

Registrar

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CALA Group Limited

Annual report

for the year ended 30 June 2007



CALA Group Limited

Annual report

For the year ended 30 June 2007

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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
Alan D Brown (appointed 24 August 2007)
Gerald C More (appointed 24 August 2007)

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

Principal solicitors

McGrigors
Princes Exchange
1 Earl Grey Street
Edinburgh EH3 9AQ

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 2007

The directors have pleasure in presenting their report and financial statements for the year ended 30 June 2007

The Directors' Report contains information which has been provided for the purpose of assisting shareholders, as a body, in assessing the strategies adopted by the Group, and the potential for those strategies to succeed. Any forward looking statements from the directors have been made in good faith based on the information available to them at the time of their approval of this report but actual outcomes may be different from those anticipated because of the inherent risks in, for example, the markets in which the Group operates, and no assurances can be given about any such statements

Business review and principal activities

The CALA Group is a leading provider of high quality homes and commercial property solutions in the United Kingdom. These activities are carried out 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

The directors are very pleased to report another year of success for the Group with considerable progress made in a number of areas. The Group achieved a 4th successive year of record profits and housing gross margin was at an all time high of 21.7%. The Group's consented landbank at the year end consisted of 3,378 plots with the capability to generate turnover of over £1.0 billion

The financial results for the Group show EBITA* of £31.8 million (2006: £28.0 million) for the year on turnover, including joint ventures, of £290.7 million (2006: £253.5 million). Profit before tax for the year was £6.3 million (2006: £6.1 million)

At 30 June 2007, the Group had net debt, after deduction of loans due from joint ventures, of £148.8 million (2006: £140.9 million) and cash inflow from operating activities for the year was £8.1 million (2006: £34.5 million). Net assets were £12.2 million (2006: £8.4 million) after deduction of the FRS17 net pension liability of £4.2 million (2006: £7.4 million)

* Earnings before interest, tax and goodwill amortisation

During the year the Group agreed a recovery plan with the Trustees of the CALA Retirement and Death Benefits Scheme which is projected to eliminate the FRS17 deficit in full by 30 June 2011. In line with the plan, the Group made a special contribution into the Scheme during the year of £2.8 million

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Business environment

The housing market has generally performed well during the 12 months under review, with a healthy level of demand and good price increases experienced across our operating regions. This has been driven by a strong economy coupled with a high level of consumer confidence and low interest rates (although now rising).

The residential land market remained intensely competitive in all of the Group's operating regions due to the volume needs of the larger housebuilders and an inadequate throughput from the planning system to meet current housing demand. However, the capability and expertise of our land teams has enabled the Group to secure more than sufficient good opportunities in line with our short term and strategic requirements.

The commercial property investment market has been very buoyant throughout the last financial year, however there are now signs that the recent history of falling yields is changing due to rising interest rates. Rental growth remained patchy with certain hot spots performing well such as the office market in Glasgow.

Strategy

The Group's overriding objective is to deliver sustained growth in shareholder value through organic growth in all three of its separate businesses – Homes, Properties and Finance.

Homes

The length and quality of our landbank is the cornerstone of the current business strategy for CALA Homes. We plan to maintain our rate of land acquisition, contracting sites at good margins in excellent locations and offering a wide range of product but with a greater degree of emphasis on family housing. The provision of a high standard of customer service remains a key priority for the Group, which we believe is inextricably linked to the standing of the CALA brand and to shareholder value.

Properties

Increasing the flow of development opportunities in the right market sector and location are key to the growth of CALA Properties. The nature of this business requires a robust risk management process to be maintained as well as good quality deal finders with excellent contacts.

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Strategy (continued)

Finance

Geographical expansion, with careful product and developer selection, is the means to further growth and increased profitability. We have recently improved the business in two key areas by strengthening our teams across the country, and by introducing an expanded and more flexible range of products. In our new fourth region, South East England, we are recruiting a team and actively seeking developers and developments.

Future outlook

There is growing evidence that the upward momentum behind the housing market is now easing, largely brought about by the successive interest rate increases in recent months. With affordability levels becoming even more stretched, we expect the housing market to cool further in the year ahead (as widely predicted) and have planned our business accordingly.

However, the long term fundamentals of the housing market remain favourable, underpinned by a strong economy, solid demand and high levels of employment. Against the background of an acknowledged under supply of housing, we do not currently anticipate a deeper market correction.

The outlook for the commercial property investment market is for lower growth than recent years with yields rising, particularly for secondary product. Generally it is anticipated that rental growth will be limited with a supply of offices able to meet current demand and interest rates curtailing expenditure by retailers. The change in the investment market will provide us with opportunities which we are well placed to exploit.

The new financial year has started positively and with a broad range of sensibly priced homes on offer in excellent locations, the directors believe that the Group is well placed to achieve its targets in the year ahead.

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 Audit Committee maintains an overview of the effectiveness of the system of internal control and risk management and reports to the Board accordingly.

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Principal risks and uncertainties

The operation of the business and the execution of the Group's strategy are subject to a number of risks

The Board has in place a risk management system for the Group, each of its seven operating divisions and the IT function. The aim is to manage and reduce the risks to which the Group is exposed

Risks are assessed and formally reviewed on a regular basis to ensure that the Group is fully aware of their potential impact on the business. The controls in place to manage identified risks are also reviewed to ensure that they remain relevant and effective

In addition, 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

The Board considers that the key business risks currently affecting the Group are

Housing market

The health and stability of the housing market and its impact on the business is the Group's primary risk. The impact of a difficult and volatile market can be significant, reducing trading margins, consuming working capital and threatening the ongoing viability of sites or even operating divisions. Equally, the Group needs to ensure that it is ready and able to fully capitalise on any improvement in market conditions. This is a risk that is difficult to mitigate. The Group gathers and considers a variety of market intelligence at both local and national level. This is regularly discussed at divisional management team and Board meetings as is the current performance and future prospects for all individual developments. Appropriate action is taken based on trading experience and also in conjunction with key performance targets

Land supply

The ability to acquire sufficient development land in the right locations with a suitable planning permission will have a significant impact on the Group's core business strategy. This major risk is addressed by having sufficiently resourced land teams with extensive planning expertise in all operating divisions, to ensure sites are in place well in advance of when production is required. Each operating division operates its own clearly defined land strategy, working to agreed short and long term targets. The residential landbank pipeline and planning progress is closely monitored by the Group Development Director with an overview by the Board. The Board also monitors the deal flow in CALA Finance and CALA Properties.

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Principal risks and uncertainties (continued)

Gearing

The Group is highly geared which means it is essential that cash flow is closely managed and borrowing remains within agreed bank facility limits. Weekly cash forecasting and reporting measures are in place and communicated to operational management. An annual bank facility review which addresses the medium term and strategic funding requirements of the Group is prepared by the Group Finance Director and discussed with the Board and the Group's principal bankers.

Building costs

Accurate estimation and tight control of building costs for both commercial and residential developments is essential in meeting the Group's projected financial performance targets. The current level of world demand for key commodities used in construction, coupled with high energy costs, have led to building cost increases which are above the norm and difficult to predict. In managing this risk, the Group monitors and discusses the implication of price movements. An element of contingency is provided in all project appraisals and inflation provisions are added quarterly, on a rolling 12 month basis. All commercial projects are undertaken via fixed price contracts and the Group Commercial Director and Group Finance Director review and approve all residential project appraisals prior to any commitment to commence construction – these require a minimum of 80% cost certainty (orders placed or tenders received).

Key personnel

The Group's performance is significantly impacted by the quality and expertise of its employees. The resignation of certain key personnel and the inability to attract and recruit candidates with the appropriate skills and experience for key roles could adversely impact the Group's results. In mitigation, the Group has put in place an effective benefits structure, performance and personal development review system. Employees are also able to acquire shares in the Company through an internal share market and thereby participate more directly in the prospects of the Group. Succession planning and talent management programmes are other measures the Group uses to retain its best people.

Key performance indicators ("KPIs")

We have again made significant progress in the year on the Group's core objective to deliver sustained growth in shareholder value. The Board monitors the Group's progress by reference to certain KPIs. Performance during the year, together with historical trend data is set out in the table below.

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Key performance indicators ("KPIs") (continued)

	2007	2006	Definition, method of calculation and analysis
Units	1,418	1,558	The number of homes sold including all joint ventures and CALA Finance. The number of homes legally completed by the Group during the year was less than budget and 9% lower than 2006 – but at a higher average selling price. The reduction in the number of homes sold was mainly due to a combination of construction and sales delays on certain CALA Finance projects.
EBITA (£ million)	31.8	28.0	Earnings before interest, tax and goodwill amortisation. The Board is pleased to report a fourth consecutive year of record profits in generally good market conditions. EBITA for 2007 increased by 13% compared with last year, driven mainly by higher turnover and an increase in housing margins.
Forward sales (%)	33	33	The ratio of units reserved or better at 30 June for the following year to total budgeted units for the following year expressed as a percentage. Figures include all joint ventures and CALA Finance. Forward sales are at similar levels to last year and equate to 474 units at 30 June 2007. The Board is satisfied with the level of forward sales, which it believes is at a level consistent with housing market conditions experienced in the year and the number of sales outlets open during the latter part of the financial year.
House sales gross margin (%)	21.7	20.2	The ratio of gross profit to net turnover on units sold by CALA Homes, including managed joint ventures expressed as a percentage. House sales gross margin has increased substantially over last year and to a record level for the Group. Sales price increases, lower use of sales incentives and tight cost control has led to the improvement.
Consented landbank (£ million)	1,047 (3,378 plots)	1,065 (3,880 plots)	The estimated turnover value generated from land owned or controlled by CALA Homes with an outline or detailed planning consent. The CALA Homes consented landbank has edged lower in the year, albeit still at a very healthy level and commensurate with the Group's projected growth targets. During the year opportunities were taken to trade certain parcels of land as part of our ongoing portfolio management and value maximisation strategy.

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Key performance indicators ("KPIs") (continued)

	2007	2006	Definition, method of calculation and analysis
Contracted landbank (£ million)	3,136 (10,900 plots)	2,158 (8,107 plots)	The estimated turnover value generated from land owned or controlled by CALA Homes with an outline or detailed planning consent or with a planning application lodged. The contracted landbank has increased significantly during the year to a record £3.1 billion, largely due to the lodging of planning permission for the Group's largest potential development – 3,450 homes in Winchburgh, near Edinburgh. The Board is satisfied with its contracted land pipeline and the prospects for these sites to achieve planning permission.
Customer satisfaction (score)	81	79	Overall customer satisfaction with the quality of the properties and the service provided by CALA Homes, both before and after sales, as measured through quarterly customer surveys undertaken by external consultants, In House Research. This measure represents a mean overall satisfaction rating and to achieve in excess of 75 means that a majority of our customers have to be either "satisfied" or "very satisfied". The score for 2006 includes all four quarters. The score for 2007 does not yet include figures for the period from April to June 2007, as this information was not available at the time of writing. Delivering high quality homes supported by excellent standards of customer service remains a key focus of the Group. The Board is pleased with its upper quartile rating on this KPI and that overall satisfaction levels reported by its customers continues to increase.

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 exists that allows dealing in the Company's shares twice per year. The directors would like to see an increase in the number of employee shareholders beyond the current 120 from a total staff of 428 at 30 June 2007.

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Employees (continued)

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.

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 staff training and management reporting. Regular on site inspections are carried out internally by our own qualified staff and also by the health & safety inspectors of NHBC. The day to day management of these activities is directed by our own Group Health and Safety Manager. 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.

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 £1.1m (2006 £0.9m).

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

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Board committees (continued)

- 1 The Audit Committee is chaired by Professor J P Percy. He and the other members, R G T Stenhouse and M J Freshney, 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, M J Freshney and G A Ball are members of the Committee. Meetings of the Committee are also attended by the Group 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. The Committee has recently undertaken an exercise, carried out by independent external consultants, to benchmark the remuneration packages of the Executive Directors and certain senior managers to ensure they are consistent with market practice and industry trends.

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 2007 was 33 days (2006: 39 days).

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Political and charitable contributions

Contributions to charities during the year amounted to £22,027 (2006 £17,037). 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.

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.

Post balance sheet event

Subsequent to the financial year end, the conditions attaching to an agreement for the Group to accelerate repayment of its secured loan stock 2014 and mezzanine term loan no. 1 were fully discharged. Further details can be found in note 27 of the accounts.

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

At the date of this report the Board comprises seven 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 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.

CALA Group Limited

Directors' report for the year ended 30 June 2007 (continued)

Directors' interests

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

	At 30 June 2007 Ordinary Shares of 1p each	At 30 June 2006 Ordinary Shares of 1p each
G A Ball	1,414,800	1,414,800
A D Brown	312,000	312,000
R J W Dick	300,000	300,000
A W Downie	681,200	681,200
R J Millar	304,000	304,000
G C More	140,000	140,000
J G G Reid	100,000	100,000
R G T Stenhouse	1,000	1,000
J P (Ian) Percy CBE	Nil	Nil
M J Freshney	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 2007. 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 2007 (continued)

Auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re appointment will be proposed at the next Annual General Meeting of the Company



By order of the Board
M R Sibbald
Secretary
31 August 2007

CALA Group Limited

Independent auditors' report to the members of CALA Group Limited

We have audited the group and parent company financial statements (the "financial statements") of CALA Group Limited for the year ended 30 June 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 into 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2007 and of the group's profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

3 September 2007

Group Profit and Loss Account
for the year ended 30 June 2007

	Notes	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Turnover including joint ventures	1	290,725	253,456
Less share of joint ventures' turnover		<u>(66,964)</u>	<u>(40,016)</u>
Group turnover		223,761	213,440
Cost of sales		<u>(173,905)</u>	<u>(165,729)</u>
Gross profit		49,856	47,711
Net operating expenses	2	<u>(27,977)</u>	<u>(24,547)</u>
Group operating profit before amortisation of goodwill		21,879	23,164
Amortisation of goodwill	9	<u>(2,136)</u>	<u>(2,136)</u>
Group operating profit		19,743	21,028
Share of operating profit in joint ventures		<u>9,908</u>	<u>4,864</u>
Profit on ordinary activities before interest		29,651	25,892
Interest payable and similar charges	3	<u>(23,345)</u>	<u>(19,824)</u>
Profit on ordinary activities before taxation	1,4	6,306	6,068
Taxation	6	<u>(2,658)</u>	<u>(2,934)</u>
Profit on ordinary activities after taxation	7	3,648	3,134
Dividends	8	<u>(1,094)</u>	<u>(940)</u>
Profit retained	19	<u>2,554</u>	<u>2,194</u>
Group statement of total recognised gains and losses for the year ended 30 June 2007			
Profit for the financial year attributable to shareholders		3,648	3,134
Actuarial gain recognised in the pension scheme	24	1,942	1,457
Deferred tax arising thereon		<u>(767)</u>	<u>(437)</u>
Total recognised gains relating to the financial year		<u>4,823</u>	<u>4,154</u>

All operations are continuing

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

The notes on pages 23 to 36 form part of these financial statements

Balance Sheets
at 30 June 2007

	Notes	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Fixed assets					
Intangible assets	9	25,480	27,616		
Tangible fixed assets	10	1,729	1 754		
Investments in subsidiaries	11			99,097	99,097
Investments in joint ventures	12				
Share of gross assets		230,896	116,170		
Share of gross liabilities		(229,112)	(114,538)		
		1,784	1,632		
		<u>28,993</u>	<u>31 002</u>	<u>99,097</u>	<u>99,097</u>
Current assets					
Stocks	13	243,751	262 795		
Debtors					
Due within one year	14	43,512	24 260	91,242	77,980
Due after more than one year	14	24,023	27,463		
Cash at bank		2,944	43,397	34,647	
		<u>314,230</u>	<u>357 915</u>	<u>125,889</u>	<u>77,980</u>
Creditors due within one year					
Loans and other borrowings	15	(8,141)	(99,933)	(8,095)	(37,599)
Other creditors	16	(80,125)	(99,516)	(375)	(759)
		<u>225,964</u>	<u>158 466</u>	<u>117,419</u>	<u>39,622</u>
Total assets less current liabilities		254,957	189,468	216,516	138,719
Creditors due after more than one year					
Loans and other borrowings	15	(189,091)	(114,931)	(189,091)	(114,931)
Other creditors	16	(49,473)	(58,727)	(9,073)	(7,979)
		<u>16,393</u>	<u>15,810</u>	<u>18,352</u>	<u>15,809</u>
Net assets excluding pension liability		16,393	15,810	18,352	15,809
Net pension liability	24	(4,201)	(7,369)		
Net assets including pension liability	1	12,192	8,441	18,352	15,809
Share capital and reserves					
Called up share capital	18	80	80	80	80
Share premium account	19	7,796	7,796	7,799	7 799
Capital redemption reserve	19	50	50		
Profit and loss account	19	4,266	515	10,473	7,930
		<u>12,192</u>	<u>8,441</u>	<u>18,352</u>	<u>15 809</u>
Shareholders' funds	20	12,192	8,441	18,352	15 809
Being					
Non-equity shareholders' funds	20	12,192	8,441	18,352	15,809
Equity shareholders' funds		<u>12,192</u>	<u>8,441</u>	<u>18,352</u>	<u>15,809</u>

The accounts on pages 16 to 36 were approved by the Board of Directors on 31 August 2007 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 2007

		Year ended 30 June 2007 £000	Year ended 30 June 2006 Restated £000
Notes			
Operating activities			
Net cash inflow from operating activities	A	<u>8,123</u>	<u>34,495</u>
Dividends from joint ventures and associates			
Dividends received from joint ventures		<u>2,875</u>	<u>2,657</u>
Returns on investments and servicing of finance			
Interest received		1,607	1,076
Interest paid		<u>(14,999)</u>	<u>(14,005)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(13,392)</u>	<u>(12,929)</u>
Taxation			
UK corporation tax refunded/(paid)		<u>133</u>	<u>(1,832)</u>
Capital expenditure			
Purchase of tangible fixed assets		(626)	(285)
Sale of tangible fixed assets		<u>34</u>	<u>32</u>
Net cash outflow from capital expenditure		<u>(592)</u>	<u>(253)</u>
Acquisitions and disposals			
Purchase of subsidiary undertakings		(703)	
Disposal of own shares held		<u>22</u>	<u>17</u>
		<u>(681)</u>	<u>17</u>
Net cash (outflow)/inflow before financing		<u>(3,534)</u>	<u>22,155</u>
Financing			
Advance of loans to joint ventures		(22,226)	(15,414)
Repayment of loans from joint ventures		7,220	5,668
Drawdown of bank loans		41,955	1,602
Repayment of bank term loan		(2,898)	(4,632)
Redemption of loan notes			(393)
Capital element of hire purchase and finance lease rentals		<u>(75)</u>	<u>(66)</u>
Net cash inflow/(outflow) from financing	C	<u>23,976</u>	<u>(13,235)</u>
Increase in cash	B	<u>20,442</u>	<u>8,920</u>

Notes on the Group Cash Flow Statement
for the year ended 30 June 2007

	Year ended 30 June 2007 £000	Year ended 30 June 2006 Restated £000		
A Reconciliation of operating profit to net cash inflow from operating activities				
Group operating profit	19,743	21,028		
Depreciation charges	766	741		
Profit on fixed assets disposals	(33)	(28)		
Amortisation of goodwill	2,136	2,136		
Excess of contributions paid over pension current service cost	(2,821)	(793)		
Amounts written off of investments	57	2		
Increase in provision for redemption premia	3,869	3,659		
Amortisation of bank arrangement fees	337	203		
Decrease/(increase) in stocks	19,044	(1,776)		
(Increase)/decrease in debtors	(2,338)	10,230		
Decrease in creditors	(32,637)	(907)		
Net cash inflow from operating activities	8,123	34,495		
B Reconciliation of net cash flow to net debt	£000	£000		
Increase in cash in the year	20,442	8,920		
Cash outflow from increase in liquid resources	15,006	9,746		
Cash outflow from hire purchase and lease financing	75	66		
Redemption of loan notes		393		
Net (drawdown)/repayment of bank loans	(39,057)	3,030		
Change in net debt resulting from cash flows	(3,534)	22,155		
Provision for bank loan redemption premia	(3,869)	(3,659)		
Amortisation of bank arrangement fees	(337)	(203)		
New hire purchase and finance leases	(116)	(40)		
	(7,856)	18,253		
Net debt as at 30 June 2006	(140,898)	(159,151)		
Net debt as at 30 June 2007	(148,754)	(140,898)		
C Analysis of net debt	As at 30 June 2006 Restated £000	Cash flow £000	Other non-cash changes £000	As at 30 June 2007 £000
Cash				
Cash at bank and in hand	43,397	(40,453)		2,944
Bank overdrafts	(60,941)	60,895		(46)
	(17,544)	20,442		2,898
Loans				
Amounts owed by joint ventures	30,639	15,006		45,645
Debt				
Bank loans	(153,923)	(39,057)	(4,206)	(197,186)
Hire purchase and finance leases	(70)	75	(116)	(111)
	(153,993)	(38,982)	(4,322)	(197,297)
Net debt	(140,898)	(3,534)	(4,322)	(148,754)

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.

(iv) 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.

(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 commercial property are recognised when contracts are exchanged or missives concluded and, where appropriate, construction is complete. Where construction of commercial property is incomplete, sales are recognised on a stage of completion basis. 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.

CALA Group Limited

Accounting policies (continued)

(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. Where construction of commercial property is incomplete, costs are written off on a stage of completion basis.

(vii) Net operating expenses

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

(viii) Depreciation

Depreciation on fixed assets is provided on a straight line basis at rates estimated to write off the cost of the relevant assets over their expected useful lives. The annual rates used are

Buildings	2%
Computers	25 33%
Plant and equipment	25%

Freehold land is not depreciated.

(ix) Interest

Interest incurred by the Group is charged to the profit and loss account in that period. Interest incurred by joint venture 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 development companies which relates to land without the benefit of a planning consent is charged to the profit and loss account in that period. 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.

CALA Group Limited

Accounting policies (continued)

(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

In accordance with FRS 17, Retirement benefits, the operating and financing costs of pensions are charged to the profit and loss account in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in the statement of total recognised gains and losses. Pension costs are assessed in accordance with the advice of qualified actuaries.

(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.

(xvi) Change in cash flow presentation

The presentation of the Group cash flow statement has been amended to disclose separately the loan amounts due from joint ventures as part of the analysis of net debt. The corresponding numbers for the previous year have been restated accordingly.

Notes to the Accounts
for the year ended 30 June 2007

1 SEGMENTAL ANALYSIS

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Turnover including joint ventures		
Housebuilding		
Group continuing operations	222,962	212,567
Joint ventures	<u>48,421</u>	<u>34,212</u>
	271,383	246,779
Property development		
Group continuing operations	799	873
Joint ventures	<u>18,543</u>	<u>5,804</u>
	19,342	6,677
	<u>290,725</u>	<u>253,456</u>
Profit on ordinary activities before taxation		
Housebuilding continuing operations	29,515	27,832
Property development continuing operations	<u>2,272</u>	<u>196</u>
	31,787	28,028
Goodwill amortisation	(2,136)	(2,136)
Interest payable and similar charges	<u>(23,345)</u>	<u>(19,824)</u>
	6,306	6,068
Net assets		
Housebuilding continuing operations	220,376	196,538
Property development continuing operations	<u>(1,563)</u>	<u>(874)</u>
Operating divisions	218,813	195,664
Net borrowings	(194,288)	(171,467)
Proposed dividends	(9,073)	(7,979)
Tax assets/(liabilities)	941	(408)
Net pension liability	<u>(4,201)</u>	<u>(7,369)</u>
	12,192	8,441

2 NET OPERATING EXPENSES

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Administration expenses	28,131	25,083
Amounts written off investments	57	120
Other income	<u>(211)</u>	<u>(656)</u>
	27,977	24,547

Notes to the Accounts (continued)

3 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Interest payable on		
Bank loans overdrafts and other borrowings	14,999	14,005
Other finance costs	71	129
Share of joint ventures	5,676	2,904
	<u>20,746</u>	<u>17,038</u>
Interest receivable	(1,487)	(1,076)
Redemption premia receivable	(120)	
	<u>19,139</u>	<u>15,962</u>
Bank facility arrangement fees	337	203
Redemption premia	3,869	3,659
	<u>23,345</u>	<u>19,824</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Stated after charging		
Depreciation	766	741
Amortisation of goodwill	2,136	2,136
Operating leases plant & machinery	950	726
land & buildings	816	735
Auditors' remuneration Group audit	108	95
other services	44	75
Loss on sale of investments		2
and after crediting		
Gain on sale of fixed assets	(33)	(28)
Rental income	(17)	(19)

The Group audit fee disclosed above includes £1,000 (2006 £1,000) in respect of the company

5 EMPLOYEES

	Year ended 30 June 2007 Number	Year ended 30 June 2006 Number
Average monthly number of employees during the year		
Housebuilding site	162	151
Housebuilding office	265	253
Property development	11	11
	<u>438</u>	<u>415</u>
Employment costs during the year	2006 £000	2006 £000
Wages and salaries	20,917	18,706
Social security costs	2,238	1,949
Other pension costs	1,529	1,390
	<u>24,684</u>	<u>22,045</u>

Notes to the Accounts (continued)

5 EMPLOYEES (continued)

Directors' remuneration

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Aggregate emoluments	<u>1,842</u>	<u>1,626</u>
Highest paid director	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Aggregate emoluments	<u>556</u>	<u>481</u>
Accrued pension at year end		

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

Included in the remuneration disclosed above is £35,000 (2006 £30,000) paid to Noble Grossart Limited in respect of the services of RGT Stenhouse

6 TAXATION

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
(a) Analysis of tax charge in the year		
Tax on profit on ordinary activities		
Corporation tax at 30% (2006 30%)		
current year	70	1,910
prior year	(28)	(6)
Current year tax charge (note b)	<u>42</u>	<u>1,904</u>
Deferred tax (note 17)		
current year	765	312
prior year		
Total deferred tax charge	<u>765</u>	<u>312</u>
Share of joint ventures' tax	<u>1,851</u>	<u>718</u>
Total tax charge	<u>2,658</u>	<u>2,934</u>
(b) Factors affecting tax charge for year	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Profit on ordinary activities before taxation	6,306	6,068
Less: share of profit in joint ventures before tax	(4,232)	(1,960)
Group profit on ordinary activities before taxation	<u>2,074</u>	<u>4,108</u>
Group profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2006- 30%)	622	1,233
Effects of:		
Goodwill	640	640
Group relief not paid for	(383)	(163)
Items not deductible for tax purposes	(95)	300
Other timing differences	(2)	(32)
Adjustments relating to prior years' corporation tax	(28)	(6)
Income received net of tax		5
Accelerated capital allowances	<u>(712)</u>	<u>(73)</u>
Group tax charge for the year	<u>42</u>	<u>1,904</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 2007 £000	Year ended 30 June 2006 £000
Holding company	(4,875)	(5,233)
Subsidiary companies	6,142	7,125
Joint ventures	2,381	1,242
	<u>3,648</u>	<u>3,134</u>

8 DIVIDENDS

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Participating dividend at 29.99% of Group profits	1,094	940

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

9 INTANGIBLE FIXED ASSETS

Group

Goodwill

Cost	£000
At 30 June 2006 and 2007	<u>42,746</u>
Amortisation	
At 30 June 2006	15,130
Provided during the year	<u>2,136</u>
At 30 June 2007	<u>17,266</u>
Net book value at 30 June 2007	<u>25,480</u>
Net book value at 30 June 2006	<u>27,616</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 2006	329	2,990	4,334	7,653	
Additions		162	580	742	
Disposals		(14)	(355)	(369)	
At 30 June 2007	329	3,138	4,559	8,026	
Depreciation					
At 30 June 2006	74	2,334	3,491	5,899	
Provided during the year	5	271	490	766	
Disposals		(14)	(354)	(368)	
At 30 June 2007	79	2,591	3,627	6,297	
Net book value at 30 June 2007	250	547	932	1,729	
Net book value at 30 June 2006	255	656	843	1,754	

Land and buildings are freehold and hertable

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 £547,000 (2006 £656,000) and £932,000 (2006 £843,000) above, is £104,000 (2006 £136,000) after charging depreciation for the year of £49,000 (2006 £67,000)

11 INVESTMENTS IN SUBSIDIARIES

	Company		
	Cost £000	Provisions £000	Book value £000
As at 30 June 2006 and 30 June 2007	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 Homes (Surrey) Limited	100	30 June	Housebuilding
CALA Greenbank Limited	100	30 June	Housebuilding
CALA Greenbank 2 Limited	100	30 June	Housebuilding
CALA Homes Limited	100	30 June	Selling & marketing
Trueline Systems Limited	100	30 June	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

	Share capital £000	Share of profits £000	Total £000
Joint ventures			
As at 30 June 2006	606	1,026	1,632
Retained profits for year		2,381	2,381
Dividends distributed		(2,875)	(2,875)
Additions	7		7
Amounts written off	(57)		(57)
Elimination of equity accounted losses and share capital on acquisition	696		696
At 30 June 2007	1,252	532	1,784

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

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Share of assets				
Share of current assets	230,896	116,170		
	230,896	116,170		
Share of liabilities				
Due within one year	56,089	24,486		
Due after one year	173,023	90,052		
	229,112	114,538		
	1,784	1,632		

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 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
CALA Campus Limited	50	31 December	Housebuilding
CALA Ventures 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 AWG Limited	50	31 July	Property development
CALA Properties (Slateford) Limited	50	30 June	Property development
Business Homes-CALA Limited	50	30 June	Property development
CALA Properties (Holdings) Limited	50	30 June	Property development
Westside Plaza 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.

The Group's 75% holding in the share capital of CALA Land Investments (Bearsden) Limited is accounted for as a joint venture because the investors' interests in the financial returns of the company are shared equally and each has equal representation on the Board.

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 at varying rates of interest.

Notes to the Accounts (continued)

13 STOCKS

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Housebuilding				
Land	194,916	201,113		
Part exchange stocks	8,105	9,818		
Work in progress and other stocks	40,730	51,864		
	<u>243,751</u>	<u>262,795</u>		

14 DEBTORS

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Amounts falling due within one year				
Trade debtors	6,186	4,566		
Trade debtors subject to full recourse financing	8,500			
Interests in joint arrangements	2,563	2,399		
Amounts owed by joint ventures	23,270	15,667	595	
Amounts owed by subsidiary companies			90,647	77,980
Other debtors	1,375	934		
Corporation tax	941			
Prepayments and accrued income	677	694		
	<u>43,512</u>	<u>24,260</u>	<u>91,242</u>	<u>77,980</u>
Amounts falling due after more than one year				
Trade debtors	90	2,521		
Trade debtors subject to full recourse financing		8,500		
Interests in joint arrangements	1,207	1,058		
Prepayments and accrued income	351	352		
Amounts owed by joint ventures	22,375	14,972		
Other debtors		60		
	<u>24,023</u>	<u>27,463</u>		
	<u>67,535</u>	<u>51,723</u>	<u>91,242</u>	<u>77,980</u>

Notes to the Accounts (continued)

15 LOANS AND OTHER BORROWINGS

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Creditors amounts falling due within one year				
Loans and other borrowings	8,141	99,933	8,095	37,599
Creditors amounts falling due after more than one year				
Loans and other borrowings	189,091	114,931	189,091	114,931

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 year 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 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
(a) Analysis by instrument					
Bank overdrafts		46	60,941		34,825
Term loan and guarantee facility no. 1	(1)	18,368	21,198	18,368	21,198
Revolving credit facility no. 1	(2)	105,311	26,878	105,311	26,878
Term loan facility no. 2	(3)		6,209		
Revolving credit facility no. 2	(3)		24,835		
Mezzanine term loan no. 1	(4)	16,539	15,182	16,539	15,182
Mezzanine term loan no. 2	(3)		5,174		
Secured loan stock 2014	(5)	56,968	54,447	56,968	54,447
		197,232	214,864	197,186	152,530

(1) Term loan & guarantee facility no. 1 is repayable between 31 December 2001 and 30 June 2009 in six monthly instalments. £15,000,000 of the facility is hedged at a rate of 7.41% until 9 October 2007.

(2) Revolving credit facility no. 1 is wholly repayable on 30 June 2013. £15,000,000 of the facility is hedged at a rate of 5.77% until 18 December 2008. A further amount of £665,500 is hedged at a rate of 6.225% until 1 September 2008.

(3) Term loan facility no. 2, revolving credit facility no. 2 and Mezzanine term loan no. 2 were repaid in full on 28 June 2007.

(4) 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.

(5) 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 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
(b) Maturity analysis				
Repayments fall due as follows				
Within one year, or on demand	8,141	99,933	8,095	37,599
After more than one year	189,091	114,931	189,091	114,931
	197,232	214,864	197,186	152,530
Repayments due after more than one year are analysed as follows				
Between one and two years	10,135	8,028	10,135	8,028
Between two and five years	45,080	65,906	45,080	65,906
In five years or more	133,876	40,997	133,876	40,997
	189,091	114,931	189,091	114,931

During the year the Group made Term Loan repayments of £2,898,000.

(c) Borrowing facilities

The Group and the company had undrawn committed borrowing facilities of £77,111,000 at 30 June 2007 (2006: £nil) in respect of which all conditions precedent have been met.

Notes to the Accounts (continued)

15 LOANS AND OTHER BORROWINGS (continued)

(d) Security

Bank borrowings are secured by way of a bond and floating charge and guarantees 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, CALA Homes (Yorkshire) Limited and
 CALA Homes (Surrey) Limited

A number of other fixed securities and debentures have been granted over land and other assets in favour of the Bank

The Bank also holds bonds and floating charges over the assets of both CALA Land Investments Limited and CALA Land Investments (Bearsden) Limited
 and in addition, holds a fixed security over land held by CALA Land Investments (Bearsden) Limited

16 OTHER CREDITORS

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Amounts falling due within one year				
Trade creditors				
Land	35,036	69,483		
Other	23,401	21,622		
Trade debt finance	10,151			
Corporation tax		408		
Other taxes and social security costs	2,994	588		
Obligations under finance leases	52	46		
Other creditors	1,571	1,367		
Accruals	6,920	6,002	375	759
	80,125	99,516	375	759
Amounts falling due after more than one year				
Dividends payable	9,073	7,979	9,073	7,979
Trade creditors				
Land	39,885	41,693		
Other				
Trade debt finance		9,030		
Amounts due to joint ventures	424			
Obligations under finance leases				
payable between one and two years	47	15		
-payable between two and five years	12	9		
Accruals	32	1		
	49,473	58,727	9,073	7,979

Total trade creditors include accruals of £71,186,000 (2006 £85,048,000) for development land under contract but not yet acquired

Total land creditors also include £57,987,000 (2006 £13,102,000) which is secured by way of legal charge against land acquired for development

The sum due in respect of trade debt finance is secured against property at Brassington Avenue, Sutton Coldfield

Notes to the Accounts (continued)

17 DEFERRED TAXATION

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Deferred tax assets				
Included in prepayments and accrued income				
Accelerated capital allowances	(97)	(73)		
Other timing differences	(5)	(37)		
	(102)	(110)		
Set against pension liability				
Deferred tax on pension liability	(1,634)	(3,158)		
	(1,736)	(3,268)		
Deferred tax liabilities/(assets)				
Amount provided				
Amount not provided	(364)	(259)		
The deferred taxation movement for the year is as follows				
At 30 June 2006	(3,268)	(4,017)		
Charged to profit & loss account				
Deferred tax asset	8	113		
Pension liability	757	199		
Amount charged to statement of total recognised gains and losses	767	437		
At 30 June 2007	(1,736)	(3,268)		

18 SHARE CAPITAL

	Authorised 2007	Authorised 2006	Allotted, called up and fully paid 2007	Allotted, called up and fully paid 2006
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
Non-equity share capital				
'A' Ordinary shares of 1p each	1,286,000	1,265,439	1,286,000	1,265,439
'B' Ordinary shares of 1p each	4,331,000	4,351,561	4,331,000	4,351,561
'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 2007	9,202,245	9,202,245	8,023,238	8,023,238
	Authorised 2007 £000	Authorised 2006 £000	Allotted, called up and fully paid 2007 £000	Allotted, called up and fully paid 2006 £000
Non-equity share capital				
'A' Ordinary shares of 1p each	13	12	13	12
'B' Ordinary shares of 1p each	43	44	43	44
'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 2007	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.

Notes to the Accounts (continued)

19 RESERVES

Group

	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 30 June 2006	7,796	50	515	8,361
Retained profit for the year			2,554	2,554
Actuarial gain (note 24)			1,942	1,942
Deferred tax thereon (note 24)			(767)	(767)
Disposal of own shares held			22	22
At 30 June 2007	7,796	50	4,266	12,112

Company

	Share premium £000	Capital redemption reserve £000	Profit and loss £000	Total £000
At 30 June 2006	7,799		7,930	15,729
Retained profit for the year			2,543	2,543
At 30 June 2007	7,799		10,473	18,272

20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Profit attributable to shareholders	3,648	3,134	3,637	2,687
Disposal of own shares held	22	19		
Dividends	(1,094)	(940)	(1,094)	(940)
Actuarial gain net of deferred tax	1,175	1,020		
Net increase in shareholders' funds	3,751	3,233	2,543	1,747
Shareholders' funds at beginning of year	8,441	5,208	15,809	14,062
Shareholders' funds at 30 June 2007	12,192	8,441	18,352	15,809

21 CONTINGENT LIABILITIES

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Guarantees on behalf of CALA Finance joint arrangements	22,324	20,115	22,324	20,115
Indemnities for performance bonds	1,472	3,105	1,472	3,105

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.

22 CAPITAL COMMITMENTS

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Authorised but not contracted	33			
Contracted but not provided for	115			

23 FINANCIAL COMMITMENTS

At 30 June 2007 the Group had annual commitments under operating leases as set out below

	Land & buildings 2007 £000	Land & buildings 2006 £000	Plant & machinery 2007 £000	Plant & machinery 2006 £000
Operating leases which expire				
-within one year	7	30	116	154
-between one and two years		69	279	202
-between two to five years	275	157	538	570
-over five years	762	762		
	1,044	1,018	933	926

Notes to the accounts (continued)

24 RETIREMENT BENEFITS

The CALA Retirement and Death Benefits Scheme is a funded defined benefit scheme based on members' final pensionable pay and is based in the UK. The scheme is Trustee administered and the scheme's assets are held independently of the Group's finances. Pension costs are assessed in accordance with the advice of the independent professionally qualified actuaries, AON Consulting Limited. The most recent triennial valuation was carried out at 6 April 2006 and updated as at 30 June 2007. The major assumptions used by the actuary were

	At 30 June 2007	At 30 June 2006	At 30 June 2005
Rates of increase in salaries	4.25%	4.00%	3.75%
Rates of increase in pensions in payment on pension accrued between 6 April 1997 and 5 May 2005	3.50%	3.25%	3.25%
pension accrued from 5 May 2005	2.25%	2.50%	2.25%
Discount rate	5.75%	5.25%	5.00%
Inflation assumption	3.25%	3.00%	2.75%

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

	Long term rate of return expected at 30 June 2007	Value at 30 June 2007 £000	Long term rate of return expected at 30 June 2006	Value at 30 June 2006 £000	Long term rate of return expected at 30 June 2005	Value at 30 June 2005 £000
Equities	7.75%	20,825	7.75%	16,995	8.00%	13,978
Bonds	5.50%	5,163	5.00%	4,703	4.75%	3,987
Property	7.75%	2,937	7.75%	2,617	8.00%	1,858
Cash	5.50%	3,091	4.00%	484	4.00%	200
Total market value of assets		32,016		24,799		20,023
Present value of scheme liabilities		(37,851)		(35,326)		(32,671)
Deficit in the scheme		(5,835)		(10,527)		(12,648)
Related deferred tax asset		1,634		3,158		3,794
Net pension liability		(4,201)		(7,369)		(8,854)

Movement in the deficit during the year

	2007 £000	2006 £000
Deficit in scheme at the beginning of the year	(10,527)	(12,648)
Movement in year		
Current service cost	(1,529)	(1,390)
Contributions	4,350	2,183
Past service costs		
Other finance income	(71)	(129)
Actuarial gain	1,942	1,457
Deficit in scheme at the end of the year	(5,835)	(10,527)

Analysis of amount charged to operating profit

	2007 £000	2006 £000
Current service cost	1,529	1,390
Past service cost		
	1,529	1,390

Analysis of amount credited to other financial income

	2007 £000	2006 £000
Expected return on pension scheme assets	1,802	1,530
Interest cost	(1,873)	(1,659)
Net return	(71)	(129)

Notes to the accounts (continued)

24 RETIREMENT BENEFITS (continued)

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

	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	1,878	1,441
Experience gains and losses arising on the scheme liabilities	(757)	(120)
Changes in financial assumptions underlying the scheme liabilities	821	136
Actuarial gain recognised in Statement of Total Recognised Gains and Losses	1,942	1,457

Details of experience gains and losses

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Difference between the expected and actual return on scheme assets					
Amount	1,878	1,441	1,600	663	(2,052)
Percentage of scheme assets	6%	6%	8%	4%	14%
Experience gains and losses on scheme liabilities					
Amount	(757)	(120)	(212)	(1,240)	(313)
Percentage of the present value of scheme liabilities	2%	0%	1%	5%	1%
Total amount recognised in statement of total recognised gains and losses					
Amount	1,942	1,457	(1,672)	1,533	(5,111)
Percentage of the present value of scheme liabilities	5%	4%	5%	6%	19%

During the year the Group made special contributions to the Scheme amounting to £2,800,000 (2006 £400,000)

A recovery plan has been agreed between the Group and the Trustees of the Scheme which is estimated to eliminate the FRS17 deficit in full by 30 June 2011

25 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

	2007 £000	2006 £000
Relating to joint ventures with members of HBOS plc		
Amounts due by joint ventures	25,569	9,464
Amounts due to joint ventures	424	
Sales to joint ventures	1,126	8
Fees received from joint ventures	1,539	1,358
Relating to other joint ventures		
Amounts due by joint ventures	20,076	21,175
Sales to joint ventures	920	673
Fees received from joint ventures	2,118	2,372
Interests in joint arrangements	3,770	3,457
Interest received from joint ventures	1,981	506

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

During the year an amount of £75,000 (2006- £81,000) was paid to Focus 2 Limited a company controlled by M J Freshney, in respect of consultancy services

Notes to the accounts (continued)

26 ACQUISITIONS

During the year the Group acquired 100% of the issued share capital of CALA Homes (Surbiton) Limited (previously CALA Dorchester 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	1,590
Debtors	358
Cash at bank and in hand	100
	<u>2,048</u>
Current liabilities	
Creditors	<u>(2,744)</u>
Net liabilities at acquisition	(696)
Net liabilities attributable as a joint venture	<u>696</u>
Net assets acquired	<u></u>
Consideration paid in cash £1	

There was no goodwill arising as a result of the acquisition

The financial statements of CALA Dorchester Limited for the period from 1 July 2006 to 3 May 2007 (date of acquisition) disclosed a loss before taxation of £446 000

27 POST BALANCE SHEET EVENT

Subsequent to the financial year-end, the conditions attaching to an agreement for the Group to accelerate repayment of its secured loan stock 2014 and mezzanine term loan no 1 were fully discharged. The repayments totalling £48,418,000 together with the related redemption premia of £28,693 000 are to be financed by additional drawdown from the revolving credit facility no 1 which has been increased for this purpose.

The estimated effect on the results for the year ended 30 June 2008 will be to reduce the cost of redemption premia chargeable to the profit and loss account by £974 000 and increase the cost of interest payable in the profit and loss account by £604,000.