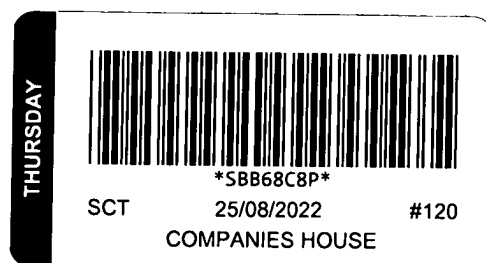


Registered number: SC013655

Cala Management Limited
Annual Report and Accounts
for the year ended 31 December 2021



Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

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Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Directors and advisers

Directors

K Whitaker
N J Stoddart
J Wylie
G P Banfield
N P Twine
L F Poole
D T McGrath

Company secretary

Ledge Services Limited

Registered office

Adam House
5 Mid New Cultins
Edinburgh
EH11 4DU

Independent auditor

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

Bank of Scotland

Bank of Scotland
The Mound
Edinburgh
EH11YZ

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Strategic Report

The strategic report contains information which has been provided for the purpose of assisting shareholders, as a body, in assessing the strategies adopted by the Company and the potential for those strategies to succeed. Any forward-looking statements have been made in good faith based on the information available at the time of approval of this report. These include the challenges currently being presented by COVID-19 and Brexit. As a result, actual outcomes may be different from those anticipated because of the inherent risks in the markets in which the Company operates, and no assurances can be given about any such statements.

Business overview

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

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

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

We are differentiated by our clear focus on a market segment that comprises an equity-rich and financially resilient customer base. At £462,000, we continue to have the highest private average selling price ('ASP') of the top 10 major UK homebuilders outside central London.

Transfer of trade from L&G Homes Communities

Following a review of operations in 2020, the group have decided that the 4 sites within the Legal & General Homes Communities SPV entities should be transferred into Cala Management Limited. Consequently, the trade and assets of Legal & General Homes Communities (Didcot) Limited was transferred into the business in Q2 2021. This follows the transfer of the 3 more developed sites at Crowthorne, Finchampstead and Shrivenham during the final quarter of 2020. The acquisition by Cala Management Limited represents an internal reorganisation within the wider Cala group and therefore the assets and liabilities have been transferred at book value, with the sites now being managed by our Thames and Midlands regional businesses. No cash consideration was made as part of this transaction and consequently an intercompany creditor has been created with the relevant SPV entities to reflect the value of net assets transferred.

The book value of the assets and liabilities transferred into the company have been outlined within note 20.

Business model

Our business model is founded on contracting or acquiring at an optimal price, sufficient land in premium locations within our areas of operation and we rely on the skills of our project teams to secure appropriate planning permission.

We work with selected sub-contractors to deliver a variety of high quality homes, from apartments to detached houses, which we sell predominantly to owner occupiers but our customers also include investors and affordable housing providers.

Our business model is explained more fully in the "Our Strategy and Ambition" section of the Strategic Report in the Annual Report and Accounts of Cala Group (Holdings) Limited, registered number 08428265.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Strategic Report (continued)

Strategy

Cala's principal strategic objective is to reinforce our position as a leading, UK provider of desirable new homes by increasing our presence in the premium segment of the market in our areas of operation.

We will ensure our strategy generates value for our shareholder, Legal & General Capital Investments Limited, in a responsible and controlled manner by adopting key financial, cultural and sustainable principles.

In the absence of a material adverse change in market conditions arising from COVID-19, the Company is exceptionally well placed to deliver its strategy.

Our strategy is explained more fully in the "Our Strategy and Ambition" section of the Strategic Report in the Annual Report and Accounts of Cala Group (Holdings) Limited, registered number 08428265.

Market review

It is pleasing to see that the demand for new homes has been strong across the country. A significant bounce back from the national lockdowns of 2020 and 2021, with pent-up demand, Government Incentives and people making lifestyle choices fuelling this level of demand. There are clearly continued economic uncertainties in terms of interest rate rises and significant pressure on cost inflation, however the high level view for housing, under supply, and relatively low cost of mortgages provide fundamental optimism for the year ahead.

Help To Buy continues to have a very limited direct impact on Cala due to our market positioning and ASP and the % of our private completions for 2021 utilising the scheme has reduced to 4% (2020: 25%), reflecting the mix of product availability during 2021 and the introduction of regional price caps. Our use of Help to Buy remains much less than the majority of national homebuilders.

Business review and financial performance

The business has performed strongly during 2021 and has delivered a profit before tax, revaluations and exceptional items of £90.2 million for the year to 31 December 2021 (2020: loss of £10.6 million) on revenue of £1,197.6 million (2020: £647.0 million). The year-on-year profit increase of £79.6 million reflects the positive impact of 12 months of continuous trading with no site closures during 2021, as well as the strong market conditions that were evident in the year.

Net assets of the Company increased by 39.7% during the year to £300.3 million (2020: £214.9 million). This uplift is due to the record profits generated during the year.

Exceptional Items

Revaluations and exceptional items before tax were a net charge of £0.8 million before tax for the year. This comprises of an increase in the provision for remedial items relating to fire safety in light of the Grenfell disaster. No further exceptional costs have been reported in respect of COVID-19, with the cost of new working practices absorbed within gross margin. The Company did not benefit from any grant income under the Government's CJRS funding scheme.

Key performance indicators ("KPIs")

The directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the performance or position of the Company on its own. However, KPIs are used to illustrate and explain the performance of Cala Group (Holdings) Limited, which includes the Company, and these can be found in the "Key performance indicators" section of Strategic Report in the Annual Report and Accounts of Cala Group (Holdings) Limited, registered number 08428265.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Strategic Report (continued)

Risk management

The operation of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks currently affecting the Company relate to:

- Health and safety, including alterations to our sites in respect of COVID-19
- Market uncertainty and the general economic background following COVID-19
- Impacts of EU withdrawal
- Skilled tradesmen
- Planning permission
- Key personnel
- Premium brand and reputation
- Growth management
- Financial risk and treasury management

The management and mitigation of risks and uncertainties is performed at a wider group level and these are discussed in the "Risk management" section of the Strategic Report in the Annual Report and Accounts of Cala Group (Holdings) Limited, registered number 08428265. For this reason, the directors believe that it is not necessary or appropriate to review the Company's risks in this report.

Sustainability

Cala's approach to sustainability is encapsulated in the phrase "Building for today, planning for tomorrow" which is the theme of our comprehensive Sustainability Report, published on our website at www.Cala.co.uk/sustainability.

Cala has ambitious growth plans for the next few years and we recognise that as our business grows so does our impact and responsibility. Given the scale of our expansion plans we have invested considerable time and resource during the period to best balance the social, environmental and financial considerations that drive a sustainable business.

As a company we have a strong desire to have a positive, lasting, impact on everything we do that ensures we leave a valuable legacy. This starts by striving to give our customers the highest quality product and best service we can throughout their journey with Cala. Integral to this is excellent teamwork from our staff that maximises opportunity and talent, coupled with effective trusted relationships with our subcontractors.

We are a responsible homebuilder, committed to the principle of delivering sustainable developments borne out of a design-led consultative approach that is genuine. Our aim is always to create attractive new places that accentuate the positive attributes of the local environment and can be enjoyed by the local community not just in the present but in the years to come.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Strategic Report (continued)

Employees

The Company is an equal opportunities employer and believes that employee involvement is fundamental to its future success. The directors are committed to creating a business which gives every employee the opportunity to achieve their potential in a supportive but challenging working environment. Training is given a high priority and all employees are encouraged to take responsibility for their own personal development.

We know the future of work is changing and 2021 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.

We believe it is essential to engage and communicate effectively with our staff and to that end we provide regular updates on operational developments and the financial performance of the group using e-mail and our intranet.

Regular staff briefings are hosted remotely through regional and head offices.

Disabled people are employed on equal terms as others and have equal opportunities for training and development. Every effort is made to provide continuous employment for employees who become disabled whilst in employment.

The Strategic Report was approved by the board on 31 May 2022.



Neil Stoddart
Director

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Directors' Report

The directors present their report and audited financial statements of the Company for the year ended 31 December 2021. 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 Group PLC, the ultimate parent company. Details of employee engagement have been set out within the Strategic report.

Directors

The names of the current directors and changes in directorships during the year and up to the date of approval of the annual report and financial statements, are listed on page 1.

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 year and remains in place. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Modern slavery

Legal & General Group Plc and its global subsidiaries recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free.

Legal & General's full modern slavery statement can be found at <https://www.legalandgeneralgroup.com/>.

Dividends

No dividends have been proposed or paid during the year (2020: nil).

Going Concern

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

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

The Company, and wider group, manages its short and medium term cash requirements through a combination of cash balances and a £350 million revolving credit facility of which £90m was drawn at the year end. This facility expires in July 2023.

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

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

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

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

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Directors' Report (continued)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

In accordance with section 487 of the Companies Act 2006, an elective resolution has been passed by shareholders in order to dispense with the need to hold annual general meetings and to appoint an auditor annually. KPMG LLP shall therefore continue as auditor to the company.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

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

The Director's report was approved by the board on 31 May 2022.



Peter Murray
For and on behalf of Ledge Services Limited
Company secretary

Independent auditor's report to the members of Cala Management Limited

Opinion

We have audited the financial statements of CALA Management Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity 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 Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*, and
- 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 Company 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 Company or to cease its operations, and as they have concluded that 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 its 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 Company's business model and analysed how those risks might affect the 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 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 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 and inspection of policy documentation as to the Company's high level policies and procedures to prevent and detect fraud and the Company'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 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.

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

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

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-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 Company 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 Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company'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 Management 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 7, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

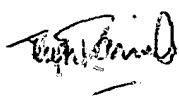
Auditor's responsibilities

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
3rd Floor
Saltire Court
Edinburgh
EH1 2EG
1 June 2022

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Profit and loss account

For the year ended 31 December 2021

		Year to 31 December 2021 Before exceptional items	Year to 31 December 2021 Exceptional items (note 4)	Year to 31 December 2021	Year to 31 December 2020 Before exceptional items	Year to 31 December 2020 Exceptional items (note 4)	Year to 31 December 2020
	Note	£000	£000	£000	£000	£000	£000
Revenue	1	1,197,572	-	1,197,572	646,977	-	646,977
Cost of sales		(983,952)	(769)	(984,721)	(556,554)	(14,120)	(570,674)
Gross profit / (loss)		213,620	(769)	212,851	90,423	(14,120)	76,303
Administrative expenses		(72,785)	-	(72,785)	(52,531)	(2,769)	(55,300)
Other operating income		121	-	121	173	-	173
Operating profit / (loss)		140,956	(769)	140,187	38,065	(16,889)	21,176
Interest receivable and similar income	2	48	-	48	86	-	86
Interest payable and similar expenses	3	(50,790)	-	(50,790)	(48,717)	-	(48,717)
Profit / (loss) before taxation	5	90,214	(769)	89,445	(10,566)	(16,889)	(27,455)
Tax on profit / (loss)	7	(15,918)	146	(15,772)	2,626	3,209	5,835
Profit / (loss) for the financial year	14	74,296	(623)	73,673	(7,940)	(13,680)	(21,620)

All operations are continuing.

The notes on pages 21-37 form an integral part of these financial statements.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of comprehensive income

For the year ended 31 December 2021

	Note	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Profit / (loss) for the financial year		73,673	(21,620)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements of post-employment benefit obligations	17	14,550	(6,039)
Movement in deferred tax relating to post employment benefit obligations		(2,765)	1,147
Other comprehensive expense for the financial year		11,785	(4,892)
Total comprehensive income/ (loss) for the financial year		85,458	(26,512)

The notes on pages 21-37 form an integral part of these financial statements.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

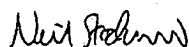
Balance sheet

At 31 December 2021

	Note	At 31 December 2021 £000	At 31 December 2020 £000
Non-current assets			
Property, plant and equipment	8	16,923	16,884
Investments	9	502	502
Retirement benefit surplus	17	1,524	-
		<u>18,949</u>	<u>17,386</u>
Current assets			
Inventories	10	1,486,501	1,363,697
Trade and other receivables – amounts falling due within one year	11	71,134	57,799
Trade and other receivables – amounts falling due after one year	11	22,618	16,340
Cash and cash equivalents		38,563	40,409
		<u>1,618,816</u>	<u>1,478,245</u>
Current liabilities			
Trade and other payables	12	(1,102,168)	(1,094,136)
Loans and borrowings	18	(5,237)	(394)
		<u>(1,107,405)</u>	<u>(1,094,530)</u>
Net current assets		<u>511,411</u>	<u>383,715</u>
Total assets less current liabilities		<u>530,360</u>	<u>401,101</u>
Non-current liabilities			
Trade and other payables	12	(224,630)	(159,212)
Loans and borrowings	18	(5,407)	(10,000)
Pension liability	17	-	(17,024)
		<u>(230,037)</u>	<u>(186,236)</u>
Net assets		<u>300,323</u>	<u>214,865</u>
Capital and reserves			
Called up share capital	13	173,514	173,514
Profit and loss account	14	126,809	41,351
Total shareholders' funds		<u>300,323</u>	<u>214,865</u>

The notes on pages 21-37 form an integral part of these financial statements.

The financial statements of Cala Management Limited (registration number SC013655) were approved by the board of directors on 31 May 2022 and were signed on its behalf by:



N J Stoddart
Director

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 31 December 2019	173,514	67,863	241,377
Loss for the financial year	-	(21,620)	(21,620)
Other comprehensive (expense)/ income for the financial year:			
- Actuarial loss on defined benefit obligations	-	(6,039)	(6,039)
- Deferred tax on actuarial loss on defined benefit obligations	-	1,147	1,147
At 31 December 2020	173,514	41,351	214,865
Profit for the financial year	-	73,673	73,673
Other comprehensive (expense)/ income for the financial year:			
- Actuarial gain on defined benefit surplus	-	14,550	14,550
- Deferred tax on actuarial gain on defined benefit surplus	-	(2,765)	(2,765)
At 31 December 2021	173,514	126,809	300,323

The notes on pages 21-37 form an integral part of these financial statements.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of accounting policies

1. General information

Cala Management Limited (the Company) is a private company registered, incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 5.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions including key management personnel.

Where relevant, equivalent disclosures have been given in the group accounts of Cala Group (Holdings) Limited. The group accounts of Cala Group (Holdings) Limited are available to the public and can be obtained as set out in note 21.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of accounting policies (continued)

3. Consolidated financial statements

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Cala Group (Holdings) Limited. The Company's share of revenue and profits less losses of associates and joint ventures is included in the consolidated profit and loss account of Cala Group (Holdings) Limited. The group accounts of Cala Group (Holdings) Limited are available to the public and can be obtained as set out in note 21.

4. Going Concern

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

The company is part of the wider group headed by Cala Group (Holdings) Limited. In accordance with FRC guidance financial forecasts have been prepared for a period of at least 12 months from the date of approval of these financial statements. These forecasts take account of COVID 19 including the wider group's assessment of its impact through reduced sales prices and rates and increased costs.

The group's most recent financial projections are cognisant of the ongoing, albeit reduced COVID-19 restrictions in which we operate. These projections show that for the foreseeable future, net assets remain in a positive position. Our forecast debt requirements remain within both committed banking facilities which expire on 26 July 2023. The group is forecasting to be able to comply with its banking covenants at each appropriate test date.

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

5. Revenue

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.

6. 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.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of accounting policies (continued)

7. 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.

8. Property, plant and equipment

Property, plant and equipment are stated 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 relevant assets over their expected useful lives. The annual rates used are:

Buildings	2%
Computers	25 – 33%
Plant and equipment	25%
Leased assets	Term of lease
Freehold land is not depreciated.	

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

9. Income from participating interests

Where a distribution is made by a joint venture company it is accounted for on an accruals basis and credited to the profit and loss account.

10. Inventories

Due to the scale of the Company's developments, site-wide development costs are allocated between units built in the current period and those to be built in future years. In making this allocation the Company has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The Company 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.

11. 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 other comprehensive income with the exceptions of impairment losses, changes in future cash flows and interest calculated using the effective interest rate method, which are recognised within profit for the year. Where the asset is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in the profit and loss account for the year.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of accounting policies (continued)

12. Trade and other payables

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

13. Interest

Interest is charged/ credited to the profit and loss account in the period in which it is incurred.

14. 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.

15. 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.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of accounting policies (continued)

16. Investments

Investments are carried in the balance sheet at the lower of cost or directors' valuation, 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.

17. Pension costs

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

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

For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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.

18. Exceptional items

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

19. Trade and other receivables

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

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 profit and loss account.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Statement of accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, 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 margins 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 and in assessing any impairment provisions which may be required against inventory in the Balance Sheet.

The Company has conducted a review of the net realisable value of its inventory carrying values which resulted in no 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 board's 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.

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, salary and pension increases, 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 17 details the main assumptions in accounting for the group's defined benefit pension scheme along with sensitivity analysis.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

1 Revenue

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

The company adopts IFRS 15 'Revenue from contracts with customers' and the sale of part exchange properties has been identified as holding a separate contract with a customer. Consequently the proceeds of part exchange properties of £89.3 million have been reported on a net basis within other operating income. As reported costs have increased by an equal amount, there is no impact on operating profit. The value of part exchange sales for the year ended 31 December 2020 was £114.4 million.

2 Interest receivable and similar income

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Interest receivable	48	86
	<u>48</u>	<u>86</u>

3 Interest payable and similar expenses

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Interest on overdrafts and loans	388	269
Interest on intercompany loans	47,309	47,039
Other finance costs	3,093	1,409
	<u>50,790</u>	<u>48,717</u>

4 Exceptional items

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Cost of Sales		
COVID related costs	-	13,590
Site remediation	769	530
Administrative Expenses		
Restructuring costs	-	2,769
	<u>769</u>	<u>16,889</u>

Whilst under no legal obligation, the directors reviewed external cladding work on historical sites during 2019 in light of the Grenfell disaster and identified two sites as holding similar cladding. At 31 December 2021, total provisions of £3,055,000 have been made to account for replacement cladding to be fitted at the Group's expense.

Due to the prolonged lockdown and subsequent COVID-19 restrictions a number of additional site costs were identified in the prior year. These included staff costs during lockdown, site prolongation costs and health and safety related fit out costs to ensure the safety of our employees and subcontractors. Due to the size and nature of these costs, this expenditure was written off to cost of sales in the prior year and classified as exceptional. COVID related costs are now included within normal working practice, and consequently were no such exceptional items in the year to 31 December 2021.

During the prior year the directors reviewed the overhead base of the Group, including the location of our existing office base. This review resulted in one-off costs being incurred in the relocation of two regional offices in the prior year. There were no such costs in the year to 31 December 2021.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

5 Profit on ordinary activities before taxation

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Stated after charging/(crediting):		
Staff costs (note 6)	95,985	73,507
Depreciation	5,258	3,934
Auditor's remuneration		
- audit of the Company's financial statements	240	227
- audit related assurance services	3	3
(Gain) on sale of property, plant and equipment	(307)	(12)
Rental income – operating leases	(12)	(15)

6 Directors and employees

	Year to 31 December 2021 Number	Year to 31 December 2020 Number
The average monthly number of employees during the year, including directors, was made up as follows:		
Site	629	593
Office	586	571
	1,215	1,164

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Employment costs during the year amount to:		
Wages and salaries	81,929	61,873
Social security costs	9,308	7,162
Other pension costs	4,748	4,472
	95,985	73,507

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Employment costs include the following remuneration to directors of Cala Management Limited:		
Aggregate emoluments and benefits (including severance)	4,506	1,641
Defined contribution plan – company contributions	89	79

Retirement benefits are accruing to five directors (2020: five) under the group defined benefit scheme.

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Highest paid director:		
Aggregate emoluments and benefits (including severance)	1,195	454
Defined benefit pension scheme - accrued pension at 31 December 2021 and 31 December 2020	-	-

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

7 Taxation

(a) Recognised in the profit & loss account

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
<u>Current tax</u>		
Current year charge / (credit)	16,955	(5,781)
Adjustments in respect of prior years	(882)	(715)
Total current tax	16,073	(6,496)
<u>Deferred tax</u>		
Deferred tax (credit) / charge for the year	(301)	661
Total deferred tax (note 11)	(301)	661
Total tax charge/ (credit)	15,772	(5,835)

(b) Recognised in other comprehensive income

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
<u>Deferred tax</u>		
Post-employment benefit obligations	(2,765)	1,147
Total tax recognised in other comprehensive income	(2,765)	1,147

(c) Reconciliation of effective tax rate

The charge/ (credit) for the year can be reconciled to the profit in the profit and loss account as follows:

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Profit / (loss) for the year	73,673	(21,620)
Total tax charge / (credit)	15,772	(5,835)
Profit / (loss) before taxation	89,445	(27,455)
Profit / (loss) before taxation in the United Kingdom at 19% (2020: 19%)	16,995	(5,217)
Effects of:		
Amounts not deductible for tax purposes	33	24
Income not taxable for tax purposes	(94)	(76)
Effect of changes in tax rates	(401)	(189)
Effect of capital gains	-	(88)
Adjustments in respect of prior years – current tax	(882)	(715)
Adjustments in respect of prior years – deferred tax	129	426
Other	(8)	-
Total tax charge / (credit) for the year	15,772	(5,835)

(d) Factors affecting future tax charges

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 remained at 19%. The future 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 those deferred tax balances reverse.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

7 Taxation (continued)

(d) Factors affecting future tax charges (continued)

To calculate the current tax on profits, the rate of tax used is 19% (2020: 19%), which is the average rate of Corporation Tax applicable for the year.

8 Property, plant and equipment

	Land and buildings £000	Computers £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2021	15,075	7,325	10,035	32,435
Additions	4,018	758	521	5,297
Disposals	(26)	-	(139)	(165)
At 31 December 2021	19,067	8,083	10,417	37,567
Accumulated depreciation				
At 1 January 2021	4,047	3,873	7,631	15,551
Charge in the year	2,909	1,279	1,070	5,258
Disposals	(26)	-	(139)	(165)
At 31 December 2021	6,930	5,152	8,562	20,644
Net book value				
At 31 December 2021	12,137	2,931	1,855	16,923
Net book value				
At 31 December 2020	11,028	3,452	2,404	16,884
Right of use assets (included above):				
	Land and Buildings £000	Computers £000	Plant and equipment £000	Total £000
Net book value:				
At 31 December 2021	10,596	-	465	11,061
At 31 December 2020	9,288	-	979	10,267

Land and buildings are freehold and heritable.

At 31 December 2021, with the exception of leases, the Company had capital commitments of £nil (2020: £27,000).

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

9 Investments

	Subsidiaries £000	Joint ventures £000	Total £000
At 31 December 2020 & 31 December 2021	501	1	502

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

A full list of subsidiary undertakings is noted below:

Name of company	% of £1 ordinary shares held	Nature of business
Cala Properties (Banbury Ltd) **	100	Commercial property
Cala Homes (Midlands) Limited *	100	Home building
Cala Homes (Thames) Limited *	100	Home building
Cala Homes (Chiltern) Limited *	100	Home building
Cala Homes (North Home Counties) Limited *	100	Home building
Cala Homes (South Home Counties) Limited *	100	Home building
<i>(Registered address: Cala House, 54 The Causeway, Staines, Surrey, TW18 3AX)</i>		

Cala Properties (Holdings) Limited **	100	Commercial property
Cala Homes (East) Limited *	100	Home building
Cala Homes (West) Limited *	100	Home building
Cala Homes (North) Limited *	100	Home building
<i>(Registered address: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA)</i>		

(*) Agent of Cala Management Limited

(**) In liquidation

Joint ventures

The joint venture companies are:

Name of company	% of £1 ordinary share held	Accounting Year end	Nature of business
Cala Evans Restoration Limited	50	30 June	Property development
Canniesburn Limited	50	31 December	Property development
<i>(Registered address: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA)</i>			
Cala Land Investments Limited	50	31 December	Property development
<i>(Registered address: Adam House, 5 Mid New Cultins, Edinburgh, EH11 4DU)</i>			
Winchburgh Developments (Holdings) Limited	50	31 December	Property development
<i>(Registered address: Adam House, 5 Mid New Cultins, Edinburgh, EH11 4DU)</i>			

All the above companies are incorporated in the United Kingdom.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

10 Inventories

	At 31 December 2021 £000	At 31 December 2020 £000
Housebuilding:		
Land and options	995,269	907,407
Part exchange inventories	15,671	23,570
Work in progress	475,561	432,720
	<u>1,486,501</u>	<u>1,363,697</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £930.6 million (2020: £548.4 million).

11 Trade and other receivables

	At 31 December 2021 £000	At 31 December 2020 £000
Amounts falling due within one year:		
Trade receivables	41,876	25,697
Amounts owed by joint ventures	7,296	14,722
Amounts owed by group undertakings	1,081	455
Other receivables	9,238	7,806
Prepayments and accrued income	3,722	2,718
Corporation Tax	7,921	6,401
	<u>71,134</u>	<u>57,799</u>
Amounts falling due after one year:		
Trade receivables	8,161	1,419
Amounts owed by joint ventures	12,300	10,300
Deferred tax asset	2,157	4,621
	<u>22,618</u>	<u>16,340</u>
	<u>93,752</u>	<u>74,139</u>

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.

Trade receivables falling due within one year include £0.5 million of shared equity loans which are classified as available for sale (31 December 2020: £0.6m). Trade receivables falling due after one year include £0.5 million of shared equity loans which are classified as available for sale (31 December 2020: £0.6m). The Company determines the fair value of its shared equity loans 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 £0.1 million.

The amounts owed by group undertakings are non-interest bearing and repayable on demand. No interest is applied to amounts due from joint ventures.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

11 Trade and other receivables (continued)

The deferred tax asset included in debtors comprises:

	At 31 December 2021 £000	At 31 December 2020 £000
Accelerated capital allowances	1,762	1,266
Deferred tax on pension (surplus)/ liability	(381)	3,235
Other timing differences	776	120
	2,157	4,621

Deferred tax movement in the year:

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Opening deferred taxation	4,621	4,135
Credited / (charged) to profit and loss account	301	(661)
(Charged) / credited to other comprehensive income	(2,765)	1,147
Closing deferred taxation	2,157	4,621

The deferred tax assets recognised by the Company and movements thereon during the current reporting year are analysed as follows:

	Accelerated capital allowances £000	Retirement benefit obligation £000	Other timing differences £000	Total £000
At 1 January 2021	1,266	3,235	120	4,621
(Charged)/ credited to the income statement	496	(851)	656	301
Charged to other comprehensive income	-	(2,765)	-	(2,765)
At 31 December 2021	1,762	(381)	776	2,157

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

12 Trade and other payables

	At 31 December 2021 £000	At 31 December 2020 £000
Amounts falling due within one year:		
Trade creditors - land	138,059	164,756
Trade creditors - other	182,565	155,535
Amounts owed to immediate parent company	135,288	203,302
Amounts owed to fellow subsidiaries	599,097	548,635
Lease liabilities	3,232	1,191
Other creditors	6,318	2,434
Taxation and social security	2,566	2,819
Accruals and deferred income	35,043	15,464
	1,102,168	1,094,136
	At 31 December 2021 £000	At 31 December 2020 £000
Amounts falling due after more than one year:		
Trade creditors – land	174,573	142,180
Trade creditors - other	35,136	-
Lease liabilities	7,780	9,064
Other creditors and deferred income	7,126	7,953
Preference share capital (below)	15	15
	224,630	159,212

The amounts owed to the immediate and to the ultimate holding company, in addition to non-trading balances with fellow subsidiaries are interest bearing at a market rate of interest and repayable on demand. Trading balances with other subsidiaries and joint ventures are non-interest bearing and repayable on demand.

The directors consider that the carrying value of trade and other payables approximates their fair value.

Cala Management Limited

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Notes to the financial statements (continued)

13 Called up share capital

	At 31 December 2021 £000	At 31 December 2020 £000
Authorised:		
Equity		
173,512,127 (31 December 2020: 173,512,127) ordinary shares of £1 each	173,512	173,512
40,000 (31 December 2020: 40,000) deferred shares of 5p each	2	2
	<u>173,514</u>	<u>173,514</u>
Allotted and fully paid:		
Equity		
173,512,127 (31 December 2020: 173,512,127) ordinary shares of £1 each	173,512	173,512
40,000 (31 December 2020: 40,000) deferred shares of 5p each	2	2
	<u>173,514</u>	<u>173,514</u>
Preference (non-equity) share capital	At 31 December 2021 £000	At 31 December 2020 £000
Authorised:		
25,000 (31 December 2020: 25,000) 6% preference shares of £1 each	25	25
Allotted and fully paid:		
14,615 (31 December 2020: 14,615) 6% preference shares of £1 each	15	15

Preference shares are non-redeemable and carry one vote per share.

14 Profit and loss account

Profit and loss account		£000	
At 31 December 2019		67,863	
Loss for the financial year		(21,620)	
Other comprehensive expense for the year		(4,892)	
At 31 December 2020		41,351	
Profit for the financial year		73,673	
Other comprehensive expense for the year		11,785	
At 31 December 2021		126,809	
	At 31 December 2021 £000	At 31 December 2020 £000	At 31 December 2019 £000
Profit and loss account excluding pension surplus / (liability)	115,024	55,140	82,420
Amount relating to defined benefit pension scheme surplus / (liability), net of related deferred tax	11,785	(13,789)	(14,557)
	126,809	41,351	67,863

Cala Management Limited

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Notes to the financial statements (continued)

15 Leases

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

Leases under IFRS 16	2021 £000	2020 £000
Interest expense on lease liabilities	388	424
Depreciation of right-of-use assets	2,530	2,898
	2,918	3,322

Lease Liabilities

The carrying value of the company's lease commitments under IFRS 16 is £11.0 million at 31 December 2021 (2020: £10.3 million). At 31 December 2021 the Company had the following lease commitments:

	At 31 December 2021 £000	At 31 December 2020 £000
No later than 1 year	2,273	1,848
Later than 1 year and no later than 5 years	7,086	5,774
Later than 5 years	3,063	3,380
	12,422	11,002

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

All lease obligations are denominated in sterling.

Right-of-use assets

Right-of-use assets (note 8) 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 2021	9,288	979	10,267
Depreciation charge for year	(2,016)	(514)	(2,530)
Additions	3,324	-	3,324
At 31 December 2021	10,596	465	11,061

Cala Management Limited

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Notes to the financial statements (continued)

16 Contingent liabilities

	At 31 December 2021 £000	At 31 December 2020 £000
Indemnities for performance bonds	62,998	50,690

The performance bonds consist of road, sewer and other development agreements entered into in the normal course of business.

17 Retirement benefits

The Company 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 Company pays fixed contributions into a separate entity. The Company 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 surplus recognised in the balance sheet in respect of defined benefit pension plans the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. 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 the statement of comprehensive income.

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

On 26 October 2018 the High Court ruled that UK pension schemes must equalise guaranteed Minimum Pensions (GMP) to ensure that male and female members of the schemes were treated equitably. This judgement applied to GMP accrued between 17 May 1990 and 5 April 1997. The impact of GMP equalisation on the value of the Cala Retirement and Death Benefit Scheme's liabilities was £0.9 million which was recognised as past service cost in the profit and loss account for 18 month period ended 31 December 2018. No past services costs have been reported in the current year (2020: £0.2m).

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.

Cala Management Limited

Annual report and financial statements for the year ended 31 December 2021

Notes to the financial statements (continued)

17 Retirement benefits (continued)

Defined Benefit Pension Scheme

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

	At 31 December 2021 £000	At 31 December 2020 £000
Fair value of plan assets	96,304	90,721
Present value of funded obligations	<u>(94,780)</u>	<u>(107,745)</u>
Surplus / (deficit) of funded plans	<u>1,524</u>	<u>(17,024)</u>
Asset / (liability) in the balance sheet	<u>1,524</u>	<u>(17,024)</u>

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

	2021 Present value of obligation £000	2021 Fair value of plan assets £000	31 December 2021 Total £000	2020 Present value of obligation £000	2020 Fair value of plan assets £000	31 December 2020 Total £000
At 1 January	(107,745)	90,721	(17,024)	(96,190)	78,652	(17,538)
Past service cost	-	-	-	(210)	-	(210)
Interest income / (expense)	<u>(1,424)</u>	<u>1,222</u>	<u>(202)</u>	<u>(1,919)</u>	<u>1,632</u>	<u>(287)</u>
Amounts recognised in profit and loss	<u>(1,424)</u>	<u>1,222</u>	<u>(202)</u>	<u>(2,129)</u>	<u>1,632</u>	<u>(497)</u>
Re-measurements:						
- Return on plan assets excluding amounts included in interest income	-	4,772	4,772	-	8,540	8,540
- Gain / (loss) from change in demographic assumptions	(120)	-	(120)	(57)	-	(57)
- Gain / (loss) from change in financial assumptions	9,231	-	9,231	(14,027)	-	(14,027)
- Experience losses	<u>667</u>	<u>-</u>	<u>667</u>	<u>(495)</u>	<u>-</u>	<u>(495)</u>
Amounts recognised in other comprehensive income	<u>9,778</u>	<u>4,772</u>	<u>14,550</u>	<u>(14,579)</u>	<u>8,540</u>	<u>(6,039)</u>
Contributions:						
- Employers	-	4,200	4,200	-	7,050	7,050
Payments from plans:						
- Benefit payments	<u>4,611</u>	<u>(4,611)</u>	<u>-</u>	<u>5,153</u>	<u>(5,153)</u>	<u>-</u>
At 31 December	<u>(94,780)</u>	<u>96,304</u>	<u>1,524</u>	<u>(107,745)</u>	<u>90,721</u>	<u>(17,024)</u>

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Notes to the financial statements (continued)

17 Retirement benefits (continued)

The significant actuarial assumptions were as follows:

	At 31 December 2021	At 31 December 2020
Discount rate	1.90%	1.35%
RPI inflation	3.30%	2.90%

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:

	2021	2020
- Male	22.2	22.2
- Female	23.8	24.2
Retiring 20 years after end of reporting year:		
- Male	23.2	23.2
- Female	25.0	25.4

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.10%	decreases by 1.8%	increases by 1.8%
RPI inflation	0.10%	increases by 1.0%	decreases by 1.0%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		increase by 4%	decrease by 4%

The above sensitivity analysis on the discount rate is based on a change in assumption while holding all other assumptions constant. The change in RPI inflation assumption impacts on the CPI (Consumer Prices Inflation). 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 balance sheet.

Cala Management Limited

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Notes to the financial statements (continued)

17 Retirement benefits (continued)

Plan assets are comprised as follows:

	2021 Quoted £000	2020 Quoted £000
Equities	14,875	10,910
Property	-	3,386
Diversified growth fund	8,358	17,680
Global absolute return fund	10,718	8,416
Distressed debt fund	10,506	-
Liability Driven Investment (LDI)	29,893	26,182
Multi Asset Credit (MAC)	15,699	20,218
Cash and cash equivalents	6,255	3,929
Total	96,304	90,721

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

Life expectancy

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

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

Cala Management Limited

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Notes to the financial statements (continued)

17 Retirement benefits (continued)

Deficit strategy

The employer has agreed that it will aim to eliminate the Scheme deficit (as assessed on the on-going funding basis) and a schedule of deficit repair payments has been agreed. Employer contributions to the Scheme in respect of deficit recovery of £4.2m are expected for the year ended 31 December 2022. Funding levels are monitored on an annual basis and the next triennial valuation is expected to be undertaken in April 2021. Following the closure of the scheme in December 2015 no further employee contributions will be made.

The scheme is in a surplus position in 2021. Management have assessed this as appropriate in line with the requirements of IFRIC 14.

Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees.

The total cost charged to income of £4.7 million (2020: £4.5 million) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2021 all contributions due in respect of the current reporting period had been paid over to the scheme (2020: all).

18 Loans and borrowings

	At 31 December 2021 £000	At 31 December 2020 £000
Current liabilities	5,237	394
Non-Current liabilities	5,407	10,000
	<u>10,644</u>	<u>10,394</u>

Following the transfer of L&G Homes Communities, the Company holds a secured loan balance with Homes England. The loan balance is repayable in instalments of £5m in March 2022 and October 2023.

Interest is charged at 3.28%, and the loan is secured over future phases of development land at the L&G Homes Communities site in Crowthorne.

19 Related party disclosures

The Company's related parties as defined by IAS24 'Related party disclosures', the nature of the relationship and the extent of transactions with them are summarised below:

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Relating to joint ventures:		
Amounts owed by joint ventures	<u>19,595</u>	<u>25,022</u>

The Company has taken advantage of an exemption from FRS101, on the grounds that it is a wholly owned subsidiary of a group headed by Cala Group Limited, whose financial statements are publicly available.

Cala Management Limited

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Notes to the financial statements (continued)

20 Acquisitions

The trade and assets of four Legal & General Homes SPVs were transferred into the company during the final quarter of 2020. The related development sites are now being managed by our Thames and Midlands regional businesses. These transfers, which did not see share capital being acquired, arise from Legal & General Homes Communities (Crowthorne) Limited, Legal & General Homes Communities (Arborfield) Limited and Legal & General Homes Communities (Shrivenham) Limited in respect of the sites at Crowthorne, Finchampstead and Shrivenham respectively.

The trade and assets of Legal & General Homes Communities (Didcot) Limited were transferred into the company during the second quarter of 2021. The related development site at Didcot is now being managed by our Midlands regional business.

Cala Management Limited and the Legal & General Homes Communities SPVs are wholly owned subsidiaries of Legal & General Capital Investments Limited.

As all parties to the transaction are under common control and the acquisition is exempt from the requirements of IFRS 3 - Business Combinations, Cala Management Limited has opted to use book value accounting on the basis that the investment has simply been moved from one part of the Legal & General Capital Investments Limited group to another. The main effects of this choice are that the assets and liabilities of Legal & General Homes Communities Limited were not revalued at the date of transfer and therefore the assets and liabilities have been transferred at book value. No cash consideration was made as part of this transaction and consequently an intercompany creditor has been created with the relevant SPV entities to reflect the value of net assets transferred.

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

	Year to 31 December 2021 £000	Year to 31 December 2020 £000
Non-current assets	-	2,547
Current assets	90,488	274,607
Current liabilities	(64,765)	(53,477)
Non-current liabilities	-	(94,405)
Total identifiable assets	25,723	129,272
Satisfied by:		
Intercompany	25,723	129,272
Total consideration transferred	25,723	129,272

Cala Management Limited

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Notes to the financial statements (continued)

21 Ultimate parent company and controlling party

The immediate parent undertaking is Cala Group Limited.

The intermediate parent company, at which level these financial statements are consolidated, is Cala Group (Holdings) Limited. The consolidated financial statements of Cala Group (Holdings) Limited are available from Cala House, 54 The Causeway, Staines-Upon-Thames, Surrey TW18 3AX.

The ultimate parent company for both of those entities is Legal & General Group Plc. The results of Cala Management 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.