of CALA Management Limited.

Notes to the Accounts (continued)

12. INVESTMENTS IN JOINT VENTURES

Joint ventures	Share capital £000	Realised share of profits £000	Unrealised share of profits £000	Total £000
As at 30 June 2001	573	3,388	-	3,961
Retained profits for year	-	1,647	484	2,131
Dividends distributed	-	(900)	-	(900)
Additions	550	-	-	550
Amounts written off in the year	-	(10)	-	(10)
At 30 June 2002	1,123	4,125	484	5,732

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

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Share of assets:				
Share of fixed assets	-	-	-	-
Share of current assets	60,716	26,150	-	-
	60,716	26,150	-	-
Share of liabilities:				
Due within one year	26,117	8,228	-	-
Due after one year	28,867	13,961	-	-
	54,984	22,189	-	-
	5,732	3,961	-	-

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
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
Stockdale-CALA Limited	50	30 June	Property development
Park House Apartments Limited	50	30 June	Housebuilding
Lancefield Quay Limited	50	31 December	Housebuilding
CALA Land Investments Limited	50	30 June	Land acquisition
Southspirit Limited	50	30 June	Housebuilding

All the above companies are incorporated in Great Britain.

With the exception of CALA Land Investments 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 Limited was formed to acquire residential land for subsequent sale to the Group.

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.

Notes to the Accounts (continued)

13. OTHER INVESTMENTS

Group	Other £000	Own shares £000	Total £000
At 30 June 2001	1,592	-	1,592
Additions	200	770	970
Disposal	(1,592)	-	(1,592)
At 30 June 2002	200	770	970

(1) The Other Investment, which was sold during the year, represented a holding of 20% in the ordinary share capital of Morrison Merlin Great Northern Limited.

(2) The Other Investment purchased during the year represents 3% of the issued ordinary share capital of Build Europe Group Limited.

(3) The investment in own shares acquired during the year represents 709,637 'B' Ordinary shares of the company. These shares are held by CALA (ESOP) Trustees Limited, a wholly owned subsidiary company, which acts as Trustee to the CALA plc Employee Trust.

All Other Investments are held by Group. The company held no Other Investments (2001: nil).

14. STOCKS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Housebuilding:				
Land	101,920	48,172	-	-
Part exchange stocks	7,237	6,116	-	-
Work in progress and other stocks	18,050	14,993	-	-
	127,207	69,281	-	-
Property development	-	-	-	-
	127,207	69,281	-	-

15. DEBTORS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Amounts falling due within one year:				
Trade debtors	35,878	24,209	-	-
Interests in joint arrangements	938	1,559	-	-
Amounts owed by joint ventures	12,287	1,025	-	-
Amounts owed by subsidiary companies	-	-	42,083	28,608
Other debtors	2,862	2,074	-	-
Prepayments and accrued income	903	801	-	-
	52,868	29,668	42,083	28,608
Amounts falling due after more than one year:				
Trade debtors	11,596	8,719	-	-
Amounts owed by joint ventures	10,922	5,792	-	-
Other debtors	175	149	-	-
	22,693	14,660	-	-
	75,561	44,328	42,083	28,608

Notes to the Accounts (continued)

16. LOANS AND OTHER BORROWINGS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Creditors: amounts falling due within one year				
Loans and other borrowings	12,992	3,929	10,400	3,929
Creditors: amounts falling due after more than one year				
Loans and other borrowings	124,438	117,274	115,909	117,274

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 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
(a) Analysis by instrument							
Bank overdrafts	(1)			8,878	-	6,286	-
Term loan and guarantee facility no. 1	(2)	4.1	7.0%	36,604	40,456	36,604	40,668
Revolving credit facility no. 1	(3)	2.0	6.0%	26,717	26,677	26,717	26,677
Term loan facility no. 2	(4)		7.5%	7,500	-	-	-
Revolving credit facility no. 2	(4)		5.75%	1,029	-	-	-
Unsecured redeemable variable rate loan notes 1999-2006	(5)		3.5%	1,167	1,356	1,167	1,356
Mezzanine term loan	(6)		16.8%	10,312	9,437	10,312	9,437
Secured loan stock 2014	(7)		12.8%	45,223	43,277	45,223	43,065
				137,430	121,203	126,309	121,203

(1) A £10m tranche of overdraft is hedged at a rate of 6.79% for a period of 4 years. Interest is payable on the remainder at floating rates linked to bank base rate.

(2) Term loan & guarantee facility no. 1 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 7.375% for periods of between 1 and 5 years.

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

(3) Revolving credit facility no. 1 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 2 and 3 years.

(4) Term loan facility no. 2 and Revolving credit facility no. 2 are fully repayable on 4 April 2007. Interest on both is at floating rates linked to bank base rate.

(5) 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.

(6) 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.

(7) 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 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
(b) Maturity analysis				
Repayments fall due as follows:				
Within one year, or on demand	12,992	3,929	10,400	3,929
After more than one year	124,438	117,274	115,909	117,274
	137,430	121,203	126,309	121,203
Repayments due after more than one year are analysed as follows:				
Between one and two years	3,929	3,929	3,929	3,929
Between two and five years	20,315	11,786	11,786	11,786
In five years or more	100,194	101,559	100,194	101,559
	124,438	117,274	115,909	117,274

During the year the Group made Term Loan repayments of £4,132,000.

(c) Borrowing facilities

The Group and the company had no undrawn committed borrowing facilities at 30 June 2002 (2001: nil) 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 (East) limited, CALA Homes (West) Limited, CALA Homes (Midlands) Limited, CALA Homes (South) Limited, and CALA Homes (Yorkshire) Limited.

The bank holds a bond and floating charge over the assets of CALA Land Investments Limited.

In addition, the bank holds two legal charges over specific developments owned by CALA Homes (Yorkshire) Limited, and a Standard Security over land owned by CALA Management Limited.

17. OTHER CREDITORS

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Amounts falling due within one year:				
Trade creditors:				
Land	46,730	16,223	-	-
Other	10,399	10,883	-	-
Corporation tax	688	2,591	-	-
Other taxes and social security costs	367	88	-	-
Obligations under finance leases	87	73	-	-
Amounts owed to joint ventures	17,509	-	-	-
Other creditors	1,479	4,036	-	-
Accruals	5,258	3,373	610	615
	<u>82,517</u>	<u>37,267</u>	<u>610</u>	<u>615</u>
Amounts falling due after more than one year:				
Dividends payable	4,943	4,657	4,943	4,657
Amounts owed to joint ventures	8,839	-	-	-
Trade creditors:				
Land	1,850	400	-	-
Other	2,119	-	-	-
Obligations under finance leases				
-payable between one and two years	53	68	-	-
-payable between two and five years	18	39	-	-
	<u>17,822</u>	<u>5,164</u>	<u>4,943</u>	<u>4,657</u>

Total trade creditors include £24,743,000 (2001: £6,782,000) which is secured against land acquired for development.

Included in amounts due to joint ventures within one year of £17,509,000 and after one year of £8,839,000 is a total of £22,764,000 due to CALA Land Investments Limited.

18. DEFERRED TAXATION

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Deferred tax assets:				
Included in prepayments and accrued income:				
Accelerated capital allowances	(146)	-	-	-
Other timing differences	(680)	(477)	-	-
	<u>(826)</u>	<u>(477)</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities:				
Amount provided:	-	-	-	-
Amount not provided:	-	-	-	-
The deferred taxation movement for the year is as follows:				
At 30 June 2001	(477)	(150)	-	-
Credited to profit & loss account	(349)	(327)	-	-
At 30 June 2002	<u>(826)</u>	<u>(477)</u>	<u>-</u>	<u>-</u>

Notes to the Accounts (continued)

19. SHARE CAPITAL

	Authorised 2002	Authorised 2001	Allotted, called up and fully paid 2002	Allotted, called up and fully paid 2001
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Non-equity share capital:				
'A' Ordinary shares of 1p each	625,163	546,800	625,163	546,800
'B' Ordinary shares of 1p each	4,991,837	5,070,200	4,991,837	5,070,200
'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 2002	9,202,245	9,202,245	8,023,238	8,023,238
	Authorised 2002 £000	Authorised 2001 £000	Allotted, called up and fully paid 2002 £000	Allotted, called up and fully paid 2001 £000
Non-equity share capital:				
'A' Ordinary shares of 1p each	6	5	6	5
'B' Ordinary shares of 1p each	50	51	50	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 2002	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

	£000
At 30 June 2001 and 30 June 2002	7,796

21. RESERVES

	Share premium £000	Capital redemption reserve £000	Profit and loss £000	Total £000
Group				
At 30 June 2001	7,796	50	724	8,570
Retained profit for the year	-	-	668	668
At 30 June 2002	7,796	50	1,392	9,238
Company				
At 30 June 2001	7,799	-	771	8,570
Retained profit for the year	-	-	668	668
At 30 June 2002	7,799	-	1,439	9,238

Notes to the Accounts (continued)

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £000	Company £000
At 30 June 2001	8,650	8,650
Profit attributable to shareholders	955	955
Dividends	(287)	(287)
Shareholders' funds at 30 June 2002	9,318	9,318

23. CONTINGENT LIABILITIES

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Borrowings of subsidiary companies	-	-	2,591	-
Guarantees on behalf of CALA Finance joint arrangements	11,835	8,009	11,835	8,009
Indemnities for performance bonds	4,817	5,810	4,817	5,810

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 2002 £000	Land & buildings 2001 £000	Plant & machinery 2002 £000	Plant & machinery 2001 £000
At 30 June 2002 the Group had annual commitments under operating leases as set out below:				
Operating leases which expire:				
-within one year	-	-	125	134
-between one and two years	97	97	380	232
-between two to five years	186	187	435	416
-over five years	536	476	-	-
	819	760	940	782

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 and annual funding assessments using the projected unit method. The most recent triennial valuation was at 6 April 2000 and the latest annual funding assessment was carried out at 6 April 2002. The principal assumptions adopted for the funding assessment were that the investment return would be 7% per annum; that salary increases would average 4.25% per annum; and that increases to pensions in payment would be 3% per annum for all service.

The 2002 annual funding assessment showed that the market value of the relevant assets of the scheme was £13,848,000 and that 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 2002 were 13% from the Group and 5% from employees. The pension charge for the year was £1,055,000 (2001- £637,000).

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. In conjunction with the annual funding assessments, this contribution rate has been maintained since.

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 2001. The principal assumptions adopted were that the investment return would be 7% per annum and that increases to pensions in payment would be 3% per annum for service up to 30 June 1995, and 2.75% per annum for service thereafter. The valuation showed that the market value of the relevant assets of the scheme was £1,942,000 and that these assets represented 102% of the benefits that had accrued to the director.

The contribution rate in the period to 30 June 2002 was 38.3% from the Group. The assets of the director's scheme are held separately from those of the Group in independently administered funds. The pension charge for the year amounted to £74,000 (2001- £80,000).

Notes to the accounts (continued)

26. RETIREMENT BENEFITS

The Group has adopted the provisions of FRS 17 and the disclosures required by that standard during the transition period are as follows:

Composition of the scheme

The Group operates two funded defined benefit schemes in the UK. A full actuarial valuation was carried out at 6 April 2000 for the main scheme, and on 1 July 2001 for the second scheme. Both were updated to 30 June 2002. The valuations were carried out by a qualified independent actuary. The major assumptions used by the actuary were:

	At 30 June 2002	At 30 June 2001
Rates of increase in salaries	4.2%	4.0%
Rates of increase in pensions in payment	3.0%	3.0%
Discount rate	5.81%	6.15%
Inflation assumption	2.7%	2.5%

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

	Long term rate of return expected at 30 June 2002	Value at 30 June 2002 £000	Long term rate of return expected at 30 June 2001	Value at 30 June 2001 £000
Equities	7.5%	11,564	7.18%	11,927
Bonds	4.95%	2,657	5.23%	2,972
Property	7.5%	419	7.18%	416
		14,640		15,315
Present value of scheme liabilities		(21,708)		(17,605)
Deficit in the scheme		(7,068)		(2,290)
Related deferred tax asset		2,120		687
Net pension liability		(4,948)		(1,603)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve at 30 June 2002 would be as follows:

Balance sheet	2002 £000	2001 £000
Net assets excluding pension liability	9,318	8,650
Net pension liability	(4,948)	(1,603)
Net assets including pension liability	4,370	7,047
Reserves	2002 £000	2001 £000
Profit & loss reserve excluding pension reserve	1,392	724
Pension reserve	(4,948)	(1,603)
Profit & loss reserve	(3,556)	(879)

Notes to the accounts (continued)

26. RETIREMENT BENEFITS (continued)

Movement in the deficit during the year:	2002 £000
Deficit in scheme at the beginning of the year	(2,290)
Movement in year:	
Current service cost	(936)
Contributions	1,112
Past service costs	(143)
Other finance income	(47)
Actuarial loss	(4,764)
Deficit in scheme at the end of the year	(7,068)

Analysis of amount charged to operating profit:

	2002 £000
Current service cost	936
Past service cost	143
	1,079

Analysis of amount credited to other financial income:

	2002 £000
Expected return on pension scheme assets	(1,067)
Interest cost	1,114
Net return	47

Analysis of amount recognised in Statement of Total Recognised Gains and Losses:

	2002 £000
Actual return less expected return on pension scheme assets	(2,767)
Experience gains and losses arising on the scheme liabilities	(368)
Changes in financial assumptions underlying the scheme liabilities	(1,629)
Actuarial loss recognised in Statement of Total Recognised Gains and Losses	(4,764)

Details of experience gains and losses:

	2002 £000
Difference between the expected and actual return on scheme assets:	
Amount	(2,767)
Percentage of scheme assets	19%
Experience gains and losses on scheme liabilities:	
Amount	(368)
Percentage of the present value of scheme liabilities	2%
Total amount recognised in statement of total recognised gains and losses:	
Amount	(4,764)
Percentage of the present value of scheme liabilities	22%

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 :

	2002 £000	2001 £000
Relating to joint ventures with members of the AWG plc group:		
Amounts due by joint ventures	5,760	5,173
Amounts due to joint ventures	3,556	-
Fees received from joint ventures	1,322	797
Relating to joint ventures with members of the Bank of Scotland group:		
Amounts due by joint ventures	6,762	1,300
Amounts due to joint ventures	22,764	-
Sales to joint ventures	8,177	-
Purchases from joint ventures	21,425	-
Fees received from joint ventures	771	707
Relating to other joint ventures:		
Amounts due by joint ventures	10,687	6,101
Amounts due to joint ventures	28	-
Sales to joint ventures	-	2,781
Fees received from joint ventures	1,062	1,906
Interests in joint arrangements	939	1,559

Bank of Scotland is a shareholder in CALA Group Limited.

AWG Plc is the ultimate holding company of Morrison Limited which was a shareholder in CALA Group Limited during the year. Morrison Limited sold this entire shareholding in CALA Group Limited on 27 March 2002.

On 27 March 2002 the Group sold its 50% holding in the ordinary share capital of CALA Morrison Commercial Limited to awg Developments Limited, the other party in the joint venture.

During the year, Alan D Brown, a director of CALA Management Limited purchased three properties on normal commercial terms at a total cost of £434,000.

On 27 March 2002 the group sold its 20% holding in the ordinary share capital of Morrison Merlin Great Northern Limited to AWG Plc.

Included in the amounts above relating to joint ventures with Bank of Scotland are transactions with and balances due to and from CALA Land Investments Limited, a company 50% owned by each of Bank of Scotland and CALA Management Limited. The objective of the company is to acquire residential land for subsequent sale to the Group.

28. POST BALANCE SHEET EVENT

On 27 September 2002 the Group acquired the other 50% holding in the ordinary share capital of CALA-Morrison Residential 2002 Limited, a company which was a joint venture at 30 June 2002 (See note 12).

Total consideration payable was £2,500,000.