

Registered number: SC326357

Cala Group Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

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Cala Group Limited

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Cala Group Limited

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Directors and advisers

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Cala Group Limited

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Strategic Report

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

Cala

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

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

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

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

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.

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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
▪ Achieved HBF 5-star rating ▪ Overall recommend score of 95.4% ▪ 12 Cala and L&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.

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

Cala Group Limited

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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 group'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 Group Limited

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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
Owned / Contracted	21,576	8,848m	410k	19.9%	8.2
Strategic	11,150	3,854m	346k	17.4%	
Total at 31 December 2022	32,726	12,702m	388k	19.1%	
Total at 31 December 2021	32,782	£12,160m	£371k	19.7%	

The group 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.

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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.

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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 Directors 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.

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.

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Strategic Report (continued)

Our Strategy and Ambition (continued)

Engage and Retain (continued)

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.

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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.



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 tCO₂e – an 8% reduction on 2021. This is despite delivering a 4% increase in legal completions in 2022. When measured as a performance metric (tCO₂e/100m² 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 100m² of developed floor area) – aligned to our Science Based Target
- Annual reductions in the design operational emission performance of our homes (measured per 100m² of developed floor area)
- Annual increase in the percentage of new developments with an agreed Community Pledge (leading to 100% take-up before 2025)

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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.

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Strategic Report (continued)

Our Strategy and Ambition (continued)

Health and safety

The health and safety of our employees, contractors and customers is of paramount importance, and we are committed to ensuring that everyone who visits our sites and offices can carry out their duties safely and go home safe.

The Group operates a comprehensive health and safety management system that includes monitoring, staff training and management reporting. Frequent on-site inspections are carried out by our own qualified staff, targeting potential hazards and incident trends, as well as providing the opportunity to review future works. Health and safety audits are also carried out which provide an in-depth review with a focus on the higher risk activities such as working at height, traffic management, etc. The health and safety team also carry out additional coaching and mentoring visits which are intended to ensure that our site-based employees have a thorough and practical understanding of our health and safety requirements.

Achieving zero RIDDOR injuries is our immediate goal, whilst our ultimate challenge is to establish a culture where people work safely, looking out for one another, so that no one suffers injury or ill health because of our activities. Cala's Annual Injury Incidence Rate for 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 Directors continue to be satisfied with the group's health and safety approach and the measures being introduced to reduce risk and the number of accidents in future years.

Our commitment to maintaining the highest standards of health and safety is reinforced by the investment we make in ensuring that our own staff and contractors are fully aware of their responsibilities and that they have the resources, knowledge and capability to carry out their roles safely. In 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 director responsible for health and safety throughout the group.

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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 Group 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 group 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: £105.4 million) on revenue of £1,322.0 million (2021: £1,197.6 million). The year-on-year profit increase of £36.5 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 Group did not benefit from any grant income under the Government's CJRS funding scheme.

Cala Group 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 13.2%. 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 group increased by 29.3% during the year to £526.0 million (2021: £406.7 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 group 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 Group 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 group is not necessary or appropriate for an understanding of the performance or position of the group 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 group's strategy are subject to a number of risks. The key business risks currently affecting the group 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 group's risks in this report.

Cala Group Limited

Annual Report and Financial Statements for the year ended 31 December 2022

Strategic Report (continued)

SECTION 172(1) STATEMENT & STAKEHOLDER ENGAGEMENT

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

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

General

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

Corporate governance underpins how we conduct ourselves as Directors, our culture, values, behaviours and how we do business. As Directors 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 Directors consider that the following are examples of principal decisions that it made in the year:

- ***Investment in Transformation projects.***
The Directors have 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 Directors 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 Group 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 groups banking facility.**
The revised lending facilities 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.

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

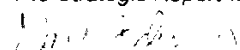
Cala Group Limited

Annual Report and Financial Statements for the year ended 31 December 2022

Strategic Report (continued)

Suppliers Interaction with our suppliers and treating our suppliers fairly allows us to drive high standards and reduce risk in our supply chain whilst also benefitting from cost efficiencies and generating positive for the environment and wider society.	At both regional and national levels we hold regular meetings with our key suppliers ensuring risks are proactively managed and they are up to date on latest developments and best practice. We strive to work with like-minded businesses, and place great importance of retaining long term supplier relationships. This helps safeguard the quality of our product and our ability to deliver to our customers whilst establishing standards that ensure suppliers operate ethically, are environmentally responsible and that their workers are treated with respect and dignity. 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.	The Directors 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. The Directors place a high value on the quality of the working environment on our sites, and controls are in place to ensure supplier payments are made on a timely basis.
Community/wider society Contributing positively to wider society enables us to create stronger communities and have a positive environmental impact.	Our purpose is to improve the lives of our customers, build a better society for the long term and create value for our shareholders. This inspires us to develop our homes in an economically and socially useful way to benefit everyone in our communities.	The Directors recognise that residential development can impact the wider community as well as our direct customer. Local consultations are held on all sites to engage the community throughout the planning process and then the development of our sites. Cala has continued to invest heavily in local communities, via our highly successful bursary scheme for local organisations.
Lenders Our business continues to be part financed via a £400 million revolving credit facility which provides adequate headroom and the platform for further land acquisition and future growth.	We are in regular communication with our banking syndicate and provide regular updates on the financial performance of the business and our strategic goals. Our approach is to work collaboratively with our lenders and engage them regularly throughout the delivery of our business plan.	The Directors recognise the importance of maintaining good working relationships with lenders. We re-financed our bank borrowing facilities during 2022 to £400m, which under current projections will allow the Group to realise it's growth plans set out in the December 2022 budget.

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



Neil Stoddart
Director
31 March 2023

Cala Group Limited

Annual Report and Financial Statements for the year ended 31 December 2022

Directors' Report

The Directors of Cala Group Limited present their report and the audited consolidated financial statements 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 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 signing 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 is currently in force. 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, which include Cala Group Limited, 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 in the current or prior year.

Going concern

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

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

The group manages its short and medium term cash requirements through a combination of cash balances and a £400 million revolving credit facility of which £20m was drawn at the year end. This facility expires in September 2025.

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

The Directors therefore believe that that the group is well placed to withstand any reasonably possible market downturns should they arise. There are also a wide range of mitigating actions that are within the control of the group that could be taken, if required, to ensure the group remains within its banking facilities and continues to comply with its covenants.

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

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

Cala Group Limited

Annual Report and Financial Statements for the year ended 31 December 2022

Directors' Report (continued)

Independent auditor and disclosure of information to auditor

Each Director, as at the date of this report, has confirmed that insofar as they are aware, there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware, and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information. KPMG were appointed as auditor in the prior year. In the absence of an AGM, KPMG LLP are deemed to be re-appointed as auditor.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

The Director's Report was approved by the Directors on 31 March 2023.

Emma Johnson
Head of Legal & Company Secretary

Independent auditor's report the members of Cala Group Limited

Opinion

We have audited the financial statements of CALA Group Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated and company statement of changes in equity, the Consolidated statement of cash flows and related notes, including the Statement of accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit committee minutes; and
- Considering remuneration incentive schemes and performance targets for management and directors.

We communicated identified fraud risks throughout the audit 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 pension liabilities. On this audit we do not believe there is a fraud risk related to revenue recognition because we consider that there are limited incentives and opportunities to fraudulently adjust revenue recognised.

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

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

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

We performed procedures including:

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

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

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

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

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

Strategic report and directors' report

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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 Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

(Signature)

**Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
3rd Floor,
Saltire Court
Edinburgh
EH1 2EG
31 March 2023

Cala Group Limited

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	2022 Before exceptional items and revaluations £000	2022 Exceptional items and revaluations (note 2) £000	Year ended 31 December 2022 £000	2021 Before exceptional items and revaluations £000	2021 Exceptional items and revaluations (note 2) £000	Year ended 31 December 2021 £000
Continuing operations:							
Revenue	1	1,321,996	-	1,321,996	1,197,573	-	1,197,573
Cost of sales		(1,063,041)	(998)	(1,064,039)	(983,960)	(769)	(984,729)
Gross profit/ (loss)		258,955	(998)	257,957	213,613	(769)	212,844
Net operating expenses		(84,691)	-	(84,691)	(72,798)	-	(72,798)
Other operating income		278	-	278	163	-	163
Operating profit/ (loss)		174,542	(998)	173,544	140,978	(769)	140,209
Finance income		116	-	116	52	-	52
Finance costs		(21,091)	-	(21,091)	(39,295)	-	(39,295)
Finance costs - net	5	(20,975)	-	(20,975)	(39,243)	-	(39,243)
Share of post-tax profit of joint ventures	10	5,421	-	5,421	3,603	-	3,603
Profit before tax		158,988	(998)	157,990	105,338	(769)	104,569
Tax on profit/ (loss)	6	(34,031)	190	(33,841)	(18,282)	146	(18,136)
Profit/ (loss) for the year		124,957	(808)	124,149	87,056	(623)	86,433
Profit attributable to:							
Owners of the parent		124,960	(808)	124,152	87,056	(623)	86,433
Non-controlling interest		(3)	-	(3)	-	-	-
		124,957	(808)	124,149	87,056	(623)	86,433
Other comprehensive income							
Profit/ (loss) for the year		124,957	(808)	124,149	87,056	(623)	86,433
Other comprehensive income							
Re-measurements of post-employment benefit obligation	21	(6,059)	-	(6,059)	14,550	-	14,550
Movement in deferred tax relating to post employment benefit obligation		1,515	-	1,515	(2,765)	-	(2,765)
Other comprehensive income for the year		(4,544)	-	(4,544)	11,785	-	11,785
Total comprehensive income for the year		120,413	(808)	119,605	98,841	(623)	98,218
Attributable to:							
Owners of the parent		120,416	(808)	119,608	98,841	(623)	98,218
Non-controlling interest		(3)	-	(3)	-	-	-
		120,413	(808)	119,605	98,841	(623)	98,218

The notes on pages 37 to 63 are an integral part of these consolidated financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company statement of comprehensive income. The parent company loss for the year was £0.6 million (31 December 2021 profit: £3.7 million).

Cala Group Limited

Consolidated balance sheet

At 31 December 2022

		At 31 December 2022	At 31 December 2021
		£000	£000
Assets			
Non-current assets			
Property, plant and equipment	8	16,808	16,943
Investments in jointly controlled entities	10	3,959	1,793
Available for sale financial assets	11	305	501
Trade and other receivables	12	30,607	20,793
Deferred tax assets	17	2,431	2,157
Retirement benefit surplus	21	793	1,524
		<u>54,903</u>	<u>43,711</u>
Current assets			
Available for sale financial assets	11	459	479
Trade and other receivables	12	66,601	68,519
Corporation tax		1,056	5,606
Inventories	13	1,399,435	1,486,583
Cash at bank and in hand		<u>19,043</u>	<u>19,622</u>
		<u>1,486,594</u>	<u>1,580,809</u>
Total assets		<u>1,541,497</u>	<u>1,624,520</u>
Current liabilities			
Loans and borrowings	14	-	(5,237)
Trade and other payables	15	<u>(879,170)</u>	<u>(892,551)</u>
		<u>(879,170)</u>	<u>(897,788)</u>
Non-current liabilities			
Loans and borrowings	14	(25,611)	(95,409)
Trade and other payables	15	<u>(110,695)</u>	<u>(224,615)</u>
		<u>(136,306)</u>	<u>(320,024)</u>
Total liabilities		<u>(1,015,476)</u>	<u>(1,217,812)</u>
Net assets		<u>526,021</u>	<u>406,708</u>
Equity			
Ordinary share capital	18	11	11
Share premium		356,153	356,153
Retained earnings		169,609	50,001
Capital redemption reserve		<u>248</u>	<u>248</u>
Equity attributable to the parent		<u>526,021</u>	<u>406,413</u>
Non-controlling interests		<u>-</u>	<u>295</u>
Total equity		<u>526,021</u>	<u>406,708</u>

The notes on pages 37 to 63 form an integral part of these financial statements.

The financial statements of Cala Group Limited (registration number SC326357) were approved by the Directors on 31 March 2023 and were signed on its behalf by:



N J Stoddart
Director

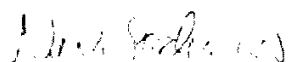
Cala Group Limited

Company balance sheet At 31 December 2022

	Note	At 31 December 2022 £000	At 31 December 2021 £000
Assets			
Non-current assets			
Investments in subsidiaries	9	308,848	308,848
Trade and other receivables – due greater than one year	12	57,913	134,719
		<u>366,761</u>	<u>443,567</u>
Current assets			
Trade and other receivables – due within one year	12	1,143	862
Corporation tax		152	-
		<u>1,295</u>	<u>862</u>
Total assets		<u>368,056</u>	<u>444,429</u>
Current liabilities			
Trade and other payables	15	(230,463)	(230,294)
Bank overdraft		(16,392)	(22,289)
		<u>(246,855)</u>	<u>(252,583)</u>
Non-current liabilities			
Loans and borrowings	14	(20,000)	(90,000)
		<u>(20,000)</u>	<u>(90,000)</u>
Total liabilities		<u>(266,855)</u>	<u>(342,583)</u>
Net assets		<u>101,201</u>	<u>101,846</u>
Equity			
Ordinary share capital	18	11	11
Share premium		356,153	356,153
Retained earnings brought forward		(254,566)	(258,244)
Income attributable to the parent		(645)	3,678
Retained earnings carried forward		(255,211)	(254,566)
Capital redemption reserve		248	248
Equity attributable to the parent		<u>101,201</u>	<u>101,846</u>
Total equity		<u>101,201</u>	<u>101,846</u>

The notes on pages 37 to 63 form an integral part of these financial statements.

The financial statements of Cala Group Limited (registration number SC326357) were approved by the Directors on 31 March 2023 and were signed on its behalf by:



N J Stoddart
Director

Cala Group Limited

Consolidated and company statements of changes in equity

Group

	Share capital £000	Share premium £000	Retained earnings £000	Capital redemption reserve £000	Total £000	Non-controlling interest £000	Total £000
At 31 December 2020	11	356,153	(48,217)	248	308,195	295	308,490
Profit for the year	-	-	86,433	-	86,433	-	86,433
Other comprehensive income for the year	-	-	11,785	-	11,785	-	11,785
At 31 December 2021	11	356,153	50,001	248	406,413	295	406,708
Profit for the year	-	-	124,152	-	124,152	(3)	124,149
Other comprehensive income for the year	-	-	(4,544)	-	(4,544)	-	(4,544)
Distribution to minority interests	-	-	-	-	-	(292)	(292)
At 31 December 2022	11	356,153	169,609	248	526,021	-	526,021

Company

	Share capital £000	Share premium £000	Retained earnings £000	Capital redemption reserve £000	Total £000
At 31 December 2020	11	356,153	(258,244)	248	98,168
Profit for the year	-	-	3,678	-	3,678
At 31 December 2021	11	356,153	(254,566)	248	101,846
Profit for the year	-	-	(645)	-	(645)
At 31 December 2022	11	356,153	(255,211)	248	101,201

The notes on pages 37 to 63 form an integral part of these financial statements.

Cala Group Limited

Consolidated statement of cash flows for the year ended 31 December 2022

		Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
	Notes		
Cash flows from operating activities			
Cash generated from operations	A	120,270	103,656
Interest paid		(6,363)	(7,155)
Corporation tax paid		(35,035)	(23,366)
Net cash generated from operating activities		78,872	73,135
Cash flows from investing activities			
Purchases of property, plant and equipment		(7,436)	(8,600)
Proceeds from sale of property, plant and equipment		23	307
Net repayment of loans with joint ventures		734	2,366
Net cash used in investing activities		(6,679)	(5,927)
Cashflows from financing activities			
Repayment of obligations under finance leases		2,263	3,670
Repayment of bank loans		(345,035)	(318,748)
Drawdown of bank loans		270,000	250,000
Net cash used in financing activities		(72,772)	(65,078)
Net (decrease) /increase in cash and cash equivalents		(579)	2,130
Cash and cash equivalents at the beginning of the year		19,622	17,492
Cash and cash equivalents at the end of the year		19,043	19,622

The notes on pages 37 to 63 form an integral part of these financial statements.

Cala Group Limited

Consolidated statement of cash flows for the year ended 31 December 2022

A.	Cash generated from operations:	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000	
	Profit before corporation tax	157,990	104,569	
	Adjustments for:			
	Finance costs - net	20,975	39,243	
	Share of profits of joint ventures	(5,421)	(3,603)	
	Depreciation charge	4,944	5,258	
	Gain on disposal of fixed assets	(12)	(307)	
	Retirement benefits	(5,250)	(4,200)	
	Movements in working capital:			
	Decrease/ (increase) in inventories	87,148	(121,229)	
	Increase in trade and other receivables	(9,782)	(26,542)	
	(Decrease)/ increase in trade and other payables	(130,563)	110,184	
	Decrease in available for sale financial assets	241	283	
	Cash generated from/ (used in) operations	120,270	103,656	
B.	Reconciliation of net cash flow to net debt:	2022 £000	2021 £000	
	(Decrease)/ increase in cash in the year	(579)	2,130	
	Cash inflow from decrease in amounts due by joint ventures	(1,576)	(3,031)	
	Repayment of bank loans	345,035	318,748	
	Drawdown of bank loans	(270,000)	(250,000)	
	Change in net debt resulting from cash flows	72,880	67,847	
	Net debt as at 1 January	(56,019)	(123,866)	
	Net surplus/ (debt) as at 31 December	16,861	(56,019)	
C.	Analysis of net debt:	As at 1 January 2022 £000	Cash flow £000	As at 31 December 2022 £000
	Cash at bank and in hand	19,622	(579)	19,043
	Loans:			
	Amounts owed by joint ventures	25,005	(1,576)	23,429
	Debt:			
	Loans and borrowings	(100,646)	75,035	(25,611)
	Net surplus/ (debt)	(56,019)	72,880	16,861

Cala Group Limited

Statement of accounting policies for the year ended 31 December 2022

General information

Cala Group Limited (the "company") is a limited company and is registered, incorporated and domiciled in the United Kingdom. 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.

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

Basis of preparation

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

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

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

Under FRS101, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that consolidated financial statements, which include the Company, are publicly available. The Company has also taken advantage of the exemption contained in FRS101 regarding 'Related Party Disclosures' and has not reported transactions with wholly-owned subsidiaries. The conversion has not resulted in any adjustments being made to the comparative balances disclosed on the company balance sheet or within its profit and loss account.

Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

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

- **Amendments to IAS 37 (Onerous contracts – cost of fulfilling a contract) from 1 January 2022.** This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.
- **Amendments to References to the Conceptual Framework in IFRS 3 (effective 1 January 2022).** The amendment refers to the Conceptual Framework issued in 2018 under which the definition of liabilities is broader than that in the previous versions. There is no material effect of this amendment as the Group has not made any new acquisitions during the year.

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Changes in accounting policy and disclosure (continued)

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

- **Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective date 1 January 2022).** The amendments prohibit a Company from deducting from the cost of an item of PPE any proceeds from selling items produced while making that item of PPE available for its intended use. There is no material effect of this amendment on the items of PPE recorded during the year
- **Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022):**
 - **IFRS 1 – Subsidiary as a first- time adopter.** The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. There is no material effect of this amendment on the Group as there are no subsidiaries adopting IFRS for the first time
 - **IFRS 9 – Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. There is no material effect of this amendment on the Group as the test has not been applied by the Group during the year.
 - **IFRS 16 – Leases – Lease incentives.** The amendment to the Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. As this is a change to the illustrative example and not the standard itself, it has no impact on the Group.

Going concern

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

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

The group manages its short and medium term cash requirements through a combination of cash balances and a £400 million revolving credit facility of which £20m was drawn at the year end. This facility expires in September 2025.

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

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

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

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

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Basis of consolidation

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

Jointly controlled entities

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

Revenue recognition

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

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

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Net operating expenses

Net operating expenses include, inter alia, the overhead costs of all office based employees, including construction and sales management not based permanently on site.

Property, plant and equipment

Property, plant and equipment is carried at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation on property, plant and equipment is provided on a straight line basis at rates estimated to write off the cost of the relevant assets over their expected useful lives. The annual rates used are:

Buildings	2%
Computers	25 - 33%
Plant and equipment	25%

Freehold land is not depreciated. Sales complexes, which are included within Plant and equipment, are depreciated over the life of the site to which they are based.

Goodwill

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

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

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

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

Cost of sales

Home building cost of sales includes land, construction, design, advertising and site overheads. All such costs are written off on a site-by-site basis by comparing turnover to date with turnover forecast for the whole site, and applying the resulting proportion to the total forecast costs.

Finance costs

Interest incurred by the group is charged to the profit and loss account in that period. Interest incurred by joint venture development companies is treated as a development cost and carried in work-in-progress. It is charged to the profit and loss account in accordance with the stage of completion of the development. Interest incurred by joint venture development companies which relates to land without the benefit of a planning consent is charged to the profit and loss account in that period. Interest incurred by joint venture companies which hold property for trading purposes is charged to the profit and loss account as incurred.

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Exceptional items and revaluations

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

Taxation

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

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

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

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

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

Derivative financial instruments

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

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

Financial assets

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

Available for sale financial assets

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

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Impairment of financial assets

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

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

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

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

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

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

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

Trade and other receivables

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

Inventories

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.

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

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

Cash and cash equivalents

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

Borrowings

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

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Trade and other payables

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

Provisions

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

Share capital

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

Pensions

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

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

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

Investments in subsidiaries

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

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Leases

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

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

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

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

Share-based payments

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

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

Company accounting policies

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

Cala Group Limited

Statement of accounting policies (continued) for the year ended 31 December 2022

Critical accounting judgements and key sources of estimation uncertainty

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

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

Site margin and inventories

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

The group has conducted a review of the net realisable value of its inventory carrying values which resulted in no 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 Director's assessment of market conditions existing at the balance sheet date. If there are significant movements in UK house prices or development costs beyond management's expectations then further impairments / reversals of previous write downs of land and work in progress may be necessary.

Defined benefit pension scheme

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

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

Company

There are no critical accounting judgements or key sources of estimation within the company only financial statements.

Cala Group Limited

Notes to the financial statements

1 Revenue

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

From 1 January 2019, the group has adopted IFRS 15 'Revenue from contracts with customers'. An impact assessment has been performed using the 5-step model for revenue recognition, and the sale of part exchange properties has been identified as holding a separate contract with a customer. Consequently, 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 Exceptional items and revaluations

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Cost of Sales		
Site remediation	(998)	(769)
	<u>(998)</u>	<u>(769)</u>
Corporation tax		
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 Group's expense.

3 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 4)	113,895	95,985
Depreciation	4,944	5,258
Auditor's remuneration:		
- audit of the company's financial statements	15	13
Fees payable to the company's auditor and its associates for other services:		
- the audit of the company's subsidiaries	397	253
- audit related assurance services	23	3
Gain on sale of property, plant and equipment	(12)	(307)
Rental income – operating leases	-	(12)
	<u>-</u>	<u>(12)</u>

Cala Group Limited

Notes to the financial statements (continued)

4 Directors and employees

Group	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:		
Homebuilding: Site	651	629
Homebuilding: Office	646	586
	<u>1,297</u>	<u>1,215</u>
Employment costs during the year amount to:	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Wages and salaries	95,563	81,833
Social security costs	11,650	9,308
Other pension costs	5,900	4,748
Share based payment charges (note 19)	782	96
	<u>113,895</u>	<u>95,985</u>
Directors' remuneration	2022 £000	2021 £000
Aggregate emoluments	2,448	2,313
Defined contribution plan – company contributions	21	15
	<u>2,469</u>	<u>2,328</u>
Highest paid director:	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Aggregate emoluments and benefits	1,250	1,195
Defined benefit pension scheme - accrued pension	-	-

Retirement benefits are accruing to two directors under the group defined benefit scheme at 31 December 2022 (31 December 2021: two).

5 Finance income and costs

Group	Year to 31, December 2021 £000	Year to 31 December 2021 £000
Finance costs:		
Interest expense on bank loans, overdrafts and other borrowings	18,558	36,203
Imputed interest on deferred land payables	2,216	2,502
Lease interest	317	388
Other finance costs	-	202
	<u>21,091</u>	<u>39,295</u>
Finance income:		
Interest on defined benefit pension scheme	(78)	-
Imputed interest on available for sale financial assets	(25)	(43)
Interest receivable	(13)	(9)
	<u>(116)</u>	<u>(52)</u>
Net finance costs	<u>20,975</u>	<u>39,243</u>

Cala Group Limited

Notes to the financial statements (continued)

6 Tax on profit on ordinary activities

Group

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
a) Analysis of charge in the year		
Current tax	34,093	19,270
Adjustments in respect of prior years	(1,493)	(833)
Total current tax	32,600	18,437
Deferred tax (note 17):		
Current year charge	1,121	(430)
Adjustments in respect of prior years	120	129
Total deferred tax	1,241	(301)
Total tax charge	33,841	18,136

b) 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 on ordinary activities before taxation	157,991	104,568
Profit on ordinary activities before taxation in the United Kingdom at 19% (2021: 19%)	30,018	19,868
Effects of:		
Residential property developer tax	4,564	-
Expenses not deductible for tax purposes	47	25
Non-taxable income	315	(94)
Losses not recognised	1	(558)
Effect of changes in tax rates	269	(401)
Adjustments in respect of prior years	(1,373)	(704)
Total tax charge for the year	33,841	18,136

c) 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%.

Cala Group Limited

Notes to the financial statements (continued)

7 Intangible assets

Group

	Goodwill £000
Cost:	
As at 31 December 2022 and 31 December 2021	152,249
Amortisation:	
As at 31 December 2022 and 31 December 2021	(152,249)
Net book value:	
As at 31 December 2022 and 31 December 2021	-

The goodwill balance was fully amortised in the year ended 30 June 2015, with no movements in the net book value of intangible assets since this date.

8 Property, plant and equipment

Group

	Land & buildings £000	Computers £000	Plant & Equipment £000	Total £000
Cost:				
At 1 January 2021	15,110	7,332	10,026	32,468
Additions	4,018	758	521	5,297
Disposals	(26)	-	(139)	(165)
At 31 December 2021	19,102	8,090	10,408	37,600
Additions	2,598	361	1,861	4,820
Disposals	(110)	-	(27)	(137)
At 31 December 2022	21,590	8,451	12,242	42,283
Accumulated depreciation:				
At 1 January 2021	4,060	3,879	7,626	15,565
Charge in the year	2,909	1,279	1,070	5,258
Disposals	(27)	-	(139)	(166)
At 31 December 2021	6,942	5,158	8,557	20,657
Charge in the year	2,548	1,306	1,090	4,944
Disposals	(99)	-	(27)	(126)
At 31 December 2022	9,391	6,464	9,620	25,475
Net book value at 31 December 2022	12,199	1,987	2,622	16,808
Net book value at 31 December 2021	12,160	2,932	1,851	16,943

Land and buildings are freehold and heritable.

The group's obligations under finance leases (see note 20) are secured by the lessors' title to the leased assets, which have a carrying amount of £11.0m (2021: £11.1m).

The company has no property, plant and equipment.

Cala Group Limited

Notes to the financial statements (continued)

9 Investments in subsidiaries

Company

	At 31 December 2022 £000	At 31 December 2021 £000
Cost of investments in subsidiary undertakings	580,205	580,205
Accumulated impairment	(271,357)	(271,357)
Net book value	<u>308,848</u>	<u>308,848</u>

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

The principal subsidiary undertakings of the group are shown below:

Name of Company	% of £1 ordinary shares held	Accounting year end	Nature of business
Cala 1999 Limited	100	31 December	Administrative & holding company
Cala Limited	100	31 December	Administrative & holding company
Cala Management Limited	100	31 December	Dormant
Cala Homes (North) Limited *	100	31 December	Dormant
Cala Homes (East) Limited *	100	31 December	Dormant
Cala Homes (West) Limited *	100	31 December	Dormant
Cala Homes (Cotswolds) Limited *	100	31 December	Dormant
Cala Homes (Chiltern) Limited *	100	31 December	Dormant
Cala Homes (Thames) Limited *	100	31 December	Dormant
Cala Homes (South Home Counties) Limited *	100	31 December	Dormant
Cala Homes (North Home Counties) Limited *	100	31 December	Dormant
Cala Ventures Limited	100	31 December	Home building

A full list of all subsidiary companies is given in the appendix on page 63.

All the above companies are incorporated in Great Britain and 100% of the voting rights are held by the group.

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

Cala Group Limited

Notes to the financial statements (continued)

10 Investments in jointly controlled entities

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

	Group At 31 December 2022 £000	Group At 31 December 2021 £000
Non-current assets	78	78
Current assets (including cash and cash equivalents of £13.0 million (2021: £8.0 million))	99,854	106,781
Current liabilities	(29,052)	(43,099)
Non-current liabilities (including non-current financial liabilities other than trade and other payables and provisions of £41.2 million (2021: £42.8 million))	(41,242)	(42,756)
Net assets (100%) of jointly controlled entities	29,638	21,004
Group's share of net assets	50%	50%
	14,819	10,502
Add consolidation adjustments	(10,860)	(8,709)
Carrying amount of interests in joint ventures	3,959	1,793

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

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

	Group Year ended 31 December 2022 £000	Group Year ended 31 December 2021 £000
Revenue	67,813	35,973
Cost of sales	(57,424)	(29,153)
Interest expense	(1,684)	(1,330)
	8,705	5,490
Group's share of profits / (losses)	50%	50%
	4,353	2,745
Add back intercompany interest	1,068	858
Group's share of profit / (loss)	5,421	3,603
Group's share of other comprehensive income	(3,254)	(3,059)
Carrying amount at 1 January 2022 and 1 January 2021	1,793	1,250
Carrying amount at 31 December 2022 and 31 December 2021	3,959	1,793

The principal joint venture companies are:

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

The above companies are incorporated in the United Kingdom.

Cala Group Limited

Notes to the financial statements (continued)

10 Investments in jointly controlled entities (continued)

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

Each company has a properly constituted Board which meets on a regular basis. Systems are in place to ensure regular reporting of financial information to each board, and to the group, and such financial information is sufficient to give a full understanding of the financial position of the joint venture company. Where required, each company is separately funded by a financial institution on either a non-recourse or limited guarantee basis, secured over the assets of that company. Additional unsecured loan funding is provided by the joint venture shareholders at varying rates of interest.

11 Available for sale financial assets

Group	At 31 December 2022 £000	At 31 December 2021 £000
At 1 January	980	1,220
Disposals	(241)	(284)
Imputed interest	25	44
At 31 December	764	980
Due within 12 months	459	479
Due greater than 12 months	305	501
At 31 December	764	980

Available for sale financial assets comprise shared equity loans, largely with a ten year term and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. The assets are recorded at fair value, being the estimated future amount receivable by the group, discounted to present day values. The fair value of future anticipated cash receipts takes into account the directors view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The directors revisit the future anticipated cash receipts from the assets at the end of each financial reporting year. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which the directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The directors review the financial assets for impairment at each balance sheet date. There were no indicators of impairment at 31 December 2022.

Cala Group Limited

Notes to the financial statements (continued)

12 Trade and other receivables

Group	At 31 December 2022 £000	At 31 December 2021 £000
Non-current assets		
Trade receivables	1,142	8,199
Amounts owed by joint ventures	22,300	12,300
Other debtors	5,712	-
Prepayments and accrued income	1,453	294
	30,607	20,793
	2022	2021
	£000	£000
Current assets		
Trade receivables	48,622	40,907
Amounts owed by group undertakings	1,911	1,081
Amounts owed by joint ventures	1,129	12,705
Other debtors	5,712	9,242
Prepayments and accrued income	9,227	4,584
	66,601	68,519
Company	At 31 December 2022 £000	At 31 December 2021 £000
Non-current asset		
Amounts owed by group undertakings	56,460	134,425
Prepayments and accrued income	1,453	294
	57,913	134,719
	At 31 December 2022 £000	At 31 December 2021 £000
Current assets		
Prepayments and accrued income	1,143	862
	1,143	862

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

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

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

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

Group	At 31 December 2022 £000	At 31 December 2021 £000
Ageing of overdue but not impaired receivables:		
Less than 3 months	1,480	802
Greater than 3 months	2,645	1,621
	4,125	2,423

Cala Group Limited

Notes to the financial statements (continued)

12 Trade and other receivables (continued)

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

The carrying values of trade and other receivables are stated after the following allowance for doubtful debts:

	At 31 December 2022 £000	At 31 December 2021 £000
At start of year	392	450
Unused amounts reversed	(304)	(58)
At end of year	88	392

13 Inventories

	At 31 December 2022 £000	At 31 December 2021 £000
Home building:		
Land and options	852,527	995,352
Part exchange inventories	12,315	15,671
Work in progress	534,594	475,560
	1,399,436	1,486,583

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £1,022.4 million (31 December 2021: £930.6 million). Land creditors are shown in note 15.

Cala Group Limited

Notes to the financial statements (continued)

14 Loans and borrowings

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Creditors: amounts falling due within one year:				
Loans and other borrowings	-	-	5,237	-
Creditors: amounts falling due after more than one year:				
Loans and other borrowings	25,611	20,000	95,409	90,000

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

a) Analysis by instrument

Group and Company	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bank Overdrafts	-	-	16,392	22,289
Revolving Credit facility	20,000	90,000	20,000	90,000
Homes England loan	5,611	10,646	-	-
Total at 31 December	25,611	100,646	36,392	112,289

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

The revolving credit facility varies depending on the working capital requirements of the group and as such there are no fixed contractual interest payments until its expiration in September 2025. The amended bank facilities hold a floating rate of interest of LIBOR plus a margin of between 1.75% and 2.25%, which varies depending on gearing and the achievement of sustainability performance targets.

Following our acquisition of L&G Homes Communities in 2019, the Group 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.

b) Borrowing facilities

The group had undrawn committed borrowing facilities of £380.0 million at 31 December 2022 (2021: £260.0 million) in respect of which all conditions precedent had been met.

Cala Group Limited

Notes to the financial statements (continued)

14 Loans and borrowings (continued)

c) Security

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

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

d) Maturity analysis

Repayments due as follows:

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Within one year, or on demand	-	-	5,237	-
After more than one year	25,611	20,000	95,409	90,000
	25,611	20,000	100,646	90,000

Repayments due after more than one year are analysed as follows

	Group 2022 £000	Company 2022 £000	Group 2021 £000	Company 2021 £000
Between one and two years	5,611	-	95,409	90,000
Between two and three years	20,000	20,000	-	-
	25,611	20,000	95,409	90,000

Cala Group Limited

Notes to the financial statements (continued)

15 Trade and other payables

Group	At 31 December 2022 £000	At 31 December 2021 £000
Current liabilities:		
Trade payables:		
Land – in development	104,721	125,652
Land – not yet acquired or in development	15,025	12,407
Other	195,231	182,702
	314,977	320,761
Amounts owed to group undertakings	507,175	524,247
Obligations under finance leases	3,660	3,232
Taxation and social security	7,043	2,566
Other payables	10,233	6,351
Accruals and deferred income	36,082	35,394
	879,170	892,551
	At 31 December 2022 £000	At 31 December 2021 £000
Non-current liabilities:		
Trade payables:		
Land – in development	71,866	122,209
Land – not yet acquired or in development	-	52,365
Other	23,308	35,136
	95,174	209,710
Amounts owed to group undertakings	8,206	7,125
Obligations under finance leases	7,315	7,780
	110,695	224,615
Company	At 31 December 2022 £000	At 31 December 2021 £000
Current liabilities:		
Amounts owed to group undertakings:	229,972	229,972
Accruals and deferred income	491	322
	230,463	230,294

Total trade payables include accruals of £191.6 million (2021: £312.6 million) for development land under contract.

Land payables are reduced for imputed interest, which is charged to the income statement over the credit period of the purchase contract.

The amounts owed to the immediate and to the ultimate holding company, in addition to trading balances with fellow subsidiaries, are interest bearing and repayable on demand. Non trading balances with other subsidiaries are non-interest bearing and repayable on demand.

Cala Group Limited

Notes to the financial statements (continued)

16 Financial risk management

The principal operational risks of the business are detailed in the strategic report on page 13.

i) Financial Risks

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

UK housing market price risk

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

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

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

The value of the group's available for sale financial assets is directly linked to the UK housing market. At 31 December 2022 these assets were carried at a fair value of £0.8 million (2021: £1.0 million).

Sensitivity analysis

At 31 December, if UK house prices had been 5% higher / lower, and all other variables were held constant, the group's house price linked financial instruments, which are solely available for sale financial assets, would increase / decrease in value, excluding any effects of current or deferred tax by £0.04 million.

Interest rate risk

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

Sensitivity analysis

If, in the year ended 31 December 2022, UK interest rates had been 0.5% higher / lower, then the group's pre-tax profit would have increased / decreased by £0.4 million. This sensitivity has been prepared in respect of the direct impact of such interest rate change on the net financing expense of financial instruments only, and does not attempt to estimate the indirect effect such a change may have on the wider economic environment such as house pricing and mortgage availability.

Cala Group Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

Liquidity risk

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

The group's banking arrangements outlined in note 14 are considered to be adequate in terms of flexibility and liquidity for its medium term cash flow needs, mitigating its liquidity risk. The group's approach to assessment of liquidity risk is further outlined in Annual Report and Accounts of Cala Group (Holdings) Limited, registered number 08428265, in the section of the Strategic Report relating to Financial Risk and Treasury management which can be found on page 17.

Maturity of financial liabilities

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

Group

At 31 December 2022	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1 - 2 years £000	2 - 5 years £000	Over 5 years £000
Loans and borrowings	25,611	23,504	-	5,611	17,893	-
Trade and other payables	264,854	264,854	241,546	23,308	-	-
Lease liabilities	10,975	12,781	2,506	1,755	5,264	3,256
Land payables	191,612	199,263	137,041	43,284	18,938	-
Financial liabilities	493,052	500,402	381,093	73,958	42,095	3,256

At 31 December 2021	Carrying amount £000	Contractual cash flows £000	Less than 1 year £000	1 - 2 years £000	2 - 5 years £000	Over 5 years £000
Loans and borrowings	100,646	99,810	4,697	95,113	-	-
Trade and other payables	259,583	259,583	224,447	35,136	-	-
Lease liabilities	11,012	12,423	2,273	2,209	4,878	3,063
Land payables	312,632	316,042	148,673	120,654	39,123	7,592
Financial liabilities	683,873	687,858	380,090	253,112	44,001	10,655

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

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

Cala Group Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

Credit risk

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

In the majority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the group's accounting policies. In certain specific circumstances the group has entered into shared equity loan arrangements (not applicable to the Company) which are classified as available for sale financial assets. The group has £0.8 million of available for sale financial assets which expose it to credit risk, although this asset is spread over a large number of properties. As such, the group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The group manages credit risk in the following ways:

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

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

Capital risk management

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

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

ii) Fair Value of financial assets and financial liabilities

Financial assets

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

	Group		Group	
	2022	2022	2021	2021
	Fair	Carrying	Fair	Carrying
	value	value	value	value
	£000	£000	£000	£000
Loans and receivables:				
Trade and other receivables (note 12)	61,188	61,188	58,347	58,347
Cash and cash equivalents	19,043	19,043	19,622	19,622
Assets:				
Available for sale financial assets	764	764	980	980
Total financial assets	80,995	80,995	78,949	78,949

Cala Group Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

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

Financial liabilities

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

	Group		Group	
	2021	2021	2020	2020
	Fair	Carrying	Fair	Carrying
	value	value	value	value
	£000	£000	£000	£000
Financial liabilities at amortised cost:				
Land payables (note 15)	191,612	191,612	312,632	312,632
Trade and other payables (note 15)	264,854	264,854	259,583	259,583
Lease liabilities (note 15)	10,975	10,975	11,012	11,012
Borrowings (note 14)	25,611	25,611	100,646	100,646
Total financial liabilities	493,052	493,052	683,873	683,873

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group

31 December 2022	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Land payables	-	(191,612)	-	(191,612)
Trade and other payables	-	(264,854)	-	(264,854)
Lease liabilities	-	(10,975)	-	(10,975)
Borrowings	-	(25,611)	-	(25,611)
Trade and other receivables	-	61,188	-	61,188
Available for sale financial assets	-	-	764	764
Total	-	(431,864)	764	(431,100)

Cala Group Limited

Notes to the financial statements (continued)

16 Financial risk management (continued)

31 December 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Land payables	-	(312,632)	-	(312,632)
Trade and other payables	-	(259,583)	-	(259,583)
Lease liabilities	-	(11,012)	-	(11,012)
Borrowings	-	(100,646)	-	(100,646)
Trade and other receivables	-	58,347	-	58,347
Available for sale financial assets	-	-	980	980
Total	-	(625,526)	980	(624,546)

iii) Summary of methods and assumptions

Interest rate swaps

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

Available for sale financial assets

The group determines the fair value of its available for sale financial assets through estimation of the present value of expected future cash flows. Cash flows are assessed taking into account expectations of the timing of redemption, future house price movements and the risks of default. An instrument-specific market assessed discount rate of 5.3% is used to determine present value via discounted cash flow modelling. If the discount rate were to be increased to 10%, the carrying value of the available for sale assets would decrease by £0.04m.

Current borrowings

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

Non-current borrowings

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

Cala Group Limited

Notes to the financial statements (continued)

17 Deferred taxation

The deferred tax asset recognised comprises:

Group	At 31 December 2022 £000	At 31 December 2021 £000
Accelerated capital allowances	(1,851)	(1,762)
Other temporary differences	(778)	(776)
Retirement benefit obligation	198	381
Deferred tax assets:		
Amount provided	(2,431)	(2,157)
Amount not provided	-	(36)

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

	Accelerated capital allowances £000	Other Temporary differences £000	Retirement benefit obligation £000	Total £000
At 31 December 2021	(1,762)	(776)	381	(2,157)
Charged to the income statement	(89)	(2)	1,332	1,241
Charged to other comprehensive income	-	-	(1,515)	(1,515)
At 31 December 2022	(1,851)	(778)	198	(2,431)

The group has no unrelieved tax losses carried forward as at 31 December 2022 (2021: £0.04m).

No recognition is made in these financial statements for deferred tax assets held by jointly controlled entities. The Cala share of these unrecognised deferred tax assets was £nil at 31 December 2022 (2021: £0.4m).

Cala Group Limited

Notes to the financial statements (continued)

18 Share capital

Allotted and fully paid equity share capital:

	At 31 December 2022 Number of shares	At 31 December 2021 Number of shares
'A1' ordinary shares of 0.001p each	139,386,267	139,386,267
'A2' ordinary shares of 0.001p each	76,304,628	76,304,628
'A3' (formerly "A") ordinary shares of 0.001p each	38,962,646	38,962,646
'D' ordinary shares of 0.001p each	280,000	280,000
'W' ordinary shares of 0.001p each	13,000,000	13,000,000
'Y1' ordinary shares of 0.001p each	180,000,000	180,000,000
'Y2' ordinary shares of 0.001p each	425,054,000	425,054,000
'Y3' ordinary shares of 0.001p each	54,945,000	54,945,000
'Z' ordinary shares of 0.001p each	50	50
'E' redeemable preferred ordinary shares of 0.001p each	280,000,000	280,000,000
	1,207,932,591	1,207,932,591

Allotted and fully paid equity share capital:

	At 31 December 2022 £000	At 31 December 2021 £000
'A1' ordinary shares of 0.001p each	1	1
'A2' ordinary shares of 0.001p each	1	1
'A3' (formerly "A") ordinary shares of 0.001p each	-	-
'D' ordinary shares of 0.001p each	-	-
'W' ordinary shares of 0.001p each	-	-
'Y1' ordinary shares of 0.001p each	1	1
'Y2' ordinary shares of 0.001p each	4	4
'Y3' ordinary shares of 0.001p each	1	1
'Z' ordinary shares of 0.001p each	-	-
'E' redeemable preferred ordinary shares of 0.001p each	3	3
	11	11

The 'A1' ordinary shares have no voting rights.

The 'A2' ordinary shares as a class carry 27.99% of the votes attaching to all shares.

The 'A3' ordinary shares have no voting rights.

The 'D' ordinary shares as a class carry 32.01% of the votes attaching to all shares.

The 'W' ordinary shares have no voting rights.

The 'Y1' ordinary shares have no voting rights.

The 'Y2' ordinary shares as a class carry 35.00% of the votes attaching to all shares.

The 'Y3' ordinary shares as a class carry 5.00% of the votes attaching to all shares.

The 'Z' ordinary shares have no voting rights.

The 'E' redeemable preferred ordinary shares have no voting rights and the company may redeem any of the shares at any time at its sole discretion in accordance with the company's articles of association.

Any distributions payable are allocated across the classes of shares in accordance with the specific rules set out in the Company's articles of association.

Cala Group Limited

Notes to the financial statements (continued)

19 Share-based payments

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

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

The Group recognised total expenses of £0.8 million related to these share-based payment transactions in the year to 31 December 2022 (2021: £0.1 million)

The Group operates a long-term investment plan for certain of its senior managers. This is a cash settled arrangement, and is predicated on various performance targets of the Group being met over a rolling 3 year period. Due to financial performance of the group the overall accrual for LTIPs has increased to £4.4m in the current year, which has resulted in a charge to the profit & loss account. The charge for the year ended 31 December 2021 in relation to the scheme was £1.9m.

20 Leases

The following amounts have been recognised in profit or loss, for which the group 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
	<u>2,841</u>	<u>2,918</u>

Cala Group Limited

Notes to the financial statements (continued)

20 Leases (continued)

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 Group 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
	12,780	12,422

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

All lease obligations are denominated in sterling.

The Company did not hold any leases during the year.

Right-of-use assets

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
Additions	2,597	19	2,616
Disposals	(12)	-	(12)
Depreciation charge for year	(2,227)	(297)	(2,524)
At 31 December 2022	10,954	187	11,141

Cala Group Limited

Notes to the financial statements (continued)

21 Retirement benefits

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

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

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

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

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

Past-service costs are recognised immediately in income.

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

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

Group	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

Cala Group Limited

Notes to the financial statements (continued)

21 Retirement benefits (continued)

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

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

Group	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
At 1 January	(94,780)	96,304	1,524	(107,745)	90,721	(17,024)
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)	-
At 31 December	(58,135)	58,928	793	(94,780)	96,304	1,524

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%)

21 Retirement benefits (continued)

Cala Group Limited

Notes to the financial statements (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:

Impact on defined benefit obligation			
	Change in assumption	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
Total	58,928	96,304

Cala Group Limited

Notes to the financial statements (continued)

21 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 group and the trustees.

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

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

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 Group Limited

Notes to the financial statements (continued)

22 Contingent liabilities

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Bank guarantees	67	67	67	67
Indemnities for performance bonds	83,452	63,138	-	-

The performance bonds consist of road, sewer and other development agreements entered into in the normal course of business. The company has also guaranteed the performance of certain subsidiary and joint venture obligations arising from normal trading agreements.

Like many housebuilders, CALA has agreed to sign a pledge committing to remediate life critical fire safety works in buildings over 11 metres that we have played a role in developing or refurbishing over the last 30 years, 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.

23 Related party disclosures

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

Group	At 31 December 2022 £000	At 31 December 2021 £000
Relating to joint ventures:		
Amounts owed by joint ventures	23,429	25,005

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

	Year to 31 December 2022 £000	Year to 31 December 2021 £000
Key management remuneration:		
Salaries and other short-term employee benefits	4,452	3,803
Post-employment benefits	102	107
	4,554	3,910

Transactions with related parties:

The following balances remain outstanding at 31 December 2022:

A receivable of £950,835 is due from Legal and General Affordable Homes Limited in relation to social housing contracts. Deferred income of £325,467 is recognised for Legal and General Affordable Homes Limited in relation to social housing contracts.

A payable of £1,460,050 is payable to Legal & General Capital Investments Limited in relation to the recharge of share related employment costs.

Cala Group Limited

Notes to the financial statements (continued)

23 Related party disclosures (continued)

A payable of £23,548,506 is due to Legal and General (Strategic Land North Horsham) Limited in relation to unpaid land creditors.

A receivable of £942,153 is due from Legal & General (Strategic Land) Limited in relation to staff recharges and funds held by Legal and General Homes Communities Limited on its behalf.

A payable of £688,597 is due to Legal and General Bath Quays North Limited in relation to funds held by Legal and General Homes Communities Limited on its behalf.

24 Ultimate parent company and controlling party

The immediate parent undertaking is Cala 1 Limited.

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

Cala Group Limited

Appendix – Subsidiary companies

The subsidiary undertakings of Cala Group Limited at 31 December 2022 are shown below. All companies are wholly-owned and incorporated in the UK. Cala Management Limited is the group's principal operating subsidiary.

Name of company	Nature of business	Address
Cala 1999 Limited	Administrative & holding company	5 Mid New Cultins, Edinburgh, EH11 4DU
Cala Limited	Administrative & holding company	5 Mid New Cultins, Edinburgh, EH11 4DU
Cala Management Limited	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
Cala Homes (East) Limited *	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (Cotswolds) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (Chiltern) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (Thames) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (West) Limited *	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (North) Limited *	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (North Home Counties) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (South Home Counties) Limited *	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Ventures Limited **	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
Cala Land Investments Limited **	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
Cala (ESOP) Trustees Limited **	Trustee	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Land Investments (Bearsden) Limited **	Home building	5 Mid New Cultins, Edinburgh, EH11 4DU
Cala Homes Limited	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (Scotland) Limited	Dormant	52-54 Rose Street, Aberdeen, AB10 1HA
Cala Homes (Southern) Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX
Cala Homes (Yorkshire) Limited	Dormant	54 The Causeway, Staines, Surrey, TW18 3AX

* Agent of Cala Management Limited

** An audit exemption will be taken under Section 479A of the Companies Act for the financial period ended 31 December 2022 as Cala Group Limited has granted a guarantee in respect of this exemption from audit for the whole accounting period.