

residential



commercial



funding



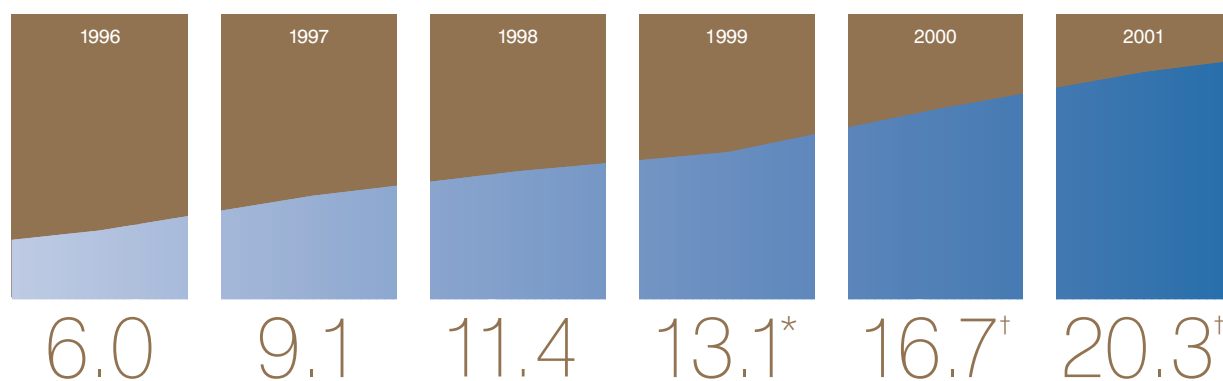

the **CALA** results 2001
GROUP

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CALA performance

Profit before interest and tax (£m)



financial trends

The profit figure of £20.3 million was 21% higher than the previous year. CALA made significant progress on its land bank and expects its expansion programme to produce growth in all parts of the business.

In Homes: The four subsidiaries continued their solid progress, completing 553 sales at an average selling price of £214,000.

In Properties: Two major commercial acquisitions were completed, representing 240,000 square feet and approximately £45 million in development value.

In Finance: 10 sites with a development turnover of £32 million were funded.

* Before management buyout costs
 † Before amortisation of goodwill



Geoff Ball Executive Chairman

chairman's statement

I am pleased to present my third statement as Chairman of CALA Group Limited and the financial results following our second full year of trading as a private company. I am delighted to report significant progress in all six operating subsidiaries.

HIGHLIGHTS

CALA has achieved its fourth successive year of record profits, delivering £20.3 million of profit before interest and tax, up 21% on the previous year. Operating margin, including joint ventures, was maintained at 12%.

During the 12 months to June 2001, Group turnover, including joint ventures, was £158.2 million. This compares with £91.9 million five years ago. CALA's four Homes subsidiaries have completed 553 sales at an average selling price of £214,000, one of the highest averages in the industry.

CALA Homes has won a number of industry awards for its performance during the year. CALA Homes has continued to grow in all four subsidiaries covering Scotland, Yorkshire, the Midlands and the Home Counties. New price records have been set for the third consecutive year confirming CALA's positioning strategy which is to provide the best designed luxury homes in the UK.

CALA Properties continues to be a major contributor to the Group's success and has delivered its third consecutive year of record profits.

CALA Finance had a year of continued excellent progress working with its joint venture partners to deliver a turnover of £32 million.

STRATEGY FOR GROWTH

In the past two years CALA has achieved the ambitious profit targets set at the time of the management buy-out. The Board is now wishing to focus totally on value creation at the expense of turnover growth. A number of measures have been put in place to improve margins and quality and to lengthen the land bank. Whilst in the short term this will lead to a reduction in profits, in the longer term the Board is confident that the change in strategy will lead to a significant increase in the level of future profits.

As part of this long-term strategy for growth, CALA continues to operate with a smaller Executive Board designed to fast-track significant investment decisions. Considerable progress has been made with a major strategic move into land last year and the Group now employs 30 land buyers.

£800m land bank in place for CALA Homes

CALA Finance joint ventures totalling £32m in 2001

commercial development and
investment acquisitions of £45m

This investment is already proving to be successful with £800 million potential turnover from the Group's contracted land bank – an increase of over 20% on the previous year.

CALA is continuing to invest in people by recruiting the best staff and improving training and development programmes. CALA recognises the essential role communications plays in a group spread across 40 locations, and is improving this and the development of the CALA Homes, CALA Properties and CALA Finance brands.

The quality of the CALA Homes product continues to receive outstanding reviews. In the most recent independent benchmark research*, the design and layout of CALA's homes received high scores for levels of satisfaction. The research shows improvements in every aspect of CALA's product offering. Continual investment in product development to meet customer needs remains at the heart of maintaining CALA Homes' reputation.

CALA Properties' business will extend to include a broader range of commercial property activities. The Cherwell Centre in Banbury has recently been acquired and will produce a useful stream of both income and future development profits.

CALA Finance has recently concluded several joint ventures with new partners in Yorkshire, the Midlands and the South of England. This is the start of a major expansion programme into England that is expected to generate a significant increase in profits.

PEOPLE

The Board of CALA Group Limited has been strengthened during the year. Robert Dick has been appointed Chairman of CALA Finance and CALA Properties and is succeeded as Group Finance Director by Graham Reid who is promoted to the Board. Robert Millar joins the Board as Group Development Director and assumes Group responsibility for land.

* CALA 2001 Customer Benchmark, Quarter 3, March - May 2001

The Board is especially pleased to report that more staff have purchased shares, with almost one third of employees now being shareholders in the business. One of the Board's major goals is to see this further increased.

THE FUTURE

The current year is difficult to predict due to uncertainties in both the UK and world economies. PPG3 and the planning system continue to constrict the development of the Group's housebuilding business and this is unlikely to improve in the short term despite the Government's forthcoming green paper. The Group is working on a series of significant new land acquisitions across the UK for residential, commercial and mixed-use schemes. CALA Finance and CALA Properties will continue to see a growing return from last year's expansion that has taken them further into England. CALA Homes, traditionally known for high value detached houses, will be building an increasing number of larger scale urban apartment developments.

As part of further expansion plans CALA Homes (Scotland) has been restructured into two separate operating companies. CALA Homes (East) and CALA Homes (West) have been established to maximise the opportunities from a strong brand and land bank in Scotland.

The Board would like to thank all staff and business partners for their continued commitment and place on record their thanks to the Bank of Scotland for its continued support.



Geoffrey Ball Executive Chairman



Alan Downie Group Managing Director

managing director's review

homes

The four CALA Homes companies contributed strongly to Group profits in the 12 months to June 2001. Gross housing turnover totalled £158 million for the year, of which £68 million came from the English subsidiaries. CALA has broadened its product range while maintaining its niche markets and is meeting the emerging lifestyle demands for city centre living with developments of apartments on brownfield sites. As a result of the increased investment in landbuying, the Group's contracted land bank has risen to a turnover value of £800 million with sites from Aberdeen in the North to Weybridge in the South. CALA expects to see a further significant increase in its land bank during the current year.

In October 2001, CALA established a fifth housebuilding subsidiary by splitting CALA Homes (Scotland) into two separate companies. CALA Homes (East) will operate from Aberdeen to Edinburgh and the Borders, while CALA Homes (West) will operate from Stirling to Glasgow and Ayrshire.

Planning policy changes driven by PPG3 mean there is likely to be an increase in mixed use schemes on brownfield land. CALA is already operating above the 60% guideline recommended by the Government and in some regions at 100% on brownfield land. The Group is adept at reinstating land and preparing it for development and with a specialist commercial property subsidiary, is well placed to provide a single developer solution for mixed use sites.



Lorimer showhome at Milton Grange, Dunfermline.



Award-winning Britannic House Apartments, Birmingham.



Award-winning Tanglewood, Barnt Green.

total unit sales 553
turnover £158 million
average unit price £214,000

CALA is building more urban apartments and homes suitable for those who enjoy all the amenities of the city. CALA is working on what it believes will become high profile, stylish and innovative city centre developments. It also continues to build quality detached family houses with gardens, and executive homes that are more traditional in style but designed for modern living. CALA continues to focus on product design to reflect the needs and preferences of its customers.

In Scotland CALA has acquired the high profile development site at Ocean Heights, located near the Ocean Terminal at Leith Waterfront in Edinburgh. CALA has seven further large scale developments, all on brownfield sites: Grandholm Village, Aberdeen; Bellsdyke Hospital, Larbert; Canniesburn Hospital, Glasgow; Greenbank Village, Edinburgh; Lancefield Quay, Glasgow; Ocean Drive, Edinburgh; and Lighthills, Dunblane. These developments alone represent a projected sales value of £352 million spread over six years. In contrast to this CALA is building three individual luxury homes at Gleneagles, which will sell for more than £1 million each. Detached executive housing in exclusive locations is expected to account for over £150 million of sales during the next three years.

Midlands developed the landmark Britannic House development in Birmingham, converting a former life assurance head office into 113 stylish urban apartments. The development has set price records in the Birmingham area and has won a total of four awards for its innovative design. Currently utilising 100% brownfield

land, CALA Midlands has developed a wide variety of schemes ranging from city centre apartments through to large detached homes in rural locations. The density and quality of development has earned Midlands the Insider Property Awards 2001 Residential Developer/Housebuilder of the Year award in the award's inaugural year.

Achievements in the South have centred on many notable successes in the land market and CALA's determination to succeed is typified by contracting a prime five acre site in Surrey where separate agreements with more than 160 land owners has resulted in a site for over 100 units being secured. The last year has also seen the successful development of quality apartments on the banks of the Thames at Old Windsor, where CALA's engineering ingenuity was critical to delivering a development acceptable to the Environment Agency. The South has also implemented two key marketing initiatives designed to develop stronger relationships with land agents and residential property investors with initial results being encouraging.

CALA's youngest subsidiary, in Yorkshire, has continued a programme of expansion that includes a projected sales value of £40 million on contracted sites with the benefit of planning and has achieved its own record sales prices in the region. In line with PPG3 guidelines, Yorkshire now has two major refurbishment projects with a sales turnover value of £1.4 million in the centre of Leeds.



151 West George Street, Glasgow.



20 Waterloo Street, Glasgow.

development activity £175 million
commercial space 1.3 million sq.ft.
sales £16 million

properties

CALA Properties continues to enjoy considerable success in the commercial property market, posting its third year of record profits. The Properties team is working on a range of projects in CALA's core operating regions within the UK.

Significant progress has been made in advancing two major Glasgow developments. The refurbishment of 151 West George Street, a joint venture with AWG Developments Limited, comprising 55,000 square feet of office, retail and bar/restaurant space will be completed on programme in December 2001. In excess of 40,000 square feet of this prime city centre development has been pre-let and both the retail and bar/restaurant units at ground floor are under offer.

In July 2001 Properties secured detailed planning consent to redevelop, in a joint venture with the Bank of Scotland, the site of the former Hamilton House to provide approximately 100,000 square feet of Grade A office space in the heart of the city's financial and business district. The new building at 20 Waterloo Street will provide open plan, column free floor plates extending to 13,500 square feet. The completed development will have an investment value of approximately £30 million.

A key factor in Properties' approach to maximising opportunities is its ability and desire to consider joint venture partnerships to facilitate development.

The merits of this partnering philosophy is endorsed by the joint venture with Stockdale Developments Limited where Stockdale-CALA Limited has acquired the 4.5 acre Cherwell Centre in Banbury. This acquisition fits in well with the company's evolving strategy to be flexible and innovative towards different types of property and funding opportunities.

The investment comprises an existing shopping centre with adjacent development land. Active asset management of the investment profile is on-going with key tenants including Littlewoods, McDonalds, Pizza Hut and Toni & Guy. The 2.5 acres of development land to the rear provides short-term income from NCP whilst Properties progress the development process and seek opportunities for potential uses to include health and fitness, retail/leisure and residential.

CALA Properties is fundamental to the Group's ambitious plans for the future. The Group's scope to expand after the management buy-out has allowed CALA Properties to benefit from a wider range of market opportunities. The company's recent expansion in the Midlands, including a senior level local appointment, continues to help identify many more development projects and gives greater breadth and depth to the team.



Kelvin Park, Glasgow.



Two Berkely Street, Glasgow.

development turnover £32 million
 total unit sales 303
 development partners 8

finance

With a total of eight joint venture partners and a development turnover of £32 million, CALA Finance continued to enjoy successful growth during the year to June 2001. Together with the company's joint venture partners CALA Finance completed 303 units on a total of 10 sites across Scotland and the North of England.

CALA Finance's small and focused team has continued to build on its successful funding concept and excellent established track record. Finance plan to double the size of its business in the next two years.

The CALA Finance funding concept is a unique form of 100% funding for housebuilders which the Group introduced in the 1980s and continues to prove its success in the market place. It offers small and medium-sized housebuilders a source of finance and advice from experienced housebuilding professionals.

The past year saw CALA Finance expand its area of operation to Yorkshire, the Midlands and the South of England. Sites are now in production in all these areas.

Finance plans to further strengthen its team and continue to seek new development partners and opportunities.

summary

The Group's approach to the second year post management buy-out has been one of hard work and common sense which has not only delivered excellent results, but has further reinforced the foundations for future growth and development.

SENIOR MANAGEMENT CHANGES POST YEAR END JUNE 2001

Since the company's year ending 30 June 2001 there has been a number of significant appointments and changes to its senior management team.

David Gill has been appointed Managing Director of CALA Homes (West) and Gerry More, formerly Managing Director of CALA Homes (Yorkshire), has been appointed Managing Director of CALA Homes (East). Gary Hardy has been appointed from outside the Group as Managing Director of CALA Homes (Yorkshire). John Allan succeeds Robert Millar as Managing Director of CALA Homes (South).

Alan Downie Group Managing Director

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2001

	<i>Notes</i>	2001 £000	2000 £000
Turnover including joint ventures	1	158,217	152,229
Less: share of joint ventures turnover		11,338	5,025
Group turnover		146,879	147,204
Cost of sales		111,921	119,792
Gross profit		34,958	27,412
Net operating expenses		16,391	11,487
Group operating profit before amortisation of goodwill		18,567	15,925
Amortisation of goodwill		2,136	2,136
Group operating profit		16,431	13,789
Share of operating profit in joint ventures		1,768	723
Profit on ordinary activities before interest		18,199	14,512
Interest payable and similar charges	2	13,106	11,515
Profit on ordinary activities before taxation	1	5,093	2,997
Taxation		2,894	1,330
Profit on ordinary activities after taxation		2,199	1,667

Figures in the Profit and Loss Account and related notes for the year to 30 June 2000 have been extracted from the audited financial statements of CALA Group Limited for the 13-month period to 30 June 2000.

<i>Notes</i>	2001 £000	2000 £000
Fixed assets		
Intangible fixed assets	38,296	40,432
Tangible fixed assets	1,533	1,605
Investments in joint ventures:		
Share of gross assets	26,150	20,570
Share of gross liabilities	(22,189)	(17,895)
	3,961	2,675
Other investment	1,592	2,850
	45,382	47,562
Current assets		
Stocks	69,281	77,733
Debtors	44,328	15,809
Cash at bank	13,293	30
	126,902	93,572
Creditors: due within one year		
Loans and other borrowings	(3,929)	(13,650)
Other creditors	(37,267)	(26,679)
Net current assets	85,706	53,243
Total assets less current liabilities	131,088	100,805
Creditors: due after more than one year		
Loans and other borrowings	(117,274)	(89,557)
Other creditors	(5,164)	(2,651)
Net assets	8,650	8,597
Share capital and reserves		
Called-up share capital	80	80
Share premium account	7,796	7,796
Capital redemption reserve	50	50
Profit and loss account	724	671
Shareholders' funds	8,650	8,597
Being:		
Non-equity shareholders' funds	8,650	8,597
Equity shareholders' funds	-	-
	8,650	8,597

1 Segmental analysis	2001	2000
	£000	£000
Turnover including joint ventures:		
Housebuilding		
Group	135,426	136,231
Joint ventures	11,338	430
	146,764	136,661
Property development		
Group	11,453	10,973
Joint ventures	–	4,595
	11,453	15,568
	158,217	152,229
Profit on ordinary activities before taxation:		
Housebuilding	14,364	13,502
Property development	5,971	3,146
	20,335	16,648
Goodwill amortisation	(2,136)	(2,136)
Interest payable and similar charges	(13,106)	(11,515)
	5,093	2,997
2 Interest payable and similar charges		
	2001	2000
	£000	£000
Interest payable on:		
Bank loans, overdrafts and other borrowings	10,294	9,082
Hire purchase and finance leases	1	57
Share of joint ventures	459	23
	10,754	9,162
Less interest receivable	(468)	(277)
	10,286	8,885
Redemption premia and bank arrangement fees	2,820	2,630
Total interest payable and similar charges	13,106	11,515

3 Employees	2001 Number	2000 Number
Average monthly number of employees during the period:		
Housebuilding – site	167	176
Housebuilding – office	183	158
Property development	6	5
	356	339
4 Stocks	2001 £000	2000 £000
Housebuilding:		
Land	48,172	46,642
Part exchange stocks	6,116	6,543
Work in progress and other stocks	14,993	23,529
	69,281	76,714
Property development	–	1,019
	69,281	77,733

OPERATING SUBSIDIARIES' MANAGING DIRECTORS



John Allan
 CALA Homes (South) Limited
 John joined Livingston Development Corporation Estates Department where he trained as a chartered surveyor before joining CALA Homes (Lothian) as a Land Buyer in 1987. He joined CALA Homes (South) as Land Director in 1995 and has operated as Regional Director (South Thames) for the last 15 months. John succeeded Robert Millar as Managing Director of CALA Homes (South) in October 2001.



Alan Brown
 CALA Homes (Midlands) Limited
 Alan trained as a chartered quantity surveyor with Ideal Homes before qualifying in 1984. He joined CALA in 1986 as a Development Manager for CALA Homes (South). In July 1990 he became Development Director of CALA Homes (South) before being appointed as Managing Director of CALA Homes (Midlands) in 1995.



David Gill
 CALA Homes (West) Limited
 David graduated in Town and Country Planning and completed his Masters in Urban Design. After holding planning positions with Glasgow, Edinburgh and Eastwood local authorities, David joined Bovis Homes, before moving to CALA as a Land Director in 1980. In 1995 he became Managing Director of CALA Homes (Scotland) and then Managing Director of CALA Homes (West). In November 2001 he was appointed as the first Chairman of Homes for Scotland, the industry body for representing housebuilding interests in Scotland.



Gary Hardy
 CALA Homes (Yorkshire) Limited
 A quantity surveyor by profession, and qualifying with the Chartered Institute of Building, Gary rose to the position of Managing Director with Jones Homes (Northern) Limited in the Yorkshire region. Gary moved to Beazer Homes as Managing Director of both their Stockport and Preston based regional offices before joining CALA in July 2001 as Managing Director of CALA Homes (Yorkshire). Gary was Chairman of the House Builders' Federation (Yorkshire region – 1999/2000).



Duncan MacCuish
 CALA Finance Limited
 Duncan started as a surveyor with Crudens Ltd and moved to Salvesen Homes before joining CALA Homes in 1976. Duncan became Managing Director of CALA Homes (Aberdeen) before moving to Cambridge in 1984 to start a new subsidiary. Duncan moved to Edinburgh in 1986 to become Managing Director of CALA Finance.



Stewart Mackay
 CALA Properties Limited
 Stewart was a Director of Greencoat Properties Plc before joining CALA as Managing Director of CALA Properties in 1980. Stewart started CALA Properties from a base in Surrey before moving to Edinburgh in 1984. He is a member of the Industrial and Professional Advisory Committee of the School of the Built Environment at Napier University in Edinburgh.



Robert Millar
 Group Development Director
 Robert is a chartered town planner and chartered surveyor and started as a planner with the City of Edinburgh District Council before joining CALA as a land buyer in 1985. Following several appointments he became Managing Director of CALA Homes (South). Robert became a member of the Executive Board and of the Group Main Board as Group Development Director in 2001 – in which he combines executive responsibility for the three English subsidiaries and Group land strategy.



Gerry More
 CALA Homes (East) Limited
 A graduate in Economics and Accountancy, Gerry joined Deloitte's to complete his CA training. Gerry first joined CALA in 1987 as Financial Accountant. He became Company Secretary in 1997 before being appointed Managing Director for CALA Homes (Yorkshire) in 1999. In 2001 Gerry returned to Scotland to become Managing Director of CALA Homes (East), following the division of Scotland into two separate companies.



DIRECTORS AND 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

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