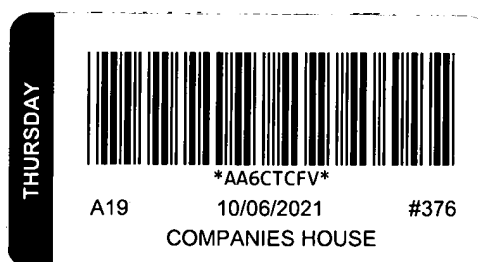


Registered number: 08428265

CALA Group (Holdings) Limited

Annual Report and Financial Statements

for the year ended 31 December 2020



CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

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Directors and advisers

Directors

Kevin Whitaker
Chief Executive

Neil J Stoddart
Group Finance Director

Nigel Wilson
Chairman (appointed 25 June 2020)

Kerrigan Procter
Non-Executive Director

Emma Hardaker-Jones
Non-Executive Director

Geoffrey Timms
Non-Executive Director (resigned 24 June 2020)

Matteo Colombo
Non-Executive Director (resigned 24 June 2020)

Jasan Fitzpatrick
Non-Executive Director (resigned 24 June 2020)

Company Secretary

Jennifer Wylie

Independent auditor

KPMG LLP
Chartered Accountants and
Statutory Auditor
319 St Vincent Street
Glasgow
G2 5AS

Principal banker

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Registered office

CALA House
54 The Causeway
Staines-Upon-Thames
Surrey
TW18 3AX

CALA Group (Holdings) Limited
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Strategic Report

Financial and operational highlights

	<u>Year to 31 December 2020</u>	<u>Year to 31 December 2019</u>
Home sales (units)	1,835	2,449
Revenue*	£713.0 million	£1,002.2 million
Profit before tax <i>Before exceptional items and revaluations</i>	£24.4 million	£96.2 million
House sales gross margin	15.2%	17.5%
Operating margin <i>Before exceptional items and revaluations</i>	5.5%	11.3%
Private average selling price ('ASP') <i>Excluding affordable housing</i>	£434,000	£464,000
Contracted landbank <i>Gross Development Value ('GDV')</i>	£7.4 billion	£8.0 billion
Overall customer satisfaction score (to 30 September 2020 & 2019)	95.0%	94.7%
Return on capital employed (year to 31 December 2020 & 2019)	4.1%	12.9%

*Includes 100% of managed JV's

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

The Strategic Report contains information which has been provided for the purpose of assisting stakeholders in assessing the strategies adopted by the group and the potential for those strategies to succeed. Any forward-looking statements have been made in good faith based on the information available at the time of approval of this report. These include the challenges currently being presented by COVID-19, with CALA and the wider industry now emerging from the lockdown restrictions. As a result, actual outcomes may be different from those anticipated because of the inherent risks in the markets in which the group operates, and no assurances can be given about any such statements.

CALA

CALA is a leading developer of desirable new homes and sustainable communities across the South of England, the Midlands and Scotland.

We are a highly ambitious, fast growing group with the capability and platform for further expansion. CALA operates through eight regional businesses in the UK which target many of the country's strongest markets. Throughout Scotland, the Midlands, and the South East of England we build premium homes and sustainable communities with sensitivity and consideration, in desirable locations.

The CALA brand is highly regarded within the industry and aspirational for many homebuyers. The homes we build are characterised by exceptional design, sector-leading build quality and we have a passion for providing our customers with a great home buying experience.

Additionally, we also operate under the Legal & General (L&G) Homes brand in Berkshire & Oxfordshire following the acquisition of 100% of the share capital of Legal & General Homes Communities Limited on 1 September 2019.

This provides a further degree of product differentiation in a key market for our business. We have been delighted to welcome the Legal & General Homes Communities' team into our business, who share common values and our long-term vision for success.

To reflect the date of acquisition, the prior year financial statements include four months of trade for Legal & General Homes Communities, however key performance indicators for 2019 and other selective information contained in this report include the contribution of Legal & General Homes Communities Limited for the full 12 month period.

Our Strategy and Ambition

We exist to do more than put bricks and mortar together. We are guided by our four key values: **Passion, Quality, Respect and Delivery** which define the culture of our business. Our ambition is to help people realise their **dreams and aspirations**. From owning your first property to your 'forever home'; the experience of choosing, purchasing and moving into a CALA home should be an aspirational dream come true. We want to support each and every person that comes into contact with our business to realise their aspirations. From the people who work here, the businesses we work with, to the customers who choose us. Doing the right thing by the communities in which we operate is important to us.

OUR VISION: A place to be proud of

It is about more than the homes we build – it is the communities we create. The core of what makes us who we are is grounded in pride. It is more than building houses our customers are proud to call their homes; it is about being a workplace our colleagues are proud to advocate for. We want to do the best for our people. We want to be an organisation that nurtures growth, development and opportunities for our colleagues – we want to be a place to be proud of. We want to be the leaders in our industry.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our ambitions are underpinned by our Strategic Pillars:

- People
- Service
- Product
- Sustainability
- Technology
- Performance

These pillars are in place to help us realise our ambitions by always holding us accountable. They're constructed of tangible and measurable goals – to keep us focused, they're time sensitive and unique to us.

We're committed that by 2025 we will be...

PEOPLE	SERVICE	PRODUCT	SUSTAINABILITY	TECHNOLOGY	PERFORMANCE
The favoured employer in our sector and beyond	Leaders in outstanding service	Designers of aspirational homes	Operate our business in a sustainable way	Harness technology to transform our working environment	Deliver a financial performance that reflects the quality of our homes

Our determination to achieve our ambitions is equally matched by our commitment to deliver high quality sustainable financial returns and industry-leading customer service whilst remaining true to our four key values. We will ensure our strategy generates value for shareholders in a responsible and controlled manner by maintaining a resilient balance sheet through the business cycle with a clear focus and disciplined approach to margin delivery and return on capital.

Our customers

Our business is defined by the quality of what we deliver to our customers and the way in which we service and care for them. We have our own Customer Charter, adopt the Consumer Code and have in place a Group Customer Service Director to focus on the delivery of customer service excellence right across the business.

2020 AT A GLANCE
<ul style="list-style-type: none"> ▪ On track for HBF 5-star rating ▪ Overall recommend score of 95.0% ▪ 18 award-winning site managers, including 1 supreme award, 2 regional winners and 5 with NHBC Seal of excellence.

Assessing and reviewing our performance in satisfying our customers is a vital component of successful delivery and continuous improvement. We are independently rated by the NHBC in the National New Homes Customer Satisfaction Survey conducted for the Home Builders Federation ("HBF").

Our 'Recommend' score in the 2020 NHBC survey covering sales completions in the 12 months to 30 September 2020 was 95.0%, comfortably above the 90% threshold required to achieve the top 5-star rating for the ninth time in the last ten years.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our customers (continued)

NHBC Pride in the Job is a UK-wide competition dedicated to recognising site managers who achieve the highest standards in homebuilding and is the most prestigious accolade a site manager can receive. From more than 16,000 managers competing we are delighted that 18 of CALA's top site managers were included amongst this year's Quality Award winners.

As CALA grows, our customer service proposition needs to be delivered more consistently to the same high standards across the group. We have identified best practice in our customer-facing processes and are now delivering this across all regions. This year we implemented an enhanced customer portal to take the customer journey to the next level as we seek to engage more effectively with our customers after home completion in ways they want to be communicated with.

The speed of growth of the business presents challenges in training and never more so than with frontline members of the team. An enhanced induction process for sales, construction and customer service staff joining CALA ensures that at the outset they are properly educated and trained in the high standards the business adopts and the processes that must be followed.

By having a greater focus on the customer we will produce homes and a buying experience more closely matched with the expectations of our target market and be recognised more consistently as the homebuilder of choice by prospective purchasers.

Land and planning

As a result of COVID-19 we suspended land purchasing in March 2020 to protect our cashflows, this also enabled us to access the market and gain greater clarity of the impact of the pandemic on the housing market and the wider UK economy. Towards the end of 2020 we recommended selective land buying activity and our land teams in the eight CALA regions contracted 5 new sites projected to deliver 698 new homes with a Gross development value ('GDV') of £218 million and an average selling price ('ASP') including affordable housing of £313,000 (2019 : 15 sites, with a GDV of £2.267 billion). One new site was added to the strategic land bank with a potential turnover of £29m.

Land contracted during the financial year*	Year to 31 December 2020	Year to 31 December 2019
Sites	5	15
Plots	698	2,267
Consented (by plots)	33%	35%
Average site size	140 plots	151 plots
GDV	£218m	£884m
ASP	£313k	£390k
England : Scotland (by value)	63%/37%	54%/46%
Strategic plots	68	154

**All figures include private and affordable*

Moving on to progress in planning, our dedicated teams continue to deliver mostly negotiated consents, with only limited recourse to the appeal process. Public consultation is undertaken on all applications for first time planning permission and views expressed are taken into account in progressing final designs. In 2020, we either improved the planning status of land we had acquired with a planning permission or secured a first-time planning permission on 21 sites for 2,740 homes with an estimated GDV of £1.1 billion and an ASP of £401,000 (2019: 3,126 homes with a GDV of £1.113 billion).

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Land and planning (continued)

44% of the plots granted planning permission were pulled through from our strategic land bank. Although government policy and sentiment is positive towards planning for new homes the overall planning environment remains unpredictable and we were disappointed to recently have a planning refusal on an allocated site despite officer recommendation for approval. Pleasingly however, during 2020 we successfully appealed 2 previous planning refusals and these sites will contribute over the coming years.

Land consented during the financial year*	Year to 31 December 2020	Year to 31 December 2019
Sites	21	26
Plots	2,740	3,126
From strategic landbank (by plots)	44%	37%
Average site size	130 plots	120 plots
GDV	£1,100m	£1,113m
ASP	£401k	£356k

*All figures include private and affordable

The group's owned and contracted short term landbank at 31 December 2020 comprises 21,000 plots (private and affordable homes), the scope and planning status of which are summarised below (2019: 20,844 plots). As has been the case from previous years, we continue to meet our commitment to commence development on all sites that have planning and other necessary consents in place. The sites in the landbank at 31 December 2020 have a combined GDV of approximately £7.34 billion, measured at today's selling prices, with an ASP including affordable housing of £352,000. This represents 10.4 years' development potential based on 2020 housing revenue although this has been inflated due to the reduced revenue in 2020. The landbank development potential would be 7.4 years based on the revenue from 2019, although our short-term growth plans, if realised will use this landbank more quickly.

Landbank	Plots	GDV	ASP	Land Cost	Years
Consented	18,941	6,671m	352k	20.9%	9.4
Allocated	1,286	419m	326k	15.7%	0.6
Draft allocation or no planning status	773	293m	379k	23.0%	0.4
Owned / Contracted	21,000	7,383m	352k	20.7%	10.4
Strategic	11,813	4,014m	340k	19.6%	
Total at 31 December 2020	31,813	11,397m	347k	20.3%	
Total at 31 December 2019	33,899	£12,402m	£366k	20.8%	

The group also controls a high quality longer-term strategic landbank comprising 11,813 plots (2019: 13,045), mostly held under option, to be promoted through the planning system to meet future development needs. Our success in this regard means that a large number of these sites have the prospect of gaining or enhancing their development plan status in the short term, with others reviewed regularly and to be promoted at the appropriate time. Over the 2020 year, 44% of the plots granted planning permission were drawn from the strategic land bank.

All sites that we expect to contribute towards 2021 have detailed planning permissions in place and construction has commenced. In addition, 88% of the expected gross profit in 2022 has a detailed planning permission in place with a land price agreed with the vendor.

Our People

We know the future of work is changing and 2020 saw us continue our transformational journey which will help equip us to meet the challenges and expectations of the people we employ, the people we wish to attract, our customers and the communities in which we build.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our People (continued)

At 31 December 2020 we had 1,168 employees working with us. This represents a slight reduction in staff numbers from the prior year (31 December 2019: 1,223) and follows the reorganisation of our business subsequent to the integration of L&G Homes Communities in September 2019.

Creating the right culture is critical in attracting, retaining, developing and progressing the strongest individuals. To support the needs of our ever-growing workforce, and the need to attract and retain talented people, we focussed on a number of key areas over the year, laying the foundations for more fundamental changes in 2021.

Culture and Engagement

Our culture is one which sets high expectations but also provides an inspiring and rewarding environment for our teams. It is embedded in the way our people behave, and is underpinned by our four values: **Passion, Respect, Delivery and Quality**.

A Directors' Conference was held in early 2020 to ensure our purpose, vision, ambitions and strategic direction was shared and clarified across our entire workforce. Our desired leadership approach, one that challenges and supports our people, was also shared and discussed.

We recognise that people are our biggest strength and we understand the important role communication has to play in nurturing our culture. Communication and connection have been central to our handling of the COVID-19 pandemic. CEO communications to the CALA team at the start of the pandemic set the tone for the business, addressing and recognising that our employees experience different challenges and highlighting the importance of balancing work delivery with family and other personal needs.

Line Managers were deeply motivated to support their teams and were communicating empathetically with them throughout; regularly checking in on individuals and demonstrating that the well-being of our people is a priority. To combat isolation and maintain connection, our teams have been encouraged to create virtual social chat groups for peer-to-peer communication, to bring employees together with no real objectives. Through these channels, employees have maintained relationships and shared specific tips and tools for working at home.

As early as May 2020 we created the opportunity for our employees to provide anonymous feedback in relation to our response to the pandemic, and took action where required. More recently we have communicated our Work from Home Charter which highlights ways employees can help to maintain their wellbeing, making the most of their working environment and how we can adopt smarter or more flexible working practices as we move forward in the future.

Our communications channels during the pandemic response adapted too. A dedicated Facebook page was created for all staff to ensure that those on furlough and those still working were able to keep in touch with each other and that furloughed staff were able to keep abreast of important information. We have worked hard to combat burnout by ensuring that people have a sense of purpose in the work that they are carrying out and that we help people achieve a stretching but manageable workload. Line Managers have been encouraged to communicate more about priorities and encourage people to speak honestly about how they are feeling.

With the closure of construction sites in the first national lockdown, we took the difficult decision to furlough a large majority of our site staff, with all staff being paid in full throughout that period. Through discussion with our shareholder we agreed that we would not submit an application to the Government's CJRS funding scheme. Employees who have had to self-isolate while working have also been paid in full. Over and above the financial commitments to our employees, we took steps throughout the pandemic to provide all employees with non-financial support. This included mental health resources and flexible working arrangements for those with caring commitments. We have allowed those who may be at increased risk of mental ill-health, to access our offices for occasional working, within Government guidelines.

Recognising that the future of work is changing and people work differently, 2021 will see us being more creative in how we engage and communicate with our people, with a greater focus on using technology.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our People (continued)

Wellbeing at the Heart of CALA

Earlier in 2020, our Wellbeing Strategy was approved. The strategy sets out greater investment and more wellbeing support for staff. CALA has always had a supportive culture generally, including a strong focus on Health and Safety; the strategy is very much in line with the CALA ethos, with greater emphasis and modern approach to mental health and wellbeing.

In January 2020 the Group launched a brand new, 2-year partnership with Samaritans. While CALA's financial support has helped to fund the launch of the charity's 24-hour instant messaging service and funding for an additional 25,000 calls for help, Samaritans are helping CALA employees and their subcontractors by providing listening and emotional resilience training. This will help individuals look out for themselves and their co-workers' emotional wellbeing. Sessions with CALA staff in offices took place early 2020 along with initial construction site training and in 2021, CALA will extend this programme so that Samaritans will train on every CALA and Legal & General Homes' development across the UK. Staff fundraising carries on throughout the year and local offices and sites are bringing their construction skills to Samaritans Branches and Shops which need some remedial work.

More than sixty members of staff from across CALA's operations volunteered to become Mental Health First Aiders, the majority of whom have already received training. The Mental Health First Aiders are a key element to CALA's Wellbeing Strategy going forward. During lockdown, these individuals checked in with their colleagues, providing vital feedback on how our teams were feeling.

As a business, we also introduced regular wellbeing communications throughout the year, particularly during lockdown. To ensure we were providing both Line Managers and our employees with the tools and resources to address new challenges we set up a dedicated intranet page filled with wellbeing resources including Samaritans digital lunch and learn sessions, podcasts recorded by a number of CALA people about a variety of People subjects including an opening up conversation with one of our Directors who has experienced depression. We were also proud to launch the Unmind app to all staff to provide easy access to wellbeing resources.

During 2021, we will continue to place a greater emphasis on wellbeing to ensure our team feel cared for and to allow individuals to continue to operate at a high level.

Developing talent and investing in our people

Wellbeing resources, strategies and campaigns are important, but CALA believes that leaders play a significant role in the emotional wellbeing of their teams. This has been covered for some time in leadership development programmes but was extended in 2020. Cognacity, psychologists who specialise in performing under pressure, spoke at CALA's leadership conference in March to guide the team on how to manage and maintain their own healthy minds. During 2020, CALA also ran additional wellbeing webinars for Directors from trained psychologists from both the Keil Centre and Kin & Co. Just as our attitudes about the way we work have changed forever, we expect our leadership styles to also change, and evolve to something more powerful and more inspiring for the staff which we employ.

Continuing to support our whole team in personal and professional development has been more important this year than ever. We have adapted the way we deliver training, moving our learning and development programmes online, and providing a whole host of courses and resources tailored to home working and new skills that are required as a result. We also recognise the importance of ensuring our new employees, particularly those joining us during 2020, are equipped from the start and we deliver an induction programme to meet these needs, run virtually during 2020.

We continue to provide financial support to a number of employees undertaking further and higher education qualifications. Furthermore, to help better equip our line managers we run Manager Essentials workshops covering a wide range of topics from performance through to absence management.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our People (continued)

There has been a continued focus on leadership development, delivered through a number of bespoke training programmes. Our Building Leaders Programme which is targeted at aspiring leaders and designed to help better equip them with the skills required to become a successful leader of people is halfway through completion. Funded by the apprenticeship levy, attendees gain Level 3 accreditation with the Chartered Institute of Leadership and Management through submission of ongoing course work and an end point assessment. Our Leadership Development Programme for 2021-2022 has commenced with a cohort of 33 employees participating. This programme is designed to support our middle management population, across the business and is endorsed by the Institute of Leadership & Management.

As we enter 2021 there will be a greater focus on developing the skills of our leadership team, in order to protect and develop a culture in which our people are valued and everyone is enabled and encouraged to achieve their potential. 2021 will also see us invest in a new Learning Management System providing online content across a wide range of learning and development areas.

Inclusion and Diversity

We want to build a diverse and inclusive workplace, where every individual's unique background is valued and everyone has the opportunity to contribute and succeed. The talent, ideas and collaboration of all of CALA's people are crucial to our success. CALA's culture must be inclusive to encourage diversity, which will allow growth and innovation; vital for the sustainability of our business. Whilst we have always worked hard to ensure that people, regardless of their background, are given the opportunity to succeed, we also recognise that like many in the industry, we have an under-representation of certain groups within our business, including in leadership positions. We are passionately committed to taking a proactive approach to creating a more inclusive and diverse environment for our people.

The culture of our business is very important to attract high calibre individuals who aspire to work for CALA and who believe in our core values. Our Equality and Diversity policy ensures that all employees are treated equally and fairly with no discrimination in respect of age, gender, disability, religious belief, sexual orientation, race, colour, marital status, political belief and nationality. We understand that we need to establish the best working environment to attract and support a diverse workforce, and that includes providing a flexible and positive approach which promotes our staff wellbeing.

During 2020, we increased our focus on Inclusion and Diversity by establishing our Inclusion & Diversity Network and 2021 will see us set up our first Inclusion & Diversity Board. The Board will report to our Executive Board and will be chaired by David McGrath, Regional Chairman and I&D Sponsor. The Board will be responsible for an ambitious I&D agenda, championing important initiatives, some of which are underway including:

- Reinforcing inclusive hiring practices (such as balanced shortlists and diverse interview panels) and focussing on areas of under-representation;
- expanding family-friendly, agile working practices;
- investment in training for line managers and leaders, helping them build new skills for leading inclusive teams where everyone can thrive;

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our sustainable way

In 2020 we set out to define CALA's commitment to running the business in a responsible and sustainable way, and to empower our employees to own this as part of our culture.

As part of CALA's Five Year Plan 'Sustainability' is now one of our six strategic pillars, with the ambition to "operate the business to meet the needs of the present without compromising the ability of future generations to meet theirs". This includes commitments to help fight the effects of climate change on our planet by:

- Building homes that are operationally net zero carbon by 2030
- Achieving Net Zero Greenhouse Gas Emissions in advance of the Government's 2050 target

A Sustainability Strategy has been developed, within which we have three key focus areas:

- Create a sustainable infrastructure for our operations and sites
- Embed a culture of sustainability in our teams and offices
- Build sustainable communities and homes

The strategy sets out roadmaps which will take us on our journey towards net zero carbon.

To drive the change needed, a Sustainability Steering Group, Working Groups and Green Teams have been formed across the CALA Group to drive sustainable practise across the entire business.

Community

At CALA we aim to build not just homes but communities. An integral part of this is contributing to the causes and charities that are important to local people. The Covid-19 pandemic unfortunately meant many planned fundraising and community events were cancelled or postponed, including the CALA Community Bursary, which has been postponed until 2021. However, despite a difficult year, CALA have continued to fund local initiatives in the communities in which we build.

CALA Homes (West) has kicked off a partnership with Social Bite to help tackle homelessness through a series of initiatives, as well as installing a bench from Breathing Space, a mental health support service, at their Jordanhill Park development. Across the Group, donations for PPE have been given to help local hospitals with the Covid-19 pandemic. Local schools and youth groups have also received donations and participated in initiatives such as the World Book Day voucher donations for two North Home Counties developments.

In 2020 CALA began its new charity partnership with Samaritans, which not only allows us to help the work of the charity through fundraising and volunteering, but will also help us to support the emotional wellbeing of our staff through information sessions and awareness raising. Throughout 2020, we have participated in Brew Mondays, Samarathons, and received support from our subcontractors and suppliers.

Due to the pandemic, the CALA Build trip with Habitat for Humanity to India was cancelled by the charity. CALA made the decision to give our support to help with the COVID-19 relief efforts in India. We were able to send over £20,000 to support local projects including building sanitation facilities and distributing emergency Family Essential and Hygiene Kits.

Further information on our community and environmental policies can be found in our Sustainability Report, published on our website at www.cala.co.uk/sustainability.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Our Strategy and Ambition (continued)

Health and safety

The health and safety of our employees, subcontractors and customers is of paramount importance, and we are committed to ensuring that everyone who visits our sites and offices can carry out their duties safely and go home safe. This has been illustrated through the current COVID-19 pandemic, where the safety of our employees, subcontractors and customers has provided the foundation for our response. All health and safety issues, including matters arising from on-site inspections, are reported to the board for consideration on a regular basis.

The Group operates a comprehensive health and safety management system that includes monitoring, staff training and management reporting. Frequent on-site inspections are carried out by our own qualified staff, targeting potential hazards and incident trends, as well as providing the opportunity to review future works. The health and safety team also carry out additional coaching and mentoring visits which are intended to ensure that our site-based employees have a thorough and practical understanding of our health and safety requirements.

Achieving zero RIDDOR injuries is our immediate goal, whilst our ultimate challenge is to establish a culture where people work safely, looking out for one another, so that no one suffers injury or ill health because of our activities. CALA's Annual Injury Incidence Rate for 2020 increased to 557 incidents per 100,000 employees (2019: 264). This is because of an increase in the number of injuries reportable under RIDDOR from 14 to 23. The Board continues to be satisfied with the group's health and safety approach and the measures being introduced to reduce risk and the number of accidents in future years.

Our commitment to maintaining the highest standards of health and safety is reinforced by the investment we make in ensuring that our own staff and subcontractors are fully aware of their responsibilities and that they have the resources, knowledge and capability to carry out their roles safely. In 2020, the number of health and safety training days delivered was 574 (2019: 1,922). This reduction was directly attributable to the impact of COVID-19 and the need to develop and utilise remote learning methods. These statistics only include training lasting more than 3 hours and exclude inductions. Operational directors are required to hold the CITB Directors Role for Health and Safety training to allow them to better understand their health and safety responsibilities.

Our Health and Safety Culture Change programme, 'One Team One Goal Safe Home', launched in October 2019 continued during 2020 through remote learning. The programme focusses on several areas including safety leadership and covers all areas of our business including office-based employees, site staff and our contractors. The programme reinforces the concept of talking to people and recognising and further developing safe behaviours. This aligns with the existing health and safety tours that all operational directors carry out. These tours allow our regional leaders to engage with our site-based teams and contractors to reinforce the importance that we place on health and safety.

During the year no HSE Enforcement Notices were issued to our sites for non-compliance with health and safety legislation (2019: none).

The day-to-day management of all health and safety activities is conducted by our group health, safety and environmental director. Kevin Whitaker is the main Board director responsible for health and safety throughout the group.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Chief Executive's review

The housebuilding industry is emerging from the continuing impact of the COVID-19 pandemic and the impact in 2020. CALA closed our sites in late March 2020 and they remained closed until May (England) and June (Scotland) 2020. The Health and safety of our employees, sub-contractors and customers has been central to our response and the closure of on site activity.

The loss of revenue for 3 months, in April/May/June provided significant challenges, at the time, to the Group. The approach of the business, the mitigating actions taken, aligned with support of both our owner, Legal & General plc, and our banking group allowed for quick solutions and a clear path forward, in terms of our facility extensions. I would also like to thank all of our people, for their hard work and dedication to CALA, despite the challenges of COVID-19 pandemic, in the early stages and continued to this day. The approach from our people, our sub-contractors and our customers, in these difficult times, has been great and a first class approach to the challenges that exist. Thank you to all.

The significant volume reduction as a result of the COVID-19 pandemic has provided a year-on-year profit before tax reduction (before exceptional items and revaluations) of 75% to £24.4 million (2019: £96.2 million). The number of homes sold reduced to 1,835 during the year 31 December 2020 compared to 2,449 in 2019, a 25.0% reduction. This has resulted in turnover of £704.8 million, down 28% on 2019.

Given the uncertainty of COVID, through out the year, CALA used the time to bring forward the structural changes in our regional business, to integrate the Legal and General Homes Communities sites into the CALA regions and close down the LGHC office, whilst maintaining the brand and the operational sites in the business. This was a significant change to the business and I'm pleased to say, has been done well, with the people and the sites integrated into their new regions. We are also taking the opportunity to relocate two of our regional offices, to more central locations within their operational areas.

Market review

The market was unsure as to how it would respond from the initial lockdown. It was pleasing to see that the demand for 'New' build homes has been strong across the country with a strong bounce back from July, with pent-up demand, Government Incentives and people making lifestyle choices fuelling this level of demand. This level of demand has continued into 2021. There are clearly continued economic uncertainties, however the high level view for housing, under supply, low cost of mortgage, supports a stable market in the short term and our views for 2021.

Help To Buy continues to have a limited direct impact on CALA due to our market positioning and ASP although the % of our private completions for 2020 utilising the scheme has increased to 25% (2019: 15%), reflecting the mix of product availability during 2020. Our use of Help to Buy remains much less than the majority of national homebuilders, some of whom take more than 50% of their private reservations in this way. The changes to Help To Buy that were announced in 2019 regarding eligibility of participants and the introduction of regional price caps are unlikely to have a significant direct impact on our business given CALA's limited exposure to Help To Buy and the financial resilience of our customer base. We are mindful however, of the impact these changes might have on the new build housing market as a whole.

Development activity

During the 12 months to 31 December 2020 the average number of active selling sites per week was 69 (2019: 70) and the total number of sites from which private sales completions were secured was 85 (2019: 87). We closed 16 sites during the year and delivered the first sales completions on 22 new sites across our regions.

During the year we commenced build on 15 new sites which will ultimately deliver around 1,835 private homes at an average size of 122 private homes per development (2019: 31 new sites with an average of 180 private homes).

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Chief Executive's review

Development activity (continued)

Our sales performance during the year has been significantly impacted by COVID-19 but despite this our net private reservations during 2020 have only reduced by 4% on the previous 12 month period. The ASP in the year was £434,000 (2019: £464,000) and this reduction reflects the mix of sites sold during the year. Selling prices have remained resilient throughout 2020 with no change in pricing levels post COVID-19. The Group achieved a net private reservation rate of 0.51 average weekly sales per development in the period which is 0.02 less than last year (2019: 0.53). There were however three distinct selling periods during 2020 with a weekly reservation rate per active site from 1 January to 20 March 2020 of 0.70, from 21 March to 26 June 2020 of 0.16 and from 27 June to 31 December 2020 the rate achieved was 0.64.

Our average weekly private revenue per development of £228,000 is a slight reduction to the previous period (2019: £240,000) and reflects the reduction in the weekly sales per development and the lower ASP achieved during 2020. The cancellation rate for the year at 19% is an increase from the previous year (2019: 14%) and is a reflection of the unemployment and financing uncertainty that some customers experienced during the year.

At 31 December 2020 we had accumulated 839 advance private home sales with a turnover value of £368.9 million for delivery by 31 December 2021 which is an increase of 89% against the previous year (2019: 443 private homes and £181.3 million). This equates to a sales carry forward of 59% (2019: 21%) based on the number of private sales completions during the 12 months to 31 December 2020

Current trading and outlook

The COVID-19 pandemic and subsequent closure of our sites have had a material impact on our 2020 results. We have seen however that the housing market has recovered strongly in the second half of 2020 and this is shown in our excellent forward sales position at 31 December 2020.

Average weekly reservation rates so far in 2021 are encouraging and in the first 7 weeks we have traded at a rate of 0.72 weekly sales per development, with 346 net private reservations taken. This rate is exactly the same as was achieved for the equivalent period in 2020 where there were total of 351 net private reservations in the period.

2020 has been a very challenging year but we are confident that there will be a significant rebound in the financial results in 2021. We start the new financial year with a focus on improving our operational and financial performance as well as continuing to progress in growing the business, whilst at all times ensuring that we deliver a first class product and service to our customers.

Our biggest thanks go to our people; our employees demonstrated strong levels of commitment and determination despite 2020 being a challenging year. We are fortunate to have an incredibly passionate team, who we aim to support, develop and encourage to continue their careers with CALA for many years to come. Our thanks extend to our loyal business partners for the vital role they continue to play in our delivery. CALA has plans in place to transform many aspects of our business in the years ahead and despite the challenges that the current environment presents, I feel privileged to be leading the business towards an incredibly exciting future.

Kevin Whitaker
Chief Executive

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Financial performance review

Trading

The impact of COVID-19 has been significant and has ended CALA's record of seven successive years of profit growth. The group delivered a profit before tax, revaluations and exceptional items of £24.4 million for the year to 31 December 2020 (2019: £96.2 million) on revenue of £704.8 million (2019: £973.6 million). The year-on-year profit decrease of is almost entirely due to the impact of the site closures and period of inactivity resulting from the COVID-19 shutdown.

Revaluations and exceptional items before tax were a net charge of £18.1 million before tax for the year. This comprises of COVID related costs of £14.8m which have been reported within the current year income statement due to their nature. The remaining items include £2.8 million of restructuring costs following a wider business review which saw 2 of our regional offices relocating, and a £0.5 million increase in the provision for remedial items relating to fire safety in light of the Grenfell disaster.

The Group did not benefit from any grant income under the Government's CJRS funding scheme.

CALA Group completed the sale of 1,835 homes during the year to 31 December 2020 (2019: 2,449). The number of home completions was achieved from 86 sites (2019: 87). The number of private homes completed reduced by 454 units to 1,423 in 2020 (2019: 1,877) and were delivered at a lower ASP, reducing to £434,000 (2019: £464,000) due mainly to a change in site mix. The delivery of affordable homes reduced to 412 in 2020 (2019: 572), comprising discounted market value homes to qualifying purchasers and homes delivered to housing associations.

Revenue	Year to 31 December 2020	Year to 31 December 2019
	£m	£m
Private housing	609.4	845.4
Affordable housing	89.7	101.5
Managed Joint Ventures	8.2	28.6
Land / other sales	5.7	26.7
Group Revenue	713.0	1,002.2

Our housing gross margin has reduced further in the last year to 15.2% (2019: 17.5%). This is due to a combination of build cost inflation, an increased proportion of customer service warranty costs during the year against a reduced turnover, and a cautious view of future economic conditions which has impacted the margin assumptions on sites that had legal completions in 2020.

Our operating margin before exceptional items and revaluations has also reduced in the year, down from 11.3% (2019) to 5.5%. 2.4% of the reduction relates to house sales gross margin and 3% was due to an adverse variance in the absorption of net operating expenses in the year. The balance of the reduction was largely due to an increased proportion of abortive land costs in the year. We expect to see a significant improvement in the operating margin in 2021 as the overhead % reduces back to 2019 level and the benefit of newer higher margin sites begin to be realised.

Return on capital employed ("ROCE") remains on one of our key financial performance measures. Our ROCE did however reduce in 2020 to 4.1% (2019: 12.9%) as a result of the reduction in profitability and reduced asset turn due to COVID-19. Similar to comments regarding operating margin we expect to see a significant improvement in the ROCE in 2021, due to the expected increase in profitability in the year.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Financial performance review (continued)

Balance sheet

Land and work in progress, net of land creditors, has risen from £1,107.6 million in 2019 to £1,173.0 million, due to an increase in construction work in progress as a result of COVID-19, coupled with our continued investment in new developments for CALA's expansion plans. We continue to use land creditors to assist with the funding of larger land acquisitions and where it is value-enhancing for the business. Land creditors at 31 December have decreased significantly to £345.0 million (2019: £493.3 million), however the group continues to take advantage of deferred payment structures generally available in the current land market.

Inventories	At 31 December 2020	At 31 December 2019
	£m	£m
Land and options	1,022.5	1115.2
Less: Land creditors	(345.0)	(493.3)
Net Land and options	677.5	621.9
Part exchange	23.6	56.0
WIP and other stock	471.9	429.7
Net Inventory	1,173.0	1,107.6

Inventories include part exchange properties with a combined net expected resale value of £23.6 million (2019: £56.0 million). This is a significant decrease since last year, reflecting our efforts to accelerate the sale of part exchange properties during the course of 2020, coupled with a reduction in PX units as a result of reduced activity. As at 1 March 2021 £22.2 million of the part exchange inventory at the year-end had either been sold or was reserved for sale.

The carrying value of the group's intangible assets includes the value of the CALA brand in Scotland, which remains unchanged since last year at £8.6m. The CALA brand is considered to have an indefinite life and is tested for impairment on an annual basis. The remaining intangible asset is the goodwill arising on the acquisition of Banner, which has an unchanged balance sheet value of £40.1 million. The goodwill is also tested for impairment on an annual basis.

At 31 December 2020, the group held available for sale financial assets, being shared equity debtors relating to 43 homes with an estimated net recoverable value of £1.2 million (2019: 53 homes and £1.4 million respectively). The value of shared equity debtors has reduced during the year due to loan redemptions by our home owners, partially offset by the annual unwind of the fair value discount as the portfolio progresses a further year towards maturity.

Net assets of the group reduced by 3.3% during the year to £853.9 million (2019: £883.6 million). Due to the impact COVID-19 has had on the profits generated during the year, this reduction was due to a £30m dividend paid to Legal & General in January 2020.

Financing and cash flow

The group obtained two further financing facilities in May 2020 to maintain appropriate headroom in borrowing facilities which was eroded as a direct result of COVID-19. These new facilities include a £50m loan facility from our parent company Legal & General plc, and an additional £89m loan from our syndicate of banks. Both loans are considered short-term and are repayable in bullet payments in December 2021 and November 2021 respectively.

The existing facilities consist of a revolving credit facility and overdraft totalling £350 million expire on 26 July 2022. The debt funding is provided by a syndicate of five banks led by Bank of Scotland, NatWest and HSBC.

At 31 December 2020, the group had net debt of £148.2 million (2019: £114.9 million) – see the net debt table on page 34, which consisted of net bank debt of £137.8 million (2019: £99.1 million). These were offset by loans due from joint ventures of £28.0 million (2019: £27.9 million) and a loan of £10.4 million from Homes England which is held in relation to our site at Crowthorne (2019: £15.7 million).

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Financial performance review (continued)

Financing and cash flow (continued)

The increase in net debt, which excludes the £50 million loan from Legal & General Capital Investments Limited, is largely due to reduced cash generated from trading, plus the payment of dividends to Legal & General.

Gearing, defined as the ratio of net bank debt to net assets, has increased to 17.4% since last year (31 December 2019: 13.0%) due to the reduced net asset value of the group and increased levels of net bank debt held at the balance sheet date. If land creditors are added to net bank debt, gearing increases to 57.8% and 68.9% for 2020 and 2019 respectively.

Pensions

All eligible employees are able to accrue retirement benefits under the CALA Flexible Retirement Plan ('DC Scheme'), the group's defined contribution pension scheme operated by Standard Life. The default contribution rate is 3.0% of pensionable salary from employees and 7.0% from the company, with certain other matching alternatives available.

The IAS 19 net pension deficit in relation to the Defined Benefit (DB) pension scheme shown in the balance sheet at 31 December 2020 is £17.0 million (31 December 2019: £17.5 million).

The most recent published Triennial Valuation for the DB Scheme was carried out as at 6 April 2018 and agreement reached with the Trustees on a recovery plan to eliminate the deficit. The group has continued to comply fully with the recovery plan and has made special deficit contributions into the DB Scheme during the year to 31 December 2020 of £7.1 million (2019: £3.5 million). The next triennial valuation is expected in April 2021.

The group, in consultation with the Trustees, continually monitors the Scheme with a view to reducing risk and funding volatility for the long term security of members' pensions. Following the closure to future accrual, both parties are now focused on steering the DB Scheme to self-sufficiency.

Financial risk and treasury management

The treasury function is centrally managed to support the operating activities of the group, its primary objective being to manage liquidity and interest rate risk. Any trading in financial instruments is prohibited and hedging is undertaken using simple risk management products, such as interest rate swaps.

The management of liquidity is a significant risk for the group. It is essential that cash flow is tightly managed and borrowing remains within agreed bank facility limits. The major variable in maintaining adequate liquidity is the impact of a deterioration in the housing market on cash flow. This is managed by the collection and monitoring of extensive market intelligence at a local and national level, combined with a clear and effective sales strategy aligned with the delivery of our financial plan. This is further supported by a close working relationship with our shareholder and debt providers.

The group no longer has interest rate hedging in place.

Direct foreign exchange exposure is negligible given the nature of the group's business activities which are conducted exclusively in the United Kingdom.

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Key performance indicators (“KPIs”)

The Board monitors the group's progress by reference to a range of selected KPIs. These KPIs are unaudited.

Financial

House Sales Gross Margin	<u>Commentary</u>
2020 – 15.2% 2019 – 17.5%	House sales gross margin for the year reduced to 15.2% compared with 17.5% for the previous period. The reduction is due to a combination of build cost inflation, an increased proportion of customer service warranty costs during the year against a reduced turnover, and a cautious view of future economic conditions which has impacted the margin assumptions on sites that had legal completions in 2020.
<u>Definition</u> The ratio of gross profit (before exceptional items) to housing revenue, including 100% of joint ventures, expressed as a percentage.	

Operating Margin	<u>Commentary</u>
2020 – 5.5% 2019 – 11.3%	Operating margin in 2020 fell significantly to 5.5% (2019: 11.3%). 2.4% of the reduction relates to the house sales gross margin and 3% was due to an adverse variance in the absorption of net operating expenses in the year. The balance of the reduction was largely due to an increased proportion of abortive land costs in the year
<u>Definition</u> The ratio of operating profit (before exceptional items) to total revenue, expressed as a percentage.	

Return On Capital Employed	<u>Commentary</u>
2020 – 4.1% 2019 – 12.9%	Return on capital employed has reduced to 4.1% (2019: 12.9%) and remains below our stated target of 20%. The reduction is due to the decrease in profitability and reduced asset turn in 2020 due to COVID-19.
<u>Definition</u> The ratio of operating profit (before exceptional items) to average net assets after adding back net bank debt and fixed rate loan notes and deducting intangible assets and the deferred tax asset, expressed as a percentage.	

Operational

Home Sales	<u>Commentary</u>
2020 – 1,835 2019 – 2,449	The total number of homes sold by the group reduced in comparison to the prior accounting period by 614 units (25%) and this reduction was entirely due to COVID-19. The number of private homes completed in 2020 reduced from 1,877 (2019) to 1,423. There was also a reduction in the number of affordable homes delivered to 412, compared to the previous year (2019: 572).
<u>Definition</u> The number of homes sold and completed including joint ventures.	

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

KPIs (continued)

Operational (continued)

<p>Average Weekly Reservations Per Active Site</p> <p>2020 – 0.51 2019 – 0.53</p> <p>Definition The average number of net private homes reserved for sale including joint ventures for each week of the financial year divided by the average number of active selling sites for each week.</p>	<p>Commentary The average weekly reservation rate per active site of 0.51 has reduced slightly compared to the previous year (2019: 0.53). The lockdown from March to June had a significant negative impact on this rate. To illustrate, the weekly reservation rate per active site achieved from January to mid-March was 0.70 and 0.64 was achieved from July – December.</p>
<p>Average Weekly Revenue Per Active Site</p> <p>2020 – £228,000 2019 – £240,000</p> <p>Definition The average revenue for each net private home reserved for sale including joint ventures for each week of the financial year divided by the average number of active selling sites for each week.</p>	<p>Commentary The average weekly revenue per active site at £228,000 reduced in the year site (2019: £240,000, reflecting the slightly lower reservation rate and private average selling price.</p>
<p>Forward Sales</p> <p>2020 – 59% 2019 – 21%</p> <p>Definition The ratio of private homes, including joint ventures, reserved or better at 31 December for the following year to total private sales completions in the current financial year expressed as a percentage.</p>	<p>Commentary Forward sales at 59% equates to 839 private homes with a GDV of £368.9 million (2019: 21% and 443 private homes with a GDV of £181.3 million). This forward sales position represents an 89% increase from the previous year and puts the Group into a positive sales position for 2021.</p>
<p>Overall Customer Satisfaction</p> <p>2020 – 95.0% 2019 – 93.3%</p> <p>Definition Overall customer satisfaction with the quality of the homes delivered and the service provided by CALA, both before and after sales, as measured through customer surveys undertaken by the NHBC.</p>	<p>Commentary This measure represents the percentage of customers who would recommend CALA to a fellow home buyer. To achieve in excess of 90% results in a 5 star builder rating, a status CALA has held in 10 of the last 11 years. The recommend score for 2020 at 95.0% is an excellent achievement and is one of the highest in our peer group.</p>
<p>Annual Injury Incidence Rate ("AIIR")</p> <p>2020 – 557 2019 – 264</p> <p>Definition The total number of accidents reportable under RIDDOR for the year to 31 December 2020 and 31 December 2019 expressed per 100,000 employees and contractors.</p>	<p>Commentary The AIIR has increased since last year following an increase in the number of reportable accidents from 14 to 23. The Board continues to be satisfied with the group's health and safety approach and the measures being introduced to further reduce risk and the number of accidents in future years.</p>

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

KPIs (continued)

Operational (continued)

Reportable Accidents	
2020 – 23 2019 – 14	
<u>Definition</u> The total number of accidents reportable under RIDDOR for the year to 31 December 2020 and 31 December 2019.	<u>Commentary</u> The number of reportable accidents has increased from 14 to 23. A strong safety culture remains in place and the Board remains committed to its zero accident target. The group's internal health and safety resource has again been increased in the year and this resource is at the required level to support our site teams as the business continues to grow.

Land

Contracted Landbank	
2020 – £7.4 billion 2019 – £8.0 billion	
<u>Definition</u> The estimated revenue generated from land owned or controlled. This includes strategic sites that have earned a planning status, and where the prospects for achieving a planning consent within a reasonable timescale are strong.	<u>Commentary</u> The contracted landbank has reduced slightly in the year to 31 December 2020. The number of plots increased by 1% from 20,844 to 21,000 but a reduction in the ASP of the units contained in the landbank compared with the previous year has translated to a 7.5% reduction in total GDV. The planning status of the contracted landbank remains strong with 96% of GDV comprising sites with either a planning consent or an allocation for residential development within an adopted local plan. This compares with 94% at 31 December 2019.

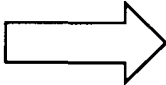
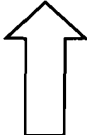

Consented Landbank	
2020 – £6.7 billion 2019 – £7.1 billion	
<u>Definition</u> The estimated turnover value generated from land owned or controlled with an outline or detailed planning consent.	<u>Commentary</u> The consented landbank has reduced during the year although the number of plots has increased from 18,301 to 18,941 due to the ASP reducing from £388,000 to £352,000. Over the year 2020, 44% of the plots granted planning permission were drawn from the strategic land bank.

Strategic Land Pull-Through	
2020 – 44% 2019 – 49%	
<u>Definition</u> The proportion of homes sold and completed including joint ventures without a planning permission at the time a commercial interest was acquired in the site, expressed as a percentage.	<u>Commentary</u> 774 homes sold in the year to 31 December 2020 (2019: 1,194) were from our strategic landbank or from developments controlled under conditional contracts where CALA secured a first-time planning permission. This equates to 42% of total homes sold in the year, a slight decrease to the previous year. The remainder of our sites were acquired with an existing consent, most usually an outline planning permission.

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

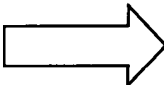
Strategic Report (continued)

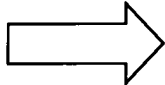
The principal operating risks currently affecting the group along with key mitigation measures for each are described as follows:

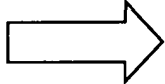
Risk	Mitigation	Change since 2019
<p><u>Health and Safety</u></p> <p>Risk of serious injury or death.</p>	<p>We have a comprehensive health, safety and environmental management system in place. We have a positive and active safety culture throughout the group and proactively adapt our work practices to eliminate safety risks as they are identified.</p> <p>On-site safety compliance is monitored and reinforced through an in-house inspection regime and regular direct communication with subcontractors.</p> <p>We have a thorough training programme in place with minimum standards of competence that need to be attained based on position held.</p> <p>During the year, the group health and safety team was expanded to facilitate more inspections and mentoring visits to site. The training resource was also increased.</p> <p>We have also developed an in depth Health & Safety response to COVID-19 to ensure that our sites remain safe working environments for all of our people.</p>	<p>Risk stable</p>  <p>The health and safety of our employees, subcontractors and customers remains the top priority for the Board.</p>
<p><u>Economic & Political Uncertainty</u></p> <p>Uncertainty leads to a downturn in the housing market, adversely affecting profitability, cashflow and CALA's strategic growth plans.</p>	<p>The group has a strong balance sheet and operates with headroom in its banking facilities and has a supportive shareholder in Legal & General.</p> <p>The group gathers and considers a variety of market intelligence at a local and national level, which is reviewed regularly by management with prompt action taken in relation to pricing, build rates and the level of inventory as required. This includes consideration of the potential implications of COVID-19 and Brexit, following the UK's departure from the European Union.</p> <p>We have reviewed all of our key potential land commitments to ensure their prospects are maximised in preparation for more difficult market conditions, should these materialise and are making alterations where needed.</p> <p>We have a strong portfolio of high quality developments in premium locations, supported by a strong brand proposition.</p>	<p>Risk increased</p>  <p>We anticipate challenging trading conditions during 2021 as a direct result of COVID-19 and the UK's exit from the European Union. The board has taken various measures to mitigate the group's exposure to these events, and has prepared downgraded business plans in light of the prevailing uncertainty.</p>
<p><u>Raw Materials, Sub Contractors and Suppliers</u></p> <p>Failure to maintain a sustainable pool of suitable Sub-Contractors and Suppliers to support the effective and quality delivery of Construction projects.</p>	<p>We operate and manage a portfolio of approved subcontractors many with whom we have long-standing relationships. We also directly employee certain key trades and apprentices on our own account.</p> <p>Our construction and commercial teams review regularly our subcontractor base, seeking to add new partners to supplement our available resources where possible. This includes consultation with our key suppliers and subcontractors around the implications of Brexit.</p> <p>We provide a safe and organised working environment that allows our subcontractors to work efficiently and we offer competitive rates of pay with prompt payment.</p>	<p>Risk increased</p>  <p>The availability of competent key trades has stabilised in the last year and new contractors are consistently being added to our existing pool. However there remains concern on the availability of labour in the medium term in light of the fall-out from COVID-19 and the government intention to proceed with the proposed points based immigration system.</p>

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

Risk	Mitigation	Change since 2019
<p><u>Planning Permission</u></p> <p>Securing appropriate and timely planning permission on sufficient development sites in our contracted landbank, including the conclusion of section agreements and clearance of planning conditions to permit a site start in line with acquisition assumptions.</p>	<p>The group manages its planning risk by working collaboratively with all key stakeholders and decision makers, engaging in extensive local consultation.</p> <p>We have high levels of skill and experience of the planning process within the business to ensure we only invest in opportunities with a strong chance of planning success.</p> <p>We endeavour to support Local Authorities where possible with our own resources by initiating legal agreements and with the early submission of information to facilitate the timely clearance of pre-commencement planning conditions.</p> <p>We incorporate planning uncertainties into our business planning, as well as running a surplus of developments in our planning pipeline to protect against the risk of refusal or delays arising from the appeals process.</p>	<p>Risk stable</p>  <p>Too many applications continue to be delayed or require appeal, often against the recommendation of officers. In addition, the time taken to clear site start conditions and to gain other statutory consents varies across authorities and can be very slow, leading to unacceptable delays.</p>

Risk	Mitigation	Change since 2019
<p><u>Product Quality/Customer Service</u></p> <p>Reputational risk from failure to service customers in line with expectations around quality and timely delivery of homes, as exposed by NHBC rating, Trust Pilot scores, online activity and other media output</p>	<p>The group has in place a director responsible for product and customer service to review targets, performance and trends and ensure implementation of best practice across our operating regions.</p> <p>Customer service delivery forms a material element of performance related pay for most employees in the group.</p> <p>Product handover and customer journey procedures remain of paramount importance to ensure we deliver CALA's high standard of product and service to all of our purchasers.</p>	<p>Risk stable</p>  <p>We have retained our 5 star status during the current year.</p>

Risk	Mitigation	Change since 2019
<p><u>Attracting High Calibre Employees</u></p> <p>Risk that CALA is unable to attract and retain high calibre employees.</p>	<p>The group offers a positive, empowered, working culture.</p> <p>The group also operates a comprehensive benefits structure and a performance and personal development review system which are updated on a regular basis to ensure they remain effective.</p> <p>Implement regular Employee Engagement surveys.</p> <p>Develop an improved strategy to focus on attracting and retaining high calibre employees</p>	<p>Risk stable</p>  <p>Whilst staff turnover in the housing industry still remains high, our own underlying attrition rates have eased during the year to 31 December 2020.</p>

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT

The Board of CALA Group (Holdings) Limited consider that we have adhered to the requirements of section 172 of the Companies Act 2006 and have, in good faith, acted in a way that we consider would be most likely to promote the success of the CALA Group for the benefit of its shareholders as a whole. In doing so, we have recognised the importance of considering all stakeholders and other matters (as set out in s.172(1)(a-f) of the Act) in its decision-making.

The new reporting legislation around stakeholder engagement is welcomed by the Board and the commentary and table below sets out our s.172(1) statement. This statement provides details of key stakeholder engagement undertaken by the Board during the year and how this helps the Board to factor potential impacts on stakeholders in the decision making process. Additional details of the Group's key stakeholders and why they are important to us are set out below.

General

The CALA Group promotes the highest standards of governance and ensures that these standards cascade throughout the Group and its subsidiaries. Guiding principles are in place for the relationship between the Group Board and the Regional boards of the Group's principal subsidiaries. This framework promotes full and effective interaction across all levels of the Group to support the delivery of strategy and business objectives within a framework of best corporate governance practice. A full description of the Group's governance arrangements can be found in the Directors Report on page 25.

Corporate governance underpins how we conduct ourselves as a Board, our culture, values, behaviours and how we do business. As a Board we are conscious of the impact that our business and decisions have on our direct stakeholders as well as our wider societal impact.

As part of the director induction process, directors are informed of their duties, including their statutory duties under s.172 of the Companies Act 2006. The directors are entitled to request from the Company all such information they may reasonably require in order to be able to perform their duties as directors, including professional advice from either the Company Secretary or from an independent advisor at the Company's expense. On-going training is provided to the directors, as required, to ensure that their knowledge remains up to date and they continue to be able to discharge their duties as directors.

Principal decisions

For the year ending 31 December 2020, the Board consider that the following are examples of principal decisions that it made in the year:

- **Re-organisation of Legal & General Homes Communities Limited (LGHC) and subsidiaries.**
Following the acquisition of LGHC in August 2019 the business has been restructured during 2020 and aligned within our existing CALA regions whilst retaining the L&G Homes brand. This framework will complement CALAs existing products and geographical coverage, thus enhancing shareholder value.
- **Investment in Transformation projects.**
The Board has sanctioned a number of business change projects during the year, most notably the implementation of a new Customer Relationship Management tool. We believe that this investment in technology will significantly improve the sales journey of our customers and improve the efficiencies of our sales teams.
- **Prioritising our people**
The Board continue to prioritise the continual development and wellbeing of our people through a programme of sustained investment. Notable highlights for 2020 include the continuation of our Construction Academy for site staff, the continuation of our 'Building leaders' and 'Senior Leadership' programmes and our ongoing annual intake of graduates and apprentices.

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT (continued)

- **Approval of annual budget and business plans.**
The business plans play an important role in communications with shareholders and focusing the regional teams on annual delivery.
- **Re-financing of the groups banking facility.**
The increased lending facilities provide the platform for the business to maintain sustainable growth, and take advantage of opportunities within the land market as they arise.

The table below sets out our key stakeholders and how we have engaged with them in the year, as well as demonstrating stakeholder consideration in the decision making process.

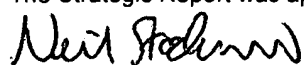
Stakeholders Their importance to us	The Board's approach to stakeholder engagement	Stakeholder consideration in the Board's decision making
Shareholders Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.	Our ultimate shareholder is Legal & General Group Plc, whose shareholders are institutional and individual investors who own Legal & General shares or bonds. Performance metrics and updates are provided by the Board to our parent company, with subsidiary performance cascaded up the Group.	As a Board, we aim to provide clear information to our parent company and ultimate shareholders, being honest and transparent as to the performance of the business. Value is generated for shareholders by achieving the business plan, providing a sustainable, progressive dividend (where appropriate) and through share price performance of the ultimate shareholder, Legal & General Group Plc.
Customers Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	Our Group teams are dedicated to making sure we constantly refine what we do – ranging from continual amendments to housetype designs and the improvement of the customer experience.	CALA's brand value has been established through the highest levels of build quality and customer satisfaction. Our focus on ensuring customers satisfaction has been evidenced through our industry leading customer service scores. The Board continually evaluate improvements to the customer journey which has been further illustrated by the investment in a new Customer Relationship Management tool during 2020.
Workforce Engaging with our people enables us to create an inclusive company culture and a positive working environment.	The Board adopts various method of employee engagement to ensure that we continue to foster an inclusive and supportive working environment for our employees, thus ensuring the sustainability of the company in the long term.	Both the group board and regional management teams review attrition rates on a monthly basis. The launch of initiatives such as 'Bright Ideas' and the implementation of the employment survey has had a positive effect on engaging and empowering employees to make their own decisions to drive the business, whilst reducing the rate of attrition.

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

Strategic Report (continued)

<p>Suppliers</p> <p>Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positive for the environment and wider society.</p>	<p>At both regional and national levels we hold regular meetings with our key suppliers ensuring risks are proactively managed and they are up to date on latest developments and best practice. We strive to work with like-minded businesses, and place great importance of retaining long term supplier relationships. This helps safeguard the quality of our product and our ability to deliver to our customers whilst establishing standards that ensure suppliers operate ethically, are environmentally responsible and that their workers are treated with respect and dignity. Additional steps in the current year include consultation with our key suppliers and subcontractors around their ability to fulfil contractual obligations in light of the potential implications arising from Brexit.</p>	<p>The Board recognise the importance of maintaining good working relationships with our key suppliers. This is particularly pertinent following the COVID-19 pandemic and the UK's departure from the European Union, both of which may place a further strain on the availability of construction subcontractors.</p> <p>The Board place a high value on the quality of the working environment on our sites, and controls are in place to ensure supplier payments are made on a timely basis.</p>
<p>Community/wider society</p> <p>Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.</p>	<p>Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to develop our homes in an economically and socially useful way to benefit everyone in our communities.</p>	<p>The Board recognise that residential development can impact the wider community as well as our direct customer. Local consultations are held on all sites to engage the community throughout the planning process and then the development of our sites.</p> <p>CALA has continued to invest heavily in local communities, via our highly successful bursary scheme for local organisations.</p>
<p>Lenders</p> <p>Our business continues to be part financed via a £350 million revolving credit facility and a £89m term loan which provides adequate headroom in light of the COVID-19 lockdown and the platform for further land acquisition and future growth.</p>	<p>We are in regular communication with our banking syndicate and provide regular updates on the financial performance of the business and our strategic goals. Our approach is to work collaboratively with our lenders and engage them regularly throughout the delivery of our business plan.</p>	<p>The Board recognise the importance of maintaining good working relationships with lenders. This is particularly pertinent during COVID-19 where we obtained additional bank finance to re-instate the headroom lost during the COVID-19 lockdown. This will allow the Group to realise the growth plans for the business over the coming years.</p>

The Strategic Report was approved by the Board on 15 March 2021.



N J Stoddart
Director
15 March 2021

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Directors' Report

The directors of CALA Group (Holdings) Limited (the "Board") present their report and the audited consolidated financial statements for the year ended 31 December 2020. The Company is exempt from Streamlined Energy & Carbon Reporting ('SECR') as the carbon footprint disclosures of the CALA group are included within the Annual report of Legal & General PLC, the ultimate parent company. Details of employee engagement have been set out within the Strategic report.

Corporate governance

The Board is committed to achieving and maintaining a high standard of corporate governance. The Directors recognise the importance of good Corporate Governance and operate on a basis that reflects the size, risks and complexities of the business and in accordance with its values. Setting strong governance standards and reiterating the right way for a business (and its directors) to behave protects the business and the interests of our shareholders and stakeholders. Our governance framework establishes clear responsibilities for the business and allows for informed and balanced discussions by the Board, the Executive Board and senior management.

The Board of Directors of CALA Group (Holdings) Limited

The Board met 6 times during the year ended 31 December 2020. During the year, due to the ongoing restrictions the Board held some meetings remotely rather than in the regional offices.

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

The Board, through the Audit and Risk Committee, is responsible for reviewing the effectiveness of the group's internal controls and risk management system. The Legal & General internal audit function provides an additional level of assurance around the adequacy and effectiveness of the system of internal control, CALA's governance and risk management system.

The Audit and Risk Committee meets at least 4 times per year. Nigel Wilson, Kerrigan Procter and Emma Hardaker-Jones are the other non-executive members of the Committee. The Group Chief Executive, Group Finance Director and the Head of Legal & Group Company Secretary attend all meetings. The external auditors attend at least two meetings per year.

The Remuneration Committee meets at least 4 times per annum and deals with aspects of remuneration, benefits and employment conditions. Emma Hardaker-Jones, Kerrigan Procter and Nigel Wilson are members of the Committee. The Group Chief Executive, Group HR Director and Head of Legal & Company Secretary are standing invitees.

Organisation structure

The Company operates through an Executive Board that is led by the Group Chief Executive and comprises the Group Finance Director, the Head of Legal & Group Company Secretary, the Group HR Director, the Group Development Director, the Group Operations Director and two Regional Chairmen. The Board considers these individuals possess the necessary experience and detailed industry knowledge to carry out and deliver their duties as Directors.

The Executive Board is responsible for the implementation of strategy, promoting the long-term success of the business and the management of the principal risks facing the Group. Its principal responsibilities include governance controls, risk management, compliance and cultural direction. The Board has a regular agenda which ensures its responsibilities are duly reviewed and considered.

The Executive Board met 7 times in 2020 and also held separate strategy sessions. The Executive Board also met formally with all of the managing directors of the regional offices through a Scottish Board meeting and an English Board meeting. These occurred twice each throughout 2020.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Directors' Report (continued)

Organisation structure (continued)

In addition to the Executive Board, there are a number of other boards/committees:

- the Management Board is responsible for delivery of the group's operational business strategy;
- the Operations Board is responsible for best practice and improvement initiatives;
- the Regional Boards. The Group is organised into eight regional divisions, which are separate business units. Local boards of directors run these divisions and the Group Chief Executive and Group Finance Director (and other members of the Executive Board) will attend these board meetings throughout the year. Clear reporting lines have been put in place as well as appropriate levels of delegation, with major decisions being escalated to the Management or Executive boards;
- A Contract Authority Group is in place which comprises the Group Chief Executive, Group Finance Director, Managing Director, Group Operations Director, the Group Commercial team and the two Regional Chairmen. This body provides an important control by reviewing and sanctioning all land acquisition and development commencement proposals, following a rigorous due diligence process by the regional teams.

The Group operates a range of compliance, ethical and equal treatment policies, such as Modern Slavery (statement is available on our website), the Equality and Diversity Policy, the Anti-Bribery Compliance Policy and the Anti-Money Laundering Policy.

CALA also operates a Whistleblowing Policy where any concerns of malpractice, financial irregularity, breaches of any CALA procedures, or other matters can be reported to an independent, free, confidential and anonymous helpline. The policy details the appropriate lines of communication and an escalation procedure has been established to ensure any report is dealt with effectively and efficiently.

Going concern

The directors have prepared these financial statements on the going concern basis.

In accordance with FRC guidance, financial forecasts have been prepared for a period of at least twelve months from the date of approval of these financial statements. These forecasts take account of the impact of COVID 19 including the group's assessment of its possible downside risks which may include reduced sales prices and rates and increased costs.

The group manages its short and medium term cash requirements through a combination of cash balances and a £350 million revolving credit facility of which £70m was drawn at the year end. In response to the reduction in cash inflows caused by COVID 19, during the year the group entered into two additional short-term borrowing facilities of £89m with its syndicate of banks and £50m with its parent company Legal & General Group plc, both of which were entirely drawn down at the year-end. These facilities expire in November & December 2021 respectively.

The group's financial forecasts, including the impact of plausible downsides, demonstrate the group will be able to operate with sufficient liquidity within its available facilities, including being able to comply with relevant financial covenants at each required test date and to repay the short term facilities in full on their expiry.

The Directors therefore believe that that the Group is well placed to withstand the challenges presented by COVID-19, and any subsequent reasonably possible market downturn should it arise. There are also a wide range of mitigating actions that are within the control of the group that could be taken, if required, to ensure the Group remains within its banking facilities and continues to comply with its covenants.

As a result, the projected trading position for the group enables the directors to form a judgement that the company and group have adequate resources to continue to trade for the foreseeable future and that the group will be able to realise its assets and discharge its liabilities in the normal course of business.

For these reasons the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

CALA Group (Holdings) Limited

Annual Report and Financial Statements for the year ended 31 December 2020

Directors' Report (continued)

Dividends

An interim dividend of £30m was paid in the year (2019: nil).

Political and charitable contributions

Contributions to charities during the year amounted to £188,891 (2019: £227,551). These donations were made to various local charities covering a range of community, school and charitable purposes. The group made no political contributions during the year (2019: nil).

Directors

The names of the current directors and changes in directorships during the year are listed on page 1.

At the date of this report the Board comprises two executive and three non-executive directors. Nigel Wilson is non-executive Chairman.

All directors have access to the advice of the Head of Legal & Group Company Secretary who ensures that the Board, which meets at least four times a 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 their duties may take independent professional advice.

As permitted by the Articles of Association, the directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the period Directors' and Officers' liability insurance in respect of itself and its directors.

Independent auditor and disclosure of information to auditor

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 auditor in connection with preparing their report) of which the company's auditor is 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 auditor is aware of that information. KPMG were appointed as auditor in the prior year. In the absence of an AGM, KPMG LLP are deemed to be re-appointed as auditor.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

CALA Group (Holdings) Limited
Annual Report and Financial Statements for the year ended 31 December 2020

Directors' Report (continued)

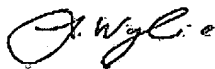
Statement of directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Director's Report was approved by the Board on 15 March 2021



Jennifer Wylie
Head of Legal & Group Company Secretary

Independent auditor's report to the members of CALA Group (Holdings) Limited

Opinion

We have audited the financial statements of CALA Group (Holdings) Limited ("the company") for the year ended 31 December 2020 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated and company statement of changes in equity, the Consolidated statement of cash flows and related notes, including the Statement of accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit's for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs)
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;

Reading Board and audit committee minutes; and

Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit and remained alert to any indications of fraud throughout the audit.

Independent auditor's report to the members of CALA Group (Holdings) Limited (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because we consider that there are limited incentives and opportunities to fraudulently adjust revenue recognized. No other fraud risks were identified throughout the audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors and management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of CALA Group (Holdings) Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 28, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

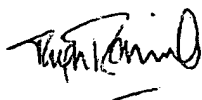
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Hugh Harvie (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow, G2 5AS
15 March 2021

CALA Group (Holdings) Limited

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Note	2020 Before Exceptional items and revaluations £000	2020 Exceptional items and revaluations (note 2) £000	Year ended 31 December 2020 £000	2019 Before exceptional items and revaluations £000	2019 Exceptional items and revaluations (note 2) £000	Year ended 31 December 2019 £000
Continuing operations:							
Revenue	1	704,754	-	704,754	973,597	-	973,597
Cost of sales		(609,229)	(15,342)	(624,571)	(808,820)	(1,756)	(810,576)
Gross profit/ (loss)		95,525	(15,342)	80,183	164,777	(1,756)	163,021
Net operating expenses		(57,088)	(2,769)	(59,857)	(58,031)	-	(58,031)
Other operating income		287	-	287	661	-	661
Operating profit/ (loss)		38,724	(2,769)	20,613	107,407	(1,756)	105,651
Finance income		99	-	99	84	624	708
Finance costs		(15,030)	-	(15,030)	(15,922)	-	(15,922)
Finance costs - net	5	(14,931)	-	(14,931)	(15,838)	624	(15,214)
Share of post-tax profit of joint ventures	10	650	-	650	4,592	-	4,592
Profit/ (loss) before tax	3	24,443	(18,111)	6,332	96,161	(1,132)	95,029
Tax on profit / (loss)	6	(4,625)	3,441	(1,184)	(15,389)	215	(15,174)
Profit for the year		19,818	(14,670)	5,148	80,772	(917)	79,855
Profit attributable to:							
Owners of the parent		19,817	(14,670)	5,147	80,771	(917)	79,854
Non-controlling interest		1	-	1	1	-	1
		19,818	(14,670)	5,148	80,772	(917)	79,855
Other comprehensive income							
Profit/ (loss) for the year		19,818	(14,670)	5,148	80,772	(917)	79,855
Other comprehensive income							
Re-measurements of post-employment benefit obligation	21	(6,039)	-	(6,039)	(6,209)	-	(6,209)
Movement in deferred tax relating to post-employment benefit obligation		1,147	-	1,147	1,055	-	1,055
Other comprehensive income for the year		(4,892)	-	(4,892)	(5,154)	-	(5,154)
Total comprehensive income for the year		14,926	(14,670)	256	75,618	(917)	74,701
Attributable to:							
Owners of the parent		14,925	(14,670)	255	75,617	(917)	74,700
Non-controlling interest		1	-	1	1	-	1
Total comprehensive income for the year		14,926	(14,670)	256	75,618	(917)	74,701

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account. The profit for the parent company for the year was £14.7 million (2019: £14.0 million).

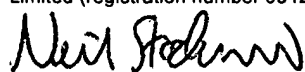
The notes on pages 46 to 73 are an integral part of these consolidated financial statements.

CALA Group (Holdings) Limited

Consolidated and Company balance sheets

At 31 December 2020	Note	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Assets					
Non-current assets					
Intangible assets	7	48,730	48,730	-	-
Property, plant and equipment	8	17,533	17,166	-	-
Investments in subsidiaries	9	-	-	448,932	448,932
Investments in jointly controlled entities	10	1,250	1,189	-	-
Available for sale financial assets	11	636	871	-	-
Trade and other receivables	13	12,198	17,591	241,322	205,097
		80,347	85,547	690,254	654,029
Current assets					
Available for sale financial assets	11	584	571	-	-
Inventories	12	1,518,020	1,600,799	-	-
Trade and other receivables	13	54,875	67,969	-	-
Cash at bank and in hand		21,172	80,845	-	-
		1,594,651	1,750,184	-	-
Total assets		1,674,998	1,835,731	690,254	654,029
Current liabilities					
Loans and borrowings	14	(89,394)	-	-	-
Corporation tax		(359)	(8,637)	(3,310)	(3,145)
Trade and other payables	15	(419,094)	(365,755)	(51,510)	(150)
		(508,847)	(374,392)	(54,820)	(3,295)
Non-current liabilities					
Loans and borrowings	14	(80,000)	(195,730)	-	-
Trade and other payables	15	(214,722)	(363,701)	-	-
Deferred tax liabilities	17	(554)	(775)	-	-
Retirement benefit obligations	21	(17,024)	(17,538)	-	-
		(312,300)	(577,744)	-	-
Total liabilities		(821,147)	(952,136)	(54,820)	(3,295)
Net assets		853,851	883,595	635,434	650,734
Equity					
Ordinary share capital	18	360	360	360	360
Share premium		578,864	578,864	578,864	578,864
Retained earnings brought forward		304,077	230,487	71,510	57,512
Total comprehensive income		255	74,700	14,700	13,998
Acquisition of group subsidiary		-	(1,110)	-	-
Dividends Paid	24	(30,000)	-	(30,000)	-
Retained earnings carried forward		274,332	304,077	56,210	71,510
Equity attributable to the parent		853,556	883,301	635,434	650,734
Non-controlling interests		295	294	-	-
Total equity		853,851	883,595	635,434	650,734

The notes on pages 46 to 73 are an integral part of these consolidated financial statements. The financial statements of CALA Group (Holdings) Limited (registration number 08428265) were approved by the Board of directors on 15 March 2021 and were signed on its behalf by:



Neil J Stoddart
Director

CALA Group (Holdings) Limited

Consolidated and company statements of changes in equity for the year ended 31 December 2020

Group

	Ordinary share capital £000	Share premium £000	Retained earnings £000	Total £000	Non- controlling interests £000	Total equity £000
At 31 December 2018	360	361,995	230,487	592,842	293	593,135
Profit for the year	-	-	79,854	79,854	1	79,855
Other comprehensive income for the year	-	-	(5,154)	(5,154)	-	(5,154)
Issuance of ordinary shares	-	228,500	-	228,500	-	228,500
Capital reduction	-	(11,631)	-	(11,631)	-	(11,631)
Adjustment on acquisition of group subsidiary	-	-	(1,110)	(1,110)	-	(1,110)
At 31 December 2019	360	578,864	304,077	883,301	294	883,595
Profit for the year	-	-	5,147	5,147	1	5,148
Other comprehensive income for the year	-	-	(4,892)	(4,892)	-	(4,892)
Dividends paid	-	-	(30,000)	(30,000)	-	(30,000)
At 31 December 2020	360	578,864	274,332	853,556	295	853,851

Company

	Ordinary share capital £000	Share premium £000	Retained earnings £000	Total £000	Non- controlling interests £000	Total equity £000
At 31 December 2018	360	361,995	57,512	419,867	-	419,867
Profit for the year	-	-	13,998	13,998	-	13,998
Issuance of ordinary shares	-	228,500	-	228,500	-	228,500
Capital reduction	-	(11,631)	-	(11,631)	-	(11,631)
At 31 December 2019	360	578,864	71,510	650,734	-	650,734
Profit for the year	-	-	14,700	14,700	-	14,700
Dividends paid	-	-	(30,000)	(30,000)	-	(30,000)
At 31 December 2020	360	578,864	56,210	635,434	-	635,434

CALA Group (Holdings) Limited

Consolidated statement of cash flows for the year ended 31 December 2020

	Notes	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Cash flows from operating activities			
Cash generated from operations	A	16,222	58,336
Interest paid		(10,519)	(10,380)
Corporation tax paid		(2,250)	(14,098)
Net cash generated from operating activities		3,453	33,858
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,647)	(3,353)
Cash acquired from acquisition of subsidiary		-	1,885
Excess of consideration over net assets acquired		-	(1,110)
Proceeds from sale of property, plant and equipment		30	-
Dividends received from joint ventures		-	63
Net cash used in investing activities		(2,617)	(2,515)
Cashflows from financing activities			
Net proceeds from issuance of ordinary shares		-	29,000
Net drawdown of loans to joint ventures		(425)	(7,079)
Repayment of obligations under finance leases		(3,748)	(2,559)
Drawdown of loans		308,000	404,730
Repayment of loans		(334,336)	(399,000)
Dividends paid		(30,000)	-
Net cash (used in)/ generated from financing activities		(60,509)	25,092
Net (decrease)/ increase in cash and cash equivalents		(59,673)	56,435
Cash and cash equivalents at the beginning of the year		80,845	24,410
Cash and cash equivalents at the end of the year		21,172	80,845

CALA Group (Holdings) Limited

Consolidated statement of cash flows for the year ended 31 December 2020

A. Cash generated from operations:

	2020 £000	2019 £000
Profit for the year before corporation tax	6,332	95,029
Adjustments for:		
Finance costs - net	14,931	15,214
Share of profit from joint ventures	(650)	(4,592)
Depreciation charge	4,352	4,202
Loss on disposal of fixed assets	4	14
Retirement benefits	(7,050)	(3,500)
Movements in working capital:		
Decrease/ (increase) in inventories	82,779	(194,963)
Decrease in trade and other receivables	17,088	6,598
(Decrease)/ increase in trade and other payables	(101,848)	140,073
Decrease in available for sale financial assets	284	261
Cash generated from operations	16,222	58,336

B. Reconciliation of net cash flow to net debt:

	2020 £000	2019 £000
(Decrease)/ increase in cash in the year	(59,673)	56,435
Cash outflow from increase in amounts due by joint ventures	90	6,548
Drawdown of loans	(308,000)	(404,730)
Repayment of loans	334,336	399,000
Change in net debt resulting from cash flows	(33,247)	57,253
Net debt as at 1 January 2020 and 1 January 2019	(86,939)	(144,192)
Net debt as at 31 December 2020 and 31 December 2019	(120,186)	(86,939)

C. Analysis of net debt:

	As at 31 December 2019 £000	Cash flow £000	As at 31 December 2020 £000
Cash at bank and in hand	80,845	(59,673)	21,172
Loans:			
Amounts owed by joint ventures	27,946	90	28,036
Debt:			
Loans	(195,730)	26,336	(169,394)
Net debt	(86,939)	(33,247)	(120,186)

CALA Group (Holdings) Limited

Statement of accounting policies for the year ended 31 December 2020

CALA Group (Holdings) Limited ('the company') and its subsidiaries (together, 'the group') are a national homebuilder. The Company is a limited company and is registered, incorporated and domiciled in the United Kingdom. The address of the registered office is CALA House, 54 The Causeway, Staines-Upon-Thames, Surrey, TW18 3AX.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied.

Basis of preparation

The consolidated financial statements of CALA Group (Holdings) Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS IC interpretations. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through the Statement of comprehensive income. The consolidated financial statements are presented in sterling (£) which is the group's functional and presentational currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity are particularly around the carrying value of land and work in progress, future sales volumes, margins on sites and assumptions used regarding the defined benefit pension scheme and the impairment of intangibles. These judgements have been carefully made based on all available internal information and supported by information from various external sources where appropriate.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly the Company financial statements have been prepared on the going concern basis, and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 ('FRS101').

Under FRS101, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that consolidated financial statements, which include the Company, are publicly available. The Company has also taken advantage of the exemption contained in FRS101 regarding 'Related Party Disclosures' and has not reported transactions with wholly-owned subsidiaries.

Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

The Group has adopted the following amendments to IFRSs in these financial statements:

- **Amendments to References to Conceptual Framework in IFRS Standards** - The amendments include the consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regards to references to and quotes from the Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed by the revised Conceptual Framework. This had minimum impact on the Group's financial statement.
- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform** - This applies to hedging relationships that existed at 1 January or those that were designated thereafter and that are directly affected by interest rate benchmark reform. The Group did not have any hedging relationships at year-end and hence this amendment had no impact on these financial statements.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Changes in accounting policy and disclosure (continued)

a) New and amended standards adopted by the Group (continued)

- **Amendments to IFRS 3: Definition of a Business** – The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020. The Group did not make any acquisition during the year.
- **Amendments to IAS 1 and IAS 8: Definition of Material** – The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency. This had minimum impact on the Group's financial statement.

b) New standards and interpretations not yet adopted

As at the reporting date of these financial statements, the following were issued but not yet effective:

- Amendments to IFRS 16: Leases Covid-19 Related Rent Concessions; and
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)

Going concern

The directors have prepared these financial statements on the going concern basis.

In accordance with FRC guidance, financial forecasts have been prepared for a period of at least twelve months from the date of approval of these financial statements. These forecasts take account of the impact of COVID 19 including the group's assessment of its possible downside risks which may include reduced sales prices and rates and increased costs.

The group manages its short and medium term cash requirements through a combination of cash balances and a £350 million revolving credit facility of which £70m was drawn at the year end. In response to the reduction in cash inflows caused by COVID 19, during the year the group entered into two additional short-term borrowing facilities of £89m with its syndicate of banks and £50m with its parent company Legal & General Group plc, both of which were entirely drawn down at the year-end. These facilities expire in November & December 2021 respectively.

The group's financial forecasts, including the impact of plausible downsides, demonstrate the group will be able to operate with sufficient liquidity within its available facilities, including being able to comply with relevant financial covenants at each required test date and to repay the short term facilities in full on their expiry.

The Directors therefore believe that that the Group is well placed to withstand the challenges presented by COVID-19, and any subsequent reasonably possible market downturn should it arise. There are also a wide range of mitigating actions that are within the control of the group that could be taken, if required, to ensure the Group remains within its banking facilities and continues to comply with its covenants.

As a result, the projected trading position for the group enables the directors to form a judgement that the company and group have adequate resources to continue to trade for the foreseeable future and that the group will be able to realise its assets and discharge its liabilities in the normal course of business.

For these reasons the directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Basis of consolidation

The consolidated financial statements comprise those of the company and all its subsidiaries. Subsidiaries are all entities over which the group has the power to direct the relevant activities of the entities, the rights to variable returns and the ability to use its power to influence the returns. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Where both parties to the transaction are already under common control and the acquisition is exempt from the requirements of IFRS 3 - *Business Combinations*, the Group will use book value accounting on the basis that the investment has simply been moved from one part of the group to another. The main effects of this choice are that the assets and liabilities of the subsidiary are not revalued at the date of acquisition and the excess of consideration paid, over the value of the net assets acquired, is treated as an adjustment to revenue reserves rather than goodwill.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Jointly controlled entities

A jointly controlled entity is an entity in which the group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. Jointly controlled entities are accounted for under IFRS 11 'Joint Arrangements' using the equity method of accounting.

Revenue recognition

Revenue consists of the sales of houses net of discounts and sales incentives, land and commercial properties, and joint venture management fees. Sales of houses are recognised on legal completion. The sale proceeds of part exchange properties are not included in revenue however the net gain or loss, inclusive of transaction costs, for the purchase and sale of part exchange properties is included as a reduction in turnover as the purchase and sale of part exchange properties is regarded as a mechanism for selling. Where the outcome of a contract, in terms of profitability, on which revenue is recognised over time can be estimated reliably, such as social housing contracts, revenue is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is measured by surveys of work performed to date.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Revenue recognition (continued)

Sales of land and commercial property are recognised on unconditional exchange, namely when contracts are exchanged or missives concluded and, where appropriate, construction is complete. Management fees which represent a reimbursement of costs incurred on behalf of joint ventures are recognised as invoiced. Other management fees are recognised as turnover when realised or in proportion to the group's share in the respective joint ventures.

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.

Property, plant and equipment

Property, plant and equipment are carried at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on property, plant and equipment 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.

Sales complexes, which are included within Plant and equipment, are depreciated over the life of the site to which they are based.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Negative goodwill arising on the acquisition of subsidiaries is credited to the income statement immediately.

Brand

Internally generated brands are not held on the balance sheet. The group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles, as the group believes that the value of the brands is maintained indefinitely. The factors that results in the durability of the brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the group's pre-tax weighted average cost of capital, on the branded revenue stream.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Cost of sales

Home building cost of sales includes land, construction, design, advertising 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.

Finance costs

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.

Exceptional items and revaluations

Exceptional items comprise items of income and expense that are material in amount, unusual or infrequent in nature and which merit separate disclosure in order to provide an understanding of the group's underlying performance. Examples of events giving rise to the disclosure of income and expense as exceptional items include, but are not limited to, one-off costs arising from COVID-19, reorganisation of operations and economic events which necessitate a review of asset valuations including land and work in progress. The group has also separately disclosed the mark to market revaluation of interest rate swaps under IAS39.

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantially enacted tax rates, and adjusted for any tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the group intends to settle its current tax assets and liabilities on a net basis.

Derivative financial instruments

The group has previously entered into derivative financial instruments in the form of interest rate swaps to manage the interest rate risk arising from the group's sources of finance. The group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately within finance income and costs. Due to the inherent volatility of fair value measurements, the gain or loss is shown separately within exceptional items and revaluations.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Financial assets

Non-derivative financial assets are classified as either 'available for sale financial assets' or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Available for sale financial assets comprise shared equity loans. Receivables on extended terms granted as part of a sales transaction are secured by way of a second legal charge on the respective property, and are stated at fair value. Gains and losses arising from changes in fair value are recognised in the other comprehensive income section of the statement of comprehensive income, with the exceptions of impairment losses, changes in future cash flows and interest calculated using the effective interest rate method, which are recognised within profit for the year. Where the asset is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the year.

Impairment of financial assets

Trade and other receivables are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that the recovery of the receivable is in doubt.

Objective evidence of impairment could include significant financial difficulty of the customer, default on payment terms or the customer going into liquidation.

The carrying amount of trade and other receivables is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

For financial assets classified as available for sale, a significant or prolonged decline in the value of the property underpinning the value or the loan or increased risk of default are considered to be objective evidence of impairment.

Trade and other receivables

Trade receivables on normal terms do not carry any interest, are stated at amortised cost and are assessed for recoverability on an on-going basis. Trade and other receivables are classified as 'loans and receivables'.

Inventories

Due to the scale of the group's developments, site-wide development costs are allocated between units built in the current year and those to be built in future years. In making this allocation the group has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Inventories are valued at the lower of cost and net realisable value. Net realisable value for home building is assessed internally after taking account of any relevant available market information. 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.

Where land is held under option and planning permission is achieved, the contractual value of the land is recognised in inventory once the option is exercised and a contractual commitment exists.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and bank overdrafts.

Borrowings

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance costs are recognised as an expense in the income statement in the period to which they relate. Facility arrangement fees are amortised over the term of the debt facility and are reported within trade and other receivables.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Trade and other payables

Trade payable on normal terms are not interest bearing and are stated at amortised cost. Trade payables on extended terms, particularly in respect of land purchases, are initially recorded at their fair value at the date of acquisition of the asset to which they relate by discounting at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the deferred purchase terms liability, is amortised over the period of the credit term and charged to finance costs using the effective interest rate method. Subcontractor accruals are recorded within trade payables and are based on the valuation of work performed.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Pensions

The group operates both a defined benefit pension scheme and a defined contribution pension scheme.

The liability in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the scheme's assets, together with adjustments for actuarial gains and losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Defined benefit pension costs are assessed in accordance with the advice of qualified actuaries.

For defined contribution plans, the group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Investments in subsidiaries

Investments are carried in the company balance sheet at the lower of cost and net realisable value, which is dependent upon management assessment of future trading activity and is therefore subject to a degree of inherent uncertainty. Provisions are made where necessary to reflect any impairment.

Leases

In accordance with IFRS 16: Leases, from 1 January 2019, 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.

Prior to 1 January 2019 costs in respect of operating leases were charged to the income statement on a straight line basis over the lease term unless another systematic basis was more representative.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Share-based payments

For cash-settled share-based payment transactions, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expense that would have arisen over the remainder of the original vesting period.

Company accounting policies

The accounting policies applied to the parent company are consistent to the accounting policies disclosed above. These policies have been consistently applied to all periods presented.

CALA Group (Holdings) Limited

Statement of accounting policies (continued) for the year ended 31 December 2020

Critical accounting judgements and key sources of estimation uncertainty

In applying the group's accounting policies which are described in the accounting policies note, the directors have made no individual judgements that have a significant impact upon the financial statements, except those involving estimation, which are dealt with below.

The key sources of estimation uncertainty at the balance sheet date are:

Site margin and inventories

Valuations which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site, the amount of profit recognised on sales made to date and in assessing any impairment provisions which may be required against inventory in the Balance Sheet.

The group has conducted a review of the net realisable value of its inventory carrying values which resulted in no material change to the inventory value. The reviews were conducted on a site-by-site basis, using valuations that incorporated selling price and development cost movements, based on local management and the assessment of market conditions existing at the balance sheet date. If there are significant movements in UK house prices or development costs beyond management's expectations, then further impairments/ reversals of previous write-downs of land and work-in-progress may be necessary.

Impairment of intangibles

The determination of the impairment calculation for the group's goodwill and indefinite life brand intangible requires an estimation of the group's ability to successfully convert its current and strategic land holdings. The calculations require an estimate of the future cash flows expected, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the group and current market assessments of the time value of money and risk appropriate to the group's home building business. Changes in these may impact upon the group's discount rate in future periods. At 31 December 2020, the carrying amount of goodwill is £40.1 million (2019: £40.1 million) and the carrying value of the indefinite life brand is £8.6 million (2019: £8.6 million), with no impairment recognised during the year ended 31 December 2020 (2019: nil).

Defined benefit pension scheme

The directors engage a qualified independent actuary to calculate the group's liability in respect of its defined benefit pension scheme. In calculating this liability it is necessary for actuarial assumptions to be made, which include discount rates, price inflation, the long-term rate of return upon scheme assets and mortality.

As actual rates of increase and mortality may differ from those assumed, the pension liability may differ from that included in these financial statements. Note 21 details the main assumptions in accounting for the group's defined benefit pension scheme along with sensitivity analysis.

CALA Group (Holdings) Limited

Notes to the financial statements

1 Revenue

All group revenue relates to residential home building and originates in the United Kingdom.

From 1 January 2019, the group has adopted IFRS 15 'Revenue from contracts with customers'. An impact assessment has been performed using the 5 step model for revenue recognition, and the sale of part exchange properties has been identified as holding a separate contract with a customer. Consequently, from 1 January 2019 onwards the proceeds of part exchange properties of £190.5 million have been reported on a net basis within other operating income. As reported costs have increased by an equal amount, there is no impact on operating profit. The value of part exchange sales for the year ended 31 December 2020 was £114.4 million (2019: £215.7 million).

2 Exceptional items and revaluations

Group	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Cost of Sales		
COVID related costs	(14,812)	-
Site remediation	(530)	(1,756)
	<u>(15,342)</u>	<u>(1,756)</u>
Administrative expenses		
Restructuring costs	(2,769)	-
	<u>(2,769)</u>	<u>-</u>
Finance costs – net		
Fair value gains on interest rate swaps	-	624
	<u>(18,111)</u>	<u>(1,132)</u>
Corporation tax		
Tax on above items	3,441	215
	<u>(14,670)</u>	<u>(917)</u>

Due to the prolonged lockdown and subsequent COVID-19 restrictions a number of additional site costs have been identified during the year. These include staff costs during lockdown, site prolongation costs and health and safety related fit out costs to ensure the safety of our employees and subcontractors. Due to the size and nature of these costs, this expenditure has been written off to cost of sales in the current year and classified as exceptional.

Whilst under no legal obligation, the directors reviewed external cladding work on historical sites during 2019 in light of the Grenfell disaster. Two sites were identified as holding similar cladding and a provision of £1,756,000 was created in the prior year to account for replacement cladding to be fitted at the Company's expense. In light of updated information and greater cost certainty, the provision has been uplifted by £530,000 at 31 December 2020.

During the year the directors reviewed the overhead base of the company, including the location of our existing office base. This review has resulted in one-off costs being incurred in the relocation of two regional offices.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

3 Profit before taxation

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Stated after charging / (crediting):		
Staff costs (note 4)	76,915	81,097
Depreciation	4,352	4,202
Auditor's remuneration:		
- audit of the company's financial statements	30	25
Fees payable to the company's auditors and its associates for other services:		
- audit of subsidiaries	325	200
- audit related assurance services	3	3
(Gain)/ loss on sale of property, plant and equipment	(12)	14
Rental income – operating leases	(15)	(47)

4 Directors and employees

Group

The average monthly number of employees during the year, including directors, was made up as follows:

	Year to 31 December 2020 Number	Year to 31 December 2019 Number
Homebuilding: Site	611	552
Homebuilding: Office	608	594
	<u>1,219</u>	<u>1,146</u>

Employment costs during the year amount to:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Wages and salaries	64,085	68,397
Social security costs	7,456	8,319
Other pension costs	4,633	4,265
Share based payments charges (note 19)	423	116
	<u>76,597</u>	<u>81,097</u>

Directors' remuneration:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Aggregate emoluments	853	1,145
Defined contribution plan – company contributions	11	16
	<u>864</u>	<u>1,161</u>

Retirement benefits are accruing to two directors (2019: two) under the group defined benefit scheme at 31 December 2020.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

4 Directors and employees (continued)

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Highest paid director:		
Aggregate emoluments	454	612
Defined benefit pension scheme: accrued pension at 31 December 2020 and 31 December 2019	-	-

5 Finance income and costs

Group	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Finance costs:		
Interest expense on bank loans, overdrafts and other borrowings	13,457	12,847
Imputed interest on deferred land payables	825	2,233
Interest on obligations under finance leases	461	479
Net interest on Defined Benefit Pension plan (note 21)	287	363
Finance costs	15,030	15,922
Finance income:		
Fair value gains on interest rate swaps	-	(624)
Imputed interest on available for sale financial assets	(63)	(78)
Interest receivable	(36)	(6)
Finance income	(99)	(708)
Net finance costs	14,931	15,214

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

6 Tax on profit

Group

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
a) Analysis of charge in the year		
Current tax:		
United Kingdom corporation tax on profits of the period at 19% (2019: 19%)	1,118	17,358
Adjustments in respect of prior years	(861)	(1,971)
Total current tax	257	15,387
Deferred tax (note 17):		
Current year charge/ (credit)	313	(250)
Adjustments in respect of prior years	614	37
Total deferred tax	927	(213)
Total tax charge	1,184	15,174

b) Factors affecting tax charge for the year

To calculate the current tax on profits, the rate of tax used is 19.0% (2019: 19%), which is the average rate of Corporation Tax applicable for the year. The tax attributable to equity holders differs from the tax calculated at the standard UK Corporation Tax rate as follows:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Profit before taxation	6,332	95,029
Profit before taxation in the United Kingdom at 19% (2019: 19%)	1,203	18,055
Effects of:		
Expenses not deductible for tax purposes	58	32
Adjustments in respect of prior years	(247)	(1,934)
Re-measurement of deferred tax – change in tax rate	374	35
Utilisation of tax losses	(60)	(760)
Effect of gains	-	(95)
Non-taxable income	(76)	(159)
Movement on unrecognised deferred tax	(68)	-
Total tax charge for the year	1,184	15,174

c) Tax rates

The UK Budget on 3 March 2021 included an announcement that the corporation tax rate will increase to 25% from 1 April 2023 for certain companies. This increase has not yet been substantively enacted.

Under IAS 12, deferred tax is required to be calculated using rates that have been substantively enacted at the balance sheet date.

Consequently, deferred tax should continue to be calculated at 19% until the 25% tax rate has been substantively enacted, which we expect to occur during Summer of 2021.

In the meantime, the 25% tax rate announcement is a non-adjusting post balance sheet event.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

7 Intangible assets

Group	Goodwill £000	Brand £000	Total £000
Cost			
As at 31 December 2020 and 31 December 2019	<u>40,144</u>	<u>8,586</u>	<u>48,730</u>
Accumulated amortisation and impairment			
As at 31 December 2020 and 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at 31 December 2020	<u>40,144</u>	<u>8,586</u>	<u>48,730</u>
Carrying amount at 31 December 2019	<u>40,144</u>	<u>8,586</u>	<u>48,730</u>

Impairment test for brand

The group does not amortise the brand acquired with CALA Group Limited, being CALA Homes, valued at £8.6 million (31 December 2019: £8.6 million), as the directors consider that this has an indefinite life. The directors consider that this brand has an indefinite life due to the fact that the group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so.

The group tests its indefinite life brand annually for impairment, or more frequently if there are indications that it might be impaired. The recoverable amount is determined using a value-in-use calculation. The value-in-use was determined by discounting expected pre-tax future cash flows. The first four years of cash flows were determined using cash flow forecasts derived from the most recent financial budgets approved by management. The cash flows for year five onwards were extrapolated in perpetuity using an estimated growth rate of 2.25% (2019: 2.25%), which is based upon the expected long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculation are those regarding the discount rate, expected changes in selling prices for completed houses and expected changes in site costs to complete. The directors estimate the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks appropriate to the housebuilding business. Accordingly the rate of 14.5% (2019: 13.2%) is considered by the directors to be the appropriate pre-tax risk adjusted discount rate. Changes in selling prices and direct costs are based upon past experience and expectations of future changes in the market.

It is considered that there are no reasonably likely changes in assumptions that would lead to an impairment.

Impairment test for goodwill

The group tests its goodwill annually for impairment, or more frequently if there are indications that it might be impaired. The recoverable amount is determined using a value-in-use calculation. The value-in-use was determined by discounting expected pre-tax future cash flows from the regions into which the legacy Banner businesses were integrated following their acquisition in March 2014. The first four years of cash flows were determined using cash flow forecasts derived from the most recent financial budgets approved by management. The cash flows for year five onwards were extrapolated in perpetuity using an estimated growth rate of 2.25% (2019: 2.25%).

The key assumptions for the value-in-use calculation are those regarding the discount rate, expected changes in selling prices for completed houses and expected changes in site costs to complete. The pre-tax discount rate of 14.5% (2019: 13.2%) has been used to determine the value-in-use. Changes in selling prices and direct costs are based upon past experience and expectations of future changes in the market.

It is considered that there are no reasonably likely changes in assumptions that would lead to an impairment.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

8 Property, plant and equipment

Group

	Land & buildings £000	Computers £000	Plant & equipment £000	Total £000
Cost:				
At 1 January 2019	12,144	3,830	6,718	22,692
Acquisitions	3,038	-	-	3,038
Additions	74	730	894	1,698
Disposals	-	-	(243)	(243)
At 31 December 2019	15,256	4,560	7,369	27,185
Additions	1,411	2,380	929	4,720
Disposals	(591)	-	(58)	(649)
At 31 December 2020	16,076	6,940	8,240	31,256
Accumulated depreciation:				
At 1 January 2019	50	2,939	3,057	6,046
Charge in the year	2,194	345	1,663	4,202
Disposals	-	-	(229)	(229)
At 31 December 2019	2,244	3,284	4,491	10,019
Charge in the year	2,746	203	1,403	4,352
Disposals	(591)	-	(57)	(648)
At 31 December 2020	4,399	3,487	5,837	13,723
Carrying amount at 31 December 2020	11,677	3,453	2,403	17,533
Carrying amount at 31 December 2019	13,012	1,276	2,878	17,166
Carrying amount at 1 January 2019	12,094	891	3,661	16,646
Right of use assets (included above):				
	Land & buildings £000	Computers £000	Plant & equipment £000	Total £000
Net book value:				
Carrying amount at 31 December 2020	9,916	-	979	10,895
Carrying amount at 31 December 2019	10,977	-	1,507	12,484

Land and buildings are freehold and heritable.

The group's obligations under finance leases (see note 20) are secured by the lessors' title to the leased assets, which have a carrying value of £10.9 million (2019: £12.5 million).

The company has no property, plant and equipment.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

9 Investments in subsidiaries

	Company £000
Cost and carrying value of investments in subsidiary undertakings at 1 January 2020	448,932
Cost and carrying value of investments in subsidiary undertakings at 31 December 2020	448,932

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The principal subsidiary undertakings of the group are shown below:

Name of Company	% of £1 ordinary shares held	Accounting year end	Nature of business
CALA Group Limited	100	31 December	Administrative & holding company
CALA 1999 Limited	100	31 December	Administrative & holding company
CALA Limited	100	31 December	Administrative & holding company
CALA 1 Limited	100	31 December	Administrative & holding company
CALA Management Limited	100	31 December	Home building
CALA Homes (North) Limited *	100	31 December	Home building
CALA Homes (East) Limited *	100	31 December	Home building
CALA Homes (West) Limited *	100	31 December	Home building
CALA Homes (Midlands) Limited *	100	31 December	Home building
CALA Homes (Chiltern) Limited *	100	31 December	Home building
CALA Homes (Thames) Limited *	100	31 December	Home building
CALA Homes (South Home Counties) Limited *	100	31 December	Home building
CALA Homes (North Home Counties) Limited *	100	31 December	Home building
CALA Ventures Limited	100	31 December	Home building
Legal & General Homes Communities Limited	100	31 December	Home building
Legal & General Homes Communities (Shrivenham) Limited	100	31 December	Home building
Legal & General Homes Communities (Arborfield) Limited	100	31 December	Home building
Legal & General Homes Communities (Crowthorne) Limited	100	31 December	Home building
Legal & General Homes Communities (Didcot) Limited	100	31 December	Home building

All entities other than CALA 1 Limited are indirect subsidiaries of CALA Group (Holdings) Limited. A full list of all subsidiary companies is given in the appendix on pages 74-75.

All the above companies are incorporated in the United Kingdom.

CALA Management Limited is the group's principal operating subsidiary. All other companies marked * above are agents of CALA Management Limited. All subsidiary undertakings are fully consolidated in these financial statements.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

10 Investments in jointly controlled entities

The following table summarises the financial information of material joint ventures as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies:

	Group At 31 December 2020 £000	Group At 31 December 2019 £000
Non-current assets	144	78
Current assets (including cash and cash equivalents of £5.5 million (2019: £8.4 million))	116,555	121,544
Current liabilities	(18,248)	(18,230)
Non-current liabilities (including non-current financial liabilities other than trade and other payables and provisions of £82.6 million (2019: £85.2 million))	(82,559)	(85,191)
Net assets (100%) of jointly controlled entities	15,892	18,201
Group's share of net assets	50%	50%
Group's share of net assets	7,946	9,100
Add consolidation adjustments	(6,696)	(7,911)
Carrying amount of interests in joint ventures	1,250	1,189

Consolidation adjustments include the elimination of JV deficits and intercompany balances.

The group's share of the income and expenses of jointly controlled entities is as follows:

	Group Year ended 31 December 2020 £000	Group Year ended 31 December 2019 £000
Revenue	11,314	42,443
Cost of sales	(9,810)	(33,764)
Interest expense	(671)	(1,063)
	833	7,616
Group's share of profits / (losses)	50%	50%
Group's share of profits / (losses)	417	3,808
Add back intercompany interest	233	784
Group's share of profit / (loss)	650	4,592
Carrying amount at 1 January 2020 and 1 January 2019	1,189	71
Group's share of other comprehensive income	(589)	(3,411)
Dividends received by group	-	(63)
Carrying amount at 31 December 2020 and 31 December 2019	1,250	1,189

The principal joint venture companies are:

Name of company	% of £1 ordinary shares held	Accounting year end	Nature of business
CALA Evans Restoration Limited (Registered address: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA)	50	30 June	Home building
Winchburgh Developments (Holdings) Limited (Registered address: Adam House, 5 Mid New Cultins, Edinburgh, EH11 4DU)	50	31 December	Land

The above companies are incorporated in the United Kingdom.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

10 Investments in jointly controlled entities (continued)

The joint venture companies were formed for the purpose of carrying out large site-specific housing developments where the group considered the additional risks and funding requirements attaching to such projects merited a sharing arrangement. These developments are project managed by a subsidiary of the group on normal commercial terms negotiated on an arms-length basis.

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. Where required, 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.

11 Available for sale financial assets

	Group At 31 December 2020 £000	Group At 31 December 2019 £000
At 1 January	1,442	1,625
Disposals	(284)	(261)
Imputed interest	62	78
At 31 December	1,220	1,442
Due within 12 months	584	571
Due greater than 12 months	636	871
Total at 31 December	1,220	1,442

Available for sale financial assets comprise shared equity loans, largely with a ten year term and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. The assets are recorded at fair value, being the estimated future amount receivable by the group, discounted to present day values. The fair value of future anticipated cash receipts takes into account the directors view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The directors revisit the future anticipated cash receipts from the assets at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which the directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The directors review the financial assets for impairment at each balance sheet date. There were no indicators of impairment at 31 December 2020.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

12 Inventories

	Group At 31 December 2020 £000	Group At 31 December 2019 £000
Home building:		
Land and options	1,022,524	1,115,170
Part exchange inventories	23,570	55,953
Work in progress and other inventories	471,926	429,676
	<u>1,518,020</u>	<u>1,600,799</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £626.5 million (2019: £761.0 million).

Land creditors are shown in note 15.

13 Trade and other receivables

	Group At 31 December 2020 £000	Group At 31 December 2019 £000	Company At 31 December 2020 £000	Company At 31 December 2019 £000
Non-current assets				
Trade receivables	1,495	5,882	-	-
Amounts owed by CALA group undertakings	-	-	241,322	205,097
Amounts owed by joint ventures	10,300	10,300	-	-
Other receivables	128	346	-	-
Prepayments and accrued income	275	1,063	-	-
	<u>12,198</u>	<u>17,591</u>	<u>241,322</u>	<u>205,097</u>
Current assets				
Trade receivables	24,530	29,649	-	-
Amounts owed by L&G group undertakings	455	535	-	-
Amounts owed by joint ventures	17,736	17,646	-	-
Other receivables	7,921	9,444	-	-
Prepayments and accrued income	4,233	10,695	-	-
	<u>54,875</u>	<u>67,969</u>	<u>-</u>	<u>-</u>

All non-current receivables are due within five years from the end of the reporting period.

Trade and other receivables are non-interest bearing, and the group has no concentration of credit risk, with exposure spread over a large number of customers and significant receivables secured on the underlying assets sold. The directors consider that the carrying value of trade receivables approximates their fair value.

The amounts owed by group undertakings are unsecured, bear interest at a market rate and are repayable on demand. No interest is applied to amounts due from joint ventures.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

13 Trade and other receivables (continued)

Of the year end trade receivables the following were overdue but not impaired:

	Group At 31 December 2020 £000	Group At 31 December 2019 £000
Ageing of overdue but not impaired receivables		
Less than 3 months	552	509
Greater than 3 months	1,262	4,531
	<u>1,814</u>	<u>5,040</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted to the reporting date. The allowance for doubtful debts includes amounts due from companies in liquidation and the impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of expected liquidation proceeds.

The carrying value of trade and other receivables are stated after the following allowance for doubtful receivables.

	Group At 31 December 2020 £000	Group At 31 December 2019 £000
At start of year	476	496
Charge for the year	1	-
Unused amounts reversed	(25)	(12)
Amounts written off during the year as uncollectable	(3)	(8)
At 31 December 2020 and 31 December 2019	<u>449</u>	<u>476</u>

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

14 Loans and borrowings

	Group At 31 December 2020 £000	Group At 31 December 2019 £000
Current liabilities		
Loans and other borrowings	<u>89,394</u>	<u>-</u>
Non-current liabilities		
Loans and other borrowings	<u>80,000</u>	<u>195,730</u>

Finance costs, including bank arrangement fees and provisions for redemption premia are allocated to periods over the facility at a constant rate on the carrying amount.

a) Analysis by instrument

Group	Group At 31 December 2020 £000	Group At 31 December 2019 £000
Term loan	89,000	-
Revolving credit facility	70,000	180,000
Homes England loan	<u>10,394</u>	<u>15,730</u>
	<u>169,394</u>	<u>195,730</u>

The groups banking facilities, which permit maximum borrowing of £439 million, contain a term loan, a revolving credit facility and bank overdraft. The term loan, which was added to our existing facility in May 2020 to maintain the previous headroom in borrowing facilities eroded as a direct result of COVID-19, is repayable via a bullet payment in November 2021 and attracts a rate of interest of 3.00%.

The revolving credit facility varies depending on the working capital requirements of the group and as such there are no fixed contractual interest payments until its expiration in May 2022. The amended bank facilities hold a floating rate of interest of LIBOR plus a margin of between 1.65% and 2.90%, which varies depending on gearing.

Following our acquisition of L&G Homes Communities in 2019, the Group now holds a secured loan balance with Homes England. Interest is charged at 3.28%. The loan balance reported at 31 December 2020 classified as non current is repayable in two instalments of £5m in March 2022 and October 2023.

b) Borrowing facilities

The Group had undrawn committed borrowing facilities of £280.0 million at (2019: £170.0 million) in respect of which all conditions precedent had been met. The company has also obtained an intercompany loan facility of £50 million from our parent company Legal & General plc. This is considered short-term and are repayable in a bullet payment in December 2021. This is disclosed within trade and other payables as an intercompany balance.

c) Security

Bank borrowings are secured by way of a bond and floating charge, and guarantees granted by CALA Group Limited and the following main subsidiaries, CALA 1999 Limited, CALA Limited, and CALA Management Limited. A number of other bonds and floating charges, debentures and share pledges over land and assets have been granted by certain subsidiaries of the company in favour of the bank.

The Homes England loan is secured over future phases of development land at the L&G Homes Communities site in Crowthorne.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

14 Loans and borrowings (continued)

d) Maturity analysis

Repayments due as follows:

	Group 31 December 2020 £000	Group 31 December 2019 £000
Within one year or on demand	89,394	-
After more than one year	80,000	195,730
	169,394	195,730

Repayments due after more than one year are analysed as follows:

	Group 31 December 2020 £000	Group 31 December 2019 £000
Between one and two years	75,000	5,360
Between two and three years	5,000	185,271
Between three and four years	-	5,099
	80,000	195,730

15 Trade and other payables

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Current liabilities:				
Trade payables:				
Land – in development	135,342	142,468	-	-
Land – not yet acquired or in development	29,414	39,632	-	-
Other	157,779	147,020	-	-
Amounts owed to L&G group companies	72,225	3,115	51,361	-
Lease liabilities	2,175	2,179	-	-
Other taxation and social security costs	2,826	2,094	-	-
Other payables	2,812	2,508	-	-
Accruals and deferred income	16,521	26,739	149	150
	419,094	365,755	51,510	150
Non-current liabilities:				
Trade payables:				
Land – in development			125,407	261,215
Land – not yet acquired or in development			54,825	50,019
Other			25,426	42,193
Lease liabilities			9,064	10,274
			214,722	363,701

Total trade payables include amounts of £345.0 million (2019: £493.3 million) for development land under contract.

Land payables are recorded at net proceed value. The imputed interest is charged to the income statement over the credit period of the purchase contract.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

15 Trade and other payables (continued)

The amounts owed to group companies include an intercompany loan facility of £50 million from our parent company Legal & General plc. This is considered short-term and are repayable in bullet payments in December 2021. The remaining amounts owed to group companies bear interest at a market rate and are repayable on demand.

Other non-current trade payables in the current year primarily reflect deferred income from social housing contracts.

16 Financial risk management

The principal operational risks of the business are detailed on pages 19-20.

i) Financial risks

The group's activities expose it to a variety of financial risks: market risk, interest rate risk, liquidity risk and credit risk. This note presents basic information regarding the group's exposures to these risks and the Group's objectives, strategy and process for measuring and managing exposure to them.

UK housing market price risk

The group is fundamentally affected by the level of UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning.

Whilst it is not possible for the group to fully mitigate such risks on a national macroeconomic basis, the group does continually monitor its geographical spread within the UK, seeking to balance its investment in areas offering the best immediate returns with a long-term spread of its operations throughout the UK to minimise the risk of local microeconomic fluctuations.

The UK housing market affects the valuation of the group's non-financial assets and liabilities and the critical judgements applied by management in these financial statements, including the valuation of land and work in progress and brand.

The value of the group's available-for-sale financial assets is directly linked to the UK housing market. At 31 December 2019 these assets were carried at a fair value of £1.2 million (2019: £1.4 million).

Sensitivity analysis

At 31 December, if UK house prices had been 5% higher / lower, and all other variables were held constant, the group's house price linked financial instruments, which are solely available for sale financial assets, would increase / decrease in value, excluding any effects of current or deferred tax by £0.1 million.

Interest rate risk

The group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the Directors will review the need for interest rate swaps. The interest rate swaps held in prior years have now expired. The responsibility for setting the level of fixed rate debt lies with the directors and is continually reviewed in the light of economic data provided by a variety of sources.

Sensitivity analysis

If, in the year ended 31 December 2020, UK interest rates had been 0.5% higher / lower, then the group's pre-tax profit would have increased / decreased by £1.2 million. This sensitivity has been prepared in respect of the direct impact of such interest rate change on the net financing expense of financial instruments only, and does not attempt to estimate the indirect effect such a change may have on the wider economic environment such as house pricing and mortgage availability.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the group does not have sufficient financial resources available to meet its obligations as they fall due. The group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching expected cash flow timings of financial assets and liabilities with the use of term cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities. Funding headroom is maintained above forecast peak requirements, and to provide the business with the opportunity to take advantage of future development opportunities the group has obtained initial approval from Legal & General for further capital injections if required.

The group's banking arrangements outlined in note 14 are considered to be adequate in terms of flexibility and liquidity for its medium term cash flow needs, mitigating its liquidity risk. The group's approach to assessment of liquidity risk is further outlined in the section of the Strategic Report relating to Financial Risk and Treasury management which can be found on page 15.

Maturity of financial liabilities

The table below analyses the group's financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

At 31 December 2020	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1 - 2 years £000	2 - 5 years £000	Over 5 years £000
Loans and borrowings	169,394	169,394	89,394	75,000	5,000	-
Lease Liabilities	11,239	13,079	2,535	2,218	4,899	3,427
Trade and other payables	202,537	202,537	177,111	25,426	-	-
Land payables	344,988	345,490	164,804	80,739	97,422	2,525
Financial liabilities	728,158	730,500	433,844	183,383	107,321	5,952

At 31 December 2019	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1 - 2 years £000	2 - 5 years £000	Over 5 years £000
Loans and borrowings	195,730	195,730	-	5,360	190,370	-
Lease liabilities	12,453	14,474	2,869	1,985	4,499	5,121
Trade and other payables	218,460	218,460	176,317	42,143	-	-
Land payables	493,334	498,900	198,509	135,874	153,216	11,301
Financial liabilities	919,977	927,564	377,695	185,362	348,085	16,422

Trade and other payables excludes amounts owed to joint ventures, tax and social security and other non-financial liabilities.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

Credit risk

The nature of the UK housing market and the legal framework surrounding it results in the group having a low exposure to credit risk.

In the majority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the group's accounting policies. In certain specific circumstances the Group has entered into shared equity loan arrangements (not applicable to the Company) which are classified as available for sale financial assets. The group has £1.2 million of available for sale financial assets which expose it to credit risk, although this asset is spread over a large number of properties. As such, the group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The group manages credit risk in the following ways:

- The group has a credit policy that is limited to financial institutions with high credit ratings as set by international credit rating agencies and has a policy determining the maximum permissible exposure to any single counterparty.
- The group only contracts derivative financial instruments with counterparties with which the group has an ISDA Master Agreement in place. These agreements permit net settlement, thereby reducing the group's credit exposure to individual counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the group's maximum exposure to credit risk.

Capital risk management

The capital structure of the group consists of net debt (excluding amounts owed by joint ventures) of £148.2 million (2019: £114.9 million) being borrowings as detailed in note 14 offset by cash and bank balances, and equity of the group of £853.9 million (2019: £883.6 million) comprising issued capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity. The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due, whilst maintaining an appropriate capital structure. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisitions, capital targets for local management and a system of internal interest recharges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board. If appropriate the group can manage its short-term and long-term capital structure by adjusting the level of ordinary dividends paid to shareholders (assuming the company is paying a dividend), issuing new share capital, arranging debt to meet liability payments, and selling assets to reduce debt.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

ii) Fair Value of financial assets and financial liabilities

Financial assets

The carrying values and fair values of the group's financial assets are as follows:

Group

	Fair Value At 31 December 2020 £000	Carrying value At 31 December 2020 £000	Fair Value at 31 December 2019 £000	Carrying Value at 31 December 2019 £000
Loans and receivables:				
Trade and other receivables (note 13)	34,074	34,074	45,321	45,321
Cash and cash equivalents	21,172	21,172	80,845	80,845
Assets:				
Available for sale financial assets (note 11)	1,220	1,220	1,442	1,442
Total financial assets	56,466	56,466	127,608	127,608

Trade and other receivables excludes accrued income, prepayments, amounts owed by group undertakings, joint ventures and tax and social security.

Financial liabilities

The carrying values and fair values of the group's financial liabilities are as follows:

Group

	Fair Value At 31 December 2020 £000	Carrying value At 31 December 2020 £000	Fair Value at 31 December 2019 £000	Carrying Value at 31 December 2019 £000
Financial liabilities at amortised cost:				
Land payables (note 15)	344,988	344,988	493,334	493,334
Trade and other payables (note 15)	213,776	213,776	230,913	230,913
Borrowings (note 14)	169,394	169,394	195,730	195,730
Total financial liabilities	728,158	728,158	919,977	919,977

Trade and other payables excludes amounts owed to L&G group companies, joint ventures, tax and social security and other non-financial liabilities.

The following table provides an analysis of financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

Group

At 31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Land payables	-	(344,988)	-	(344,988)
Trade and other payables	-	(213,776)	-	(213,776)
Borrowings	-	(169,394)	-	(169,394)
Trade and other receivables	-	34,074	-	34,074
Available for sale financial assets	-	-	1,220	1,220
Total	-	(694,084)	1,220	(692,864)

At 31 December 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Land payables	-	(493,334)	-	(493,334)
Trade and other payables	-	(230,913)	-	(230,913)
Borrowings	-	(195,730)	-	(195,730)
Trade and other receivables	-	45,321	-	45,321
Available for sale financial assets	-	-	1,442	1,442
Total	-	(874,656)	1,442	(873,214)

iii) Summary of methods and assumptions

Interest rate swaps

Fair value is based on market price of these instruments at the balance sheet date.

Available for sale financial assets

The group determines the fair value of its available for sale financial assets through estimation of the present value of expected future cash flows. Cash flows are assessed taking into account expectations of the timing of redemption, future house price movements and the risks of default. An instrument-specific market assessed discount rate of 5.3% is used to determine present value via discounted cash flow modelling. If the discount rate were to be increased to 10%, the carrying value of the available for sale assets would decrease by £0.1m.

Current borrowings

The fair value of current borrowings and overdrafts approximates to the carrying amount because of the short-term maturity of these instruments.

Non-current borrowings

The group's bank debt was raised on a floating rate basis where payments are reset to market rates at intervals of less than one year. The fair value of non-current borrowings approximates to the carrying value reported in the balance sheet.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

17 Deferred taxation

The deferred tax liabilities / (assets) recognised comprises:

Group	31 December 2020 £000	31 December 2019 £000
Trading Losses	(352)	-
Accelerated capital allowances	(1,321)	(985)
Retirement benefit obligation	(3,235)	(2,981)
Other timing differences	5,462	4,741
Deferred tax liabilities:		
Amount provided	554	775
Amount not provided	(36)	(33)

The following are the major deferred tax assets and liabilities recognised by the group and movements thereon during the current reporting period:

	Trading Losses £000	Accelerated capital allowances £000	Retirement benefit obligations £000	Other timing differences £000	Total £000
At 1 January 2020	-	(985)	(2,981)	4,741	775
Charged to the income statement	(352)	(336)	893	721	926
Credited to other comprehensive income	-	-	(1,147)	-	(1,147)
At 31 December 2020	(352)	(1,321)	(3,235)	5,462	554

The group has unrelieved tax losses carried forward as at 31 December 2020 of £0.03m (2019: £0.03m). No deferred tax asset has been recognised in respect of these tax losses as at 31 December 2020, as it is not probable that there will be suitable taxable profits emerging in future periods against which to relieve them. Relief for these tax losses will only be recognised if it becomes probable that suitable taxable profits will arise in future periods.

No recognition is made in these financial statements for deferred tax assets held by jointly controlled entities. The CALA share of these unrecognised deferred tax assets was £0.3m at 31 December 2020 (2019: £0.3m).

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

18 Ordinary share capital

	At 31 December 2020 Number of Shares	At 31 December 2019 Number of Shares
Equity share capital:		
'A' ordinary shares of £1.00 each (2019: £1.00)	190,313	190,313
'B' ordinary shares of £1.00 each (2019: £1.00)	56,168	56,168
'C' ordinary shares of £1.00 each (2019: £1.00)	31,198	31,198
'D' ordinary shares of £1.00 each (2019: £1.00)	25,431	25,431
'E' ordinary shares of £1.00 each (2019: £1.00)	25,431	25,431
'F' ordinary shares of £1.00 each (2019: £1.00)	25,972	25,972
'G1' ordinary shares of £1.00 each (2019: £1.00)	4,508	4,508
'G2' ordinary shares of £1.00 each (2019: £1.00)	769	769
'H1' ordinary shares of £1.00 each (2019: £1.00)	133	133
'H2' ordinary shares of £1.00 each (2019: £1.00)	24	24
'H3' ordinary shares of £1.00 each (2019: £1.00)	1	1
At 31 December 2020 and 31 December 2019	359,948	359,948
	At 31 December 2020 £000	At 31 December 2019 £000
Equity share capital:		
'A' ordinary shares of £1.00 each (2019: £1.00)	190	190
'B' ordinary shares of £1.00 each (2019: £1.00)	56	56
'C' ordinary shares of £1.00 each (2019: £1.00)	31	31
'D' ordinary shares of £1.00 each (2019: £1.00)	25	25
'E' ordinary shares of £1.00 each (2019: £1.00)	26	25
'F' ordinary shares of £1.00 each (2019: £1.00)	26	28
'G1' ordinary shares of £1.00 each (2019: £1.00)	5	4
'G2' ordinary shares of £1.00 each (2019: £1.00)	1	1
'H1' ordinary shares of £1.00 each (2019: £1.00)	-	-
'H2' ordinary shares of £1.00 each (2019: £1.00)	-	-
'H3' ordinary shares of £1.00 each (2019: £1.00)	-	-
At 31 December 2019 and 31 December 2018	360	360

The 'A' ordinary shares carry 75% of the votes attaching to all shares.

The 'B', 'C', 'D', 'E' and 'F' ordinary shares each carry 5% of the votes attaching to all shares.

The 'G1', 'G2', 'H1', 'H2' and 'H3' ordinary shares have no voting rights.

Each class of share is entitled pari passu to dividend payments or any other distribution.

The 'A', 'B', 'C', 'D', 'E', 'F', 'G1' and 'G2' ordinary shares are held by the parent company, Haut Investments 2 Limited having been acquired at market value. Other than differences in voting rights disclosed above, these shares have identical rights.

The parent company, Haut Investments 2 Limited holds the 'H1', 'H2' and 'H3' ordinary shares disclosed above. These shares have a number of conditions and vesting periods. The fair value of the shares was determined to be not materially greater than the purchase price, resulting in any expense in the statement of comprehensive income for these shares being immaterial.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

19 Share-based payments

The company operates an employee share purchase scheme open to all employees. Employees may choose to contribute a limited monthly amount to purchase (Legal & General Group PLC) Partnership shares. Individuals then receive a number of free Matching shares (at the company's expense) in accordance with a prescribed formula, for every Partnership share purchased with contributions up to a monthly maximum – currently £125. Matching shares must be held for 3 years before being sold or transferred.

The company also operates a share savings plan open to all employees. Employees may choose to contribute monthly amounts, up to a maximum of £525, to purchase (Legal & General Group PLC) shares. The plan provides for share options, granted shortly after the deadline for receipt of applications. The option price is 80% of the middle market price, or such other value as may be agreed, on the Stock Exchange on the dealing day prior to the invitation being issued. The shares so purchased are generally placed in the employee share savings plan for a 3 or 5 year period and transferred to the employee at maturity, following exercise of the option to purchase.

The company recognised total expenses of £0.4 million related to these share-based payment transactions in the year to 31 December 2020 (2019: £0.2 million)

The company operates a long-term investment plan for certain of its senior managers. This is a cash settled arrangement, and is predicated on various performance targets of the Group being met over a rolling 3 year period. Due to impact that the COVID-19 lockdown has had on the results for the current year the overall accrual for LTIPs has reduced by £0.4m in the current year, which has resulted in a credit to the profit & loss account. The charge for the year ended 31 December 2019 in relation to the scheme was £0.4m.

20 Leases

The following amounts have been recognised in profit or loss for which the group is a lessee:

Leases under IFRS 16	2020 £000	2019 £000
Interest expense on lease liabilities	455	479
Depreciation of right-of-use assets	3,540	2,951
	<u>3,995</u>	<u>3,430</u>

Lease Liabilities

The carrying value of the groups lease commitments under IFRS 16 is £11.2 million at 31 December 2020 (2019: £12.5 million). At 31 December 2020 the Group had the following lease commitments:

	At 31 December 2020 £000	At 31 December 2019 £000
No later than 1 year	2,535	2,869
Later than 1 year and no later than 5 years	7,117	6,484
Later than 5 years	3,427	5,121
	<u>13,079</u>	<u>14,474</u>

Operating lease payments primarily represent rentals payable by the Company for certain office properties and motor vehicles.

All lease obligations are denominated in sterling.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

20 Leases (continued)

Right-of-use assets

Right-of-use assets related to lease properties which do not meet the definition of investment properties are presented as property, plant and equipment. Right-of-use assets accounted for in accordance with IFRS 16 as a lessee are as follows:

	Land & buildings £000	Plant & equipment £000	Total £000
At 1 January 2020	10,977	1,507	12,484
Depreciation charge for year	(2,822)	(718)	(3,540)
Additions	2,807	267	3,074
Disposals	(1,046)	(77)	(1,123)
At 31 December 2020	9,916	979	10,895

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

21 Retirement benefits

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. All plans are held in the UK under UK regulatory frameworks.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

The Scheme is a funded, defined benefit scheme which closed to future accrual on 31 December 2015. Closure of the scheme to future accrual reduced the value of scheme liabilities by £1.2 million in the year ended 30 June 2016 due to active members' benefits now being linked to CPI revaluation rather than the rate of career average revalued earnings (CARE) revaluation. Prior to 1 January 2008 the Scheme was a final salary pension plan. All benefits accrued prior to 1 January 2008 are linked to the members' Final Pensionable Salary at 31 December 2007. The Scheme closed to new members on 31 December 2007.

On 26 October 2018 the High Court ruled that UK pension schemes must equalise guaranteed Minimum Pensions (GMP) to ensure that male and female members of the schemes were treated equitably. This judgement applied to GMP accrued between 17 May 1990 and 5 April 1997. The impact of GMP equalisation on the value of the CALA Retirement and Death Benefit Scheme's liabilities was £0.9 million which was recognised as past service cost in the profit and loss account for 18 month period ended 31 December 2018. Past services cost of £0.2m have been reported in the current year (2019: nil).

The Trustees of the scheme are responsible for the governance of the scheme with decisions regarding contributions and investments being made with the agreement of the company.

The amounts recognised in the balance sheet are determined as follows:

Group	At 31 December 2020 £000	At 31 December 2019 £000
Fair value of plan assets	90,721	78,652
Present value of funded obligations	(107,745)	(96,190)
Deficit of funded plans	17,024	17,538
Present value of unfunded obligations	-	-
Liability in the balance sheet	17,024	17,538

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

21 Retirement benefits (continued)

The movement in the net defined benefit obligation over the year is as follows:

Group	2020 Present value of obligation £000	2020 Fair value of plan assets £000	2020 Total £000	2019 Present value of obligation £000	2019 Fair value of plan assets £000	2019 Total £000
At 1 January	96,190	(78,652)	17,538	86,608	(72,142)	14,466
Past service cost	210	-	210	-	-	-
Interest expense/(income)	1,919	(1,632)	287	2,387	(2,024)	363
Amounts recognised in profit and loss	2,129	(1,632)	497	2,387	(2,024)	363
Re-measurements:						
- Return on plan assets excluding amounts included in interest income	-	(8,540)	(8,540)	-	(6,718)	(6,718)
- Gain / (loss) from change in demographic assumptions	57	-	57	(607)	-	(607)
- Gain / (loss) from change in financial assumptions	14,027	-	14,027	12,868	-	12,868
- Experience gains / (losses)	495	-	495	666	-	666
Amounts recognised in other comprehensive income	14,579	(8,540)	6,039	12,927	(6,718)	6,209
Contributions:						
- Employers	-	(7,050)	(7,050)	-	(3,500)	(3,500)
- Benefit payments	(5,153)	5,153	-	(5,732)	5,732	-
At 31 December	107,745	(90,721)	17,024	96,190	(78,652)	17,538

The significant actuarial assumptions were as follows:

	2020	2019
Discount rate	1.35%	2.05%
RPI inflation	2.90%	2.95%

Assumptions regarding future mortality are set based on actuarial advice taking into account mortality expectations based on members' postcodes.

These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2020	2019
- Male	22.2	22.1
- Female	24.2	24.0
Retiring 20 years after the end reporting period:		
- Male	23.2	23.1
- Female	25.4	25.2

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

21 Retirement benefits (continued)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.10%	decreases by 2.1%	increases by 2.1%
RPI inflation	0.10%	increases by 1.3%	decreases by 1.3%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		increase by 4%	decrease by 4%

The above sensitivity analysis on the discount rate is based on a change in assumption while holding all other assumptions constant. The change in RPI inflation assumption impacts on the CPI (Consumer Prices Inflation) and pension increase assumptions. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Plan assets are comprised as follows:

	2020 Quoted £000	2019 Quoted £000
Equities	10,910	9,711
Property	3,386	3,491
Diversified growth fund	17,680	16,805
Global absolute return fund	8,416	10,387
Liability Driven Investment (LDI)	26,182	20,333
Multi Asset Credit (MAC)	20,218	15,762
Cash and cash equivalents	3,929	2,163
Total	90,721	78,652

The Scheme does not hold unquoted assets. Plan assets held in trust funds are governed by UK regulations, as is the nature of the relationship between the group and the trustees.

Through its defined benefit pension plan, the company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. The allocation to growth assets is monitored such that it is suitable with the Scheme's long-term objectives.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

21 Retirement benefits (continued)

Changes in bond yields

A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The weighted average duration of the defined benefit obligation is 21 years.

Deficit strategy

The employer has agreed that it will aim to eliminate the Scheme deficit (as assessed on the on-going funding basis) by 31 December 2024. Following the closure of the Scheme in December 2015 no further employee contributions will be made. Expected employer contributions to the Scheme, in respect of deficit recovery, for the year ending 31 December 2021 are £4.2 million. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed in April 2021.

Defined contribution schemes

CALA operates a defined contribution retirement benefit scheme for all qualifying employees. A similar scheme is held within Legal & General for all employees of Legal & General Homes Communities Limited. The assets of the schemes are held separately from those of the company in funds under the control of trustees.

The total cost charged for the year ended 31 December 2020 of £4.6 million (2019:4.3 million) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2020 all contributions due in respect of the current reporting period had been paid over to the schemes (2019: all).

22 Contingent liabilities

	Group At 31 December 2020 £000	Group At 31 December 2019 £000
Bank guarantees	67	67
Indemnities for performance bonds	59,926	61,683

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.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

23 Related party disclosures

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its joint ventures are disclosed below:

Group	At 31 December 2020 £000	At 31 December 2019 £000
Relating to joint ventures:		
Amounts owed by joint ventures	28,036	27,946

Key management, as defined under IAS 24 'Related Party Disclosures' includes directors and members of the Operations Board. The compensation paid or payable to key management for employee services is shown below:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Key management remuneration:		
Salaries and other short-term employee benefits	1,656	2,381
Post-employment benefits	79	76
	1,735	2,457

	At 31 December 2020 £000	At 31 December 2019 £000
Loans from related parties:		
At 1 January	-	-
Loans drawn during the year	50,000	-
Interest charged	1,360	-
At 31 December	51,360	-

Transactions with related parties:

The following balances remain outstanding at 31 December 2020:

A receivable of £494,591 is due from Legal and General Affordable Homes Limited in relation to social housing contracts. Deferred income of £6,732,083 is recognised for Legal and General Affordable Homes Limited in relation to social housing contracts.

A payable of £51,360,685 is payable to Legal & General Capital Investments Limited in relation to loan balances and accrued interest. A further payable of £835,341 is due to Legal & General Capital Investments Limited in relation to staff recharges.

A payable of £2,338,162 is due to Legal and General Strategic Land Limited in relation to funds held by Legal and General Homes Communities (Crowthorne) Limited on its behalf.

A payable of £517,719 is due to Legal and General Bath Quays North Limited in relation to funds held by Legal and General Homes Communities Limited on its behalf.

A payable of £4,913,540 is due to Legal and General Resources Limited in relation to staff recharges.

A payable of £6,284,349 is due to Legal and General PLC in relation to group relief.

CALA Group (Holdings) Limited

Notes to the financial statements (continued)

24 Dividends

	Group 31 December 2020 £000	Group 31 December 2019 £000	Company 31 December 2020 £000	Company 31 December 2019 £000
Dividends:				
Interim	30,000	-	30,000	-
	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>

An interim dividend of £30 million was declared and paid to the immediate parent company, Haut Investments 2 Limited, in March 2020. No further dividends have been declared or paid.

25 Ultimate parent company and controlling party

The immediate parent company is Haut Investments 2 Limited. The ultimate parent company is Legal & General Group Plc. The results of CALA Group (Holdings) Limited are included in Legal & General Group Plc's consolidated financial statements. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available at the Registered Office, One Coleman Street, London, EC2R 5AA, on the group website at www.legalandgeneralgroup.com or from the Company Secretary.

CALA Group (Holdings) Limited

Appendix – Subsidiary companies

The subsidiary undertakings of CALA Group (Holdings) Limited at 31 December 2020 are shown below. All companies are wholly-owned and incorporated in the UK. CALA Management Limited is the group's principal operating subsidiary, and those companies marked * are agents of CALA Management Limited.

Name of company	Nature of business	Address
CALA 1 Limited	Administrative & holding company	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Group Limited	Administrative & holding company	5 Mid New Cultins, Edinburgh, EH11 4DU
CALA 1999 Limited	Administrative & holding company	5 Mid New Cultins, Edinburgh, EH11 4DU
CALA Limited	Administrative & holding company	5 Mid New Cultins, Edinburgh, EH11 4DU
CALA Management Limited	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
CALA Homes (East) Limited *	Home building	52-54 Rose Street, Aberdeen, AB10 1HA
CALA Homes (Midlands) Limited *	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Homes (Chiltern) Limited *	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Homes (Thames) Limited *	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Homes (West) Limited *	Home building	52-54 Rose Street, Aberdeen, AB10 1HA
CALA Homes (North) Limited *	Home building	52-54 Rose Street, Aberdeen, AB10 1HA
CALA Homes (North Home Counties) Limited *	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Homes (South Home Counties) Limited *	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Ventures Limited***	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
Legal & General Homes Communities Limited	Home building	One, Coleman Street, London, United Kingdom, EC2R 5AA
Legal & General Homes Communities (Shrivenham) Limited	Home building	One, Coleman Street, London, United Kingdom, EC2R 5AA
Legal & General Homes Communities (Arborfield) Limited	Home building	One, Coleman Street, London, United Kingdom, EC2R 5AA
Legal & General Homes Communities (Crowthorne) Limited	Home building	One, Coleman Street, London, United Kingdom, EC2R 5AA
Legal & General Homes Communities (Didcot) Limited	Home building	One, Coleman Street, London, United Kingdom, EC2R 5AA
Banner Homes Group Limited	Administrative & holding company	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Management Limited	Administrative & holding company	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Construction Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Central Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Bentley Priory Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Ventures Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Developments Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Southern Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Midlands Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX

CALA Group (Holdings) Limited

Appendix – Subsidiary companies

CALA Land Investments Limited ***	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
CALA (ESOP) Trustees Limited	Trustee	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Land Investments (Bearsden) Limited	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
CALA Homes Limited	Home building	52-54 Rose Street, Aberdeen, AB10 1HA
CALA Homes (Scotland) Limited	Home building	52-54 Rose Street, Aberdeen, AB10 1HA
CALA Homes (Southern) Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Homes (Yorkshire) Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Freehold Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
The Advantage Collection Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Banner (Spare) Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Jimcourt Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
Care Secured Limited	Home building	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Properties (Banbury) Limited**	Commercial property	54 The Causeway, Staines, Surrey, TW18 3AX
CALA Properties (Holdings) Limited**	Commercial property	52-54 Rose Street, Aberdeen, AB10 1HA

* Agent of CALA Management Limited

** In liquidation

*** Parent company audit guarantee provided (TECH 07/13BL)