3 October 2016

CALA Group (Holdings) Limited
Results for the Financial Year Ended 30 June 2016

FOURTH CONSECUTIVE YEAR OF RECORD REVENUES AND PROFIT;
GROWTH STRATEGY AND OPERATIONAL EFFICIENCY TARGETS REMAIN ON TRACK

CALA Group (Holdings) Limited ("CALA", "CALA Group" or "the Group"), the UK's most upmarket major home builder, today announces its financial results for the year ended 30 June 2016.

Financial Highlights

	Year ended 30 June 2016	Year ended 30 June 2015	
Group Revenue	£587.1m	£511.6m	+15%
Profit Before Tax*	£60.1m	£50.9m	+18%
Total home completions	1,151	993	+16%
Average Selling Price (ASP)	£538,000	£509,000	+6%
Return On Capital Employed	18.6%	18.4%	+20bps
Operating Margin*	14.3%	14.3%	-

*** Before exceptional items and revaluation of financial instruments**

Operational Highlights

- Strong increase in the Group's owned and contracted land bank
  - 84% of the contracted landbank (GDV of £4.7bn) now has planning consent or adopted in a local plan
  - 30 new sites contracted during the year, projected to deliver 2,683 homes with an estimated GDV of £1.0bn
  - Continued focus on Southern England to drive future growth, with 57% of new sites contracted over the year in the region
- Total group headcount up 13% to 810 as part of the Group's growth plans
- Establishment of a standard specification and extension of group procurement activity
- Introduction of new, 'Light & Space' house type range to enhance customer experience and drive efficiency
- Significant award wins during the course of the year recognising the Group's ongoing development;
  - Crowned 'Large Business of the Year' at the prestigious Scottish Business Awards
  - Retained 5-star customer service rating from Home Builders Federation for seventh year running
  - Large Housebuilder of the Year at the Scottish Home Awards for the second year running
- Manjit Wolstenholme appointed as Non-Executive Chairman

Commenting on the results, Alan Brown, Chief Executive of CALA Group, said:

"2016 has been another record year with profits topping £60m for the first time in the Group's history. Despite headwinds in some of our markets, we have continued to build on the strong momentum we have generated over recent years, once again delivering robust volume and revenue growth while still achieving incremental improvements in our return on capital employed.

"Our growth strategy remains to focus on driving operational efficiency improvements throughout the Group as we continue scaling up our divisions. Alongside this, we continue to invest in building the size and capability of our teams, welcoming almost 100 additional members of staff to the business including our ongoing increase of apprenticeship and graduate recruitment initiatives across the Group.

"In the 13 weeks since the EU referendum result, and although still early days, the Group saw positive trading with total enquiry levels and reservation rates up 9% and 46% respectively while website users have also risen by 32% on the equivalent period last year. Sales prices have also remained stable while cancellation rates have actually reduced slightly.

"Overall, we remain on course to deliver an annual capacity of 2,000 to 2,500 units within the next four years through delivering premium quality, well designed homes and communities in prime locations across the UK."

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CALA Group - Results for the Financial Year Ended 30 June 2016

Financial Results

CALA has delivered record profits and revenues for the fourth year in a row, driven by a strong increase (+16%) in total home completions (2016: 1151 v 2015: 993) and a 6% increase in the Group's private average selling price ("ASP") to £538,000 (2015: £509,000) due to change in product mix.

During the financial year, the Group increased its average number of active selling sites per week to 45 (2015: 37) despite a modest fall in the total number of sites from which private sales completions were secured to 80 (2015: 82), due to a lower number of smaller sites with higher value homes. CALA continues to transition away from operating from smaller sites towards focusing on larger developments as the Group continues to scale up the size of the business. This was evidenced by the average number of private homes per site increasing threefold to 54 on the 31 new sites on which construction commenced during the financial year (2015: 42 new sites with an average of 18 private homes). The Group completed 31 sites during the period and the first sales completions were delivered on 48 new sites across CALA's eight operating regions (five in England and three in Scotland) (2015: 44 new sites delivered first sales completions).

Sales performance during the year was outstanding with net private reservations up 45% on 2015, driven by a greater number of sales outlets with a broadly flat cancellation rate (2016: 17% versus 2015: 16%). At 1 July 2016 the Group had accumulated 303 advance private home sales with a turnover value of £160.0m (2015: 206 units and £106.5m) for delivery by 30 June 2017. This equates to a sales carry forward of 30% (2015: 22%) based on the number of home completions during the current financial year.

Sales per site per week rose 20% to 0.48 (2015: 0.40), with minimal support from Help To Buy (12% of CALA's private completions in 2016 versus 9% in 2015). This equated to a sector leading average private revenue per site per week of £254,000, up 18% on the previous year (2015: £216,000), which is a far more meaningful metric of CALA's sales performance given the size of the group's ASP relative to that of its larger peers.

The Group also continued to make progress in 2016 towards reaching operational efficiency, despite adverse headwinds in selected markets, as discussed below. CALA's operating margin was maintained at last year's record 14.3% (2015: 14.3%), with good progress made in reducing the ratio of net operating expenses to revenue, which fell from 7.9% last year to 6.8% in 2016.

These operational improvements were achieved despite housing gross margin falling to 21.8% from last year's level of 23.5%. This fall was due to challenging market conditions in Aberdeen, where prices continued to fall following the impact on the local economy as a result of the declining oil price, combined with a slowdown in demand for homes priced above £1.25 million due to changes to Stamp Duty Land Tax ('SDLT'). Changes to CALA's revenue mix in the year to include a higher proportion of affordable housing income at lower margins also contributed towards the reduction in housing gross margin.

Return on capital employed ('ROCE') remains one of CALA's key financial performance measures and improved to a record 18.6% (2015: 18.4%) despite being held back by the combination of a higher carrying investment in new sites delivering in future years and higher part exchange stock at 30 June 2016.

In line with its strategic plan, the Group expects operational efficiency to continue to improve and, as a consequence, CALA anticipates delivering in the near term an operating margin more in line with the listed peer group and ROCE of over 20%.

Net bank debt at 30 June 2016 rose slightly to £123.9m (2015: £117.8m) with interest payments and the investment required to deliver CALA's expansion plans marginally exceeding income generated in the year. Group net assets climbed to a record £286.1m (2015: £243.4m), resulting in a reduction in gearing to 29.7% at 30 June 2016 (2015: 32.4%). If land creditors are added to net bank debt, gearing was 62.4%, down from 69.3% the previous year.

Landbank

Despite continued inefficiencies in the planning system, the National Planning Framework in Scotland and the National Planning Policy Framework in England both provide a sound policy framework for housing development. Furthermore, the Group welcomed the measures outlined in the Queen's Speech in May to further reform the planning system under the proposed Neighbourhood Planning and Infrastructure Bill.

There has been a noticeable increase in the number of outline planning approvals granted and an increased flow of high quality land opportunities. As a result, the availability of land in CALA's core regions has progressively improved during the financial year and the more measured land market, whilst still competitive for the best sites, has enabled the Group to meet land buying targets at increasing margins and maintaining the quality of location.

Over the 12 months to 30 June 2016, the Group acquired land with a planning permission or secured a first-time planning permission on 34 sites for 3,078 homes with an estimated gross development value ('GDV') of £1.0bn at an average selling price of £336,000, including affordable housing. 42% of homes consented during the year were on sites previously in the strategic landbank.

During the year to 30 June 2016, CALA's land teams were selective in their activity, contracting 30 new sites (2015: 56 new sites) in premium locations which are projected to deliver 2,683 homes with an estimated GDV of £1.0bn and average selling price of £373,000 (2015: 2,434 homes with a GDV of £953m). This represents a replacement rate of 1.7 times 2016 group housing turnover with 57% located in our principal growth area of the south east of England.

In this context, the Group is delighted that on our major landmark site in Winchester which has consent for 2,000 homes, construction works have started on the first phase with first units being ready for completion in 2017.

Overall, the Group has made more good progress in developing and growing the length and quality of its landbank which, at 30 June 2016, stood at 15,399 owned or contracted plots with a potential GDV of £5.5bn and an ASP of £356,000 (private and affordable), reflecting the Group's success in the land market. The owned and contracted landbank represents 9.4 years of development output based on 2016 revenue, down from 10.2 years last year as the Group has developed land more quickly during the second full year of the growth strategy announced at the start of 2014 following the investment from Patron Capital and Legal & General in 2013. At 9.4 years it remains one of the longest landbanks amongst its peers.

The Group also controls a high quality longer term strategic landbank comprising 11,223 plots (2015: 11,227 plots). During the year 150 plots (2015: 963) from the strategic landbank secured a planning status for the first time and five new strategic sites were contracted comprising 342 plots. 63% of home completions in 2015 were either pulled through from the Group's strategic landbank or converted from conditional contracts on a 'subject-to-planning' basis. This was down from 72% a year ago due to a greater proportion of new land being acquired with an existing consent (normally outline planning permission) in order to reduce the timing risk associated with CALA's future development pipeline

Landbank	Plots	GDV £m	ASP £000s	Land cost %	Years
Consented	10,889	3,979	365	22.1	6.8
Allocated	2,086	677	325	14.6	1.2
Other	2,424	833	343	22.2	1.4
Owned / Contracted	**15,399**	**5,489**	**356**	**21.2**	**9.4**
Strategic	11,223	3,327	296	17.0	
Total at 30 June 2016	**26,622**	**8,816**	**331**	**19.6**	
Total at 30 June 2015	**25,643**	**8,567**	**336**	**18.2**	

Market Conditions

Although it remains too early to reach any conclusions over the impact of the EU Referendum decision on the UK housing market, the number of homes being built and planning permissions being granted in the UK continues to increase. Housing supply remains well below pre-crisis levels but, at the same time, housing demand continues to be underpinned by supportive Government policy, growing employment levels and good access to low-cost mortgage finance.

Despite having a limited direct impact on CALA due to the Group's market positioning, with only 12% of private completions using 'Help to Buy', the Government scheme continues to offer a further significant support measure for the broader industry.

Market conditions in Aberdeen, which accounts for only 7% of total sales, remained challenging during the year due to ongoing concerns related to the North Sea oil industry, although conditions have stabilised somewhat in recent months. Despite this challenging market backdrop, completions in the region increased year on year and, while the Group remains alert to ongoing difficulties in this market, CALA's longstanding experience of operating in the city, its strong landbank and operational flexibility mean the Group remains well positioned to deal with any short-term uncertainty.

Demand for homes at the £1.25m plus price bracket also experienced a slowdown in the 12 months to 30 June 2016, continuing the trend seen during the previous year following the introduction of higher SDLT rates for homes of this value. This market remains relatively small as a percentage of overall Group revenues and will reduce further over time, in line with the Group's stated growth plans as the higher ASP landbank acquired with Banner Homes is built out. Only 5% of total Group sales were for private homes priced at over £1.25m in 2016 compared to 6% last year.

People
Manjit Wolstenholme was appointed as CALA's Non-Executive Chairman on 1 November 2015, after Anthony Fry stepped down. During the year, Paul Stanworth and Phil Bayliss from Legal & General also stepped down from the Board and were replaced by their colleagues Matteo Colombo and Geoffrey Timms.

The last financial year has seen CALA continue to invest heavily in its workforce, with total group headcount growing by 13% across the year to 810. The Group also further developed its programmes to attract more young people into CALA's ranks to help address the broader skills shortage that the industry faces. CALA's graduate recruitment programme completed a second year and the Group signed an important new partnership with The Prince's Trust to help disadvantaged young people get into work.

The Group's performance over the past year is testament to the energy and dedication of CALA's hardworking staff, subcontractors and business partners and the Board would like to place on record its thanks for their fantastic efforts during the period.

Strategy
CALA's strategy is focused on optimising the operational efficiency of its eight regional businesses through a sustained but controlled period of growth, building on the Group's premium market positioning.

As part of its drive towards operational efficiency, the Group made a number of important changes to its development processes during the year, the highlight being the introduction of a new house type range 'Light & Space', a portfolio of homes that encompass high quality design and strong kerb appeal synonymous with the CALA brand yet efficient to plot and build.

Alongside this, the Group established a standard specification and extended procurement activity that will achieve considerable cost savings over time. These initiatives amongst others will enable CALA to operate effectively as a high quality major homebuilder capable of delivering up to 2,500 homes per annum. As a result, and based on a continuation of current market conditions, the Group's medium-term financial targets remain to deliver revenue of c£1bn by 2020 and to optimise operational efficiency by 2018.

At the same time, the Group remains committed to ensuring that its growth strategy generates value for shareholders in a responsible and controlled manner. This will be achieved through management's commitment to maintaining a strong and resilient balance sheet, coupled with a clear focus on margin delivery, cash flow efficiency and increased return on capital, as well as a disciplined approach to land acquisitions while retaining landbank flexibility through the cycle.

Current Trading and Outlook
The Group has started the new financial year with a very solid forward sales position. At 1 July 2016, the Group had accumulated 303 advance private home sales with a turnover value of £160.0m (2015: 206 units and £106.5m) for delivery by 30 June 2017. This is 47% higher in number than that achieved in 2015 and 50% more by value, driven by a larger number of sites open for sale as the Group approached the latter part of the financial year, reflecting a greater level of site continuity from 2016 into 2017.

In the 13 weeks since the EU referendum result, and although still early days, the Group saw positive trading with total enquiry levels up 9% and reservation rates up 46% on the equivalent period last year. Sales prices have also remained stable while cancellation rates have reduced.

Despite the heightened external uncertainty, the Group remains in a strong position to build on its record performance in 2016 and is optimistic about the Group's long-term growth plans.

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