

CALA Group Limited

Annual report

for the year ended 30 June 2003

Registered number: SC 194813



CALA Group Limited

Annual report

For the year ended 30 June 2003

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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

Moirra R Sibbald

Registered office

Adam House
5 Mid New Cultins
Edinburgh EH11 4DU

Auditors

PricewaterhouseCoopers LLP
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 2003

The directors have pleasure in presenting their report and financial statements for the year ended 30 June 2003.

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.

During the year the Group acquired 100% of the issued share capital of four companies which were formerly 50% owned in joint venture. These companies are: CALA-Morrison Residential Limited and CALA Greenbank Limited which are both engaged in housebuilding; and CALA Properties (Central) Limited and CALA Properties (Ayr) Limited which are both engaged in property development.

Results

The directors are pleased with the financial performance of the Group during the year under review and at the progress made in the business since the change in strategy outlined in their report last year.

During the year, the Group has doubled the turnover value of its consented land bank and has significantly increased its housing gross margin. Forward sales of housing units are at record levels.

Group operating profit for the year including joint ventures was £17,015,000, 21% higher than 2002. The profit for the period before tax was £774,000 (2002: £1,134,000). The profit and loss account for the year is presented on page 9 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 financial statements amounting to £13,000 (2002: £287,000). No other dividends have been proposed.

CALA Group Limited

Directors' report for the year ended 30 June 2003 (continued)

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.

Board committees

The Board has delegated certain responsibilities to Board committees with agreed Terms of Reference. The committees 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.

CALA Group Limited

Directors' report for the year ended 30 June 2003(continued)

Health and safety (continued)

Following a review, a new independent specialist health and safety advisor was appointed who monitors and evaluates the Group's processes, procedures and reporting systems. Advice is also provided on health and safety best practice and new legislation.

During the year, the Group expanded its 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.

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 100.

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

CALA Group Limited

Directors' report for the year ended 30 June 2003(continued)

Creditor payment policy (continued)

(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 2003 was 31 days (2002: 35 days).

Political and charitable contributions

Contributions to charities during the year amounted to £9,375(2002: £11,146). The Group made no political contributions during the year or in the previous financial year.

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 financial statements on a going concern basis.

Directors and their interests

The directors who held office at 30 June 2003 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 2003	At 30 June 2002
	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	681,200	634,400
R J Millar	304,000	304,000
J G G Reid	55,000	40,000
R G T Stenhouse	1,000	Nil
J P (Ian) Percy CBE	Nil	Nil

CALA Group Limited

Directors' report for the year ended 30 June 2003(continued)

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year 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 year and of the profit and cash flows of the Group for that year.

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 2003. 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.



By order of the Board
M R Sibbald
Secretary
19 September 2003

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 and 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 the 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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 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.

CALA Group Limited

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

Basis of audit opinion (continued)

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 2003 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 LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Edinburgh

19 September 2003

Group Profit and Loss Account
for the year ended 30 June 2003

	Notes	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Turnover including joint ventures	1		
Continuing operations		144,349	150,303
Acquisitions:	1	<u>22,575</u>	<u>-</u>
		166,924	150,303
Less : share of joint ventures' turnover		<u>(18,112)</u>	<u>(14,815)</u>
Group turnover		148,812	135,488
Cost of sales		<u>(114,301)</u>	<u>(107,922)</u>
Gross profit		34,511	27,566
Net operating expenses	2	<u>(20,842)</u>	<u>(14,422)</u>
Group operating profit before amortisation of goodwill		13,669	13,144
Amortisation of goodwill	9	<u>(2,136)</u>	<u>(2,136)</u>
Continuing operations		7,764	11,008
Acquisitions	1	<u>3,769</u>	<u>-</u>
Group operating profit		11,533	11,008
Share of operating profit in joint ventures		<u>5,482</u>	<u>3,001</u>
Profit on ordinary activities before interest		17,015	14,009
Interest payable and similar charges	3	<u>(16,241)</u>	<u>(12,875)</u>
Profit on ordinary activities before taxation	1,4	774	1,134
Taxation	6	<u>(731)</u>	<u>(179)</u>
Profit on ordinary activities after taxation	7	43	955
Dividends	8	<u>(13)</u>	<u>(287)</u>
Profit retained	21	<u>30</u>	<u>668</u>

All operations are continuing.

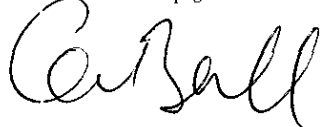
The Group has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

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 2003

	Notes	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Fixed assets					
Intangible assets	9	34,024	36,160	-	-
Tangible fixed assets	10	1,288	1,392	-	-
Investments in subsidiaries	11	-	-	99,097	99,097
Investments in joint ventures:	12				
Share of gross assets		71,409	60,716	-	-
Share of gross liabilities		(63,947)	(54,984)	-	-
		7,462	5,732	-	-
Other investments	13	430	970	-	-
		<u>43,204</u>	<u>44,254</u>	<u>99,097</u>	<u>99,097</u>
Current assets					
Stocks	14	201,055	127,207	-	-
Debtors:					
Due within one year	15	23,167	52,868	53,779	42,083
Due after more than one year	15	19,619	22,693	-	-
Cash at bank		1,706	65	-	-
		<u>245,547</u>	<u>202,833</u>	<u>53,779</u>	<u>42,083</u>
Creditors: due within one year					
Loans and other borrowings	16	(13,780)	(12,992)	(23,953)	(10,400)
Other creditors	17	(76,235)	(82,517)	(336)	(610)
		<u>155,532</u>	<u>107,324</u>	<u>29,490</u>	<u>31,073</u>
Net current assets					
		<u>198,736</u>	<u>151,578</u>	<u>128,587</u>	<u>130,170</u>
Total assets less current liabilities					
Creditors: due after more than one year					
Loans and other borrowings	16	(134,703)	(124,438)	(114,283)	(115,909)
Other creditors	17	(54,685)	(17,822)	(4,956)	(4,943)
		<u>9,348</u>	<u>9,318</u>	<u>9,348</u>	<u>9,318</u>
Net assets	1				
Share capital and reserves					
Called up share capital	19	80	80	80	80
Share premium account	20,21	7,796	7,796	7,799	7,799
Capital redemption reserve	21	50	50	-	-
Profit and loss account	21	1,422	1,392	1,469	1,439
		<u>9,348</u>	<u>9,318</u>	<u>9,348</u>	<u>9,318</u>
Shareholders' funds	22				
Being:					
Non-equity shareholders' funds	22	9,348	9,318	9,348	9,318
Equity shareholders' funds		-	-	-	-
		<u>9,348</u>	<u>9,318</u>	<u>9,348</u>	<u>9,318</u>

The accounts on pages 9 to 30 were approved by the Board of Directors on 19 September 2003 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 2003

	Notes	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Operating activities			
Net cash inflow/(outflow) from operating activities	A	<u>18,217</u>	<u>(18,553)</u>
Dividends from joint ventures and associates			
Dividends received from joint venture		<u>400</u>	<u>500</u>
Returns on investments and servicing of finance			
Interest received		880	694
Interest paid		(12,184)	(9,858)
Interest element of hire purchase and finance lease rentals		<u>-</u>	<u>(1)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(11,304)</u>	<u>(9,165)</u>
Taxation			
UK corporation tax paid		<u>1,423</u>	<u>(1,831)</u>
Capital expenditure			
Purchase of tangible fixed assets		(471)	(384)
Sale of tangible fixed assets		<u>10</u>	<u>21</u>
Net cash outflow from capital expenditure		<u>(461)</u>	<u>(363)</u>
Acquisitions and disposals			
Purchase of subsidiary undertakings	29	(2,669)	-
Net borrowings acquired with subsidiaries	29	(11,805)	-
Disposal of investments		364	4,508
Investments in joint ventures		(11)	(550)
Purchase of other investments		<u>-</u>	<u>(970)</u>
		<u>(14,121)</u>	<u>2,988</u>
Net cash outflow before financing		<u>(5,846)</u>	<u>(26,424)</u>
Financing			
Draw down of bank loans		1,677	8,714
Repayment of bank term loan		(4,782)	(4,132)
Redemption of loan notes		(322)	(189)
Capital element of hire purchase and finance lease rentals	C	<u>(87)</u>	<u>(75)</u>
Net cash outflow from financing		<u>(3,514)</u>	<u>4,318</u>
Decrease in cash	B	<u>(9,360)</u>	<u>(22,106)</u>

Notes on the Group Cash Flow Statement
for the year ended 30 June 2003

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000		
A. Reconciliation of operating profit to net cash inflow from operating activities				
Group operating profit	11,533	11,008		
Depreciation charges	569	565		
Profit on fixed assets disposals	(4)	(9)		
Gain on sale of investments	(24)	(2,916)		
Amortisation of goodwill	2,136	2,136		
Amounts written off of investments	200	10		
Increase in provision for redemption premia	3,276	2,753		
Amortisation of bank arrangement fees	203	203		
Unrealised profit share in joint ventures	(877)	(484)		
Increase in stocks	(51,512)	(57,926)		
Decrease/(increase) in debtors	32,730	(30,484)		
Increase in creditors	19,987	56,591		
Net cash inflow from operating activities	18,217	(18,553)		
B. Reconciliation of net cash flow to net debt	£000	£000		
Decrease in cash in the period	(9,360)	(22,106)		
Cash inflow from hire purchase and lease financing	87	75		
Redemption of loan notes	322	189		
Net drawdown of bank loans	3,105	(4,582)		
Change in net debt resulting from cash flows	(5,846)	(26,424)		
Provision for bank loan redemption premia	(3,276)	(2,753)		
Amortisation of bank arrangement fees	(203)	(203)		
New hire purchase and finance leases	-	(52)		
	(9,325)	(29,432)		
Net debt as at 30 June 2002	(137,523)	(108,091)		
Net debt as at 30 June 2003	(146,848)	(137,523)		
C. Analysis of net debt				
	As at 30 June 2002 £000	Cash flow £000	Other non-cash changes £000	As at 30 June 2003 £000
Cash :				
Cash at bank and in hand	65	1,641	-	1,706
Bank overdrafts	(8,878)	(11,001)	-	(19,879)
	(8,813)	(9,360)	-	(18,173)
Debt :				
Bank loans	(127,385)	3,105	(3,479)	(127,759)
Loan notes	(1,167)	322	-	(845)
Hire purchase and finance leases	(158)	87	-	(71)
	(128,710)	3,514	(3,479)	(128,675)
Net debt	(137,523)	(5,846)	(3,479)	(146,848)

CALA Group Limited

Accounting policies

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

(i) Basis of accounting

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

(ii) Basis of consolidation

The consolidated financial statements comprise those of the Company and all its subsidiaries. Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on consolidation is eliminated by amortisation through the profit and loss account over its useful economic life of 20 years on a straight line basis.

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

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 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.

CALA Group Limited

Accounting policies (continued)

(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.

(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.

CALA Group Limited

Accounting policies (continued)

(ix) Interest

Interest incurred by the Group is charged to the profit and loss account in that period. Interest incurred by joint venture development companies is treated as a development cost and carried in work-in-progress. It is charged to the profit and loss account in accordance with the stage of completion of the development.

Interest incurred by joint venture companies which hold property for trading purposes is charged to the profit and loss account as incurred.

(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 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.

(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.

(xiv) Finance and operating leases

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

Costs in respect of operating leases are charged to the profit and loss account as incurred.

(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 2003

1. SEGMENTAL ANALYSIS

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Turnover including joint ventures:		
Housebuilding		
Group: continuing operations	126,196	134,159
Group: acquisitions	10,544	-
Joint ventures	14,793	14,690
	<u>151,533</u>	<u>148,849</u>
Property development		
Group: continuing operations	41	1,329
Group: acquisitions	12,031	-
Joint ventures	3,319	125
	<u>15,391</u>	<u>1,454</u>
	<u>166,924</u>	<u>150,303</u>
Profit on ordinary activities before taxation:		
Housebuilding: continuing operations	14,665	14,172
Housebuilding: acquisitions	1,394	-
Property development: continuing operations	1,668	1,973
Property development: acquisitions	1,424	-
	<u>19,151</u>	<u>16,145</u>
Goodwill amortisation	(2,136)	(2,136)
Interest payable and similar charges	(16,241)	(12,875)
	<u>774</u>	<u>1,134</u>
Net assets:		
Housebuilding: continuing operations	154,678	144,268
Housebuilding: acquisitions	889	-
Property development: continuing operations	5,493	8,046
Property development: acquisitions	988	-
Operating divisions	<u>162,048</u>	<u>152,314</u>
Net borrowings	(146,777)	(137,365)
Proposed dividend	(4,956)	(4,943)
Tax: liabilities	<u>(967)</u>	<u>(688)</u>
	<u>9,348</u>	<u>9,318</u>

The numbers presented relating to acquisitions are 100% of the turnover and operating profit arising subsequent to the date of acquisition. The acquired companies were formerly 50% joint ventures and in prior years the Group's share of profit and share of turnover were reported as share of operating profit and share of turnover of joint ventures.

2. NET OPERATING EXPENSES

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Administration expenses	20,734	17,476
Amounts written off investments	200	10
Gain on sale of shares in joint ventures	-	(1,635)
Gain on sale of Other Investment	-	(1,281)
Other income	<u>(92)</u>	<u>(148)</u>
	<u>20,842</u>	<u>14,422</u>

Notes to the Accounts (continued)

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Interest payable on:		
Bank loans, overdrafts and other borrowings	12,184	9,858
Hire purchase and finance leases	-	1
Share of joint ventures	1,458	754
	<u>13,642</u>	<u>10,613</u>
Less interest receivable	<u>(880)</u>	<u>(694)</u>
	12,762	9,919
Bank facility arrangement fees	203	203
Redemption premia	3,276	2,753
	<u>16,241</u>	<u>12,875</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Stated after charging:		
Depreciation	569	565
Amortisation of goodwill	2,136	2,136
Operating leases: - plant & machinery	945	935
- land & buildings	621	788
Auditors' remuneration: - Group audit	87	82
- other services	55	91
and after crediting:		
Gain on sale of investments	(24)	(2,916)
Gain on sale of fixed assets	(4)	(9)
Rental income	<u>(11)</u>	<u>(52)</u>

The Group audit fee disclosed above includes £1,000 (2002: £1,000) in respect of the company.

5. EMPLOYEES

	Year ended 30 June 2003 Number	Year ended 30 June 2002 Number
Average monthly number of employees during the year:		
Housebuilding- site	144	129
Housebuilding- office	216	194
Property development	8	7
	<u>368</u>	<u>330</u>
Employment costs during the year:	<u>£000</u>	<u>£000</u>
Wages and salaries	16,269	13,163
Social security costs	1,666	1,217
Other pension costs	1,095	1,129
	<u>19,030</u>	<u>15,509</u>

Notes to the Accounts (continued)

5 EMPLOYEES (continued)

Directors' remuneration

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Aggregate emoluments	<u>1,552</u>	<u>1,040</u>
Highest paid director	<u>£000</u>	<u>£000</u>
Aggregate emoluments	<u>429</u>	<u>308</u>
Accrued pension at period end	<u>149</u>	<u>143</u>

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 (2002: £23,000) paid to Noble Grossart Limited in respect of the services of RGT Stenhouse.

6. TAXATION

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
(a) Analysis of tax charge in the year:		
Tax on profit on ordinary activities:		
Corporation tax at 30% (2002:30%)		
- current year	(761)	-
- prior year	<u>(383)</u>	<u>(72)</u>
Current year tax charge (note b)	<u>(1,144)</u>	<u>(72)</u>
Deferred tax (note 18)		
- current year	360	(349)
- prior year	<u>116</u>	<u>-</u>
Total deferred tax charge	<u>476</u>	<u>(349)</u>
Share of joint ventures' tax	<u>1,399</u>	<u>600</u>
Total tax charge	<u>731</u>	<u>179</u>
(b) Factors affecting tax charge for period:		
Profit on ordinary activities before taxation	774	1,134
Less: share of profit in joint ventures before tax	<u>(4,024)</u>	<u>(1,347)</u>
Group (loss) on ordinary activities before taxation	<u>(3,250)</u>	<u>(213)</u>
Group (loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(975)	(64)
Effects of:		
Goodwill	640	640
Group relief not paid for	(8)	-
Adjustment in order to tax net capital gains	74	(791)
Dividend income	-	(270)
Items not deductible for tax purposes	(132)	102
Other timing differences	-	34
Adjustments relating to prior years' corporation tax	(383)	(72)
Accelerated capital allowances	<u>(360)</u>	<u>349</u>
Group tax charge for the year	<u>(1,144)</u>	<u>(72)</u>

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 2003 £000	Year ended 30 June 2002 £000
Holding company	(8,250)	(8,279)
Subsidiary companies	5,868	8,487
Joint ventures	2,425	747
	<u>43</u>	<u>955</u>

8. DIVIDENDS

	Year ended 30 June 2003 £000	Year ended 30 June 2002 £000
Participating dividend at 29.99% of adjusted Group profits	<u>13</u>	<u>287</u>

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

9. INTANGIBLE FIXED ASSETS

Goodwill	
Cost:	<u>£000</u>
At 30 June 2002 and 2003	<u>42,746</u>
Amortisation:	
At 30 June 2002	6,586
Provided during the year	<u>2,136</u>
At 30 June 2003	<u>8,722</u>
Net book value at 30 June 2003	<u>34,024</u>
Net book value at 30 June 2002	<u>36,160</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 2002	329	1,948	3,175	5,452	-
Additions	-	207	264	471	-
Disposals	-	(10)	(14)	(24)	-
At 30 June 2003	329	2,145	3,425	5,899	-
Depreciation:					
At 30 June 2002	55	1,574	2,431	4,060	-
Provided during the year	5	203	361	569	-
Disposals	-	(9)	(9)	(18)	-
At 30 June 2003	60	1,768	2,783	4,611	-
Net book value at 30 June 2003	269	377	642	1,288	-
Net book value at 30 June 2002	274	374	744	1,392	-

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 £377,000 (2002: £374,000) and £642,000 (2002: £744,000) above, is £88,000 (2002: £169,000) after charging depreciation for the year of £77,000 (2002: £72,000).

11. INVESTMENTS IN SUBSIDIARIES

	Company		
	Cost £000	Provisions £000	Book value £000
As at 30 June 2002 and 30 June 2003	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
CALA Properties (Central) Limited	100	30 June	Property development
CALA Properties (Ayr) Limited	100	31 December	Property development
CALA-Morrison Residential Limited	100	31 December	Housebuilding
CALA Greenbank Limited	100	30 June	Housebuilding
True-line 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 marked * above are agents of CALA Management Limited.

Notes to the Accounts (continued)

12. INVESTMENTS IN JOINT VENTURES

	Share capital £000	Realised share of profits £000	Unrealised share of profits £000	Total £000
Joint ventures				
As at 30 June 2002	1,123	4,125	484	5,732
Transfer on realisation	-	-	(89)	(89)
Retained profits for year	-	2,625	966	3,591
Dividends distributed	-	(200)	-	(200)
Additions	11	-	-	11
Elimination of equity accounted profit on acquisition	-	(1,583)	-	(1,583)
At 30 June 2003	1,134	4,967	1,361	7,462

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

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Share of assets:				
Share of fixed assets	-	-	-	-
Share of current assets	71,409	60,716	-	-
	71,409	60,716	-	-
Share of liabilities:				
Due within one year	13,037	26,117	-	-
Due after one year	50,910	28,867	-	-
	63,947	54,984	-	-
	7,462	5,732	-	-

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 Properties (Slateford) Limited	50	30 June	Property development
CALA City Limited	50	30 September	Housebuilding
CALA Grandholm Limited	50	31 March	Housebuilding
CALA-Morrison Limited	50	31 July	Property development
CALA Evans Residential Limited	50	30 June	Housebuilding
CALA Domus Limited	50	30 June	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 2002	200	770	970
Amounts written off in the year	(200)	-	(200)
Disposal	-	(340)	(340)
At 30 June 2003	-	430	430

(1) The Other Investment, which was written off in the year, represented a holding of 3% in the ordinary share capital of Build Europe Group Limited.

(2) The investment in own shares represents 395,990 '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.

14. STOCKS

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Housebuilding:				
Land	159,166	101,920	-	-
Part exchange stocks	6,655	7,237	-	-
Work in progress and other stocks	34,220	18,050	-	-
	200,041	127,207	-	-
Property development	1,014	-	-	-
	201,055	127,207	-	-

15. DEBTORS

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Amounts falling due within one year:				
Trade debtors	9,422	35,878	-	-
Interests in joint arrangements	709	938	-	-
Amounts owed by joint ventures	10,144	12,287	952	-
Amounts owed by subsidiary companies	-	-	52,827	42,083
Other debtors	2,474	2,862	-	-
Prepayments and accrued income	418	903	-	-
	23,167	52,868	53,779	42,083
Amounts falling due after more than one year:				
Trade debtors	5,528	11,596	-	-
Interests in joint arrangements	366	-	-	-
Prepayments and accrued income	350	-	-	-
Amounts owed by joint ventures	13,244	10,922	-	-
Other debtors	131	175	-	-
	19,619	22,693	-	-
	42,786	75,561	53,779	42,083

Notes to the Accounts (continued)

15. LOANS AND OTHER BORROWINGS

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Creditors: amounts falling due within one year				
Loans and other borrowings	13,780	12,992	23,953	10,400
Creditors: amounts falling due after more than one year				
Loans and other borrowings	134,703	124,438	114,283	115,909

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 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
(a) Analysis by instrument							
Bank overdrafts	(1)			19,879	8,878	19,865	6,286
Term loan and guarantee facility no. 1	(2)	3.1	5.8%	31,889	36,604	31,889	36,604
Revolving credit facility no. 1	(3)	1.0	5.6%	26,757	26,717	26,757	26,717
Term loan facility no. 2	(4)		8.4%	7,500	7,500	-	-
Revolving credit facility no. 2	(4)		5.25%	2,733	1,029	-	-
Unsecured redeemable variable rate							
Loan notes 1999-2006	(5)		3.0%	845	1,167	845	1,167
Mezzanine term loan	(6)		16.8%	11,374	10,312	11,374	10,312
Secured loan stock 2014	(7)		12.8%	47,506	45,223	47,506	45,223
				148,483	137,430	138,236	126,309

- (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 7.35% and 7.41% 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 the revolving credit facility is at floating rates linked to bank base rate. The term loan is hedged at 8.43% for the period of the debt.
- (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 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
(b) Maturity analysis				
Repayments fall due as follows:				
Within one year, or on demand	13,780	12,992	23,953	10,400
After more than one year	134,703	124,438	114,283	115,909
	148,483	137,430	138,236	126,309
Repayments due after more than one year are analysed as follows:				
Between one and two years	12,115	3,929	1,928	3,929
Between two and five years	25,385	20,315	15,152	11,786
In five years or more	97,203	100,194	97,203	100,194
	134,703	124,438	114,283	115,909

During the year the Group made Term Loan repayments of £4,782,000.

(c) Borrowing facilities

The Group and the company had no undrawn committed borrowing facilities at 30 June 2003 (2002: 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 Standard Securities over land owned by CALA Management Limited.

100% owned Special Purpose Vehicles have separate funding arrangements with separate security.

17. OTHER CREDITORS

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Amounts falling due within one year:				
Trade creditors:				
Land	32,399	46,730	-	-
Other	14,268	10,399	-	-
Corporation tax	967	688	-	-
Other taxes and social security costs	408	367	-	-
Obligations under finance leases	53	87	-	-
Amounts owed to joint ventures	19,866	17,509	-	-
Other creditors	1,985	1,479	-	-
Accruals	6,289	5,258	336	610
	<u>76,235</u>	<u>82,517</u>	<u>336</u>	<u>610</u>
Amounts falling due after more than one year:				
Dividends payable	4,956	4,943	4,956	4,943
Amounts owed to joint ventures	16,837	8,839	-	-
Trade creditors:				
Land	32,315	1,850	-	-
Other	543	2,119	-	-
Obligations under finance leases				
-payable between one and two years	18	53	-	-
-payable between two and five years	-	18	-	-
Other creditors	16	-	-	-
	<u>54,685</u>	<u>17,822</u>	<u>4,956</u>	<u>4,943</u>

Total trade creditors include £32,810,000 (2002: £24,743,000) which is secured against land acquired for development.

Included in amounts due to joint ventures within one year of £19,866,000 (2002: £17,509,000) and after one year of £16,837,000 (2002: £8,839,000) is a total of £32,852,000 (2002: £22,764,000) due to CALA Land Investments Limited.

18. DEFERRED TAXATION

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Included in Other Debtors:				
Deferred tax assets:				
Included in prepayments and accrued income:				
Accelerated capital allowances	(57)	(146)	-	-
Other timing differences	(293)	(680)	-	-
	<u>(350)</u>	<u>(826)</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 2002	(826)	(477)	-	-
Charged/(credited) to profit & loss account	476	(349)	-	-
At 30 June 2003	<u>(350)</u>	<u>(826)</u>	<u>-</u>	<u>-</u>

Notes to the Accounts (continued)

19. SHARE CAPITAL

	Authorised 2003	Authorised 2002	Allotted, called up and fully paid 2003	Allotted, called up and fully paid 2002
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Non-equity share capital:				
'A' Ordinary shares of 1p each	938,809	625,163	938,809	546,800
'B' Ordinary shares of 1p each	4,678,191	4,991,837	4,678,191	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 2003	Authorised 2002	Allotted, called up and fully paid 2003	Allotted, called up and fully paid 2002
	£000	£000	£000	£000
Non-equity share capital:				
'A' Ordinary shares of 1p each	9	6	9	6
'B' Ordinary shares of 1p each	47	50	47	50
'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 2002 and 30 June 2003	7,796

21. RESERVES

	Share premium £000	Capital redemption reserve £000	Profit and loss £000	Total £000
Group				
At 30 June 2002	7,796	50	1,392	9,238
Retained profit for the year	-	-	30	30
At 30 June 2003	7,796	50	1,422	9,268
Company				
At 30 June 2002	7,799	-	1,439	9,238
Retained profit for the year	-	-	30	30
At 30 June 2003	7,799	-	1,469	9,268

Notes to the Accounts (continued)

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £000	Company £000
At 30 June 2002	9,318	9,318
Profit attributable to shareholders	43	43
Dividends	(13)	(13)
Shareholders' funds at 30 June 2003	9,348	9,348

23. CONTINGENT LIABILITIES

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Borrowings of subsidiary companies	-	-	-	2,591
Guarantees on behalf of CALA Finance joint arrangements	17,351	11,835	17,351	11,835
Indemnities for performance bonds	3,149	4,817	3,149	4,817

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. CAPITAL COMMITMENTS

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Authorised but not contracted for	559	-	-	-
Contracted but not provided for	201	-	-	-

25. FINANCIAL COMMITMENTS

	Land & buildings 2003 £000	Land & buildings 2002 £000	Plant & machinery 2003 £000	Plant & machinery 2002 £000
At 30 June 2003 the Group had annual commitments under operating leases as set out below:				
Operating leases which expire:				
-within one year	269	-	157	125
-between one and two years	-	97	294	380
-between two to five years	-	186	420	435
-over five years	560	536	-	-
	829	819	871	940

26. PENSION COMMITMENTS

The Group operates a funded defined benefit pension scheme based on members' final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by an independent qualified actuary on the basis of triennial valuations 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 94% 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 2003 were 13% from the Group and 5% from employees. The pension charge for the year was £1,009,000 (2002- £1,055,000).

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 2003 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 £86,000 (2002- £74,000).

On 1 July 2003, the Group agreed to buy out all of its current and future obligations under an individual defined benefit pension scheme operated for a director for £776,000. As at 30 June 2003 this pension scheme showed a deficit before deferred tax as calculated under FRS 17 of £1,042,000.

Notes to the accounts (continued)

27. 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 2003. The valuations were carried out by a qualified independent actuary. The major assumptions used by the actuary were:

	<u>At 30 June 2003</u>	<u>At 30 June 2002</u>
Rates of increase in salaries	4.0%	4.2%
Rates of increase in pensions in payment	3.0%	3.0%
Discount rate	5.25%	5.81%
Inflation assumption	<u>2.5%</u>	<u>2.7%</u>

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

	Long term rate of return expected at 30 June 2003	Value at 30 June 2003 £000	Long term rate of return expected at 30 June 2002	Value at 30 June 2002 £000
Equities	8.25%	10,205	7.5%	11,564
Bonds	4.4%	3,323	4.95%	2,657
Property	8.25%	<u>1,400</u>	7.5%	<u>419</u>
		14,928		14,640
Present value of scheme liabilities		<u>(27,399)</u>		<u>(21,708)</u>
Deficit in the scheme		(12,471)		(7,068)
Related deferred tax asset		<u>3,741</u>		<u>2,120</u>
Net pension liability		<u>(8,730)</u>		<u>(4,948)</u>

If FRS17 had been applied to the financial statements the amounts recognised and associated disclosures would be as follows:

Net assets and profit and loss reserve at 30 June 2003:

Balance sheet	<u>2003 £000</u>	<u>2002 £000</u>
Net assets excluding pension liability	9,348	9,318
Net pension liability	<u>(8,730)</u>	<u>(4,948)</u>
Net assets including pension liability	<u>618</u>	<u>4,370</u>
Reserves	<u>2003 £000</u>	<u>2002 £000</u>
Profit & loss reserve excluding pension reserve	1,422	1,392
Pension reserve	<u>(8,730)</u>	<u>(4,948)</u>
Profit & loss reserve	<u>(7,308)</u>	<u>(3,556)</u>

Notes to the accounts (continued)

27. RETIREMENT BENEFITS (continued)

Movement in the deficit during the year:	2003 £000	2002 £000
Deficit in scheme at the beginning of the year	(7,068)	(2,290)
Movement in year:		
Current service cost	(1,194)	(936)
Contributions	1,127	1,112
Past service costs	-	(143)
Other finance income	(225)	(47)
Actuarial loss	(5,111)	(4,764)
Deficit in scheme at the end of the year	(12,471)	(7,068)
Analysis of amount charged to operating profit:		
	2003 £000	2002 £000
Current service cost	1,194	936
Past service cost	-	143
	1,194	1,079
Analysis of amount credited to other financial income:		
	2003 £000	2002 £000
Expected return on pension scheme assets	(1,074)	(1,067)
Interest cost	1,299	1,114
Net return	225	47
Analysis of amount recognised in Statement of Total Recognised Gains and Losses:		
	2003 £000	2002 £000
Actual return less expected return on pension scheme assets	(2,052)	(2,767)
Experience gains and losses arising on the scheme liabilities	(313)	(368)
Changes in financial assumptions underlying the scheme liabilities	(2,746)	(1,629)
Actuarial loss recognised in Statement of Total Recognised Gains and Losses	(5,111)	(4,764)
Details of experience gains and losses:		
	2003 £000	2002 £000
Difference between the expected and actual return on scheme assets:		
Amount	(2,052)	(2,767)
Percentage of scheme assets	14%	19%
Experience gains and losses on scheme liabilities:		
Amount	(313)	(368)
Percentage of the present value of scheme liabilities	1%	2%
Total amount recognised in statement of total recognised gains and losses:		
Amount	(5,111)	(4,764)
Percentage of the present value of scheme liabilities	19%	22%

Notes to the accounts (continued)

28. 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 :

	2003 £000	2002 £000
Relating to joint ventures with members of the Bank of Scotland group:		
Amounts due by joint ventures	6,043	6,762
Amounts due to joint ventures	32,782	22,764
Sales to joint ventures	48	8,177
Purchases from joint ventures	28,650	21,425
Fees received from joint ventures	27	771
Fees paid to joint ventures	904	-
Interest received from joint ventures	383	-
Interest paid to joint ventures	1,017	-
Relating to other joint ventures:		
Amounts due by joint ventures	17,345	10,687
Amounts due to joint ventures	3,920	28
Fees received from joint ventures	2,121	1,062
Interests in joint arrangements	1,075	939
Interest received from joint ventures	553	-

Bank of Scotland is a shareholder in CALA Group Limited.

During the year the group acquired 100% of the issued share capital of CALA Properties (Central) Limited by purchasing Bank of Scotland's 50% share.

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.

Notes to the accounts (continued)

19. ACQUISITIONS

During the year the Group acquired 100% of the issued share capital of the following companies which were formerly owned 50% in joint venture:

CALA Morrison Residential Limited
 CALA Greenbank Limited
 CALA Properties (Ayr) Limited
 CALA Properties (Central) Limited

The fair values attributed to the net assets acquired on acquisition were:

	Book value prior to acquisition £000	Fair value adjustments £000	Fair value to the Group £000
Current assets			
Stocks	19,994	2,342	22,336
Debtors	631	-	631
Cash at bank and in hand	302	-	302
Total assets	20,927	2,342	23,269
Current liabilities			
Creditors	(6,910)	-	(6,910)
Borrowings	(12,107)	-	(12,107)
Net assets at acquisition	1,910	2,342	4,252
Net assets attributable as joint ventures			(1,583)
Net assets acquired			2,669
Consideration represented by:			
Cash			2,646
Acquisition expenses			23
			2,669

The fair value adjustments represent the revaluation of housebuilding and development land to a level consistent with that which the Group would pay in the open market.

There was no goodwill arising as a result of the acquisitions during the year.

The financial statements of CALA Greenbank Limited for the period from 1 January 2002 to 27 September 2002 (date of acquisition) disclosed a loss before taxation of £5,000.