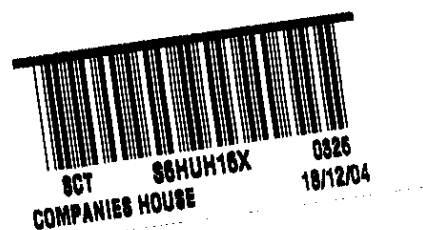


CALA Group Limited

Annual report

for the year ended 30 June 2004

Registered number: SC 194813



CALA Group Limited

Annual report

For the year ended 30 June 2004

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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
Michael J Freshney (appointed 9 July 2004)

Company secretary

Moira 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 2004

The directors have pleasure in presenting their report and financial statements for the year ended 30 June 2004.

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 CALA Land Investments Limited which was formerly 50% owned in joint venture. This company will continue to acquire land for residential development by the Group.

Results

The directors are pleased to report a record financial performance for the Group during the year under review with the change in strategy outlined two years ago now delivering its expected benefits. All businesses i.e. Homes, Properties and Finance contributed strongly to Group profits.

During the year, the Group has again increased the turnover value of its consented land bank and has further improved its housing gross margin. Forward sales of housing units are at record levels, to nearly double that of a year ago.

Group operating profit for the year including joint ventures was £23,634,000, 39% higher than 2003. The profit for the period before tax was £6,060,000 (2003: £774,000). 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.

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 £1,011,000 (2003: £13,000).

In addition, a contingent dividend of £118,000 (2003: Nil) has been provided in the financial statements representing amounts due to Uberior Ventures Limited following the Group's acquisition of a further 50% shareholding in CALA Land Investments Limited.

CALA Group Limited

Directors' report for the year ended 30 June 2004(continued)

Corporate governance

The Company is committed to achieving and maintaining a high standard of corporate governance and has applied the spirit of the Combined Code throughout the year.

Board committees

The Board itself has delegated certain responsibilities to Board committees with agreed terms of reference. These committees report regularly to the Board.

1. The Audit Committee is chaired by Professor J P Percy. He and the other members, R G T Stenhouse and M J Freshney (who was appointed on 9 July 2004) all of whom are non-executive directors, meet at least three times per year. 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 control, risk management and the audit process. The Finance Director and the Company Secretary attend all meetings and certain meetings are also attended by the external auditors.
2. The Remuneration Committee is chaired by Professor J P Percy. R G T Stenhouse and M J Freshney are members of the committee. Meetings of the committee are also attended by the Executive Chairman, the Managing Director and the Director of Human Resources with support from the Company Secretary. The Committee meets at least twice per year and ensures that the Executive Directors and senior management are appropriately rewarded having regard to the financial performance of the Group.

Internal control

The Board is responsible for the Group's system of internal control and also for reviewing its effectiveness. The Board has monitored the effectiveness of the system of internal control throughout the year and up to the date of approval of the annual report and accounts.

The Board acknowledges that it has a responsibility to establish, maintain and monitor a system of internal control relating to operations, financial and compliance matters and risk management. The aim is to manage and reduce the risks to which the Group is exposed. The Board has reviewed and updated the process for identifying and evaluating the significant risks affecting the business from a Group level and a subsidiary Board level.

CALA Group Limited

Directors' report for the year ended 30 June 2004(continued)

Internal control (continued)

The subsidiary Boards identify and evaluate the significant risks applicable to their particular areas of business together with the operation of their internal controls. The risks are assessed and cover all aspects of the business.

Health and safety

The Board is committed to the promotion of a positive health and safety culture throughout the Group. The Group continues to be concerned for the health, safety and welfare of its employees and to observe the terms of the Health and Safety at Work Act 1974.

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

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

Employees

The Group is an equal opportunities employer and believes that employee involvement is fundamental to its future success. 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.

An internal market for dealing in the Company's shares twice per year exists. The directors would like to see an increase in the number of shareholders beyond the current total of 102.

The directors keep employees informed on the current status of the Group and its future prospects by way of 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.

Environmental issues

The Board recognises the importance of environmental issues when carrying out its business and endeavours to deal with such issues sensitively having regard to appropriate legislation.

CALA Group Limited

Directors' report for the year ended 30 June 2004(continued)

Creditor payment policy

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

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

The payment policy applies to all payments to creditors for revenue and capital supplies for goods and services. The Company's average creditor payment period at 30 June 2004 was 30 days (2003: 31 days).

Political and charitable contributions

Contributions to charities during the year amounted to £17,595 (2003: £9,375). These donations were made to numerous local charities covering a range of charitable purposes. 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

All of the directors of the Company listed in page 1 were directors throughout the year with the exception of M J Freshney whose appointment as a non-executive director took effect on 9 July 2004.

At the date of this report the Board comprises five executive and three non-executive directors. All of the non-executive directors are considered to be independent and are led by the senior non-executive director, Professor J P Percy.

All directors have access to the advice of the Company Secretary who ensures that the Board, which meets at least eight times per year, receives appropriate information

CALA Group Limited

Directors' report for the year ended 30 June 2004(continued)

Directors (continued)

for its decision-making, that the board procedures are followed and that the 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.

The executive directors meet on a more frequent basis and are in continual discussion with operational management.

Directors' interests

The directors' interests in the share capital of the Company are as follows:

	At 30 June 2004	At 30 June 2003
	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	681,200
R J Millar	304,000	304,000
J G G Reid	100,000	55,000
R G T Stenhouse	1,000	1,000
J P (Ian) Percy CBE	Nil	Nil

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 2004. 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.

CALA Group Limited

Directors' report
for the year ended 30 June 2004(continued)

Auditors

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

A handwritten signature in black ink, appearing to read 'M R Sibbald', is written over a horizontal line.

By order of the Board
M R Sibbald
Secretary
3 September 2004

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 2004 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 cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Edinburgh

9 September 2004

Group Profit and Loss Account
for the year ended 30 June 2004

	Notes	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Turnover including joint ventures	1	227,974	166,924
Less : share of joint ventures' turnover		<u>(45,463)</u>	<u>(18,112)</u>
Group turnover		182,511	148,812
Cost of sales		<u>(143,319)</u>	<u>(114,301)</u>
Gross profit		39,192	34,511
Net operating expenses	2	<u>(22,994)</u>	<u>(20,842)</u>
Group operating profit before amortisation of goodwill		16,198	13,669
Amortisation of goodwill	9	<u>(2,136)</u>	<u>(2,136)</u>
Group operating profit		14,062	11,533
Share of operating profit in joint ventures		<u>9,572</u>	<u>5,482</u>
Profit on ordinary activities before interest		23,634	17,015
Interest payable and similar charges	3	<u>(17,574)</u>	<u>(16,241)</u>
Profit on ordinary activities before taxation	1,4	6,060	774
Taxation	6	<u>(2,687)</u>	<u>(731)</u>
Profit on ordinary activities after taxation	7	3,373	43
Dividends	8	<u>(1,129)</u>	<u>(13)</u>
Profit retained	21	<u>2,244</u>	<u>30</u>

All operations are continuing.

The Group has no other 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.

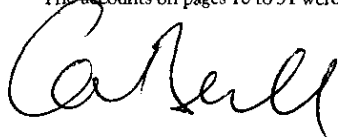
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

No acquisition disclosure is presented in respect of CALA Land Investments Limited as the results for the period are not significant.

Balance Sheets
at 30 June 2004

	Notes	Group 2004 £000	Group 2003 Restated £000	Company 2004 £000	Company 2003 £000
Fixed assets					
Intangible assets	9	31,888	34,024	-	-
Tangible fixed assets	10	1,899	1,288	-	-
Investments in subsidiaries	11	-	-	99,097	99,097
Investments in joint ventures:	12				
Share of gross assets		74,592	71,409	-	-
Share of gross liabilities		(68,175)	(63,947)	-	-
		6,417	7,462		
		<u>40,204</u>	<u>42,774</u>	<u>99,097</u>	<u>99,097</u>
Current assets					
Stocks	14	189,176	201,055	-	-
Debtors:					
Due within one year	15	21,881	23,167	66,489	53,779
Due after more than one year	15	18,725	19,619	-	-
Cash at bank		10,120	1,706	-	-
		<u>239,902</u>	<u>245,547</u>	<u>66,489</u>	<u>53,779</u>
Creditors: due within one year					
Loans and other borrowings	16	(23,981)	(13,780)	(31,580)	(23,953)
Other creditors	17	(63,884)	(76,235)	(1,153)	(336)
		<u>152,037</u>	<u>155,532</u>	<u>33,756</u>	<u>29,490</u>
Total assets less current liabilities		192,241	198,306	132,853	128,587
Creditors: due after more than one year					
Loans and other borrowings	16	(151,627)	(134,703)	(115,408)	(114,283)
Other creditors	17	(29,136)	(54,685)	(5,967)	(4,956)
		<u>11,478</u>	<u>8,918</u>	<u>11,478</u>	<u>9,348</u>
Net assets	1	11,478	8,918	11,478	9,348
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	3,552	992	3,599	1,469
		<u>11,478</u>	<u>8,918</u>	<u>11,478</u>	<u>9,348</u>
Shareholders' funds	22	11,478	8,918	11,478	9,348
Being :					
Non-equity shareholders' funds	22	11,478	8,918	1,359	9,348
Equity shareholders' funds		<u>11,478</u>	<u>8,918</u>	<u>1,359</u>	<u>9,348</u>

The accounts on pages 10 to 31 were approved by the Board of Directors on 3 September 2004 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 2004

	Notes	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Operating activities			
Net cash inflow from operating activities	A	<u>30,956</u>	<u>18,217</u>
Dividends from joint ventures and associates			
Dividends received from joint ventures		<u>4,325</u>	<u>400</u>
Returns on investments and servicing of finance			
Interest received		1,713	880
Interest paid		<u>(13,379)</u>	<u>(12,184)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(11,666)</u>	<u>(11,304)</u>
Taxation			
UK corporation tax paid		<u>(1,396)</u>	<u>1,423</u>
Capital expenditure			
Purchase of tangible fixed assets		(1,103)	(471)
Sale of tangible fixed assets		<u>15</u>	<u>10</u>
Net cash outflow from capital expenditure		<u>(1,088)</u>	<u>(461)</u>
Acquisitions and disposals			
Purchase of subsidiary undertakings	30	(500)	(2,669)
Net borrowings acquired with subsidiaries	30	(36,056)	(11,805)
Disposal of investments		340	364
Investments in joint ventures		<u>(1)</u>	<u>(11)</u>
		<u>(36,217)</u>	<u>(14,121)</u>
Net cash outflow before financing		<u>(15,086)</u>	<u>(5,846)</u>
Financing			
Draw down of bank loans		25,961	1,677
Repayment of bank term loan		(4,132)	(4,782)
Redemption of loan notes		(274)	(322)
Capital element of hire purchase and finance lease rentals	C	<u>(95)</u>	<u>(87)</u>
Net cash inflow/(outflow) from financing		<u>21,460</u>	<u>(3,514)</u>
Increase/(decrease) in cash	B	<u>6,374</u>	<u>(9,360)</u>

Notes on the Group Cash Flow Statement
for the year ended 30 June 2004

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000		
A. Reconciliation of operating profit to net cash inflow from operating activities				
Group operating profit	14,062	11,533		
Depreciation charges	604	569		
Profit on fixed assets disposals	(4)	(4)		
Gain on sale of investments	(24)	(24)		
Amortisation of goodwill	2,136	2,136		
Amounts written off of investments	392	200		
Increase in provision for redemption premia	3,327	3,276		
Amortisation of bank arrangement fees	203	203		
Change in unrealised profit share in joint ventures	328	(877)		
Decrease/(increase) in stocks	11,882	(51,512)		
Decrease in debtors	2,577	32,730		
(Decrease)/increase in creditors	(4,527)	19,987		
Net cash inflow from operating activities	30,956	18,217		
B. Reconciliation of net cash flow to net debt	£000	£000		
Increase/(decrease) in cash in the period	6,374	(9,360)		
Cash inflow from hire purchase and lease financing	95	87		
Redemption of loan notes	274	322		
Net drawdown of bank loans	(21,829)	3,105		
Change in net debt resulting from cash flows	(15,086)	(5,846)		
Provision for bank loan redemption premia	(3,327)	(3,276)		
Amortisation of bank arrangement fees	(203)	(203)		
New hire purchase and finance leases	(123)	-		
	(18,739)	(9,325)		
Net debt as at 30 June 2003	(146,848)	(137,523)		
Net debt as at 30 June 2004	(165,587)	(146,848)		
C. Analysis of net debt				
	As at 30 June 2003 £000	Cash flow £000	Other non-cash changes £000	As at 30 June 2004 £000
Cash :				
Cash at bank and in hand	1,706	8,414	-	10,120
Bank overdrafts	(19,879)	(2,040)	-	(21,919)
	(18,173)	6,374	-	(11,799)
Debt :				
Bank loans	(127,759)	(21,829)	(3,530)	(153,118)
Loan notes	(845)	274	-	(571)
Hire purchase and finance leases	(71)	95	(123)	(99)
	(128,675)	(21,460)	(3,653)	(153,788)
Net debt	(146,848)	(15,086)	(3,653)	(165,587)

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) **Change in accounting policy**

The Group has adopted UITF Abstract 38 (Accounting for ESOP Trusts) which relates to the presentation and disclosure of own shares held. The adoption of the new UITF Abstract represents a change in accounting policy and comparative figures have been restated accordingly.

The Group has restated opening reserves to comply with the above UITF Abstract. As a result, reserves have decreased by £430,000 and fixed asset investments have decreased by the same amount as at 1 July 2003. The reduction in reserves at 30 June 2004 was £114,000.

There is no effect on the current or prior year profit and loss account.

Own shares held are deducted from the profit and loss account reserve to arrive at equity shareholders' funds and were previously shown within fixed asset investments.

(iii) **Basis of consolidation**

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

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

CALA Group Limited

Accounting policies (continued)

(v) **CALA Finance joint arrangements**

For the purposes of FRS 9, CALA Finance activities are classified as “joint arrangements”. Profits are recognised on similar principles as other profits from the Group's activities, and are included in turnover and trading profit. Any losses arising from joint arrangements are included in cost of sales. Interests in joint arrangements at the 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.

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

(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.

(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 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.

(xvi) **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 2004

1. SEGMENTAL ANALYSIS

	Year ended 30 June 2004 £000	Year ended 30 June 2003 restated £000
Turnover including joint ventures:		
Housebuilding		
Group: continuing operations	168,157	136,740
Joint ventures	33,726	14,793
	<u>201,883</u>	<u>151,533</u>
Property development		
Group: continuing operations	14,354	12,072
Joint ventures	11,737	3,319
	<u>26,091</u>	<u>15,391</u>
	<u>227,974</u>	<u>166,924</u>
Profit on ordinary activities before taxation:		
Housebuilding: continuing operations	21,186	16,059
Property development: continuing operations	4,584	3,092
	<u>25,770</u>	<u>19,151</u>
Goodwill amortisation	(2,136)	(2,136)
Interest payable and similar charges	(17,574)	(16,241)
	<u>6,060</u>	<u>774</u>
Net assets:		
Housebuilding: continuing operations	183,025	155,137
Property development: continuing operations	347	6,481
Operating divisions	183,372	161,618
Net borrowings	(165,488)	(146,777)
Proposed dividend	(6,085)	(4,956)
Tax liabilities	(321)	(967)
	<u>11,478</u>	<u>8,918</u>

No acquisition disclosure is presented in respect of CALA Land Investments Limited as the results for the period, and net assets at 30 June 2004, are not significant.

2. NET OPERATING EXPENSES

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Administration expenses	23,079	20,734
Amounts written off investments	29	200
Other income	(114)	(92)
	<u>22,994</u>	<u>20,842</u>

Notes to the Accounts (continued)

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Interest payable on:		
Bank loans, overdrafts and other borrowings	13,379	12,184
Share of joint ventures	2,378	1,458
	15,757	13,642
Less interest receivable	(1,713)	(880)
	14,044	12,762
Bank facility arrangement fees	203	203
Redemption premia	3,327	3,276
	17,574	16,241

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Stated after charging:		
Depreciation	604	569
Amortisation of goodwill	2,136	2,136
Operating leases: - plant & machinery	950	945
- land & buildings	735	621
Auditors' remuneration: - Group audit	81	87
- other services	43	55
and after crediting:		
Gain on sale of investments	(24)	(24)
Gain on sale of fixed assets	(4)	(4)
Rental income	(46)	(11)

The Group audit fee disclosed above includes £1,000 (2003: £1,000) in respect of the company.

5. EMPLOYEES

	Year ended 30 June 2004 Number	Year ended 30 June 2003 Number
Average monthly number of employees during the year:		
Housebuilding- site	149	144
Housebuilding- office	217	216
Property development	8	8
	374	368
Employment costs during the year:	£000	£000
Wages and salaries	18,856	16,269
Social security costs	1,999	1,666
Other pension costs	2,057	1,095
	22,912	19,030

Notes to the Accounts (continued)

5. EMPLOYEES (continued)

Directors' remuneration

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Aggregate emoluments	<u>1,721</u>	<u>1,552</u>
Highest paid director	<u>508</u>	<u>429</u>
Aggregate emoluments	<u>508</u>	<u>429</u>
Accrued pension at period end	<u>-</u>	<u>149</u>

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

On 4 July 2003, the Group agreed to buy out all of its current and future obligations under the individual defined benefit scheme operated for one director and therefore no statement of accrued pension for the highest paid director is required at 30 June 2004.

Included in the remuneration disclosed above is £30,000 (2003: £23,000) paid to Noble Grossart Limited in respect of the services of RGT Stenhouse.

6. TAXATION

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
(a) Analysis of tax charge in the year:		
Tax on profit on ordinary activities:		
Corporation tax at 30% (2003: 30%)		
- current year	745	(761)
- prior year	<u>5</u>	<u>(383)</u>
Current year tax charge (note b)	<u>750</u>	<u>(1,144)</u>
Deferred tax (note 18)		
- current year	(144)	360
- prior year	<u>95</u>	<u>116</u>
Total deferred tax charge	<u>(49)</u>	<u>476</u>
Share of joint ventures' tax	<u>1,986</u>	<u>1,399</u>
Total tax charge	<u>2,687</u>	<u>731</u>
(b) Factors affecting tax charge for period:		
Profit on ordinary activities before taxation	6,060	774
Less: share of profit in joint ventures before tax	<u>(7,194)</u>	<u>(4,024)</u>
Group loss on ordinary activities before taxation	<u>(1,134)</u>	<u>(3,250)</u>
Group loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(340)	(975)
Effects of:		
Goodwill	640	640
Group relief not paid for	33	(8)
Adjustment in order to tax net capital gains	-	74
Items not deductible for tax purposes	284	(132)
Other timing differences	116	-
Adjustments relating to prior years' corporation tax	5	(383)
Accelerated capital allowances	<u>12</u>	<u>(360)</u>
Group tax charge for the year	<u>750</u>	<u>(1,144)</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 2004 £000	Year ended 30 June 2003 £000
Holding company	(7,988)	(8,250)
Subsidiary companies	6,153	5,868
Joint ventures	5,208	2,425
	<u>3,373</u>	<u>43</u>

8. DIVIDENDS

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Participating dividend at 29.99% of Group profits	1,011	13
Dividend payable by subsidiary company to external shareholder (note 28)	<u>118</u>	<u>-</u>
	<u>1,129</u>	<u>13</u>

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

9. INTANGIBLE FIXED ASSETS

Goodwill	£000
Cost:	
At 30 June 2003 and 2004	<u>42,746</u>
Amortisation:	
At 30 June 2003	8,722
Provided during the year	<u>2,136</u>
At 30 June 2004	<u>10,858</u>
Net book value at 30 June 2004	<u>31,888</u>
Net book value at 30 June 2003	<u>34,024</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 2003	329	2,145	3,425	5,899	-
Additions	-	132	1,094	1,226	-
Disposals	-	(49)	(424)	(473)	-
At 30 June 2004	329	2,228	4,095	6,652	-
Depreciation:					
At 30 June 2002	60	1,768	2,783	4,611	-
Provided during the year	5	190	409	604	-
Disposals	-	(45)	(417)	(462)	-
At 30 June 2004	65	1,913	2,775	4,753	-
Net book value at 30 June 2004	264	315	1,320	1,899	-
Net book value at 30 June 2003	269	377	642	1,288	-

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 £315,000 (2003: £377,000) and £1,320,000 (2003: £642,000) above, is £133,000 (2003: £88,000) after charging depreciation for the year of £73,000 (2003: £77,000).

11. INVESTMENTS IN SUBSIDIARIES

	Company		
	Cost £000	Provisions £000	Book value £000
As at 30 June 2003 and 30 June 2004	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
Trueline Systems Limited	52	31 December	Computer services
CALA Land Investments Limited	100	30 June	Land acquisition

All the above companies are incorporated in Great Britain.

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

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 2003	1,134	4,967	1,361	7,462
Transfer on realisation	-	121	(121)	-
Retained profits for year	-	5,208	-	5,208
Dividends distributed	-	(4,325)	-	(4,325)
Additions	1	-	-	1
Amounts written off	(29)	(363)	-	(392)
Elimination of equity accounted profit and share capital on acquisition	(500)	203	(1,240)	(1,537)
At 30 June 2004	606	5,811	-	6,417

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

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Share of assets:				
Share of current assets	74,592	71,409	-	-
	74,592	71,409	-	-
Share of liabilities:				
Due within one year	21,681	13,037	-	-
Due after one year	46,494	50,910	-	-
	68,175	63,947	-	-
	6,417	7,462	-	-

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

The joint venture companies are:

Name of company	% of £1 ordinary shares held	Accounting year end	Nature of business
Canniesburn Limited	50	31 December	Housebuilding
CALA City Limited	50	30 September	Housebuilding
CALA Grandholm Limited	50	31 March	Housebuilding
CALA Dorchester Limited	50	30 June	Housebuilding
CALA Evans Residential Limited	50	30 June	Housebuilding
CALA Domus Limited	50	30 June	Housebuilding
Southspirit Limited	50	30 June	Housebuilding
Park House Apartments Limited	50	30 June	Housebuilding
Lancefield Quay Limited	50	31 December	Housebuilding
CALA Evans Restoration Limited	50	30 June	Housebuilding
Stockdale-CALA Limited	50	30 June	Property development
CALA-FM Developments Limited	50	30 June	Property development
CALA Properties (Banbury) Limited	50	30 June	Property development
CALA-Morrison Limited	50	31 July	Property development
CALA Properties (Slateford) Limited	50	30 June	Property development
CALA Land Investments (Bearsden) Limited	75	30 June	Land acquisition

All the above companies are incorporated in Great Britain.

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

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

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

	Own shares
Group	£000
At 30 June 2003 as previously reported	430
Prior year adjustment (note 29)	(430)
At 30 June 2003 (as restated) and 30 June 2004	-

Restatements

The figures for Group investments have been restated to take account of the adoption of UITF Abstract 38 - see note 29.

Shares that were previously shown in investments as own shares held have been reclassified as a prior year adjustment and are shown as a deduction in arriving at equity shareholders funds.

14. STOCKS

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Housebuilding:				
Land	143,834	159,166	-	-
Part exchange stocks	3,692	6,655	-	-
Work in progress and other stocks	41,650	34,220	-	-
	189,176	200,041	-	-
Property development	-	1,014	-	-
	189,176	201,055	-	-

15. DEBTORS

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Amounts falling due within one year:				
Trade debtors	3,882	9,422	-	-
Trade debtors subject to full recourse financing	3,200	-	-	-
Interests in joint arrangements	1,954	709	-	-
Amounts owed by joint ventures	8,450	10,144	-	952
Amounts owed by subsidiary companies	-	-	66,489	52,827
Other debtors	3,522	2,474	-	-
Prepayments and accrued income	873	418	-	-
	21,881	23,167	66,489	53,779
Amounts falling due after more than one year:				
Trade debtors	355	5,528	-	-
Trade debtors subject to full recourse financing	3,158	-	-	-
Interests in joint arrangements	-	366	-	-
Prepayments and accrued income	350	350	-	-
Amounts owed by joint ventures	14,737	13,244	-	-
Other debtors	125	131	-	-
	18,725	19,619	-	-
	40,606	42,786	66,489	53,779

Notes to the Accounts (continued)

16. LOANS AND OTHER BORROWINGS

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Creditors: amounts falling due within one year				
Loans and other borrowings	23,981	13,780	31,580	23,953
Creditors: amounts falling due after more than one year				
Loans and other borrowings	151,627	134,703	115,408	114,283

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	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
(a) Analysis by instrument					
Bank overdrafts	(1)	21,919	19,879	29,518	19,865
Term loan and guarantee facility no. 1	(2)	27,826	31,889	27,826	31,889
Revolving credit facility no. 1	(3)	26,798	26,757	26,798	26,757
Term loan facility no. 2	(4)	6,209	7,500	-	-
Revolving credit facility no. 2	(4)	24,836	2,733	-	-
Unsecured redeemable variable rate					
Loan notes 1999-2006	(5)	571	845	571	845
Mezzanine term loan no 1	(6)	12,547	11,374	12,547	11,374
Mezzanine term loan no 2	(4)	5,174	-	-	-
Secured loan stock 2014	(7)	49,728	47,506	49,728	47,506
		175,608	148,483	146,988	138,236

- (1) A £10m tranche of overdraft is hedged at a rate of 6.79% until 4 September 2006. 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 7.38% and 7.41% for periods up to 3 years.
- (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 5.77% and 7.39% for periods between 4 and 5 years.
- (4) Term loan facility no. 2, revolving credit facility no. 2 and Mezzanine term loan no. 2 are fully repayable on 4 April 2007. Interest on £17.5m of the revolving credit facility is hedged at rates between 6.68% and 5.7%. The term loan is hedged at 7.95%.
- (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 no. 1 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 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
(b) Maturity analysis				
Repayments fall due as follows:				
Within one year, or on demand	18,131	13,780	31,580	23,953
After more than one year	157,477	134,703	115,408	114,283
	175,608	148,483	146,988	138,236
Repayments due after more than one year are analysed as follows:				
Between one and two years	4,999	12,115	4,999	1,928
Between two and five years	89,860	25,385	47,791	15,152
In five years or more	62,618	97,203	62,618	97,203
	157,477	134,703	115,408	114,283

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 2004 (2003: 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 bond and 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 also holds a bond and floating charge over the assets of CALA Land Investments Limited and a bond and floating charge over the assets of CALA Land Investments (Bearsden) Limited.

CALA Management Limited has granted four fixed securities over certain land and other assets in favour of the Bank. In addition the Bank holds a standard security over land owned by CALA Land Investments (Bearsden) Limited.

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

17. OTHER CREDITORS

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Amounts falling due within one year:				
Trade creditors:				
Land	26,172	32,399	-	-
Other	18,817	14,268	-	-
Trade debt finance	3,200	-	-	-
Corporation tax	321	967	-	-
Other taxes and social security costs	922	408	-	-
Obligations under finance leases	53	53	-	-
Amounts owed to joint ventures	2,680	19,866	-	-
Other creditors	3,211	1,985	-	-
Dividends payable	118	-	-	-
Accruals	8,390	6,289	1,153	336
	<u>63,884</u>	<u>76,235</u>	<u>1,153</u>	<u>336</u>
Amounts falling due after more than one year:				
Dividends payable	5,967	4,956	5,967	4,956
Amounts owed to joint ventures	-	16,837	-	-
Trade creditors:				
Land	21,336	32,315	-	-
Other	379	543	-	-
Trade debt finance	1,392	-	-	-
Obligations under finance leases				
-payable between one and two years	35	18	-	-
-payable between two and five years	11	-	-	-
Accruals	16	16	-	-
	<u>29,136</u>	<u>54,685</u>	<u>5,967</u>	<u>4,956</u>

Total trade creditors include £40,881,000 (2003: £32,810,000) which is secured against land acquired for development.

The sum due in respect of trade debt finance is secured against property at Albert Quay, Ocean Drive, Edinburgh. Interest is charged at 1.5% above base rate.

18. DEFERRED TAXATION

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Included in Other Debtors:				
Deferred tax assets:				
Included in prepayments and accrued income:				
Accelerated capital allowances	(84)	(57)	-	-
Other timing differences	(315)	(293)	-	-
	<u>(399)</u>	<u>(350)</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 2003	(350)	(826)	-	-
Charged/(credited) to profit & loss account	(49)	476	-	-
At 30 June 2004	<u>(399)</u>	<u>(350)</u>	<u>-</u>	<u>-</u>

Notes to the Accounts (continued)

19. SHARE CAPITAL

	Authorised 2004	Authorised 2003	Allotted, called up and fully paid 2004	Allotted, called up and fully paid 2003
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Non-equity share capital:				
'A' Ordinary shares of 1p each	1,180,237	938,809	1,180,237	938,809
'B' Ordinary shares of 1p each	4,436,763	4,678,191	4,436,763	4,678,191
'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 2004	9,202,245	9,202,245	8,023,238	8,023,238
	Authorised 2004 £000	Authorised 2003 £000	Allotted, called up and fully paid 2004 £000	Allotted, called up and fully paid 2003 £000
Non-equity share capital:				
'A' Ordinary shares of 1p each	12	9	12	9
'B' Ordinary shares of 1p each	44	47	44	47
'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 2004	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.

Individual holders of 'A' shares and individual holders of 'B' shares may transfer their shares to various restricted categories of related persons and may deal through the internal market. 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 2003 and 30 June 2004	7,796

21. RESERVES

	Share premium £000	Capital redemption reserve £000	Profit and loss £000	Total £000
Group				
At 30 June 2003 as previously reported	7,796	50	1,422	9,268
Prior year adjustment: own shares held (note 29)	-	-	(430)	(430)
At 30 June 2003 as restated	7,796	50	992	8,838
Retained profit for the year	-	-	2,244	2,244
Disposal of own shares held	-	-	316	316
At 30 June 2004	7,796	50	3,552	11,398
Company				
At 30 June 2003	7,799	-	1,469	9,268
Retained profit for the year	-	-	2,130	2,130
At 30 June 2004	7,799	-	3,599	11,398

Notes to the Accounts (continued)

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group £000	Company £000
At 30 June 2003 as previously reported	9,348	9,348
Prior year adjustment: own shares held (note 29)	(430)	-
At 30 June 2003 as restated	8,918	9,348
Profit attributable to shareholders	3,689	3,141
Dividends	(1,129)	(1,011)
Shareholders' funds at 30 June 2004	11,478	11,478

23. CONTINGENT LIABILITIES

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Guarantees on behalf of CALA Finance joint arrangements	19,696	17,351	19,696	17,351
Indemnities for performance bonds	726	3,149	726	3,149

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 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Contracted but not provided for	18	201	-	-

25. FINANCIAL COMMITMENTS

	Land & buildings 2004 £000	Land & buildings 2003 £000	Plant & machinery 2004 £000	Plant & machinery 2003 £000
At 30 June 2004 the Group had annual commitments under operating leases as set out below:				
Operating leases which expire:				
-within one year	-	269	157	157
-between one and two years	-	-	306	294
-between two to five years	242	-	490	420
-over five years	722	560	-	-
	964	829	953	871

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. The most recent triennial valuation was at 6 April 2003 using the Projected Unit Method. The principal assumptions adopted for the valuation were that the pre-retirement investment return would be 7.75% per annum; post retirement investment returns would be 6.00% per annum for future pensioners and 5.25% per annum for current pensioners; that salary increases would be on average 4.0% per annum and pension increases would be on average 3.0% per annum.

The 2003 actuarial valuation showed that the market value of the relevant assets of the scheme was £12,045,000 however assets were taken into account at the valuation using a smoothed market value approach. Using a smoothed market value of assets approach, the past service shortfall disclosed at 6 April 2003 was £4,904,000 which represented a level of funding of 73%. The contribution rates paid over the year to 30 June 2004 remained at 13% of Pensionable Salaries from the Group and 5% of Pensionable Salaries from employees.

The pension cost charged to the Group over the year to 30 June 2004 amounted to £1,281,000 (2003- £1,009,000). This includes £351,000 (2003- £52,000) in respect of amortising the shortfall arising from experience losses which are being recognised over the average remaining service lives of the employees.

The Group also operated an individual defined benefit scheme for a director. On 4 July 2003 the Group agreed to buy out all of its current and future obligations under this scheme for £776,000 and this amount of £776,000 (2003- £86,000) has been included as a pension charge for the year.

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 United Kingdom. A full actuarial valuation was carried out at 6 April 2003 for the main scheme.

The valuation for the main scheme was updated to 30 June 2004 and was carried out by a qualified independent actuary.

The second scheme has been bought out and the Group has no further liability in relation to that scheme.

The major assumptions used by the actuary were:

	At 30 June 2004	At 30 June 2003	At 30 June 2002
Rates of increase in salaries	4.0%	4.0%	4.2%
Rates of increase in pensions in payment	3.25%	3.0%	3.0%
Discount rate	5.82%	5.25%	5.81%
Inflation assumption	3.0%	2.5%	2.7%

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

	Long term rate of return expected at 30 June 2004	Value at 30 June 2004 £000	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	8.5%	10,987	8.25%	10,205	7.50%	11,564
Bonds	5.4%	3,114	4.4%	3,323	4.95%	2,657
Property	8.5%	1,491	8.25%	1,400	7.50%	419
Cash	4.0%	227	-	-	-	-
Total market value of assets		15,819		14,928		14,640
Present value of scheme liabilities		(26,467)		(27,399)		(21,708)
Deficit in the scheme		(10,648)		(12,471)		(7,068)
Related deferred tax asset		3,194		3,741		2,120
Net pension liability		(7,454)		(8,730)		(4,948)

The comparative figures for 2003 and 2002 above include assets and liabilities relating to the second scheme which was bought out on 4 July 2003.

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 2004:

Balance sheet	2004 £000	2003 £000
Net assets excluding pension liability	11,478	9,348
Net pension liability	(7,454)	(8,730)
Net assets including pension liability	4,024	618
Reserves	2004 £000	2003 £000
Profit & loss reserve excluding pension reserve	3,552	1,422
Pension reserve	(7,454)	(8,730)
Profit & loss reserve	(3,902)	(7,308)

Notes to the accounts (continued)

27. RETIREMENT BENEFITS (continued)

Movement in the deficit during the year:	2004	2003
	£000	£000
Deficit in scheme at the beginning of the year	(12,471)	(7,068)
Movement in year:		
Current service cost	(1,438)	(1,194)
Contributions	2,055	1,127
Past service costs	-	-
Other finance income	(327)	(225)
Actuarial loss	1,533	(5,111)
Deficit in scheme at the end of the year	(10,648)	(12,471)
Analysis of amount charged to operating profit:	2004	2003
	£000	£000
Current service cost	1,438	1,194
Past service cost	-	-
	1,438	1,194
Analysis of amount credited to other financial income:	2004	2003
	£000	£000
Expected return on pension scheme assets	995	1,074
Interest cost	(1,322)	(1,299)
Net return	(327)	(225)
Analysis of amount recognised in Statement of Total Recognised Gains and Losses:	2004	2003
	£000	£000
Actual return less expected return on pension scheme assets	663	(2,052)
Experience gains and losses arising on the scheme liabilities	(1,240)	(313)
Changes in financial assumptions underlying the scheme liabilities	2,110	(2,746)
Actuarial loss recognised in Statement of Total Recognised Gains and Losses	1,533	(5,111)
Details of experience gains and losses:	2004	2003
	£000	£000
Difference between the expected and actual return on scheme assets:		
Amount	663	(2,052)
Percentage of scheme assets	4%	14%
Experience gains and losses on scheme liabilities:		
Amount	(1,240)	(313)
Percentage of the present value of scheme liabilities	5%	1%
Total amount recognised in statement of total recognised gains and losses:		
Amount	1,533	(5,111)
Percentage of the present value of scheme liabilities	6%	19%

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 :

	2004 £000	2003 £000
Relating to joint ventures with members of HBOS plc:		
Amounts due by joint ventures	2,510	6,043
Amounts due to joint ventures	-	32,782
Sales to joint ventures	24	48
Purchases from joint ventures	3,236	28,650
Fees received from joint ventures	25	27
Fees paid to joint ventures	511	904
Interest received from joint ventures	58	383
Interest paid to joint ventures	654	1,017
Relating to other joint ventures:		
Amounts due by joint ventures	19,174	17,345
Amounts due to joint ventures	3,053	3,920
Fees received from joint ventures	2,563	2,121
Interests in joint arrangements	1,954	1,075
Interest received from joint ventures	527	553

Uberior Ventures Limited, a subsidiary of HBOS plc, is a shareholder in CALA Group Limited.

During the year the Group acquired 100% of the issued share capital of CALA Land Investments Limited by purchasing Uberior Ventures Limited's 50% share (see note 30).

During the year, J G G Reid, a director of CALA Group Limited purchased a property on normal commercial terms at a cost of £522,750.

An amount of £118,000 is due by a Group company to Uberior Ventures Limited in respect of a dividend.

29. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the adoption of UITF Abstract 38 (Accounting for ESOP Trusts) which relates to the presentation and disclosure of own shares held.

The adoption of the new UITF abstract represents a change in accounting policy and the comparative figures have been restated accordingly.

The Group's own shares are held by CALA (ESOP) Trustees Limited, a wholly owned subsidiary company, which acts as Trustee to the CALA plc Employee Trust.

The Group has restated opening reserves to comply with the above UITF abstract. As a result, reserves have decreased by £430,000 and other fixed asset investments have decreased by the same amount as at 1 July 2003. The reduction in reserves at 30 June 2004 was £114,000 relating to 105,763 shares.

Own shares held are deducted from the profit and loss account reserve to arrive at equity shareholders' funds and were previously shown within fixed asset investments.

Notes to the accounts (continued)

30. ACQUISITIONS

During the year the Group acquired 100% of the issued share capital of CALA Land Investments Limited which was formerly owned 50% in joint venture.

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

	Book value and Fair value to the Group £000
Current assets	
Stocks	10,236
Debtors	40,282
Cash at bank and in hand	48
Total assets	50,566
Current liabilities	
Creditors	(2,520)
Borrowings	(46,337)
Net assets at acquisition	1,709
Net assets attributable as joint ventures	(1,209)
Net assets acquired	500
Consideration represented by:	
Cash	500

There was no goodwill arising as a result of the acquisition.

The financial statements of CALA Land Investments Limited for the period from 1 July 2003 to 27 November 2003 (date of acquisition) disclosed a profit before taxation of £200,000.