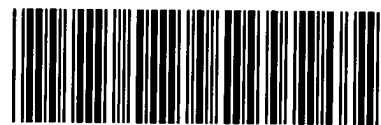


**Registered number: SC013655**

**Cala Management Limited**  
**Annual Report and Accounts**  
**for the year ended 31 December 2022**

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# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

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# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **Directors and advisers**

#### **Directors**

K Whitaker  
N J Stoddart  
J Wylie  
G P Banfield  
N P Twine (resigned 1 July 2022)  
L F Poole  
D T McGrath (resigned 5 August 2022)  
B Johnson (appointed 1 January 2023)  
C E S Johnson (appointed 1 January 2023)  
A C Wagstaff (appointed 1 July 2022)

#### **Company secretary**

Ledge Services Limited  
Johnstone House  
52-54 Rose Street  
Aberdeen  
AB10 1HA

#### **Registered office**

Adam House  
5 Mid New Cultins  
Edinburgh  
EH11 4DU

#### **Independent auditor**

KPMG LLP  
Chartered Accountants and  
Statutory Auditor  
3<sup>rd</sup> 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 2022

### Strategic Report

The Strategic Report contains information which has been provided for the purpose of assisting stakeholders 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. 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.

### Cala

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

We are a highly ambitious, fast growing company 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.

### 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.

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.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

#### Our Strategy and Ambition (continued)

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

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

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

#### Our customers

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

2022 AT A GLANCE
<ul style="list-style-type: none"><li>▪ Achieved HBF 5-star rating</li><li>▪ Overall recommend score of 95.4%</li><li>▪ 12 Cala and L&amp;G Homes' Site Managers recognised as Pride in the Job Quality Award winners. 3 of whom went on to receive the next stage 'Seal of Excellence' and 1 received highly coveted Regional Awards.</li></ul>

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

Our 'Recommend' score in the 2022 NHBC survey covering sales completions in the 12 months to 30 September 2022 was 95.4%, well above the 90% threshold required to achieve the top 5-star rating for the twelfth time in the last thirteen 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 16,000 managers competing we are delighted that 12 of Cala's top site managers were included amongst this year's Quality Award winners.

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

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

#### Our Strategy and Ambition (continued)

##### Our customers (continued)

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

##### Land and planning

During 2022 the eight Cala regions contracted 20 new sites projected to deliver 2,970 new homes with a Gross development value ('GDV') of £1,386 million and an average selling price ('ASP') including affordable housing of £467,000 (2021 : 25 sites, with a GDV of £1,254 million). Eight new sites were added to the strategic land bank with a potential turnover of £338m.

Land contracted during the financial year*	Year to 31 December 2022	Year to 31 December 2021
Sites	20	25
Plots	2,970	3,231
Consented (by plots)	49%	39%
Average site size	149 plots	129 plots
GDV	£1,386m	£1,254m
ASP	£467k	£388k
England : Scotland (by value)	40/60%	78%/22%
Strategic plots	797	90

*\*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 2022, we either improved the planning status of land we had acquired with a planning permission or secured a first-time planning permission on 16 sites for 2,379 homes with an estimated GDV of £1,014 million and an ASP of £426,000 (2021: 2,752 homes with a GDV of £945 million). 22% of the plots granted planning permission were pulled through from our strategic land bank.

Land consented during the financial year*	Year to 31 December 2022	Year to 31 December 2021
Sites	16	23
Plots	2,379	2,752
From strategic landbank (by plots)	22%	54%
Average site size	149 plots	120 plots
GDV	£1,014m	£945m
ASP	£426k	£343k

*\*All figures include private and affordable*

The Company's owned and contracted short term landbank at 31 December 2022 comprises 21,576 plots (private and affordable homes), the scope and planning status of which are summarised below (2021: 20,673 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 2022 have a combined GDV of approximately £8.85 billion, measured at today's selling prices, with an ASP including affordable housing of £410,000. This represents 8.2 years' development potential based on 2022 housing revenue.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

#### Our Strategy and Ambition (continued)

##### Land and planning (continued)

Landbank	Plots	£ GDV	£ ASP	Land Cost	Years
Consented	15,507	6,310m	407k	18.1%	5.1
Allocated	3,741	1,421m	380k	23.3%	1.2
Draft allocation or no planning status	2,328	1,117m	480k	25.6%	1.9
<b>Owned / Contracted</b>	<b>21,576</b>	<b>8,848m</b>	<b>410k</b>	<b>19.9%</b>	<b>8.2</b>
Strategic	11,150	3,854m	346k	17.4%	
<b>Total at 31 December 2022</b>	<b>32,726</b>	<b>12,702m</b>	<b>388k</b>	<b>19.1%</b>	
<b>Total at 31 December 2021</b>	<b>32,782</b>	<b>£12,160m</b>	<b>£371k</b>	<b>19.7%</b>	

The Company also controls a high quality longer-term strategic landbank comprising 11,150 plots (2021: 12,109), 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 2022 year, 22% of the plots granted planning permission were drawn from the strategic land bank.

All sites that we expect to contribute towards 2023 have detailed planning permissions in place and construction has commenced. In addition, 71% of the expected gross profit in 2024 has a detailed planning permission in place with a land price agreed with the vendor.

##### Our people

At 31 December 2022 we had 1,318 employees working with us. This represents a slight increase in staff numbers from the prior year (31 December 2021: 1,259) and is simply a function of the growing nature of the business.

We know the future of work is changing and 2022 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.

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 2022, we continued to invest heavily in embedding our approach to Inclusion and Diversity through all levels of our business.

We ran our second Inclusion & Diversity survey alongside a campaign to encourage our teams to share their data to understand our employee demographic. This year we added more scope for qualitative input to further understand how leadership behaviours and culture is perceived by our teams.

We continued our partnerships with several not-for-profit organisations, with a focus on embedding best practice guidance on the back of benchmarking activity in 2021.

We amended the selection processes for our external recruitment and internal development programmes to remove unconscious bias and saw greater diversity in onboarding of new employees and our internal development cohorts.

# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **Strategic Report (continued)**

#### **Our Strategy and Ambition (continued)**

##### **Attract a Diverse and High Performing Workforce (continued)**

We continued to engage heavily with our internal employee network, with a specific focus on using employee voice to raise awareness of our activity throughout the business. Leadership is vital to drive progress and we continued to engage our Senior Teams, through sessions focused on our workforce demographic, L&D Strategy and relaying employee feedback on how it feels to work for us.

We have expanded our employee benefits offering to ensure inclusivity. This included the removal of service requirements for certain benefits and the extension of other benefits such as enhanced maternity pay and improved paternity leave.

During 2022 we evolved our recruitment techniques to allow for improved consistency and data-based decision making, with improved diversity on interview panels, particularly for senior roles. Additionally, we engaged specialist partners to support early talent attraction to increase the number of candidates applying from under-represented groups.

Finally, we have invested in developing collateral and processes to support our Employer Value proposition in general, and to ensure we are positioned as an attractive employer to under-represented groups. Some of the specific actions include refreshing our careers website, increased leverage of LinkedIn, and updating our Intranet to ensure better accessibility for and engagement of our employees.

##### **Inspire and Grow**

There are a number of steps we have taken to inspire and grow our team. This began with setting out our Purpose, Vision and Ambitions under the 5-year plan.

In line with our technology pillar we have continued to embrace technology to support the delivery of our People Pillar ambitions. In particular, the introduction of the new Performance Development Review platform, CalaPerform, which helped to enable a move towards continuous performance and development conversations, has resulted in a significant change in engagement from less than 30% to over 70% in year one following roll out this has meant that performance and development needs can be picked up at any time and coaching and mentoring can be more easily facilitated.

We grew our Early Talent population, including increasing our Degree Apprentice and Placement opportunities within our business, with our 2021 cohort due to complete their programme next year. We are continuing to grow and evolve our early talent strategy including recruitment, attraction and programme offering.

Cala's Construction Academy of Excellence continues to provide coaching and development for our site management teams and by the end of the year 154 of the team had completed our Construction Leaders Programme. In 2023 a total of 277 employees will take part in Academy programmes which will now extend to include Construction Managers competencies training.

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 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.



# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **Strategic Report (continued)**

#### **Our Strategy and Ambition (continued)**

##### **Inspire and Grow (continued)**

We invested in reviewing 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. Activity included redesigning internal guidance pages and induction templates, introducing a 'new start welcome pack' of branded items and working with IT colleagues to remove process gaps. Data was shared with senior leaders to target focus-points for each team to drive further improvement. We are exploring function-specific onboarding paths, starting with our Sales and Customer Service Teams, using our Learning Experience Platform. 2023 will see this work continue and evolve as we work to build a more inclusive and welcoming onboarding experience for all at Cala.

We launched our formal mentoring programme, with six regional businesses 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. We hope our collective mentor scheme will allow 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 2023.

##### **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, through 2021 and 2022, employee responses are consistently positive regarding the degree of happiness and pride working for Cala.

Genuinely caring about the wellbeing of our teams relies on strong leadership engagement from the Executive Board and ensuring that wellbeing is embedded into business decision making. In practice, we have provided signposting to financial well-being resources, and supported employees through implementing salary increases, cost-of-living supplementary payments, and creating a "hardship fund" to provide additional financial support to employees experiencing financial hardship.

In terms of well-being and mental health, we have taken a similar approach to Inclusion and Diversity, placing our focus on the education of our teams and using storytelling to inform and challenge the stigma of mental illness in the workplace. To help guide us, we launched our Wellbeing Action Plan in Q1 of 2022. Our activity across the year included continued investment in Mental Health First Aiders, raising awareness of our Employee Assistance Programme, hosting mental health awareness sessions for site-based staff, and tying wellbeing into our benefits package.

2022 also included a focus on extending our wellbeing strategy to our site-based teams and subcontractors. We have worked in partnership with Construction Directors to bring our Wellbeing Action Plan for 2022 to life and encouraged them to involve their teams in normalising conversations around wellbeing. We have seen an overwhelming increase in engagement from our site-based teams with our Employee Assistance Programme, Samaritans Partnership and Mental Health First Aid Training. Several regional Construction Directors have engaged with our Team to bring tailored awareness sessions and conferences to their teams and extending this to their subcontractor base.

We also noted a significant uptake in our Ultra Low Emissions Vehicles programme. 157 vehicles have been delivered, with a further 68 on order. This total of 225 vehicles represents 20% of our eligible employees and aligns with our commitment to sustainability.

# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **Strategic Report (continued)**

#### **Engage and Retain (continued)**

In 2022 we reviewed and improved our Private Medical Insurance and Bike to Work schemes and a plan in place to review our other existing benefits during 2023 and 2024.

Finally, we recognise that in order to retain our best people, we must continue to modernise our business to provide a better experience for our people. We have numerous business improvement and new technology projects in play at any time and invite our people across the business to be involved. This provides development and networking opportunities as well as the chance to learn new skills and develop Cala best practice.

#### **Purposeful Leadership**

We have evolved our Leadership Development offering to align with the principles of our 5 Year Plan and to promote an approach focused around human centric leadership. As we continue to operate with a hybrid working approach, human touch points with good leaders will be key to helping our teams thrive. Throughout 2022 we invested in formal leadership development at three levels of the business; our Building Leaders programme, aimed at those new to leadership, our Inspire Leadership Development Programme, aimed at Middle Managerial level and Leading the Cala Way, for our Director and above population. The latter, partnering with the Oxford Group.

Our Building Leaders and Inspire Leadership Development programmes offer formal accreditation from the Institute of Leadership and Management and Chartered Management Institute respectively. In addition, we continued to provide financial support to a number of employees undertaking further and higher education qualifications.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

#### Our Strategy and Ambition (continued)

##### Cala's Sustainability Performance 2022

Cala's overall Sustainability vision is to be a business that leaves a positive legacy for both people and the planet. To that end, our Sustainability Strategy has three core aims.

Our Homes & Developments	Our Business	Our People & Communities
<ul style="list-style-type: none"><li>• We will build homes &amp; supporting infrastructure that have positive impacts on local environments</li></ul>	<ul style="list-style-type: none"><li>• We will carry out our business operations in the most sustainable way</li></ul>	<ul style="list-style-type: none"><li>• We will embed sustainability best practice throughout our workforce, &amp; help local communities to thrive</li></ul>

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 2022 we embedded our climate change targets across the business by developing Regional Carbon Reduction Routemaps. These routemaps provide each Cala operational region with clear annual targets for greenhouse gas emissions reduction across areas such as housing design, site energy consumption, and business travel.

Several emissions reduction initiatives are now being rolled out across Cala. These include the use of hydro-treated vegetable oil (HVO) as an alternative to diesel on our construction sites, the use of motion-sensor lighting in showhomes, and the purchase of our first fully electric customer service vans. Our Central Design team continues to develop our standard products to have improved building fabric performance and to phase out the need for fossil fuel heating (in favour of air-source or ground-source heat pumps).

We are making good progress towards our net-zero operational greenhouse gas emissions target. In 2022, Cala's operational greenhouse gas emissions were 9,175 tCO<sub>2</sub>e – an 8% reduction on 2021. This is despite delivering a 4% increase in legal completions in 2022. When measured as a performance metric (tCO<sub>2</sub>e/100m<sup>2</sup> developed floor area), Cala has delivered an 8.9% improvement in operational greenhouse gas performance. In terms of our Science Based Target, progress has been even better. Our Scope 1 and 2 emissions reduced by 15.8% compared to 2021, mainly due to a focus on improved energy and fuel performance on our construction sites.

To further incentivise our journey towards net-zero, Cala secured a Sustainability Linked Loan (SLL) facility in October 2022. In addition to financial KPIs, this SLL requires Cala to meet stringent annual ESG (Environmental, Social Governance) KPIs over the duration of the loan facility. Specifically, these KPIs are:

- Annual reductions in Scope 1 and 2 emissions (measured per 100m<sup>2</sup> of developed floor area) – aligned to our Science Based Target
- Annual reductions in the design operational emission performance of our homes (measured per 100m<sup>2</sup> of developed floor area)
- Annual increase in the percentage of new developments with an agreed Community Pledge (leading to 100% take-up before 2025)

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

#### Our Strategy and Ambition (continued)

##### Cala's Sustainability Performance 2022 (continued)

A number of Cala's sustainability objectives were achieved in 2022, including:

- All Cala's commercial electricity contracts are now covered by REGO (Renewable Energy Guarantee of Origin) certification
- All purchase timber and timber-products are now covered by either FSC or PEFC certification

##### The Cala Community Pledge

It is important to recognise that sustainability does not begin and end with the environment. Cala has a strong track record in supporting the communities in which we build, e.g. through our Community Bursary scheme. In 2022, Cala launched the Community Pledge scheme. This brings together all of Cala's community initiatives under one umbrella. The aim is that every new Cala site will have an agreed Community Pledge by 2025.

Each Community Pledge is developed in conjunction with local community groups to ensure that initiatives are matched to local needs. The Pledges are also approved centrally by Cala's Head of Sustainability and Director of Communications to ensure they align with Cala's sustainability targets and corporate values.

Each Pledge includes three core initiatives:

- **Stay Safe, Stay Away:** Working with local primary schools to educate on the danger of building sites
- **Land to Life:** Working with local schools to raise awareness of the housebuilding process and promote careers in construction
- **Showhome of Support:** Each showhome supports a minimum of 10 local businesses to showcase local products, e.g. furniture, artwork, home décor.

In addition to the core initiatives, each site must commit to at least a further two community support initiatives across areas such as education, health and well-being, diversity and inclusion, and local environments. All initiatives must be over and above those required by local planning regulations. Examples of further Community Pledge initiatives include:

- Clean-ups of local greenspace or coastal areas
- Provision of street furniture (e.g. Breathing Space benches)
- Staff volunteering at local charities
- Donation of equipment and materials to local charities or educational establishments

##### Future Focus

2023 will see an increased focus on biodiversity. The Environmental Bill comes in force in England later in 2023 and requires all new sites to achieve a minimum of 10% Biodiversity Net Gain (BNG). A similar requirement is expected for sites in Scotland once the National Planning Framework 4 has been finalised.

To further enhance the biodiversity of our sites, the Cala Urban Wildlife Strategy (UWS) is being rolled out across all new developments. The UWS ensures that all new sites include provisions for enhancements to support local urban wildlife, including bat boxes, swift bricks, and hedgehog highways.

2023 will also see the completion of Cala's first net-zero carbon enabled homes. These will be closely monitored on their operational performance, as well as the impact on build costs and time, so that lessons can be learned as we move towards all Cala homes being net-zero.

# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **Strategic Report (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 Company 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 2022 increased to 467 per 100,000 employees (2021: 370). This is because of a slight decrease in our workforce and an increase in the number of injuries reportable under RIDDOR from 19 to 21. The Group Board continues to be satisfied with the Company'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 2022, the number of health and safety training days delivered was 1,969 (2021: 1,978). 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.

The roll out of training associated with our Health and Safety Culture Change programme, 'One Team One Goal Safe Home', continued during 2022. The programme focusses on several areas including safety leadership and covers all areas of our business including office-based employees, site staff and our contractors. The programme reinforces the concept of talking to people and recognising and further developing safe behaviours. This aligns with the existing health and safety tours that all operational Directors carry out. These tours allow our regional leaders to engage with our site-based teams and contractors to reinforce the importance that we place on health and safety.

During the year no HSE Prohibition or Improvement Notices were issued to our sites for non-compliance with health and safety legislation (2021: none). One Notice of Contravention was received by one of our regions (2021: none). Improvements made involved repairs to a damaged temporary staircase and an addition to the pedestrian management arrangements to one area of the development. 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 Company.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

#### Financial performance review

##### Market review

The market in 2023 is expected to be challenging given increases in mortgage rates, alongside the increased cost of living for all. The Company is well-placed to manage through changing market conditions with owners Legal & General, an experienced management team and the talent and commitment of its hard-working people.

The fundamental shortage in the supply of new homes continues to support new homes delivery and strong levels of interest continue through Cala's website, as buyers remain attracted to Cala's outstanding quality of design and construction, alongside industry-leading customer service.

In addition, the energy and thermal efficiency of new homes, coupled with the range of ways Cala can reduce the cost and uncertainty associated with moving home, such as part exchange, will continue to support sales throughout 2023.

##### Business review and financial performance

The company has performed strongly during 2022 and has delivered a profit before tax, revaluations and exceptional items of £159.0 million for the year to 31 December 2022 (2021: £90.2 million) on revenue of £1,322.0 million (2021: £1,197.6 million). The year-on-year profit increase of £68.8 million reflects the strong market conditions that were evident in the first 9 months of the year.

Revaluations and exceptional items before tax were a net charge of £1.0 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. The Company did not benefit from any grant income under the Government's CJRS funding scheme.

Cala completed the sale of 3,027 homes during the year to 31 December 2022 (2021: 2,904). The number of home completions was achieved from 87 sites (2021: 94). 2,305 private homes were legally completed in 2022 (2021: 2,307) and were delivered at a higher ASP, increasing to £492,000 (2021: £462,000) due to a change in site mix and increased selling prices. The delivery of affordable homes increased to 722 in 2022 (2021: 597), comprising discounted market value homes to qualifying purchasers and homes delivered to housing associations.

Our housing gross margin has increased in the last year to 19.6% (2021: 18.3%). This increase is due to a combination of increased selling prices more than offsetting build cost inflation, better margin sites developed in the year and a reduction to normal levels of customer service warranty costs as a proportion of turnover during the year

Our operating margin before exceptional items and revaluations has also increased in the year, up from 11.8% (2021) to 13.7%. This mostly arises from our improvement in house sales gross margin and an increased absorption of net operating expenses in the year.

Net assets of the company increased by 39.5% during the year to £418.8 million (2021: £300.3 million). This uplift is due to the record profits generated during the year.

##### Financing and cash flow

The debt facilities consist 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 2022, the company had a net surplus of £16.9 million (2021 net debt: £56.0 million), which consisted of net bank debt of £1.0 million (2021: £81.0 million). These were offset by loans due from joint ventures of £23.4 million (2021: £25.0 million) and a loan of £5.6 million from Homes England which is held in relation to our site at Crowthorne (2021: £10.6 million). The reduction in net debt is largely due to increased cash generated from trading.

# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **Strategic Report (continued)**

#### **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.

#### **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
- Economic and political uncertainty
- Raw materials, subcontractors and suppliers
- Planning permission
- Product quality/ customer service
- Attracting high calibre employees

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 is not necessary or appropriate to review the company's risks in this report.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

#### **SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT**

The Board of Cala Management 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 wider 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 Company's key stakeholders and why they are important to us are set out below.

#### **General**

The wider Cala Group promotes the highest standards of governance and ensures that these standards cascade throughout the Company and its subsidiaries. Guiding principles are in place for the relationship between the Company Board and the Regional boards of the Company's principal subsidiaries. This framework promotes full and effective interaction across all levels of the Company to support the delivery of strategy and business objectives within a framework of best corporate governance practice.

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 2022, the Board consider that the following are examples of principal decisions that it made in the year:

- ***Investment in Transformation projects.***  
*The Board has sanctioned a number of business change projects during the year, most notably the implementation of a new HR & Payroll system. This is on the back of the introduction of a Customer Relationship Management tool in 2021. We believe that this investment in technology will significantly improve the sales journey of our customers and improve the efficiencies of our sales teams.*
- ***Prioritising our people***  
*The Board continue to prioritise the continual development and wellbeing of our people through a programme of sustained investment. Notable highlights for 2022 include the continuation of our Construction Academy for site staff, the continuation of our 'Building leaders' and 'Senior Leadership' programmes and the introduction of a Director training programme implemented in conjunction with the Oxford Group. We have also continued to expand our annual intake of graduates and apprentices.*



# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

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

- **Approval of annual budget and business plans.**  
*The business plans play an important role in communications with shareholders and focusing the regional teams on annual delivery.*
- **Re-financing of the wider groups banking facility.**  
*The revised lending facilities of Cala Group Limited, the intermediate parent company, provide the platform for the business to maintain sustainable growth through to the expiration of the facilities in September 2025, 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.

<b>Stakeholders</b> <b>Their importance to us</b>	<b>The Board's approach to stakeholder engagement</b>	<b>Stakeholder consideration in the Board's decision making</b>
<b>Shareholders</b>  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.
<b>Customers</b>  Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	Our teams are dedicated to making sure we constantly refine what we do – ranging from continual amendments to housetype designs and the improvement of the customer experience.	Cala's brand value has been established through the highest levels of build quality and customer satisfaction. Our focus on ensuring customers satisfaction has been evidenced through our industry leading customer service scores.  The Board continually evaluate improvements to the customer journey which has been further illustrated by the launch of a new Customer Relationship Management tool.
<b>Workforce</b>  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 company board and regional management teams review attrition rates on a monthly basis.  The launch of initiatives such as 'Bright Ideas' and the implementation of the employment survey has had a positive effect on engaging and empowering employees to make their own decisions to drive the business, whilst reducing the rate of attrition.

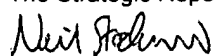
# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Strategic Report (continued)

<p><b>Suppliers</b></p> <p>Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positive for the environment and wider society.</p>	<p>At both regional and national levels we hold regular meetings with our key suppliers ensuring risks are proactively managed and they are up to date on latest developments and best practice. We strive to work with like-minded businesses, and place great importance of retaining long term supplier relationships. This helps safeguard the quality of our product and our ability to deliver to our customers whilst establishing standards that ensure suppliers operate ethically, are environmentally responsible and that their workers are treated with respect and dignity. Additional steps in the current year include consultation with our key suppliers and subcontractors around their ability to fulfil contractual obligations in light of the potential implications arising from Brexit.</p>	<p>The Board recognise the importance of maintaining good working relationships with our key suppliers. This is particularly pertinent following the COVID-19 pandemic and the UK's departure from the European Union, both of which may place a further strain on the availability of construction subcontractors.</p> <p>The Board place a high value on the quality of the working environment on our sites, and controls are in place to ensure supplier payments are made on a timely basis.</p>
<p><b>Community/wider society</b></p> <p>Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.</p>	<p>Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to develop our homes in an economically and socially useful way to benefit everyone in our communities.</p>	<p>The Board recognise that residential development can impact the wider community as well as our direct customer. Local consultations are held on all sites to engage the community throughout the planning process and then the development of our sites.</p> <p>Cala has continued to invest heavily in local communities, via our highly successful bursary scheme for local organisations.</p>
<p><b>Lenders</b></p> <p>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.</p>	<p>The wider Cala group are in regular communication with our banking syndicate and provide regular updates on the financial performance of the business and our strategic goals. Our approach is to work collaboratively with our lenders and engage them regularly throughout the delivery of our business plan.</p>	<p>The Board recognise the importance of maintaining good working relationships with lenders. Cala Group Limited, the intermediate parent company, re-financed their bank borrowing facilities during 2022 to £400m, which under current projections will allow the Company to realise it's growth plans set out in the December 2022 budget.</p>

The Strategic Report was approved by the board on 31 March 2023.



Neil Stoddart  
Director  
31 March 2023

# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **Directors' Report**

The Directors of Cala Management Limited present their report and audited financial statements of the Company for the year ended 31 December 2022. 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 and financial risk management 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 (2021: 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 company'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 £400 million revolving credit facility of which £20m was drawn at the year end. This facility expires in September 2025.

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 the Company 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 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 and group have 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 2022**

### **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.

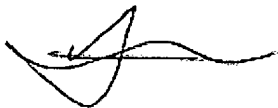
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required 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 March 2023.



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 2022 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 2022 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 18, 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.

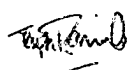
## Auditor's responsibilities

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](http://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*  
3<sup>rd</sup> Floor  
Saltire Court  
Edinburgh  
EH1 2EG  
31 March 2023

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Profit and loss account

For the year ended 31 December 2022

		Year to 31 December 2022 Before exceptional items	Year to 31 December 2022 Exceptional items (note 4)	Year to 31 December 2022	Year to 31 December 2021 Before exceptional items	Year to 31 December 2021 Exceptional items (note 4)	Year to 31 December 2021
	Note	£000	£000	£000	£000	£000	£000
<b>Revenue</b>	1	<b>1,321,996</b>	-	<b>1,321,996</b>	1,197,572	-	1,197,572
<b>Cost of sales</b>		<b>(1,063,040)</b>	<b>(998)</b>	<b>(1,064,038)</b>	(983,952)	(769)	(984,721)
<b>Gross profit / (loss)</b>		<b>258,956</b>	<b>(998)</b>	<b>257,958</b>	213,620	(769)	212,851
Administrative expenses		(84,687)	-	(84,687)	(72,785)	-	(72,785)
Other operating income		6,972	-	6,972	121	-	121
<b>Operating profit / (loss)</b>		<b>181,241</b>	<b>(998)</b>	<b>180,243</b>	140,956	(769)	140,187
Interest receivable and similar income	2	12	-	12	48	-	48
Interest payable and similar expenses	3	(24,263)	-	(24,263)	(50,790)	-	(50,790)
<b>Profit / (loss) before taxation</b>	5	<b>156,990</b>	<b>(998)</b>	<b>155,992</b>	90,214	(769)	89,445
Tax on profit / (loss)	7	(33,189)	190	(32,999)	(15,918)	146	(15,772)
<b>Profit / (loss) for the financial year</b>	14	<b>123,801</b>	<b>(808)</b>	<b>122,993</b>	74,296	(623)	73,673

All operations are continuing.

The notes on pages 32-47 form an integral part of these financial statements.



# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Statement of comprehensive income

For the year ended 31 December 2022

	Note	Year to 31 December 2022 £000	Year to 31 December 2021 £000
<b>Profit / (loss) for the financial year</b>		<b>122,993</b>	<b>73,673</b>
Items that will not be reclassified subsequently to profit or loss:			
Re-measurements of post-employment benefit obligations	17	(6,059)	14,550
Movement in deferred tax relating to post employment benefit obligations		1,515	(2,765)
<b>Other comprehensive expense for the financial year</b>		<b>(4,544)</b>	<b>11,785</b>
<b>Total comprehensive income/ (loss) for the financial year</b>		<b>118,449</b>	<b>85,458</b>

The notes on pages 32-47 form an integral part of these financial statements.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Balance sheet

At 31 December 2022

	Note	At 31 December 2022 £000	At 31 December 2021 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	16,786	16,923
Investments	9	502	502
Retirement benefit surplus	17	793	1,524
		<u>18,081</u>	<u>18,949</u>
<b>Current assets</b>			
Inventories	10	1,399,352	1,486,501
Trade and other receivables – amounts falling due within one year	11	66,917	71,134
Trade and other receivables – amounts falling due after one year	11	31,546	22,618
Cash and cash equivalents		32,443	38,563
		<u>1,530,258</u>	<u>1,618,816</u>
<b>Current liabilities</b>			
Trade and other payables	12	(1,013,247)	(1,102,168)
Loans and borrowings	18	-	(5,237)
		<u>(1,013,247)</u>	<u>(1,107,405)</u>
<b>Net current assets</b>		<u>517,011</u>	<u>511,411</u>
<b>Total assets less current liabilities</b>		<u>535,092</u>	<u>530,360</u>
<b>Non-current liabilities</b>			
Trade and other payables	12	(110,711)	(224,630)
Loans and borrowings	18	(5,609)	(5,407)
		<u>(116,320)</u>	<u>(230,037)</u>
<b>Net assets</b>		<u>418,772</u>	<u>300,323</u>
<b>Capital and reserves</b>			
Called up share capital	13	173,514	173,514
Profit and loss account	14	245,258	126,809
<b>Total shareholders' funds</b>		<u>418,772</u>	<u>300,323</u>

The notes on pages 32–47 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 March 2023 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 2022

### Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
<b>At 31 December 2020</b>	<b>173,514</b>	<b>41,351</b>	<b>214,865</b>
Loss for the financial year	-	73,673	73,673
Other comprehensive (expense)/ income for the financial year:	-		
- Actuarial gain on defined benefit obligations	-	14,550	14,550
- Deferred tax on actuarial gain on defined benefit obligations		(2,765)	(2,765)
<b>At 31 December 2021</b>	<b>173,514</b>	<b>126,809</b>	<b>300,323</b>
Profit for the financial year	-	122,993	122,993
Other comprehensive (expense)/ income for the financial year:			
- Actuarial loss on defined benefit surplus	-	(6,059)	(6,059)
- Deferred tax on actuarial loss on defined benefit surplus	-	1,515	1,515
<b>At 31 December 2022</b>	<b>173,514</b>	<b>245,258</b>	<b>418,772</b>

The notes on pages 32-47 form an integral part of these financial statements.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### 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 16.

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 20.

# **Cala Management Limited**

## **Annual report and financial statements for the year ended 31 December 2022**

### **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.

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 company'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 £400 million revolving credit facility of which £20m was drawn at the year end. This facility expires in September 2025.

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 the Company 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 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 and group have 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.

#### **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 company'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 2022

### 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.

### **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 Company recognises a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company 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 Company 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 Company 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 Company 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 company 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 2022**

### **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 company'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 2022**

### **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 company'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 company's defined benefit pension scheme along with sensitivity analysis.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements

#### 1 Revenue

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

From 1 January 2019, the company 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 2022 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 Interest receivable and similar income

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Interest receivable	12	48
	<u>12</u>	<u>48</u>

#### 3 Interest payable and similar expenses

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Interest on overdrafts and loans	409	388
Interest on intercompany loans	21,422	47,309
Other finance costs	2,432	3,093
	<u>24,263</u>	<u>50,790</u>

#### 4 Exceptional items

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
<b>Cost of Sales</b>		
Site remediation	(998)	(769)
	<u>(998)</u>	<u>(769)</u>
<b>Corporation tax</b>		
Tax on above items	190	146
	<u>(808)</u>	<u>(623)</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 three sites as holding similar cladding. At 31 December 2022, total provisions of £3,589,000 have been made to account for replacement cladding to be fitted at the Company's expense.

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 5 Profit on ordinary activities before taxation

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Stated after charging/(crediting):		
Staff costs (note 6)	113,895	95,985
Depreciation	4,964	5,258
Auditor's remuneration		
- audit of the Company's financial statements	360	240
- audit related assurance services	23	3
(Gain) on sale of property, plant and equipment	(12)	(307)
Rental income – operating leases	-	(12)

#### 6 Directors and employees

	Year to 31 December 2022 Number	Year to 31 December 2021 Number
The average monthly number of employees during the year, including Directors, was made up as follows:		
Site	651	629
Office	646	586
	1,297	1,215

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Employment costs during the year amount to:		
Wages and salaries	96,345	81,929
Social security costs	11,650	9,308
Other pension costs	5,900	4,748
	113,895	95,985

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Directors' remuneration		
Aggregate emoluments and benefits (including severance)	4,210	4,506
Defined contribution plan – company contributions	84	89
	4,294	4,595

Retirement benefits are accruing to five Directors (2021: five) under the company defined benefit scheme at 31 December 2022.

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Highest paid director:		
Aggregate emoluments and benefits	1,250	1,195
Defined benefit pension scheme - accrued pension	-	-

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 7 Tax on profit on ordinary activities

##### (a) Analysis of charge in the year

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Current tax charge	33,310	16,955
Adjustments in respect of prior years	(1,552)	(882)
Total current tax	31,758	16,073
Deferred tax charge/ (credit)	972	(301)
Adjustments in respect of prior years	269	-
Total deferred tax (note 11)	1,241	(301)
Total tax charge/ (credit)	32,999	15,772

##### (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 2022 £000	Year to 31 December 2021 £000
Deferred tax		
Post-employment benefit obligations	1,515	(2,765)
Total tax recognised in other comprehensive income	1,515	(2,765)

##### (c) Factors affecting tax charge for the year

To calculate the current tax on profits, the rate of tax used is 19% (2021: 19%), which is the average rate of corporation tax applicable for the year. The tax attributable to equity holders differs from the tax calculated at the standard UK Corporation Tax rate as follows:

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Profit for the year	122,993	73,673
Total tax charge	32,999	15,772
Profit on ordinary activities before taxation	155,992	89,445
Profit before taxation in the United Kingdom at 19% (2021: 19%)	29,639	16,995
Effects of:		
Residential property developer's tax	4,564	-
Amounts not deductible for tax purposes	60	33
Income not taxable for tax purposes	(87)	(94)
Effect of changes in tax rates	269	(401)
Adjustments in respect of prior years – current tax	(1,552)	(882)
Adjustments in respect of prior years – deferred tax	120	129
Other	(14)	(8)
Total tax charge / (credit) for the year	32,999	15,772

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 7 Tax on profit on ordinary activities (continued)

##### (d) Tax rates

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.

Finance Act 2022 introduced a new tax on profits arising from residential property development. Residential Property Developer Tax applied from 1 April 2022 to profits arising in accounting periods ending on or after that date at a rate of 4%.

#### 8 Property, plant and equipment

	Land and buildings £000	Computers £000	Plant and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2022	19,067	8,083	10,417	37,567
Additions	2,597	361	1,881	4,839
Disposals	(110)	-	(27)	(137)
<b>At 31 December 2022</b>	<b>21,554</b>	<b>8,444</b>	<b>12,271</b>	<b>42,269</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	6,930	5,152	8,562	20,644
Charge in the year	2,548	1,306	1,110	4,964
Disposals	(98)	-	(27)	(125)
<b>At 31 December 2022</b>	<b>9,380</b>	<b>6,458</b>	<b>9,645</b>	<b>25,483</b>
<b>Net book value</b>				
At 31 December 2022	<b>12,174</b>	<b>1,986</b>	<b>2,626</b>	<b>16,786</b>
<b>Net book value</b>				
At 31 December 2021	<b>12,137</b>	<b>2,931</b>	<b>1,855</b>	<b>16,923</b>
<b>Right of use assets (included above):</b>				
	Land and Buildings £000	Computers £000	Plant and equipment £000	Total £000
<b>Net book value:</b>				
At 31 December 2022	<b>10,954</b>	-	<b>187</b>	<b>11,141</b>
At 31 December 2021	<b>10,596</b>	-	<b>465</b>	<b>11,061</b>

Land and buildings are freehold and heritable.

At 31 December 2022, with the exception of leases, the Company had capital commitments of £nil (2021: £nil).

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 9 Investments

	Subsidiaries £000	Joint ventures £000	Total £000
At 31 December 2021 & 31 December 2022	-	502	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 Homes (Cotswolds) Limited *	100	Dormant
Cala Homes (Thames) Limited *	100	Dormant
Cala Homes (Chiltern) Limited *	100	Dormant
Cala Homes (North Home Counties) Limited *	100	Dormant
Cala Homes (South Home Counties) Limited *	100	Dormant
<i>(Registered address: Cala House, 54 The Causeway, Staines, Surrey, TW18 3AX)</i>		
Cala Homes (East) Limited *	100	Dormant
Cala Homes (West) Limited *	100	Dormant
Cala Homes (North) Limited *	100	Dormant
<i>(Registered address: Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA)</i>		

(\*) Agent of Cala Management Limited

#### 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>			
Lancefield Quay Limited	50	31 December	Property development
<i>(Registered address: Miller House, 2 Lochside View, Edinburgh Park, Edinburgh, EH12 9DH)</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 2022

### Notes to the financial statements (continued)

#### 10 Inventories

	At 31 December 2022 £000	At 31 December 2021 £000
Housebuilding:		
Land and options	852,444	995,269
Part exchange inventories	12,315	15,671
Work in progress	534,593	475,561
	<u>1,399,352</u>	<u>1,486,501</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £1,022.3 million (2021: £930.6 million).

#### 11 Trade and other receivables

	At 31 December 2022 £000	At 31 December 2021 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	49,374	41,876
Amounts owed by joint ventures	-	7,296
Amounts owed by group undertakings	1,911	1,081
Other receivables	5,710	9,238
Prepayments and accrued income	8,084	3,722
Corporation Tax	1,838	7,921
	<u>66,917</u>	<u>71,134</u>
<b>Amounts falling due after one year:</b>		
Trade receivables	1,103	8,161
Amounts owed by joint ventures	22,300	12,300
Prepayments and accrued income	5,712	-
Deferred tax asset	2,431	2,157
	<u>31,546</u>	<u>22,618</u>

Trade and other receivables are non-interest bearing, and the company 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 2021: £0.5m). Trade receivables falling due after one year include £0.3 million of shared equity loans which are classified as available for sale (31 December 2021: £0.5m). 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 £0.04 million.

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

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 2022

### Notes to the financial statements (continued)

#### 11 Trade and other receivables (continued)

The deferred tax asset included in debtors comprises:

	At 31 December 2022 £000	At 31 December 2021 £000
Accelerated capital allowances	1,851	1,762
Deferred tax on pension surplus	(198)	(381)
Other timing differences	778	776
	<u>2,431</u>	<u>2,157</u>

Deferred tax movement in the year:

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Opening deferred taxation	2,157	4,621
(Charged) / credited to profit and loss account	(1,241)	301
Credited / (charged) to other comprehensive income	1,515	(2,765)
Closing deferred taxation	<u>2,431</u>	<u>2,157</u>

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 2022	1,762	(381)	776	2,157
(Charged)/ credited to the income statement	89	(1,332)	2	(1,241)
Credited to other comprehensive income	-	1,515	-	1,515
At 31 December 2022	<u>1,851</u>	<u>(198)</u>	<u>778</u>	<u>2,431</u>



# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 12 Trade and other payables

	At 31 December 2022 £000	At 31 December 2021 £000
<b>Amounts falling due within one year:</b>		
Trade creditors - land	119,746	138,059
Trade creditors - other	195,225	182,565
Amounts owed to immediate parent company	56,460	135,288
Amounts owed to intermediate parent company	60,704	-
Amounts owed to fellow subsidiaries	524,638	599,097
Lease liabilities	3,660	3,232
Other creditors	10,202	6,318
Taxation and social security	7,043	2,566
Accruals and deferred income	35,569	35,043
	<b>1,013,247</b>	<b>1,102,168</b>
	At 31 December 2022 £000	At 31 December 2021 £000
<b>Amounts falling due after more than one year:</b>		
Trade creditors – land	71,866	174,573
Trade creditors - other	1,381	35,136
Amounts owed to fellow subsidiaries	8,206	-
Lease liabilities	7,315	7,780
Other creditors and deferred income	21,928	7,126
Preference share capital (below)	15	15
	<b>110,711</b>	<b>224,630</b>

The amounts owed to the immediate and to the intermediate 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

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 13 Called up share capital

	At 31 December 2022 £000	At 31 December 2021 £000
<b>Authorised:</b>		
<b>Equity</b>		
173,512,127 (31 December 2021: 173,512,127) ordinary shares of £1 each	173,512	173,512
40,000 (31 December 2021: 40,000) deferred shares of 5p each	<u>2</u>	<u>2</u>
	<b>173,514</b>	<b>173,514</b>
<b>Allotted and fully paid:</b>		
<b>Equity</b>		
173,512,127 (31 December 2021: 173,512,127) ordinary shares of £1 each	173,512	173,512
40,000 (31 December 2021: 40,000) deferred shares of 5p each	<u>2</u>	<u>2</u>
	<b>173,514</b>	<b>173,514</b>
<b>Preference (non-equity) share capital</b>	<b>At 31 December 2022 £000</b>	<b>At 31 December 2021 £000</b>
<b>Authorised:</b>		
25,000 (31 December 2021: 25,000) 6% preference shares of £1 each	<u>25</u>	<u>25</u>
<b>Allotted and fully paid:</b>		
14,615 (31 December 2021: 14,615) 6% preference shares of £1 each	<u>15</u>	<u>15</u>

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

#### 14 Profit and loss account

			<b>£000</b>
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			<u>126,809</u>
Profit for the financial year			<b>122,993</b>
Other comprehensive expense for the year			<b>(4,544)</b>
At 31 December 2022			<u><b>245,258</b></u>
	<b>At 31 December 2022 £000</b>	<b>At 31 December 2021 £000</b>	<b>At 31 December 2020 £000</b>
Profit and loss account excluding pension surplus / (liability)	<b>249,802</b>	115,024	55,140
Amount relating to defined benefit pension scheme surplus / (liability), net of related deferred tax	<b>(4,544)</b>	11,785	(13,789)
	<u><b>245,258</b></u>	<u>126,809</u>	<u>41,351</u>

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### 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	2022 £000	2021 £000
Interest expense on lease liabilities	317	388
Depreciation of right-of-use assets	2,524	2,530
	<b>2,841</b>	<b>2,918</b>

#### Lease Liabilities

The carrying value of the company's lease commitments under IFRS 16 is £11.0 million at 31 December 2022 (2021: £11.0 million). At 31 December 2022 the Company had the following lease commitments:

	At 31 December 2022 £000	At 31 December 2021 £000
No later than 1 year	2,506	2,273
Later than 1 year and no later than 5 years	7,018	7,086
Later than 5 years	3,256	3,063
	<b>12,780</b>	<b>12,422</b>

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 2022	10,596	465	11,061
Depreciation charge for year	(2,227)	(297)	(2,524)
Additions	2,597	19	2,616
Disposals	(12)	-	(12)
At 31 December 2022	<b>10,954</b>	<b>187</b>	<b>11,141</b>

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 16 Contingent liabilities

	At 31 December 2022 £000	At 31 December 2021 £000
Indemnities for performance bonds	83,312	62,998

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

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, in England. As noted in note 2, 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.

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

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

Past-service costs are recognised immediately in income.

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

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 17 Retirement benefits (continued)

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 (2021: £nil).

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

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

	At 31 December 2022 £000	At 31 December 2021 £000
Fair value of plan assets	58,928	96,304
Present value of funded obligations	(58,135)	(94,780)
Surplus / (deficit) of funded plans	793	1,524
Asset/ (liability) in the balance sheet	793	1,524

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

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 17 Retirement benefits (continued)

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

	2022 Present value of obligation £000	2022 Fair value of plan assets £000	2022 Total £000	2021 Present value of obligation £000	2021 Fair value of plan assets £000	2021 Total £000
<b>At 1 January</b>	<b>(94,780)</b>	<b>96,304</b>	<b>1,524</b>	<b>(107,745)</b>	<b>90,721</b>	<b>(17,024)</b>
Past service cost	-	-	-	-	-	-
Interest (expense)/ income	(1,761)	1,839	78	(1,424)	1,222	(202)
Amounts recognised in profit and loss	(1,761)	1,839	78	(1,424)	1,222	(202)
Re-measurements:						
- Return on plan assets excluding amounts included in interest income	-	(40,225)	(40,225)	-	4,772	4,772
- Gain / (loss) from change in demographic assumptions	38	-	38	(120)	-	(120)
- Gain / (loss) from change in financial assumptions	34,128	-	34,128	9,231	-	9,231
- Experience gains / (losses)	-	-	-	667	-	667
Amounts recognised in other comprehensive income	34,166	(40,225)	(6,059)	9,778	4,772	14,550
Contributions:						
- Employers	-	5,250	5,250	-	4,200	4,200
- Benefit payments	4,240	(4,240)	-	4,611	(4,611)	-
<b>At 31 December</b>	<b>(58,135)</b>	<b>58,928</b>	<b>793</b>	<b>(94,780)</b>	<b>96,304</b>	<b>1,524</b>

The significant actuarial assumptions were as follows:

	2022	2021
Discount rate	4.90%	1.90%
RPI inflation	3.15%	3.30%
CPI	2.25%	2.30%
Pension increase:		
RPI subject to a min of 3.00% p.a. and max of 5.00% p.a.	3.60%	3.65%
RPI subject to a max of 2.50% p.a.	2.15%	2.20%
CPI subject to a max of 3.00% p.a.	2.00%	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 2021 projections with long term trend of 1.00% p.a. (A=0%, Sk=7.0, w2020/2021 = 0%)	CMI 2020 projections with long term trend of 1.00% p.a. (A=0%, Sk=7.0, w2020/2021 = 0%)

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 17 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:

	2022	2021
- Male	22.2	22.2
- Female	23.8	23.8
Retiring 20 years after the end reporting period:		
- Male	23.2	23.2
- Female	25.0	25.0

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.10%	decreases by 1.5%	increases by 1.5%
RPI inflation	0.10%	increases by 0.7%	decreases by 0.7%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		increase by 3%	decrease by 3%

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:

	2022 Quoted £000	2021 Quoted £000
Equities	9,611	14,875
Diversified growth fund	-	8,358
Global infrastructure	8,048	-
Sustainable corporate bond fund	1,133	10,718
Liability Driven Investment (LDI)	21,669	29,893
Multi Asset Credit (MAC)	124	15,699
Distressed Debt Fund	9,538	10,506
Cash and cash equivalents	8,805	6,255
<b>Total</b>	<b>58,928</b>	<b>96,304</b>

# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 17 Retirement benefits (continued)

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 16 years.

##### **Deficit strategy**

The employer has agreed that it will aim to eliminate the Scheme deficit (as assessed on the on-going funding basis) by 31 December 2024. Following the closure of the Scheme in December 2015 no further employee contributions will be made. Expected employer contributions to the Scheme, in respect of deficit recovery, for the year ending 31 December 2023 are £3.2 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.

The scheme is in a surplus position in 2022. Management have assessed this as appropriate in line with the requirements of IFRIC 14.

##### **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 2022 of £5.9 million (2021: £4.7 million) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2022 all contributions due in respect of the current reporting period had been paid over to the schemes (2021: all).



# Cala Management Limited

## Annual report and financial statements for the year ended 31 December 2022

### Notes to the financial statements (continued)

#### 18 Loans and borrowings

	At 31 December 2022 £000	At 31 December 2021 £000
Current liabilities	-	5,237
Non-Current liabilities	5,609	5,407
	<u>5,609</u>	<u>10,644</u>

Following our acquisition of L&G Homes Communities in 2019, the Company now holds a secured loan balance with Homes England. Interest is charged at 4.85%. The loan balance reported at 31 December 2022 is repayable in one instalment in October 2024.

#### 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 2022 £000	Year to 31 December 2021 £000
<b>Relating to joint ventures:</b>		
Amounts owed by joint ventures	<u>22,300</u>	<u>19,595</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.

#### 20 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](http://www.legalandgeneralgroup.com) or from the Company Secretary.