Registered number: 08428265

Cala Group (Holdings) Limited

Annual Report and Financial Statements

for the year ended 31 December 2023

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Contents

Directors and advisers

Directors

Kevin Whitaker
Chief Executive

Neil J Stoddart
Group Finance Director

Laura Mason
Chair (appointed 23 March 2023)

Sir Nigel Wilson
Chair (resigned 23 March 2023)

Emma Hardaker-Jones
Non-Executive Director

Independent auditor

KPMG LLP
Chartered Accountants and
Statutory Auditor
3rd Floor
Saltire Court
Edinburgh
EH1 2EG

Principal banker

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Company Secretary

Emma Johnson (appointed 1 January 2023)

Jennifer Wylie (resigned 1 January 2023)

Registered office

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

Strategic Report

Financial and operational highlights

	Year to 31 December 2023	Year to 31 December 2022
Home sales (units)	2,917	3,027
Revenue*	£1,255.0 million	£1,354.1 million
Profit before tax *Before exceptional items and revaluations*	£112.3 million	£169.2 million
House sales gross margin	17.5%	19.6%
Operating margin *Before exceptional items and revaluations*	10.9%	13.2%
Private average selling price ('ASP') *Excluding affordable housing*	£495,000	£492,000
Contracted landbank *Gross Development Value ('GDV')*	£8.8 billion	£8.8 billion
Overall customer satisfaction score *(to 30 September 2023 & 2022)*	93.2%	95.4%
Return on capital employed *(year to 31 December 2023 & 2022)*	13.0%	18.4%

*Includes 100% of managed JV's

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. 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 provider of desirable new homes across Scotland, the South and East of England, the Cotswolds and West Midlands.

Cala operates through eight regional business and two brands - Cala Homes and Legal & General Homes - accelerating our ability to deliver and offering a broader range of product to consumers.

Our brands are 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.

We are focussed on sustainability and committed to bringing added value and meaningful benefit to the communities in which we build.

We are a highly ambitious group and our business is established in some of the country's strongest markets, giving us the resource, capability and platform for further expansion.

Cala is a subsidiary of Legal & General Capital, the investment arm of Legal & General Group.

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.

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, adopted the New Homes Quality Code (NHQC) and have in place a Group Customer Service Director to focus on the delivery of customer service excellence right across the business.

2023 AT A GLANCE
▪ Achieved HBF 5-star rating ▪ Overall recommend score of 93.2% ▪ 16 Cala and L&G Homes' Site Managers recognised as Pride in the Job Quality Award winners. 4 of whom went on to receive the next stage 'Seal of Excellence' and received the highly coveted Regional Awards. All were honoured at the final stage with Cala taking the Supreme Winner award in the large housebuilder category.

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").

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our customers (continued)

Our 'Recommend' score in the 2023 NHBC survey covering sales completions in the 12 months to 30 September 2023 was 93.2%, well above the 90% threshold required to achieve the top 5-star rating for the thirteenth time in the last fourteen years.

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 8,000 managers competing we are delighted that 16 of Cala's top site managers were included amongst this year's Quality Award winners, with Cala taking the Supreme Winner award in the large housebuilder category.

Our customer service proposition is now 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. Tailored coaching to provide sales information throughout the customer journey and to exceed the requirements of the NHQC has been developed, delivered, and will be continually revisited. This year we have implemented new technology and set ourselves targets within construction and customer service to measure, communicate, and deliver the best possible outcomes for our customer.

Digital technology now allows us to measure and gamify headline and operational metrics, we are already seeing teams striving for the top spot and as a consequence deliver great outcomes for our customers, this will be developed and focussed to ensure the whole team have our customer at the centre of all decisions.

Land and planning

During 2023 the eight Cala regions contracted 19 new sites projected to deliver 2,705 new homes with a Gross development value ('GDV') of £1,423 million and an average selling price ('ASP') including affordable housing of £526,000 (2022 : 20 sites, with a GDV of £1,386 million). 5 new sites were added to the strategic land bank with a potential GDV of £723m.

Land contracted during the financial year*	Year to 31 December 2023	Year to 31 December 2022
Sites	19	20
Plots	2,705	2,970
Consented (by plots)	55%	49%
Average site size	142 plots	149 plots
GDV	£1,423m	£1,386m
ASP	£526k	£467k
England : Scotland (by value)	93/7%	40/60%
Strategic plots	1,629	797

**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 2023, we either improved the planning status of land we had acquired with a planning permission or secured a first-time planning permission on 23 sites for 3,485 homes with an estimated GDV of £1,458 million and an ASP of £418,000 (2022: 2,379 homes with a GDV of £1,014 million). 64% of the plots granted planning permission were pulled through from our strategic land bank.

Strategic Report (continued)

Our Strategy and Ambition (continued)

Land and planning (continued)

Land consented during the financial year*	Year to 31 December 2023	Year to 31 December 2022
Sites	23	16
Plots	3,485	2,379
From strategic landbank (by plots)	64%	22%
Average site size	152 plots	149 plots
GDV	£1,458m	£1,014m
ASP	£418k	£426k

**All figures include private and affordable*

The group's owned and contracted short term landbank at 31 December 2023 comprises 20,543 plots (private and affordable homes), the scope and planning status of which are summarised below (2022: 21,576 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 2023 have a combined GDV of approximately £8.85 billion, measured at today's selling prices, with an ASP including affordable housing of £431,000. This represents 7.3 years' development potential based on 2023 housing revenue.

Landbank	Plots	£ GDV	£ ASP	Land Cost	Years
Consented	15,829	6,677m	422k	8.5%	5.5
Allocated	3,064	1,312m	428k	16.6%	1.1
Draft allocation or no planning status	1,650	858m	520k	27.4%	0.7
Owned / Contracted	**20,543**	**8,847m**	**431k**	**19.2%**	**7.3**
Strategic	14,224	5,113m	360k	**16.8%**	
Total at 31 December 2023	**34,767**	**13,960m**	**402k**	**18.3%**	
Total at 31 December 2022	**32,726**	**12,702m**	**388k**	**19.1%**	

The group also controls a high quality longer-term strategic landbank comprising 14,224 plots (2022: 11,150), 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 2023 year, 64% of the plots granted planning permission were drawn from the strategic land bank.

All sites that we expect to contribute towards 2024 have detailed planning permissions in place and construction has commenced. In addition, 62% of the expected gross profit in 2025 has a detailed planning permission in place with a land price agreed with the vendor.

Strategic Report (continued)

Our Strategy and Ambition (continued)

Our People

We know the future of work is changing and 2023 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.

As at 31 December 2023 we had 1,542 employees working with us. This represents an increase in staff numbers from the prior year (31 December 2022: 1,318), primarily due to the acquisition of Taylor Lane in the year as outlined further in this Strategic report.

In alignment to our 5-year plan to 2025, our activities focused around progressing 4 key areas:

- Attract a Diverse and High Performing Workforce
- Inspire and Grow
- Engage and Retain
- Purposeful Leadership

As part of our ambition, we are working to become a high performing business, underpinned by an environment which sets us apart through our people. We recognise we will make this difference by focusing on our culture and our leadership as well as having efficient and enabling processes to support our teams.

Attract a Diverse and High Performing Workforce

During 2023, we continued to invest heavily in embedding our approach to Inclusion and Diversity (I&D) through all levels of our business.

In the early part of the year, we partnered with I&D experts Compelling Culture, to conduct an independent review of I&D at Cala. This was a multi-faceted review and included interviews and focus groups across the organisation, as well as a review of our policies. The review highlighted where we had made good progress but importantly spotlighted where there is opportunity for us to improve. The output of the review forms the foundations of our renewed strategy which focuses on building awareness, confidence, and insight at all levels of the business.

2023 also saw us appoint a new Executive Sponsor for I&D, Jen Wylie, and with Jen's sponsorship we have relaunched the I&D Employee Forum with a renewed focus to support the strategy. The Forum has around 60 members and has been growing in numbers since relaunch. Linked closely to the Forum, some of our Regions have set up their own Inclusion Committee to support progress and act as change makers at a regional level.

We continued our partnerships with several not-for-profit organisations, with a focus on embedding best practice guidance on the back of the review.

During 2023 we conducted benchmarking on `how to hire` and have developed a new hiring manager programme that will be rolled out in 2024. This offering has a greater emphasis on bias recognition as well as objective decision-making strategies.

Strategic Report (continued)

Our Strategy and Ambition (continued)

Inspire and Grow

Inspiring our team began in 2021 with the setting out of Cala's aspirations - our Purpose, Vision and Goals under our 5-year plan. The plan is embedded throughout the business and drives our decisions and behaviours every day.

To enable people to feel more connected to the business and our customers, we significantly strengthened and reinforced our People related messages. We used several different communication channels including digital catch ups with our CEO, podcasts, webinars and videos to engage colleagues around the business and to invite them to share their stories and their views on matters such as Leadership, Sustainability, Wellbeing, and Inclusion & Diversity.

Our increased focus and approach to Sustainability and Inclusion has presented opportunities for members of our team to unite behind Cala's purpose, to make an impact and be part of driving positive change. Following the appointment of a Head of Sustainability in late 2021, and the creation of 'Green teams' to drive sustainability initiatives at a local level, we have seen demonstrable improvements in sustainability KPIs and we know that our focus on sustainability is a key point for some candidates considering joining Cala.

We launched our formal mentoring programme to give our employees the opportunity to help each other flourish. The programme was heavily aligned to our work towards becoming a more inclusive business, with opportunities to engage in reverse mentoring, maternity returners mentoring, supporting our partner organisation Women into Construction and mentoring young talent looking to enter the industry. Engagement in the programme has been overwhelmingly positive so far and we look forward to seeing it begin to help employees to develop their own leadership skills, broaden their perspectives and networks, and to give everyone an equal opportunity to thrive in our business in 2024.

Throughout 2023, we continued to grow and develop our Early Talent population. The Graduate cohort of 2023 was our largest intake with a total of 18 new colleagues joining our refreshed Graduate Development Programme in September. We have continued to strengthen our relationships with local institutions and have a growing number of Degree Apprentice and Placement roles across various disciplines and regions. To support us with the evolution of our early talent strategy, we established a new partnership with Sanctuary Graduates who are experts in early talent recruitment and will support the attraction and screening of our early talent for 2024.

We're striving to develop the very best site management teams in the industry and our Construction Academy of Excellence continues to expand and progress to deliver this. Four teams attended the NHBC Supreme Awards in January 2024 - from 8000 site teams entered with Cala taking the Supreme Winner award in the large housebuilder category; this demonstrates Cala's standing in the industry in terms of construction quality and standards.

Cala's Construction Academy of Excellence has worked with Construction leaders to establish tailored construction leadership standards aligned to the wider Cala leadership framework and CITB Standards. Coaching and development for our site management teams continues in line with the new standards through the now extended programmes, and by the end of 2023, 92 members of the team had completed the Construction Leaders Programme (rising to 194 by the end of Q1 2024).

In 2024 a total of 196 employees will take part in Academy programmes, including an additional 3 cohorts embarking on the Contracts Manager Programme.

We invested in our onboarding processes this year in line with our Employer Value Proposition work, including introducing a survey for new employees at the 3-month point to continue to evolve our offering. This activity touched our Group Induction sessions as well as line manager processes and onboarding planning best practice. We are exploring function-specific onboarding paths, starting with our Sales and Customer Service Teams, using our Learning Experience Platform. 2024 will see this work continue and evolve as we work to build a more inclusive and welcoming onboarding experience for all at Cala.

Strategic Report (continued)

Our Strategy and Ambition (continued)

Engage and Retain

To retain our best people we need to demonstrate that we truly care about their wellbeing, their development and their opinions. In short, we need to ensure we create the right environment that allows these factors to be discussed and shared openly.

In our employee surveys, which we run twice per year, employee responses are consistently positive regarding the degree of happiness and pride our colleagues have working for Cala. The information from each survey is reviewed and discussed to agree which areas to focus on, to ensure we are improving the employee experience as best as we can for each and every person we employ.

We encourage people to speak freely and share their ideas through our Business Improvement Group, but to also raise any issues, queries or concerns through their own team or via Group colleagues who help support the business. Our CEO holds regular business updates and our team know how they can contact him directly, should they ever feel the need to.

We hold Talent Board sessions annually in order to ensure we are regularly reviewing talent in our business and to encourage open dialogue across our Board to agree how we can best engage and retain our talent.

We know that we must continue to modernise our business to provide a better experience for our people. In line with our technology pillar, we have continued to embrace technology to support the delivery of our People Pillar ambitions. We launched our new Intranet 'Chip' which presents a better user experience for our people and gives us an opportunity to inspire our teams with local and Cala-wide news and role-specific information. A further, significant step forward, was the implementation of our new People Platform Workday, which launched in November 2023. The introduction of Workday to support HCM; Reward; Payroll, and Time Tracking processes will greatly improve efficiency, data quality, and data security. Through 2024, we will focus on supporting the adoption of Workday and maturing its capability to ensure full return on investment and the benefit to our people is realised.

We know that our regional teams know their people best and locally there are various activities that have taken place during 2023 which support our teams connecting with each other.

Purposeful Leadership

In addition to the Construction Academy, we supported an additional 60 new and existing leaders through our accredited Building Leaders and Inspire development programmes. Both programmes were mixed (region and discipline) cohorts and challenged leaders with both the theory and practical application of leadership practices.

As the operating landscapes continues to be complex and challenging, we're constantly reviewing our leadership offering and have started a review of our core programmes to be sure that they continue to support our leaders with the skills and confidence they need to navigate such landscape and continue to drive business performance.

Strategic Report (continued)

Our Strategy and Ambition (continued)

Cala's Sustainability Performance 2023

Cala's initial Sustainability Strategy was established in early 2021 and is due to be relaunched shortly. The overall vision and aims are cited below:

Vision: Cala is a business that leaves a positive legacy for *people* and the *planet*		
Our Homes & Developments We will build homes & supporting infrastructure that have positive impacts on local environments	**Our Business** We will carry out our business operations in the most sustainable way	**Our People & Communities** We will embed sustainability best practice throughout our workforce, & help local communities to thrive

Aligned to these aims are two over-arching climate change targets:

- Cala will achieve net-zero operational greenhouse gas emissions by 2030.
- Cala will achieve net-zero total greenhouse gas emissions (including embodied carbon and the lifetime emissions from our homes) by 2045.

Cala (under our ultimate parent company L&G Group Plc) has signed up to the Science Based Targets Initiative and committed to achieving a 42% *absolute* reduction in Scope 1 and 2 emissions (against a 2021 baseline) by 2030.

During 2023, we continued to see good progress against these targets. Cala's operational greenhouse gas emissions were 7,189 tCO_2e – a 28.7% reduction on 2021. In terms of our Science Based Target, progress has been even better. Our Scope 1 and 2 emissions reduced by 38.1% compared to 2021.

The above results have been achieved through a range of carbon reduction initiatives that have been rolled out across the business, including:

- HVO (hydro-treated vegetable oil) as an alternative to diesel for construction vehicles and site generators: Our site liquid fuel emissions have reduced by around 57% since 2021, and some of our regions are now using this fuel exclusively on their developments.
- Improved site energy consumption: The development of an in-house Site Energy Management Playbook has led to better energy management practice across all sites and the introduction of technologies such as electrical dehumidification for drying rooms (as an alternative to standard heaters) and solar-powered site welfare cabins.

Cala's Central Design team continues to develop our standard products to be better than the minimum performance required by Building Regulations and Standards, and 2023 saw the completion of our first net-zero home. From January 2024, all new Cala developments will be gas-free (where local infrastructure allows), which will further improve our carbon performance.

Strategic Report (continued)

Our Strategy and Ambition (continued)

The Cala Community Pledge

We are committed to bringing added value and meaningful benefit to the communities in which we build, not just through the homes we create, but by supporting the people who live there.

Cala's Community Pledge is an evolution of work we have been doing for many years. Over and above planning obligations, our Pledges bring together a host of bespoke measures for each local community including activities, donations, initiatives, volunteering drives and much more. Each Pledge will start from the conception of the development, right through to the last resident picking up the keys to their new home. Everything is done in collaboration with the communities we seek to support, to make sure we address genuine local needs.

The roll out of Community Pledge forms a significant part of our Environment, Social and Governance (ESG) commitments. The aim is that every new Cala site will have an agreed Community Pledge by 2025, and our progress towards this goal is a KPI under a sustainability-linked lending agreement, demonstrating our commitment to delivering on our promises.

Over the past 12 months we have created 12 new Community Pledges across the UK. Over 300 children have benefitted from our school education programmes, and we have promoted over 200 local, independent businesses through our show homes.

In addition to these core initiatives, tailored support for communities has also been provided including sponsorships and donations, Cala staff volunteering and clean-ups of local greenspace and coastal areas.

Future Focus

The implementation of the provision within the Environmental Bill (England and Wales) for a mandatory 10% minimum Biodiversity Net Gain (BNG) was delayed until February 2024. During 2024, we will renew our focus on this area to ensure we maximum biodiversity enhancement opportunities on all our developments.

As we continue to excel in our performance against operational greenhouse gas emissions targets, we will be focusing more attention on the embodied carbon of Cala's products. During 2024, we will be conducting a review of our main material offtakes to determine the biggest carbon impacts, and whether alternative, lower carbon products can be used. We will also be working with our main suppliers to understand their own plans for decarbonisation and how this will impact on Cala's targets.

Strategic Report (continued)

Our Strategy and Ambition (continued)

Health and safety

The health and safety of our employees, contractors 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.

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. Health and safety audits are also carried out which provide an in-depth review with a focus on the higher risk activities such as working at height, traffic management, etc. 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 2023 decreased to 424 per 100,000 employees (2022: 467), with a decrease in the number of injuries reportable under RIDDOR from 21 to 19. 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 contractors are fully aware of their responsibilities and that they have the resources, knowledge and capability to carry out their roles safely. In 2023, the number of health and safety training days delivered was 3,001 (2022: 1,969). This only includes training lasting more than 3 hours and excludes inductions. Directors are also 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', continues to focus on 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, which allows them 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 Prohibition or Improvement Notices were issued to our sites for non-compliance with health and safety legislation (2022: none). Three Notices of Contravention were received by two of our regions (2022: one). 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.

Strategic Report (continued)

Chief Executive's review

Cala has delivered a robust financial performance in 2023, remaining sharply focussed on delivery despite challenging market conditions. This consistent delivery gave us confidence to execute our strategy to continue to invest in land and build value for future years.

Following the traditional seasonal uptick in demand during the first half, the housing market was difficult throughout the remainder of year, with higher interest rates, mortgage rates and inflation affecting homebuyer confidence.

We continued to attract buyers to our high-quality, energy efficient, well-designed homes in desirable locations, facilitating their purchase with proactive pricing strategies and targeted support including mortgage pay, part exchange and deposit unlock.

Thanks to the talent and experience of our people we delivered a profit before a profit before tax (before exceptional items and revaluations) of £112.3 million (2022: £169.2 million). The number of homes sold decreased to 2,917 during the year to 31 December 2023, compared to 3,027 in 2022, a 3.6% reduction. This has resulted in turnover of £1,251.6 million, down 5.5% year on year (2022: £1,325.0 million).

Whilst there have been challenges throughout 2023, the attitude and approach of all our people across the business has remained first class. It is due to the quality of our people that we have been able to successfully deliver these financial achievements. I would like to thank all our people for their continued hard work and commitment.

We are optimistic about our prospects for year ahead. Cala is well-placed to navigate the changing market conditions with the backing of our owners, Legal & General, alongside the talent, dedication and quality of our teams.

Investing in the future

A steady sales rate and strong average selling price (ASP) resulted in the delivery of £315,000 revenue per site per week, which supported Cala's decision to continue to invest in land throughout 2023. During the 12-month period, Cala contracted 19 new short term and strategic sites, capable of delivering 2,705 new homes. These sites have a gross development value (GDV) over £1.4bn with the ASP of the units being £526,000. Cala remains committed to this strategy and our land and planning teams across the UK are actively seeking further opportunities to invest in sustainable developments in desirable locations in 2024.

During the year, strong progress was achieved towards our sustainability targets of building homes that are operationally net zero carbon enabled from 2030 and reaching net zero total greenhouse gas emissions by 2045. Cala's operational greenhouse gas emissions in 2023 were 7,189 tCO_2e – representing a 28.7% reduction on the 2021 baseline figure. Progress towards our Science Based Target was even stronger, with Scope 1 and 2 emissions reducing by 38.1% in 2023 compared to 2021.

As part of our commitment to sustainable development Cala acquired Taylor Lane Timber Frame Limited, one of the UK's leading timber frame construction specialists, in May 2023. With factories in Hereford and Wales, Taylor Lane will supply Cala's five English businesses in the Cotswolds and South of England, while continuing to service existing customers and grow their presence in the wider market.

In addition, Cala is actively progressing a number of initiatives to further develop our systems, people and processes to ensure continuous improvement and progress towards our ambition of bringing meaningful benefit to our people, our customers, local communities and the planet, alongside enhanced financial returns.

Strategic Report (continued)

Chief Executive's review (continued)

Development activity

During the 12 months to 31 December 2023 the average number of active selling sites per week was 61 (2022: 63) and the total number of sites from which private sales completions were secured was 82 (2022: 87). We closed 19 sites during the year and delivered the first sales completions on 21 new sites across our regions.

We commenced build on 19 new sites during the year which will ultimately deliver around 2,250 private homes at an average size of 118 private homes per development (2022: 19 new sites with an average of 108 private homes).

Our sales performance was excellent for the first 5 months of the year, however this slowed during the summer months following the accelerated interest rate increases which resulted in a reduced rate of sale and an increased use of incentives and part exchange. Our net private reservations during 2023 were 38.8 per week (42.4 including build to rent), compared to 39.6 during 2022, which reflects a 2% decrease on the previous 12-month period. The ASP in the year was £495,000 (2022: £492,000) and this increase reflects the mix of sites sold during the year as well as sales price growth. The Group achieved a net private reservation rate of 0.63 (0.69 including build to rent) average weekly sales per development in the period which is an increase of 1.6% since last year (2022: 0.62).

Our average weekly private revenue per development of £315,000 represents a very small decrease to the previous period (2022: £316,000). The cancellation rate for the year at 16% is also a small decrease from the previous year (2022: 17%) and reflects the continued economic uncertainty through 2023.

At 31 December 2023 we had accumulated 640 advance private home sales with a turnover value of £307.5 million for delivery by 31 December 2024 which is a decrease of 15% against the previous year (2022: 751 private homes and £395.7 million). This equates to a sales carry forward of 28% (2022: 31%) based on the projected number of private sales completions during the 12 months to 31 December 2024, and is reflective of a normal forward sold position.

Current trading and outlook

Average weekly reservation rates so far in 2024 are encouraging and in the first 10 weeks we have traded at a rate of 0.71 weekly sales per development, with 436 net private reservations taken. This rate is a significant increase from what was achieved in Q4 of 2023 and is in line with our latest business plan, with pricing also in line with expectations. It is also 3% higher than what was achieved for the equivalent period in 2023 when a total of 432 net private reservations were taken in the period (0.69 weekly sales per development).

We have seen encouraging levels of enquiries to Cala developments and a notable increase in web traffic in 2024 so far. Cala's industry-leading quality of design and construction, with outstanding customer service, as well as the enhanced energy-efficiency of new homes, continue to attract buyers.

Whilst still early to predict, this positive start to the year alongside improving economic fundamentals are reasons for optimism that the market could return to more normal conditions during 2024. The stabilising of interest rates, reductions in inflation and more competitive mortgage rates, will improve affordability. In addition, the ongoing chronic undersupply of new homes maintains an underlying pent up demand.

Cala is in a strong position to make the most of any market improvement. Our management and wider team have the talent, capability and experience to proactively respond to renewed consumer confidence and increased demand for our homes.

I would like to restate my deepest thanks to our fantastic employees, our valued subcontractors, business partners and our owners Legal & General for their ongoing support during 2023.

Ken Whitaker

Kevin Whitaker
Chief Executive

Strategic Report (continued)

Financial performance review

Trading

The group has performed robustly during 2023 and has delivered a profit before tax, revaluations and exceptional items of £112.3 million for the year to 31 December 2023 (2022: £169.2 million) on revenue of £1,251.6 million (2022: £1,325.0 million). The year-on-year profit decrease of £56.9 million reflects the challenging market conditions that were evident in the second half of the year.

Revaluations and exceptional items before tax were a net charge of £21.9 million before tax for the year. This comprises of an increase in the provision for remedial items relating to fire safety measures on historical developments in light of the Grenfell disaster, as well as restructuring and legal costs.

Cala Group completed the sale of 2,917 homes during the year to 31 December 2023 (2022: 3,027). The number of home completions was achieved from 82 sites (2022: 87). 2,239 private homes were legally completed in 2023 (2022: 2,305) and were delivered at a higher ASP, increasing to £495,000 (2022: £492,000) due to a change in site mix and increased selling prices. The delivery of affordable homes decreased to 678 in 2023 (2022: 722), comprising discounted market value homes to qualifying purchasers and homes delivered to housing associations.

Revenue	Year to 31 December 2023	Year to 31 December 2022
	£m	£m
Private housing	1,104.2	1,104.5
Affordable housing	115.5	130.3
Managed Joint Ventures	3.6	29.1
Land / other sales	31.9	90.2
Group Revenue	1,255.2	1,354.1

Our housing gross margin has decreased in the last year to 17.5% (2022: 19.6%). This decrease is due to a combination of increased incentives being required to generate sales, a reduced a rate of sale resulting in the elongation of several sites and cost inflation during 2023 not being able to be offset by increased selling prices.

Our operating margin before exceptional items and revaluations has also decreased in the year, down from 13.2% (2022) to 10.9%. This mostly arises from the decrease in the house sales gross margin and a slightly reduced absorption of net operating expenses in the year.

Return on capital employed ("ROCE") remains on one of our key financial performance measures. Our ROCE has decreased to 13.0% (2022: 18.4%) as a result of the decrease in profitability and an increase in average borrowing position.

Strategic Report (continued)

Financial performance review (continued)

Balance sheet

Land and work in progress, net of land creditors, has risen from £1,225.5 million in 2022 to £1,340.8 million, due to an increase in construction work in progress as a result of 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 increased to £285.5 million (2022: £191.6 million), as the group continues to take advantage of deferred payment structures where available.

Inventories	At 31 December 2023	At 31 December 2022
	£m	£m
Land and options	1,021.6	868.7
Less: Land creditors	(285.5)	(191.6)
Net Land and options	736.1	677.1
Part exchange	34.6	12.3
WIP and other stock	570.1	536.1
Net Inventory	**1,340.8**	**1,225.5**

Inventories include part exchange properties with a combined net expected resale value of £34.6 million (2022: £12.3 million). This is an increase since last year, reflecting the increasing utilisation of part exchange by our customers during 2023. As at 22 February 2024 £27.1 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 consists of two elements of goodwill. The first is the goodwill arising on the acquisition of Banner, which has an unchanged balance sheet value of £40.1 million. The second is the goodwill arising on the acquisition of Taylor Lane, which has an addition in the year with a balance sheet value of £4.2m. The goodwill balances are also tested for impairment on an annual basis.

At 31 December 2023, the group held available for sale financial assets, being shared equity debtors relating to 21 homes with an estimated net recoverable value of £0.5 million (2022: 27 homes and £0.8 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 increased by 0.6% during the year to £1,035.0 million (2022: £1,029.1 million). This uplift is due to the profits generated during the year, offset by the £55m dividend paid to Legal & General.

Financing and cash flow

The debt facilities held during the year consisted of a revolving credit facility and overdraft totalling £400 million which expires on 30 September 2025. The debt funding is provided by a syndicate of five banks led by Bank of Scotland, NatWest and HSBC.

At 31 December 2023, the group had a net debt of £112.5 million (2022: net surplus of £17.7 million) – see the net debt table on page 37, which consisted of net bank debt of £138.8 million (2022: £0.1 million). These were offset by loans due from joint ventures of £26.3 million (2022: £23.4 million). A loan from Homes England which was held in relation to our site at Crowthorne was settled during 2023 (2022: £5.6 million).

Gearing, defined as the ratio of net bank debt to net assets, has increased to 13.4% since last year (31 December 2022: 0.1%) due to the increased levels of net bank debt held at the balance sheet date. If land creditors are added to net bank debt, gearing increases to 41.1% and 18.6% for 2023 and 2022 respectively.

Strategic Report (continued)

Financial performance review (continued)

Financing and cash flow (continued)

On the 5th February 2024 the Group concluded on two additional fixed term facilities with Legal & General Capital Investments Limited, totalling £170 million. These loans are split into 2 tranches, with £75 million expiring on 31 December 2026 and the remaining £95 million expiring on December 2027. The purpose of these loans is to allow the business to capitalise on additional land opportunities that have arisen due to less land activity being undertaken by a number of housebuilders.

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 2023 is £2.2 million (31 December 2022: surplus of £0.8 million).

The most recent published Triennial Valuation for the DB Scheme was carried out as at 6 April 2021 and agreement the recovery plan in place to eliminate the deficit remains in place. The group has continued to comply fully with this recovery plan and has made special deficit contributions into the DB Scheme during the year to 31 December 2023 of £3.1 million (2022: £5.3 million).

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.

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	
2023 – 17.5% 2022 – 19.6% 2021 – 18.3% **Definition** The ratio of gross profit (before exceptional items) to housing revenue, including 100% of joint ventures, expressed as a percentage.	**Commentary** House sales gross margin for the year decreased to 17.5% compared with 19.6% for the previous period. This decrease is due to a combination of increased incentives being required to generate sales, a reduced a rate of sale resulting in the elongation of several sites and cost inflation during 2023 not being able to be offset by increased selling prices.

Operating Margin	
2023 – 10.9% 2022 – 13.2% 2021 – 11.8% **Definition** The ratio of operating profit (before exceptional items) to total revenue, expressed as a percentage.	**Commentary** Operating margin in 2023 decreased to 10.9% (2022: 13.2%). This reduction is in line with the house sales gross margin with an additional decrease in the absorption of net operating expenses in the year.

Return On Capital Employed	
2023 – 13.0% 2022 – 18.4% 2021 – 14.9% **Definition** 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	**Commentary** Return on capital employed has decreased to 13.0% (2022: 18.4%). The decrease is due to the decrease in profitability and increased bank borrowing levels in 2023 when compared to 2022.

Operational

Home Sales	
2023 – 2,917 2022 – 3,027 2021 – 2,904 **Definition** The number of homes sold and completed including joint ventures.	**Commentary** The total number of homes sold by the group decreased in comparison to the prior accounting period by 110 units -3.6%. The number of private homes completed in 2023 was 2,239 (2022: 2,305). There was also a decrease in the number of affordable homes delivered to 678 (2022: 722).

Strategic Report (continued)

KPIs (continued)

Operational (continued)

Average Weekly Reservations Per Active Site	
2023 – 0.63 2022 – 0.62 2021 – 0.76 **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.	**Commentary** The average weekly reservation rate per active site of 0.63 (0.69 including build to rent) has marginally increased compared to the previous year (2022: 0.62). This sales rate is reflective of the excellent sales performance in the first half of 2023 followed by a more challenging sales market witnessed through the second half of 2023 due to the increase in Bank of England base rates and borrowing costs, coupled with subdued consumer confidence.

Average Weekly Revenue Per Active Site	
2023 - £315,000 2022 – £316,000 2021 – £362,000 **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.	**Commentary** The average weekly revenue per active site at £315,000 decreased slightly in the year site (2022: £316,000).

Forward Sales	
2023 – 28% 2022 – 31% 2021 – 41% **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 next financial year expressed as a percentage.	**Commentary** Forward sales at 28% equates to 640 private homes with a GDV of £307.5 million (2022: 31% and 751 private homes with a GDV of £395.7 million). This forward sales position represents an 15% decrease in units from the previous year however still provides the Group with a strong sales position going into 2024.

Overall Customer Satisfaction	
2023 – 93.2% 2022 – 95.4% 2021 – 95.0% **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.	**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 13 of the last 14 years. Whilst down on previous years, the recommend score for 2023 at 93.2% is an excellent achievement and is one of the highest in our peer group.

Strategic Report (continued)

KPIs (continued)

Operational (continued)

Annual Injury Incidence Rate (“AIIR”)

2023 - 424
2022 – 467
2021 – 370

Definition
The total number of accidents reportable under RIDDOR expressed per 100,000 employees and contractors.

Commentary
The AIIR has decreased since last year following an increase in the number of reportable accidents from 21 to 19. 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.

Reportable Accidents

2023 – 19
2022 – 21
2021 – 19

Definition
The total number of accidents reportable under RIDDOR for the year.

Commentary
The number of reportable accidents has decreased from 21 to 19. 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

2023 - £8.8 billion
2022 – £8.8 billion
2021 – £7.9 billion

Definition
The estimated revenue generated from land owned or controlled. This includes strategic sites that that have earned a planning status, and where the prospects for achieving a planning consent within a reasonable timescale are strong.

Commentary
The contracted landbank has remained consistent in the year to 31 December 2023. The number of plots decreased by 5% from 21,576 to 20,543 but an increase in the ASP of the units contained in the landbank compared with the previous year has translated to a similar level of total GDV. The planning status of the contracted landbank remains strong with 90% of GDV comprising sites with either a planning consent or an allocation for residential development within an adopted local plan. This compares with 87% at 31 December 2022.

Consented Landbank

2023 - £6.7 billion
2022 – £6.3 billion
2021 – £6.6 billion

Definition
The estimated turnover value generated from land owned or controlled with an outline or detailed planning consent.

Commentary
The consented landbank has increased slightly during the year as the number of plots has increased from 15,507 to 15,829 and the ASP has increased from £407,000 to £422,000. During 2023, 64% of the plots granted planning permission were drawn from the strategic land bank compared to 22% for 2022.

Strategic Land Pull-Through

2023 – 54%
2022 – 50%
2021 – 48%

Definition
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.

Commentary
1,584 homes sold in the year to 31 December 2023 (2022: 1,499) were from our strategic landbank or from developments controlled under conditional contracts where Cala secured a first-time planning permission. This equates to 54% of total homes sold in the year, a slight increase to the previous year. The remainder of our sites were acquired with an existing consent, most usually an outline planning permission.

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 2022
Health and Safety Risk of serious injury or death.	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. On-site safety compliance is monitored and reinforced through an in-house inspection regime and regular direct communication with subcontractors. We have a thorough training programme in place with minimum standards of competence that need to be attained based on position held. 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.	**Risk stable** The health and safety of our employees, subcontractors and customers remains the top priority for the Board.

Risk	Mitigation	Change since 2022
Economic & Political Uncertainty Uncertainty leads to a downturn in the housing market, adversely affecting profitability, cashflow and Cala's strategic growth plans.	The group has a strong balance sheet and operates with headroom in its banking facilities and has a supportive shareholder in Legal & General. 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. 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. We have a strong portfolio of high quality developments in premium locations, supported by a strong brand proposition.	**Risk stable** The board has taken various measures to mitigate the group's exposure to adverse market events, and the business has generated a strong forward sold position which partially mitigates against a market downturn in the short term.

Risk	Mitigation	Change since 2022
Raw Materials, Subcontractors and Suppliers Failure to maintain a sustainable pool of suitable Sub-Contractors and Suppliers to support the effective and quality delivery of Construction projects.	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. 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. 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.	**Risk stable** 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 and supplies in the medium term.

Strategic Report (continued)

Risk	Mitigation	Change since 2022
Planning Permission 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.	The group manages its planning risk by working collaboratively with all key stakeholders and decision makers, engaging in extensive local consultation. 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. 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. 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.	**Risk stable** With a General election expected in 2024, the planning risk remains high, but stable, due to a combination of Government sentiment in housing policy/ planning, which has led to the delay of a number of local plans, and the lack of resources in planning departments across the country which is further delaying even the simplest and non-contentious planning applications.

Risk	Mitigation	Change since 2022
Product Quality/Customer Service 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	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. Customer service delivery forms a material element of performance related pay for most employees in the group. 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.	**Risk stable** We have retained our 5 star status during the current year.

Risk	Mitigation	Change since 2022
Attracting High Calibre Employees Risk that Cala is unable to attract and retain high calibre employees.	The group offers a positive, empowered, working culture. 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. Implement regular Employee Engagement surveys. Develop an improved strategy to focus on attracting and retaining high calibre employees	**Risk stable** Whilst staff turnover in the housing industry still remains high, our own underlying attrition rates have eased during the year to 31 December 2023.

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.

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 26.

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 2023, the Board consider that the following are examples of principal decisions that it made in the year:

- **Investment in Taylor Lane Timber Frame Limited**
  Taylor Lane Timber Frame Limited, one of the UK's leading timber frame construction specialists, was acquired in May 2023. The Board believe that this investment will help drive Cala's progress towards the Group's sustainability targets and support delivery of the group's ambitious growth plans in the South of England.
- **Investment in Transformation projects.**
  The Board has completed a number of business change projects during the year, most notably the implementation of a new HR & Payroll system. We believe that our continued investment in technology will provide significant efficiencies for our teams and improve the customer journey.
- **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 2023 include the continuation of our Construction Academy for site staff, the continuation of our 'Building leaders', 'Inspire Development' and Director training programmes. We have also continued to expand our annual intake of graduates and apprentices.

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.
- **Supplementing the groups borrowing facilities.**
  The new shareholder loans provided by L&G in February 2024, in addition to the existing banking 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 enhanced in recent years by the launch of a market leading Customer Relationship Management tool.
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 continuation of initiatives such as 'Bright Ideas' and employment surveys have had a positive effect on engaging and empowering employees to make their own decisions to drive the business, whilst reducing the rate of attrition.

Strategic Report (continued)

Suppliers 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.	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.	The Board recognise the importance of maintaining good working relationships with our key suppliers. 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.
Community/wider society Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.	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.	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. Cala has continued to invest heavily in local communities, via our highly successful bursary scheme for local organisations.
External Lenders Our business continues to be part financed via a £400 million revolving credit facility which provides adequate headroom and the platform for further land acquisition and future growth.	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.	The Board recognise the importance of maintaining good working relationships with lenders. With an expiration date of September 2025, we anticipate re-financing our bank borrowing facilities during 2024, which supplemented by our shareholder loans will allow the Group to realise it's growth plans set out in the December 2023 budget.

The Strategic Report was approved by the Board on 14 March 2024.

Neil Stoddart

N J Stoddart
Director
14 March 2024

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 2023. 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 and financial risk management 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 2023.

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 met 7 times during the year ended 31 December 2023 Laura Mason and Emma Hardaker-Jones are 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 and Laura Mason are members of the Committee. The Group Chief Executive, Group People Director and Head of Legal & Group 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 People Director, the Group Development Director, the Group Operations Director, the Chief Technology Officer and two Regional Chairs. 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 4 times in 2023. The Executive Board also met formally with all of the managing directors of the regional offices (from England and Scotland) through 2 Leadership Meetings.

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 Land Investment Group is in place which comprises the Group Chief Executive, Group Finance Director, Group Operations Director, the Group Commercial Director and the two Regional Chairs. 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 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 £400 million revolving credit facility of which £150 million was drawn at the year end. This facility expires in September 2025. This was enhanced in February 2024 through the completion of two shareholder loans provided by Legal & General Capital Investments Limited. These facilities are in two tranches, with the first tranche of £75 million expiring in December 2026 and the remaining £95 million expiring in December 2027.

The Group's financial forecasts 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. These forecasts include a downside scenario which models a reduction in sale rate and sale price.

The Directors therefore believe that that the Group is well placed to withstand any reasonably possible market downturns should they 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.

Directors' Report (continued)

Dividends

A final dividend of £55m was declared during the year. £15m was paid in December 2023, with £40m subsequently paid in February 2024. In the prior year, a final dividend of £45m was declared and paid.

Political and charitable contributions

Contributions to charities during the year amounted to £217,590 (2022: £388,586). 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 (2022: 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 two non-executive directors. Laura Mason is non-executive Chair.

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 had Directors' and Officers' liability insurance in respect of itself and its Directors throughout the period.

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 UK-adopted international accounting standards 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 the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

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 UK-adopted international accounting standards;
- 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 Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

The Directors' Report was approved by the Board on 14 March 2024.

C. E. Johnson.

Emma Johnson
Head of Legal and Group Company Secretary

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

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 2023 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 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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 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 team and remained alert to any indications of fraud throughout the audit.

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 and the risk of bias in accounting estimates such as site margin recognition, cladding provision and valuation of defined benefit pension liabilities. 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 recognised.

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

We also identified a fraud risk related to inappropriate site margin recognition in response to possible pressures to meet financial targets.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted containing specific risk based keywords.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias, including assessing site margin recognition for bias.

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 other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team 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, building fire safety, 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 other 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
Saltire Court
20 Castle Terrace
Edinburgh, EH1 2EG
15 March 2024

Cala Group (Holdings) Limited

Consolidated statement of comprehensive income
for the year ended 31 December 2023

	Note	2023 Before Exceptional items and revaluations £000	2023 Exceptional items and revaluations (note 2) £000	Year ended 31 December 2023 £000	2022 Before exceptional items and revaluations £000	2022 Exceptional items and revaluations (note 2) £000	Year ended 31 December 2022 £000
Continuing operations:							
Revenue	1	1,251,616	-	1,251,616	1,324,966	-	1,324,966
Cost of sales		(1,029,887)	(20,818)	(1,050,705)	(1,065,479)	(998)	(1,066,477)
Gross profit/ (loss)		221,729	(20,818)	200,911	259,487	(998)	258,489
Net operating expenses		(85,854)	(786)	(86,640)	(84,378)	-	(84,378)
Other operating income		418	-	418	278	-	278
Operating profit/ (loss)		136,293	(21,604)	114,689	175,387	(998)	174,389
Finance income		184	-	184	116	-	116
Finance costs		(24,547)	-	(24,547)	(11,747)	-	(11,747)
Finance costs - net	5	(24,363)	-	(24,363)	(11,631)	-	(11,631)
Share of post-tax profit of joint ventures	10	418	-	418	5,421	-	5,421
Profit/ (loss) before tax	3	112,348	(21,604)	90,744	169,177	(998)	168,179
Tax on profit / (loss)	6	(31,350)	5,941	(25,409)	(37,422)	190	(37,232)
Profit for the year		80,998	(15,663)	65,335	131,755	(808)	130,947
Profit attributable to:							
Owners of the parent		80,998	(15,663)	65,335	131,758	(808)	130,950
Non-controlling interest		-	-	-	(3)	-	(3)
		80,998	(15,663)	65,335	131,755	(808)	130,947
<u>Other comprehensive income</u>							
Profit/ (loss) for the year		80,998	(15,663)	65,335	131,755	(808)	130,947
Other comprehensive income							
Re-measurements of post-employment benefit obligation	22	(6,273)	-	(6,273)	(6,059)	-	(6,059)
Movement in deferred tax relating to post-employment benefit obligation		1,819	-	1,819	1,515	-	1,515
Other comprehensive income for the year		(4,454)	-	(4,454)	(4,544)	-	(4,544)
Total comprehensive income for the year		76,544	(15,663)	60,881	127,211	(808)	126,403
Attributable to:							
Owners of the parent		76,544	(15,663)	60,881	127,214	(808)	126,406
Non-controlling interest		-	-	-	(3)	-	(3)
Total comprehensive income for the year		76,544	(15,663)	60,881	127,211	(808)	126,403

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 £5.6 million (2022: £6.1 million).

The notes on pages 47 to 77 are an integral part of these consolidated financial statements.

Cala Group (Holdings) Limited

Consolidated and Company balance sheets

At 31 December 2023	Note	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Assets					
Non-current assets					
Intangible assets	7	**52,915**	48,730	**-**	-
Property, plant and equipment	8	**20,265**	16,808	**-**	-
Investments in subsidiaries	9	**-**	-	**448,932**	448,932
Investments in jointly controlled entities	10	**3,786**	3,959	**-**	-
Available for sale financial assets	11	**88**	305	**-**	-
Trade and other receivables	13	**30,698**	30,607	**186,793**	185,844
Retirement benefit surplus	22	**-**	793	**-**	-
		107,752	101,202	**635,725**	634,776
Current assets					
Available for sale financial assets	11	**406**	459	**-**	-
Inventories	12	**1,626,243**	1,417,204	**-**	-
Trade and other receivables	13	**52,616**	66,611	**-**	-
Corporation tax		**5,524**	-	**-**	-
Cash at bank and in hand		**11,195**	19,889	**-**	-
		1,695,984	1,504,163	**-**	-
Total assets		**1,803,736**	1,605,365	**635,725**	634,776
Current liabilities					
Corporation tax		**-**	(1,058)	**(1,732)**	(1,421)
Trade and other payables	15	**(445,835)**	(435,176)	**(40,150)**	(45,150)
		(445,835)	(436,234)	**(41,882)**	(46,571)
Non-current liabilities					
Loans and borrowings	14	**(150,000)**	(25,611)	**-**	-
Trade and other payables	15	**(148,049)**	(110,696)	**-**	-
Provisions	16	**(18,910)**	-	**-**	-
Deferred tax liabilities	18	**(3,751)**	(3,729)	**-**	-
Retirement benefit deficit	22	**(2,215)**	-	**-**	-
		(322,925)	(140,036)	**-**	-
Total liabilities		**(768,760)**	(576,270)	**(41,882)**	(46,571)
Net assets		**1,034,976**	1,029,095	**593,843**	588,205
Equity					
Ordinary share capital	19	**360**	360	**360**	360
Share premium		**-**	578,864	**-**	578,864
Retained earnings brought forward		**449,871**	368,465	**8,981**	47,925
Share premium reduction		**578,864**	-	**578,864**	-
Total comprehensive income		**60,881**	126,406	**5,638**	6,056
Dividends Receivable		**-**	-	**55,000**	-
Dividends Payable	25	**(55,000)**	(45,000)	**(55,000)**	(45,000)
Retained earnings carried forward		**1,034,616**	449,871	**593,483**	8,981
Total equity		**1,034,976**	1,029,095	**593,843**	588,205

The notes on pages 47 to 77 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 14 March 2024 and were signed on its behalf by:

Neil Stoddart

Neil J Stoddart
Director

Consolidated and company statements of changes in equity
for the year ended 31 December 2023

Group

	Ordinary share capital £000	Share premium £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 31 December 2021	**360**	**578,864**	**368,465**	**947,689**	**295**	**947,984**
Profit for the year	-	-	130,950	**130,950**	**(3)**	**130,947**
Other comprehensive income for the year	-	-	(4,544)	**(4,544)**	-	**(4,544)**
Dividends paid	-	-	(45,000)	**(45,000)**	-	**(45,000)**
Distribution to minority interests	-	-	-	-	(292)	**(292)**
At 31 December 2022	**360**	**578,864**	**449,871**	**1,029,095**	**-**	**1,029,095**
Profit for the year	-	-	65,335	**65,335**	-	**65,335**
Other comprehensive income for the year	-	-	(4,454)	**(4,454)**	-	**(4,454)**
Dividends payable	-	-	(55,000)	**(55,000)**	-	**(55,000)**
Share premium reduction	-	(578,864)	578,864	-	-	-
At 31 December 2023	**360**	**-**	**1,034,616**	**1,034,976**	**-**	**1,034,976**

Company

	Ordinary share capital £000	Share premium £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
At 31 December 2021	**360**	**578,864**	**47,925**	**627,149**	-	**627,149**
Profit for the year	-	-	6,056	**6,056**	-	**6,056**
Dividends payable	-	-	(45,000)	**(45,000)**	-	**(45,000)**
At 31 December 2022	**360**	**578,864**	**8,981**	**588,205**	**-**	**588,205**
Profit for the year	-	-	5,638	**5,638**	-	**5,638**
Dividend income	-	-	55,000	**55,000**	-	**55,000**
Dividends payable	-	-	(55,000)	**(55,000)**	-	**(55,000)**
Share premium reduction	-	(578,864)	578,864	-	-	-
At 31 December 2023	**360**	**-**	**593,483**	**593,843**	**-**	**593,843**

The notes on pages 47 to 77 are an integral part of these consolidated financial statements

Cala Group (Holdings) Limited

Consolidated statement of cash flows
for the year ended 31 December 2023

	Notes	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Cash flows from operating activities			
Cash (used in)/ generated from operations	A	**(9,789)**	140,452
Interest paid		**(16,977)**	(6,363)
Corporation tax paid		**(30,450)**	(34,897)
Net cash (used in)/ generated from operating activities		**(57,216)**	99,192
Cash flows from investing activities			
Purchases of property, plant and equipment		**(10,367)**	(7,435)
Proceeds from sale of property, plant and equipment		**1,240**	23
(Loan funding to)/ repayment of loans from joint ventures		**(2,873)**	734
Acquisition of subsidiary, net of cash acquired		**(4,185)**	-
Net cash used in investing activities		**(16,185)**	(6,678)
Cashflows from financing activities			
Repayment of obligations under finance leases		**318**	2,263
Drawdown of loans		**320,000**	270,000
Repayment of loans		**(195,611)**	(345,035)
Dividends paid		**(60,000)**	(25,000)
Net cash generated from/ (used in) financing activities		**64,707**	(97,772)
Net decrease in cash and cash equivalents		**(8,694)**	(5,258)
Cash and cash equivalents at the beginning of the year		**19,889**	25,147
Cash and cash equivalents at the end of the year		**11,195**	19,889

The notes on pages 47 to 77 are an integral part of these consolidated financial statements

Cala Group (Holdings) Limited

Consolidated statement of cash flows
for the year ended 31 December 2023

A. Cash generated from operations:

	2023 £000	2022 £000
Profit for the year before corporation tax	**90,744**	168,179
Adjustments for:		
Finance costs - net	**24,363**	11,628
Share of loss/ (profit) from joint ventures	**(418)**	(5,421)
Depreciation charge	**5,976**	4,944
Gain on disposal of fixed assets	**(306)**	(12)
Retirement benefits	**(3,150)**	(5,250)
Movements in working capital:		
(Increase)/ decrease in inventories	**(209,039)**	90,392
Decrease/ (increase) in trade and other receivables	**17,107**	(9,597)
Increase/ (decrease) in trade and other payables	**64,655**	(114,651)
Decrease in available for sale financial assets	**279**	240
Cash generated from operations	**(9,789)**	140,452

B. Reconciliation of net cash flow to net debt:

	2023 £000	2022 £000
Decrease in cash in the year	**(8,694)**	(5,258)
Cash outflow/ (inflow) from increase/ (decrease) in amounts due by joint ventures	**2,873**	(1,576)
Drawdown of loans	**(320,000)**	(270,000)
Repayment of loans	**195,611**	345,035
Change in net debt resulting from cash flows	**(130,210)**	68,201
Net surplus/ (debt) as at 1 January 2023 and 1 January 2022	**17,707**	(50,494)
Net (debt)/ surplus as at 31 December 2023 and 31 December 2022	**(112,503)**	17,707

C. Analysis of net debt:

	As at 31 December 2022 £000	Cash flow £000	As at 31 December 2023 £000
Cash at bank and in hand	**19,889**	**(8,694)**	**11,195**
Loans:			
Amounts owed by joint ventures	**23,429**	**2,873**	**26,302**
Debt:			
Loans	**(25,611)**	**(124,389)**	**(150,000)**
Net debt	**17,707**	**(130,210)**	**(112,503)**

Cala Group (Holdings) Limited ('the company') and its subsidiaries (together, 'the group') are a national homebuilder. The Company is limited by shares 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 IAS 12 (Deferred tax related to assets and liabilities arising from a single transaction) from 1 January 2023**. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented. There is no material effect of adopting this amendment.
- **Amendments to IAS 12 (International Tax Reform – Pillar Two Model Rules) upon their endorsement in the UK on 19 July 2023**. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure.

  The mandatory exception applies retrospectively. However, because no legislation to implement the top-up tax was substantively enacted at 31 December 2023 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements

Changes in accounting policy and disclosures (continued)

- **Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies) from 1 January 2023.** Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies. Management reviewed the accounting policies and determined that no updates were required as a result of the amendments.
- **Amendments to IAS 8 (Definition of accounting estimates) from 1 January 2023.** The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty, and clarifying the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. There is no material effect of adopting this amendment.

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 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 £400 million revolving credit facility of which £150 million was drawn at the year end. This facility expires in September 2025. This was enhanced in February 2024 through the completion of two shareholder loans provided by Legal & General Capital Investments Limited. These facilities are in two tranches, with the first tranche of £75 million expiring in December 2026 and the remaining £95 million expiring in December 2027.

The Group's financial forecasts 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. These forecasts include a downside scenario which models a reduction in sale rate and sale price.

The Directors therefore believe that that the Group is well placed to withstand any reasonably possible market downturns should they 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.

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.

Basis of consolidation (continued)

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.

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 on 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.

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

Finance costs (continued)

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, site remediation, 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.

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.

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

Available for sale financial assets (continued)

statement of comprehensive income, with the exception 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

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

Statement of accounting policies (continued)
for the year ended 31 December 2023

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.

Trade and other payables

Trade payables 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 amount recorded 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.

Statement of accounting policies (continued)
for the year ended 31 December 2023

Leases

The Group recognises a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets are recognised at the commencement date of the lease and are measured at cost. The right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group recognises lease liabilities at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduced for the lease payments made.

The Group applies the short-term lease exemption and the low value asset recognition exemption to leases that have a lease term of 12 months or less from commencement date or are considered to be low value. Lease payments on short-term leases or leases of low value assets are charged to work in progress or operating expenses on a straight-line basis over the lease term.

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.

Statement of accounting policies (continued)
for the year ended 31 December 2023

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 2023, the carrying amount of goodwill, inclusive of goodwill generated on the acquisition of Taylor Lane Timber Frame Limited, is £44.3 million (2022: £40.1 million) and the carrying value of the indefinite life brand is £8.6 million (2021: £8.6 million), with no impairment recognised during the year ended 31 December 2023 (2022: 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 22 details the main assumptions in accounting for the group's defined benefit pension scheme along with sensitivity analysis.

Fire Safety provision

The group has carried out extensive reviews to identify the full population of buildings over which remediation work may be required. Note 16 details the main assumptions in calculating the provision along with sensitivity analysis.

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, for the year ended 31 December 2023 the net gain for the purchase and sale of part exchange properties is included as a reduction in turnover as it is regarded as a mechanism for selling. As reported costs have increased by an equal amount, there is no impact on operating profit.

2 Exceptional items and revaluations

Group	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Cost of Sales		
Site remediation	(20,818)	(998)
Administrative costs		
Restructuring costs	(551)	-
Legal costs	(235)	-
	(21,604)	(998)
Corporation tax		
Tax on above items	**5,941**	190
Total	**(15,663)**	(808)

Like many housebuilders, CALA has agreed to sign a pledge committing to remediate life critical fire safety works in buildings over 11 metres that we have played a role in developing or refurbishing over the last 30 years. Consequently, the Directors continue to review fire safety measures on historical sites. At 31 December 2023, total provisions of £18,910,000 have been made to account for remedial work required at the Group's expense, as detailed in note 16.

Following reviews of the regional business requirements going forward, restructuring costs were incurred during 2023 totalling £551,000.

Legal costs of £235,000 were incurred in relation to the acquisition of Taylor Lane Timber Frame Limited in May 2023.

Notes to the financial statements (continued)

3 Profit before taxation

	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Stated after charging / (crediting):		
Staff costs (note 4)	**117,998**	113,895
Depreciation	**5,976**	4,944
Auditor's remuneration:		
- audit of the company's financial statements	**40**	40
Fees payable to the company's auditors and its associates for other services:		
- audit of subsidiaries	**442**	412
- audit related assurance services	**25**	23
Gain on sale of property, plant and equipment	**(306)**	(12)
Rental income – leases	**(143)**	-

4 Directors and employees

Group

	Year to 31 December 2023 Number	Year to 31 December 2022 Number
The average monthly number of employees during the year, including directors, was made up as follows:		
Homebuilding: Site	**773**	650
Homebuilding: Office	**702**	646
	1,475	1,296

Employment costs during the year amount to:	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Wages and salaries	**99,067**	95,563
Social security costs	**11,161**	11,650
Other pension costs	**5,905**	5,900
Share based payments charges (note 20)	**1,865**	782
	117,998	113,895

Directors' remuneration:	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Aggregate emoluments	**2,480**	2,448
Defined contribution plan – company contributions	**20**	21
	2,500	2,469

Retirement benefits are accruing to two directors (2022: two) under the group defined benefit scheme at 31 December 2023.

4 Directors and employees (continued)

Highest paid director:	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Aggregate emoluments	**1,363**	1,250
Defined benefit pension scheme: accrued pension at 31 December 2023 and 31 December 2022	**-**	-

5 Finance income and costs

Group	Year to 31 December 2023 £000	Year to 31 December 2022 £000
Finance costs:		
Interest expense on bank loans, overdrafts and other borrowings	**17,899**	9,211
Imputed interest on deferred land payables	**6,243**	2,216
Interest on obligations under finance leases	**350**	317
Other finance costs	**55**	3
Finance costs	**24,547**	11,747
Finance income:		
Net interest on Defined Benefit Pension plan (note 22)	**(115)**	(78)
Imputed interest on available for sale financial assets	**(9)**	(25)
Interest receivable	**(60)**	(13)
Finance income	**(184)**	(116)
Net finance costs	**24,363**	11,631

Notes to the financial statements (continued)

6 Tax on profit

Group

	Year to 31 December 2023 £000	Year to 31 December 2022 £000
a) Analysis of charge in the year		
Current tax	**24,926**	36,206
Adjustments in respect of prior years	**(1,055)**	19
Total current tax	**23,871**	36,225
Deferred tax (note 18):		
Current year charge	**1,160**	887
Adjustments in respect of prior years	**378**	120
Total deferred tax	**1,538**	1,007
Total tax charge	**25,409**	37,232

b) Factors affecting tax charge for the year

To calculate the current tax on profits, a tax rate of 23.5% (2022: 19%) has been used, 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 2023 £000	Year to 31 December 2022 £000
Profit before taxation	**90,744**	168,179
Profit before taxation in the United Kingdom at 23.5% (2022: 19%)	**21,325**	31,954
Effects of:		
Residential property developer tax	**3,592**	4,564
Expenses not deductible for tax purposes	**225**	60
Adjustments in respect of prior years	**(677)**	139
Re-measurement of deferred tax – change in tax rate	**1,012**	213
Utilisation of tax losses	**-**	1
Non-taxable income	**(97)**	315
Movement on unrecognised deferred tax	**29**	(14)
Total tax charge for the year	**25,409**	37,232

c) Tax rates

The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The prevailing rate of UK corporation tax for the year therefore has increased to 23.5% (2022: 19%). The enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities, as the rate of corporation tax that is expected to apply when the majority of those deferred tax balances reverse.

Residential Property Developer Tax has been applied to trading profits arising from UK residential property development activity at a rate of 4%.

7 Intangible assets

Group

	Goodwill £000	Brand £000	Total £000
Cost			
As at 31 December 2022	40,144	8,586	**48,730**
Additions	4,185	-	**4,185**
As at 31 December 2023	44,329	8,586	**52,915**
Accumulated amortisation and impairment			
As at 31 December 2023 and 31 December 2022	-	-	-
Carrying amount at 31 December 2023	44,329	8,586	**52,915**
Carrying amount at 31 December 2022	40,144	8,586	48,730

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 2022: £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% (2022: 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 16.9% (2022: 16.3%) 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 cash generating units to which the goodwill balances apply. £40.1m of the goodwill balance arose from the integration of the legacy Banner businesses into three Cala regions following their acquisition in March 2014. A further £4.2m of goodwill arose from the acquisition of the Taylor Lane timber frame businesses in May 2023. 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% (2022: 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 16.9% (2022: 16.3%) 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.

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 2022	**19,100**	**7,698**	**8,622**	**35,420**
Additions	2,597	361	1,861	4,819
Disposals	(110)	-	(27)	(137)
At 31 December 2022	**21,587**	**8,059**	**10,456**	**40,102**
Additions	4,293	4,256	1,818	10,367
Disposals	(1,404)	-	(876)	(2,280)
At 31 December 2023	**24,476**	**12,315**	**11,398**	**48,189**
Accumulated depreciation:				
At 1 January 2022	**6,942**	**4,766**	**6,768**	**18,476**
Charge in the year	2,548	1,306	1,090	4,944
Disposals	(99)	-	(27)	(126)
At 31 December 2022	**9,391**	**6,072**	**7,831**	**23,294**
Charge in the year	2,994	1,623	1,359	5,976
Disposals	(502)	-	(844)	(1,346)
At 31 December 2023	**11,883**	**7,695**	**8,346**	**27,924**
Carrying amount at 31 December 2023	**12,593**	**4,620**	**3,052**	**20,265**
Carrying amount at 31 December 2022	12,196	1,987	2,625	16,808
Carrying amount at 1 January 2022	12,158	2,932	1,854	16,944

Right of use assets (included above):

	Land & buildings £000	Computers £000	Plant & equipment £000	Total £000
Net book value:				
Carrying amount at 31 December 2023	11,572	-	146	11,718
Carrying amount at 31 December 2022	10,954	-	187	11,141

Land and buildings are freehold and heritable.

The group's lease obligations (see note 21) are secured by the lessors' title to the leased assets, which have a carrying value of £11.6 million (2022: £11.1 million).

The company has no property, plant and equipment.

9 Investments in subsidiaries

	Company £000
Cost and carrying value of investments in subsidiary undertakings at 1 January 2023	448,932
Cost and carrying value of investments in subsidiary undertakings at 31 December 2023	**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	Dormant
Cala Homes (East) Limited *	100	31 December	Dormant
Cala Homes (West) Limited *	100	31 December	Dormant
Cala Homes (Cotswolds) Limited *	100	31 December	Dormant
Cala Homes (Chiltern) Limited *	100	31 December	Dormant
Cala Homes (Thames) Limited *	100	31 December	Dormant
Cala Homes (South Home Counties) Limited *	100	31 December	Dormant
Cala Homes (North Home Counties) Limited *	100	31 December	Dormant
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
Taylor Lane Timber Frame Limited	100	31 December	Timber frame manufacturing
Taylor Lane (Wales) Limited	100	31 December	Timber frame manufacturing

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 78-79.

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.

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 2023 £000	Group At 31 December 2022 £000
Non-current assets	**78**	78
Current assets (including cash and cash equivalents of £2.7 million (2022: £13.0 million))	**112,818**	99,854
Current liabilities	**(24,347)**	(29,052)
Non-current liabilities (including non-current financial liabilities other than trade and other payables and provisions of £59.8 million (2022: £41.2 million))	**(59,765)**	(41,242)
Net assets (100%) of jointly controlled entities	**28,784**	29,638
Group's share of net assets	**50%**	50%
Group's share of net assets	**14,392**	14,819
Elimination of intergroup balances	**(10,606)**	(10,860)
	3,786	3,959

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 2023 £000	Group Year ended 31 December 2022 £000
Revenue	**6,212**	67,813
Cost of sales	**(5,380)**	(57,424)
Interest expense	**(1,177)**	(1,684)
	(345)	8,705
Group's share of profits	**50%**	50%
Group's share of profits	**(173)**	4,353
Add back intercompany interest	**591**	1,068
Group's share of profit	**418**	5,421
Carrying amount at 1 January 2023 and 1 January 2022	**3,959**	1,793
Group's share of other comprehensive income	**(591)**	(3,255)
Carrying amount at 31 December 2023 and 31 December 2022	**3,786**	3,959

The principal joint venture companies are:

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

The above companies are incorporated in the United Kingdom.

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 2023 £000	Group At 31 December 2022 £000
At 1 January	**764**	980
Disposals	**(279)**	(241)
Imputed interest	**9**	25
At 31 December	**494**	764
Due within 12 months	**406**	459
Due greater than 12 months	**88**	305
Total at 31 December	**494**	764

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 2023.

Notes to the financial statements (continued)

12 Inventories

	Group At 31 December 2023 £000	Group At 31 December 2022 £000
Home building:		
Land and options	**1,021,571**	868,746
Part exchange inventories	**34,622**	12,315
Work in progress and other inventories	**570,050**	536,143
	1,626,243	1,417,204

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £971.5 million (2022: £1,023.9 million).

Land creditors are shown in note 15.

13 Trade and other receivables

Non-current assets	Group At 31 December 2023 £000	Group At 31 December 2022 £000	Company At 31 December 2023 £000	Company At 31 December 2022 £000
Trade receivables	**1,748**	1,142	-	-
Amounts owed by Cala group undertakings	-	-	**186,793**	185,844
Amounts owed by joint ventures	**26,750**	22,300	-	-
Other receivables	**2,200**	5,712	-	-
Prepayments and accrued income	-	1,453	-	-
	30,698	30,607	**186,793**	185,844

Current assets	Group At 31 December 2023 £000	Group At 31 December 2022 £000	Company At 31 December 2023 £000	Company At 31 December 2022 £000
Trade receivables	**24,380**	48,632	-	-
Amounts owed by L&G group undertakings	**1,793**	1,911	-	-
Amounts owed by joint ventures	-	1,129	-	-
Other receivables	**13,204**	5,712	-	-
Prepayments and accrued income	**13,239**	9,227	-	-
	52,616	66,611	-	-

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.

13 Trade and other receivables (continued)

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

	Group At 31 December 2023 £000	Group At 31 December 2022 £000
Ageing of overdue but not impaired receivables		
Less than 3 months	**9,089**	1,480
Greater than 3 months	**2,333**	2,645
	11,422	4,125

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 2023 £000	Group At 31 December 2022 £000
At start of year	**119**	392
On acquisition	**91**	-
Charge for the year	**254**	31
Unused amounts reversed	**(29)**	(304)
At 31 December 2023 and 31 December 2022	**435**	119

14 Loans and borrowings

	Group At 31 December 2023 £000	Group At 31 December 2022 £000
Current liabilities		
Loans and other borrowings	**-**	-
Non-current liabilities		
Loans and other borrowings	**150,000**	25,611

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.

14 Loans and borrowings (continued)

a) Analysis by instrument

Group	Group At 31 December 2023 £000	Group At 31 December 2022 £000
Revolving credit facility	**150,000**	20,000
Homes England loan	**-**	5,611
	150,000	25,611

The Group's banking facilities, which permit maximum borrowing of £400 million, comprise of a revolving credit facility and bank overdraft.

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 September 2025. The amended bank facilities hold a floating rate of interest of LIBOR plus a margin of between 1.75% and 2.25%, which varies depending on gearing and the achievement of sustainability performance targets.

Following our acquisition of L&G Homes Communities in 2019, the Group held a secured loan balance with Homes England. Interest is charged at 4.85%. The loan balance was repaid in full during the reporting period.

b) Borrowing facilities

The Group had undrawn committed borrowing facilities of £250.0 million at 31st December 2023 (2022: £380.0 million) in respect of which all conditions precedent had been met.

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.

d) Maturity analysis

Repayments due as follows:

	Group 31 December 2023 £000	Group 31 December 2022 £000
Within one year or on demand	-	-
After more than one year	150,000	25,611
	150,000	25,611

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

	Group 31 December 2023 £000	Group 31 December 2022 £000
Between one and two years	150,000	5,611
Between two and three years	-	20,000
	150,000	25,611

Notes to the financial statements (continued)

15 Trade and other payables

Current liabilities:	Group 31 December 2023 £000	Group 31 December 2022 £000	Company 31 December 2023 £000	Company 31 December 2022 £000
Trade payables:				
Land – in development	**101,073**	104,721	**-**	-
Land – not in development	**57,264**	15,025	**-**	-
Other	**196,396**	195,360	**-**	-
	354,733	315,106	**-**	-
Amounts owed to L&G group companies	**51,998**	62,815	**40,000**	45,000
Amounts owed to joint ventures	**448**	-	**-**	-
Lease liabilities	**3,346**	3,660	**-**	-
Other taxation and social security costs	**2,525**	7,043	**-**	-
Other payables	**5,297**	10,320	**-**	-
Accruals and deferred income	**27,488**	36,232	**150**	150
	445,835	435,176	**40,150**	45,150

Non-current liabilities:	Group 31 December 2023 £000	Group 31 December 2022 £000
Trade payables:		
Land – in development	**45,668**	71,866
Land – not in development	**81,508**	-
Other	**12,576**	23,309
	139,752	95,175
Lease liabilities	**8,297**	7,315
Amounts owed to L&G group companies	**-**	8,206
	148,049	110,696

Total trade payables include amounts of £285.5 million (2022: £193.1 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.

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

16 Provisions

	Fire Safety provision £000	Group Total £000
Opening balance at 1 January 2023	-	-
Provisions made during the year	18,910	**18,910**
Balance at 31 December 2023	**18,910**	**18,910**

The Building Safety Act (the "Act") received royal assent on 28 April 2022. A 30-year retrospective limitation period for claims against construction product manufacturers and also for claims under the Defective Premise Act 1972 ("DPA") has been introduced in respect of buildings over 11 metres in height. Cala Group (Holdings) Limited signed a Deed of Bilateral Contract on 13th March 2023. Prior to this the Group had already commenced works to rectify some known issues in Scotland. The Scottish equivalent of the Act remains to be finalised and passed by the Scottish Parliament.

The group has carried out extensive reviews to identify the full population of buildings over which remediation work may be required although it is acknowledged that there remains a risk that further buildings may be identified. Within this population of buildings, the extent of remediation work varies ranges from fire stopping works to cladding system removal and replacement. Where cladding work is required management have engaged with independent external experts to estimate the extent and costs of works involved. In relation to fire stopping works management has estimated a cost of £5,800 per apartment and a likelihood of this being required over all apartments of 20%. These estimates have resulted in the recognition of a provision in the current year of £18.9 million.

The timing of works and hence cash outflows are difficult to predict, however it is has been assumed that the impact of discounting of the provision would be materially offset by additional cost inflation.

The full investigation and evaluation of impacted buildings will continue and the legislation covering building safety in Scotland is subject to finalisation and change. It is therefore possible the estimates attached to this provision will change over time. Additionally, the Group considers the supply chain should take its fair share of responsibility and will seek to recover costs where appropriate.

The sensitivity of the provision to changes in key assumptions is as follows:

Change in assumption	**Impact on Fire Safety provision £000**
10% increase in cost of cladding removal and replacement	1,495
10% increase in cost per apartment for fire stopping works	714
10% increase in number of impacted apartments	825

17 Financial risk management

The principal operational risks of the business are detailed on pages 21-22.

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 2023 these assets were carried at a fair value of £0.5 million (2022: £0.8 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 £0.03 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 2023, UK interest rates had been 0.5% higher / lower, then the group's pre-tax profit would have increased / decreased by £0.8 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.

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.

Notes to the financial statements (continued)

17 Financial risk management (continued)

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 17.

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 2023	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	**150,000**	**150,000**	**-**	**150,000**	**-**	**-**
Lease Liabilities	**11,643**	**14,047**	**2,519**	**2,189**	**6,565**	**2,774**
Trade and other payables	**241,757**	**241,757**	**229,181**	**12,576**	**-**	**-**
Land payables	**285,513**	**296,998**	**161,221**	**96,759**	**39,018**	**-**
Financial liabilities	**688,913**	**702,802**	**392,921**	**261,524**	**45,583**	**2,774**

At 31 December 2022	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	25,611	23,504	-	5,611	17,893	-
Lease liabilities	10,975	12,781	2,506	1,755	5,264	3,256
Trade and other payables	265,221	265,221	241,912	23,309	-	-
Land payables	191,612	199,263	137,041	43,284	18,938	-
Financial liabilities	493,419	500,769	381,459	73,959	42,095	3,256

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

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

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.

For private home sales 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. The level of credit risk for social housing is further reduced as milestone payments are made throughout the development of social housing. In certain specific circumstances the Group has entered shared equity loan arrangements (not applicable to the Company) which are classified as available for sale financial assets. The group has £0.5 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.

17 Financial risk management (continued)

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 reflects a net debt position of £112.5 million (2022: net surplus of £17.7 million) being borrowings as detailed in note 14 offset by cash and bank balances and amounts owed by joint ventures, and equity of the group of £1,035.0 million (2022: £1,029.1 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.

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 2023 £000	**Carrying value At 31 December 2023 £000**	**Fair Value at 31 December 2022 £000**	**Carrying Value at 31 December 2022 £000**
Loans and receivables:				
Trade and other receivables (note 13)	**41,532**	**41,532**	61,198	61,198
Cash and cash equivalents	**11,195**	**11,195**	19,889	19,889
Assets:				
Available for sale financial assets (note 11)	**494**	**494**	764	764
Total financial assets	**53,221**	**53,221**	81,851	81,851

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

Notes to the financial statements (continued)

17 Financial risk management (continued)

Financial liabilities

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

Group

	Fair Value At 31 December 2023 £000	Carrying Value At 31 December 2023 £000	Fair Value at 31 December 2022 £000	Carrying Value at 31 December 2022 £000
Financial liabilities at amortised cost:				
Land payables (note 15)	**285,513**	**285,513**	191,612	191,612
Lease liabilities (note 15)	**11,643**	**11,643**	10,975	10,975
Trade and other payables (note 15)	**241,757**	**241,757**	265,221	265,221
Borrowings (note 14)	**150,000**	**150,000**	25,611	25,611
Total financial liabilities	**688,913**	**688,913**	493,419	493,419

Trade and other payables exclude 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).

17 Financial risk management (continued)

Group

At 31 December 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial assets	-	-	494	494
Total	-	-	494	494

At 31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial assets	-	-	764	764
Total	-	-	764	764

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 £0.01m.

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.

18 Deferred taxation

The deferred tax liabilities / (assets) recognised comprises:

Group	31 December 2023 £000	31 December 2022 £000
Accelerated capital allowances	**(1,615)**	(1,892)
Retirement benefit obligation	**(642)**	198
Other timing differences	**6,008**	5,423
Deferred tax liabilities:		
Amount provided	**3,751**	3,729
Amount not provided	**-**	(36)

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

	Accelerated capital allowances £000	Retirement benefit obligations £000	Other timing differences £000	Total £000
At 1 January 2023	(1,892)	198	5,423	**3,729**
Arising on acquisition of subsidiary	303	-	-	**303**
Charged/ (credited) to the income statement	(26)	979	585	**1,538**
Credited to other comprehensive income	-	(1,819)	-	**(1,819)**
At 31 December 2023	**(1,615)**	**(642)**	**6,008**	**3,751**

The group has no unrelieved tax losses carried forward as at 31 December 2023 (2022: £nil).

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 £nil at 31 December 2023 (2022: £nil).

Notes to the financial statements (continued)

19 Ordinary share capital

	At 31 December 2023 Number of Shares	At 31 December 2022 Number of Shares
Equity share capital:		
'A' ordinary shares of £1.00 each (2021: £1.00)	**190,313**	190,313
'B' ordinary shares of £1.00 each (2021: £1.00)	**56,168**	56,168
'C' ordinary shares of £1.00 each (2021: £1.00)	**31,198**	31,198
'D' ordinary shares of £1.00 each (2021: £1.00)	**25,431**	25,431
'E' ordinary shares of £1.00 each (2021: £1.00)	**25,431**	25,431
'F' ordinary shares of £1.00 each (2021: £1.00)	**25,972**	25,972
'G1' ordinary shares of £1.00 each (2021: £1.00)	**4,508**	4,508
'G2' ordinary shares of £1.00 each (2021: £1.00)	**769**	769
'H1' ordinary shares of £1.00 each (2021: £1.00)	**133**	133
'H2' ordinary shares of £1.00 each (2021: £1.00)	**24**	24
'H3' ordinary shares of £1.00 each (2021: £1.00)	**1**	1
At 31 December 2023 and 31 December 2022	**359,948**	359,948

	At 31 December 2023 £000	At 31 December 2022 £000
Equity share capital:		
'A' ordinary shares of £1.00 each (2021: £1.00)	**190**	190
'B' ordinary shares of £1.00 each (2021: £1.00)	**56**	56
'C' ordinary shares of £1.00 each (2021: £1.00)	**31**	31
'D' ordinary shares of £1.00 each (2021: £1.00)	**25**	25
'E' ordinary shares of £1.00 each (2021: £1.00)	**26**	26
'F' ordinary shares of £1.00 each (2021: £1.00)	**26**	26
'G1' ordinary shares of £1.00 each (2021: £1.00)	**5**	5
'G2' ordinary shares of £1.00 each (2021: £1.00)	**1**	1
'H1' ordinary shares of £1.00 each (2021: £1.00)	**-**	-
'H2' ordinary shares of £1.00 each (2021: £1.00)	**-**	-
'H3' ordinary shares of £1.00 each (2021: £1.00)	**-**	-
At 31 December 2023 and 31 December 2022	**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. 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.

20 Share-based payments

The Group 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 Group 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 Group recognised total expenses of £0.4 million related to these share-based payment transactions in the year to 31 December 2023 (2022: £0.8 million)

The Group 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. The charge for the year ended 31 December 2023 in relation to the scheme was £1.9m (2022: £4.4m).

21 Leases

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

Leases under IFRS 16	**2023 £000**	**2022 £000**
Interest expense on lease liabilities	**350**	317
Depreciation of right-of-use assets	**2,660**	2,524
	3,010	2,841

Lease Liabilities

The carrying value of the groups lease commitments under IFRS 16 is £11.6 million at 31 December 2023 (2022: £11.0 million). At 31 December 2023 the Group had the following lease commitments:

	At 31 December 2023 £000	**At 31 December 2022 £000**
No later than 1 year	**2,519**	**2,506**
Later than 1 year and no later than 5 years	**8,754**	**7,018**
Later than 5 years	**2,774**	**3,256**
	14,047	**12,780**

Lease payments primarily represent rentals payable by the Group for certain office properties and motor vehicles.

All lease obligations are denominated in sterling.

Notes to the financial statements (continued)

21 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 2023	**10,954**	**187**	**11,141**
Additions	4,178	176	**4,354**
Depreciation charge for year	(2,443)	(217)	**(2,660)**
Disposals	(1,117)	-	**(1,117)**
At 31 December 2023	**11,572**	**146**	**11,718**

22 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 expenses.

The Scheme is a funded, defined benefit scheme which closed to future accrual on 31 December 2015. 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. No past services costs have been reported in the current year (2022: £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 scheme implements Liability driven investment (LDI) to seek to manage its interest rate and inflation risks as part of its wider investment strategy.

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

Group	**At 31 December 2023 £000**	**At 31 December 2022 £000**
Fair value of plan assets	60,550	58,928
Present value of funded obligations	(62,765)	(58,135)
(Deficit)/ surplus of funded plans	(2,215)	793
(Liability)/ asset in the balance sheet	(2,215)	793

22 Retirement benefits (continued)

The movement in the net defined benefit surplus/ (obligation) over the year is as follows:

Group	2023 Present value of obligation £000	2023 Fair value of plan assets £000	2023 Total £000	2022 Present value of obligation £000	2022 Fair value of plan assets £000	2022 Total £000
At 1 January	**(58,135)**	**58,928**	**793**	(94,780)	96,304	1,524
Interest (expense)/ income	**(2,767)**	**2,882**	**115**	(1,761)	1,839	78
Amounts recognised in profit and loss	**(2,767)**	**2,882**	**115**	(1,761)	1,839	78
Re-measurements:						
- Return on plan assets excluding amounts included in interest income	**-**	**(1,042)**	**(1,042)**	-	(40,225)	(40,225)
- Gain / (loss) from change in demographic assumptions	**1,660**	**-**	**1,660**	38	-	38
- Gain / (loss) from change in financial assumptions	**(2,964)**	**-**	**(2,964)**	34,128	-	34,128
- Experience gains / (losses)	**(3,927)**	**-**	**(3,927)**	-	-	-
Amounts recognised in other comprehensive income	**(5,231)**	**(1,042)**	**(6,273)**	34,166	(40,225)	(6,059)
Contributions:						
- Employers	**-**	**3,150**	**3,150**	-	5,250	5,250
- Benefit payments	**3,368**	**(3,368)**	**-**	4,240	(4,240)	-
At 31 December	**(62,765)**	**60,550**	**(2,215)**	(58,135)	58,928	793

The significant actuarial assumptions were as follows:

	2023	**2022**
Discount rate	**4.60%**	4.90%
RPI inflation	**3.10%**	3.15%
CPI	**2.40%**	2.25%
Pension increase:		
RPI subject to a min of 3.00% p.a. and max of 5.00% p.a.	**3.75%**	3.60%
RPI subject to a max of 2.50% p.a.	**1.85%**	2.15%
CPI subject to a max of 3.00% p.a.	**1.95%**	2.00%
Base mortality	**S3PxA, based on members' year of birth. Scaling results in line with the initial results of the 6 April 2021 actuarial valuation**	S3PxA, based on members' year of birth. Scaling results in line with the initial results of the 6 April 2021 actuarial valuation
Future improvements	**CMI 2022 projections with long term trend of 1.00% p.a. (A=0%, Sk=7.0, w2022 = 25%)**	CMI 2020 projections with long term trend of 1.00% p.a. (A=0%, Sk=7.0, w2020/2021 = 0%)

22 Retirement benefits (continued)

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:

	2023	2022
- Male	**21.7**	**22.2**
- Female	**23.4**	**23.8**
Retiring 20 years after the end reporting period:		
- Male	**22.6**	**23.2**
- Female	**24.5**	**25.0**

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

	Impact on defined benefit obligation	
	Change in assumption	**Increase in DBO £'000**
Discount rate	-0.10%	1,031
RPI inflation	+0.10%	466
Life expectancy	+1 year	1,921

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:

	2023 £000	2022 £000
Equities	**10,406**	9,611
Diversified growth fund	**8,197**	-
Global infrastructure	**8,730**	8,048
Sustainable corporate bond fund	-	1,133
Liability Driven Investment (LDI)	**24,236**	21,669
Multi Asset Credit (MAC)	-	124
Distressed Debt Fund	-	9,538
Cash and cash equivalents	**8,981**	8,805
Total	**60,550**	58,928

Included within the plan assets above as at 31st December 2023 are £24.2m of LDI and £6.8m of Cash and cash equivalents which are quoted. All other assets are unquoted.

22 Retirement benefits (continued)

The Scheme holds both quoted and 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.

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.

Since the prior year end shorter-term inflation has notably exceeded the long-term assumptions which feeds through as an experience adjustment to the benefit obligations, recognised within Other Comprehensive Income ('OCI'). For the 2023 year end we have made allowance within the benefit obligations for anticipated 2024 increases and known 2023 increases, which result in an experience loss within OCI.

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 14 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 2025. 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 2024 are £4.1 million. Funding levels are monitored on an annual basis. The latest triennial valuation of the scheme as at 6 April 2021 was finalised on 1 June 2022.

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 2023 of £5.9 million (2022: £5.9 million) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2023 all contributions due in respect of the current reporting period had been paid over to the schemes (2021: all).

23 Contingent liabilities

	Group At 31 December 2023 £000	Group At 31 December 2022 £000
Bank guarantees	**67**	67
Indemnities for performance bonds	**102,546**	92,724

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.

Like many housebuilders, CALA has agreed to sign a pledge committing to remediate life critical fire safety works in buildings over 11 metres that we have played a role in developing or refurbishing over the last 30 years. As noted in note 2 and note 16, we have made provision for remediation costs which are known and can be reliably measured at this time. There is a possibility that further costs will materialise in the coming years following our commitment to the pledge, however at this time these have not been identified or valued.

24 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 2023 £000	At 31 December 2022 £000
Relating to joint ventures:		
Amounts owed by joint ventures	**26,750**	23,429
Amounts owed to joint ventures	**(448)**	-

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 2023 £000	Year to 31 December 2022 £000
Key management remuneration:		
Salaries and other short-term employee benefits	**4,767**	4,452
Post-employment benefits	**102**	102
	4,869	4,554

Key management personnel comprises the 9 members of the executive board (2022: 8).

Transactions with related parties:

The following balances remain outstanding at 31 December 2023:

A receivable of £397,907 is due from Legal & General Affordable Homes Limited in relation to social housing contracts.

A receivable of £559,200 is due from Legal & General Suburban BTR (Development) Limited in relation to a land sale.

A receivable of £464,068 is due from Legal & General SBTR (Crowthorne 1) Limited in relation to housing contracts.

A receivable of £6,560 is due from Legal & General SBTR (Crowthorne 2) Limited in relation to housing contracts.

A receivable of £75,326 is due from Legal & General Capital Investments Limited in relation to staff costs.

A receivable of £289,660 is due from Legal & General Strategic Land Ltd in relation to staff cost recharges.

A payable of £325,467 is due to Legal and General Affordable Homes in relation to social housing contracts.

A payable of £43,467,103 is due to Legal & General Capital Investments Limited in relation to dividend payments, staff costs and a carbon reduction commitment contribution.

A payable of £8,206,000 is due to Legal & General (Strategic Land North Horsham) Ltd in relation to a land purchase.

25 Dividends

Dividends:	Group 31 December 2023 £000	Group 31 December 2022 £000	Company 31 December 2023 £000	Company 31 December 2022 £000
Final	**55,000**	45,000	**55,000**	45,000
	55,000	45,000	**55,000**	45,000

A final dividend of £55 million was declared in December 2023. £15m was paid to the immediate parent company, Haut Investments 2 Limited, in December 2023, with the remaining £40m paid in February 2024. No further dividends have been declared or paid.

26 Acquisitions of subsidiaries

The Group acquired 100 per cent of the issued share capital of Taylor Lane Timber Frame Ltd and Taylor Lane Wales Ltd ("Taylor Lane") on 3rd May 2023. The acquired entities are timber frame construction specialists which were acquired to support Cala's transition to timber frame across all the homes the group builds in England.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	£000
Property, plant and equipment	**1,329**
Inventory	**1,923**
Financial assets	**5,756**
Financial liabilities	**(2,494)**
Total identifiable net assets	**6,514**
Goodwill	**4,185**
Total	**10,699**
Satisfied by:	
Cash	**8,066**
Deferred consideration	**2,633**
Total consideration transferred	**10,699**

The goodwill of £4.2m arising from the acquisition consists of an experienced existing team of management and employees running a profitable business with a strong order book and capacity for growth, with positive prospects of increased demand for a specialised product which will assist delivery of wider housing industry carbon reduction strategies in the coming years. None of the goodwill is expected to be deductible for corporation tax purposes.

Acquisition related costs of £0.2m have been charged to administrative expenses in the consolidated statement of comprehensive income and shown as an exceptional item (note 2).

Taylor Lane contributed £17.4m revenue and £0.4m to the group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Taylor Lane been completed on the first day of the financial year, the impact on group revenues for the period would have been £26.1m and on group profit would have been (£0.5m).

27 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 2023 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 *	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (Cotswolds) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (Chiltern) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (Thames) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (West) Limited *	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (North) Limited *	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (North Home Counties) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (South Home Counties) Limited *	Dormant	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	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Management Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Construction Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Central Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Bentley Priory Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Ventures Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Developments Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Southern Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Homes Midlands Limited	Dormant	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	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (Scotland) Limited	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (Southern) Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (Yorkshire) Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner Freehold Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
The Advantage Collection Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Banner (Spare) Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Jimcourt Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Care Secured Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Taylor Lane Timber Frame Limited	Timber frame manufacturing	54 The Causeway, Staines, Surrey, TW18 3AX
Taylor Lane (Wales) Limited	Timber frame manufacturing	54 The Causeway, Staines, Surrey, TW18 3AX

* Agent of Cala Management Limited
** An audit exemption will be taken under section 479A of the Companies Act for the financial period ended 31 December 2023 as Cala Group (Holdings) Limited has granted a guarantee in respect of this exemption from audit for the whole accounting period.