

# CALA GROUP

SUMMARY OF ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 DECEMBER 2019



## CHIEF EXECUTIVE'S REVIEW

THE 12 MONTH PERIOD TO 31 DECEMBER 2019 WAS A SUCCESSFUL YEAR FOR CALA. WE ACHIEVED REVENUE OF £1 BILLION (INCLUDING JOINT VENTURES) A YEAR AHEAD OF PLAN, MADE POSSIBLE BY THE ONGOING INVESTMENT AND SUPPORT FROM LEGAL & GENERAL. OUR THANKS GO TO OUR PASSIONATE TEAM, WHO DEMONSTRATED COMMITMENT AND DETERMINATION WHICH DELIVERED ANOTHER YEAR OF SOLID GROWTH, DESPITE THE CHALLENGES PRESENTED IN 2019.

*Kevin Whitaker*

KEVIN WHITAKER  
Chief Executive



The significant volume growth in the year has driven a seventh successive year of record profits with an annualised year-on-year profit before tax increase (before exceptional items and revaluations) of 28% to £96.2m. We increased the number of homes sold to 2,449 during the 12 months to 31 December 2019 compared to 3,049 in the 18 months to 31 December 2018\*, a 20.5% increase in annual terms. This has resulted in a record turnover of £1,002 million, up 23% on an annual basis.

Increased sales incentives combined with build cost inflation has resulted in the House Sales Gross Margin for the group reducing from 19.4% (18 months to 31 December 2018) to 17.5% for 2019. The impact on Operating Margin was less severe as increased overhead efficiencies contributed to the Operating Margin for the Group reducing by only 0.3% in the year, from 11.6% (18 months to 31 December 2018) to 11.3% in 2019.

During the 12 months to 31 December 2019, the group increased its average number of active selling sites per week to 70 (2018: 55) and the total number of sites from which private sales completions were secured was 87 (2018: 95). We closed 19 sites during the period and delivered the first sales completions on 35 new sites across our regions.

The average size of site in operation has continued to increase and this was bolstered during 2019 with the acquisition of L&G Homes Communities Limited, which has a small number of very large sites. During the period we commenced build on 31 new sites which will ultimately deliver around 5,572 private home sales at an average size of 180 homes per development (2018: 48 new sites with an average of 59 private homes).

Our sales performance during the period has been good with net private reservations up 27% on the previous 12 month period at an average selling price of £464,000 (18 months to 31 December 2018: £450,000). The ASP is higher than the previous

year and reflects the mix of sites sold during the year. The group achieved a net private reservation rate of 0.53 average weekly sales per development in the period which is the same as last year (2018: 0.53). Our average weekly private revenue per development of £240,000 is also broadly similar to the previous period (18 months to 31 December 2018: £250,000). The cancellation rate for the period at 14% showed a reduction from the previous period (18 months to 31 December 2018: 15%).

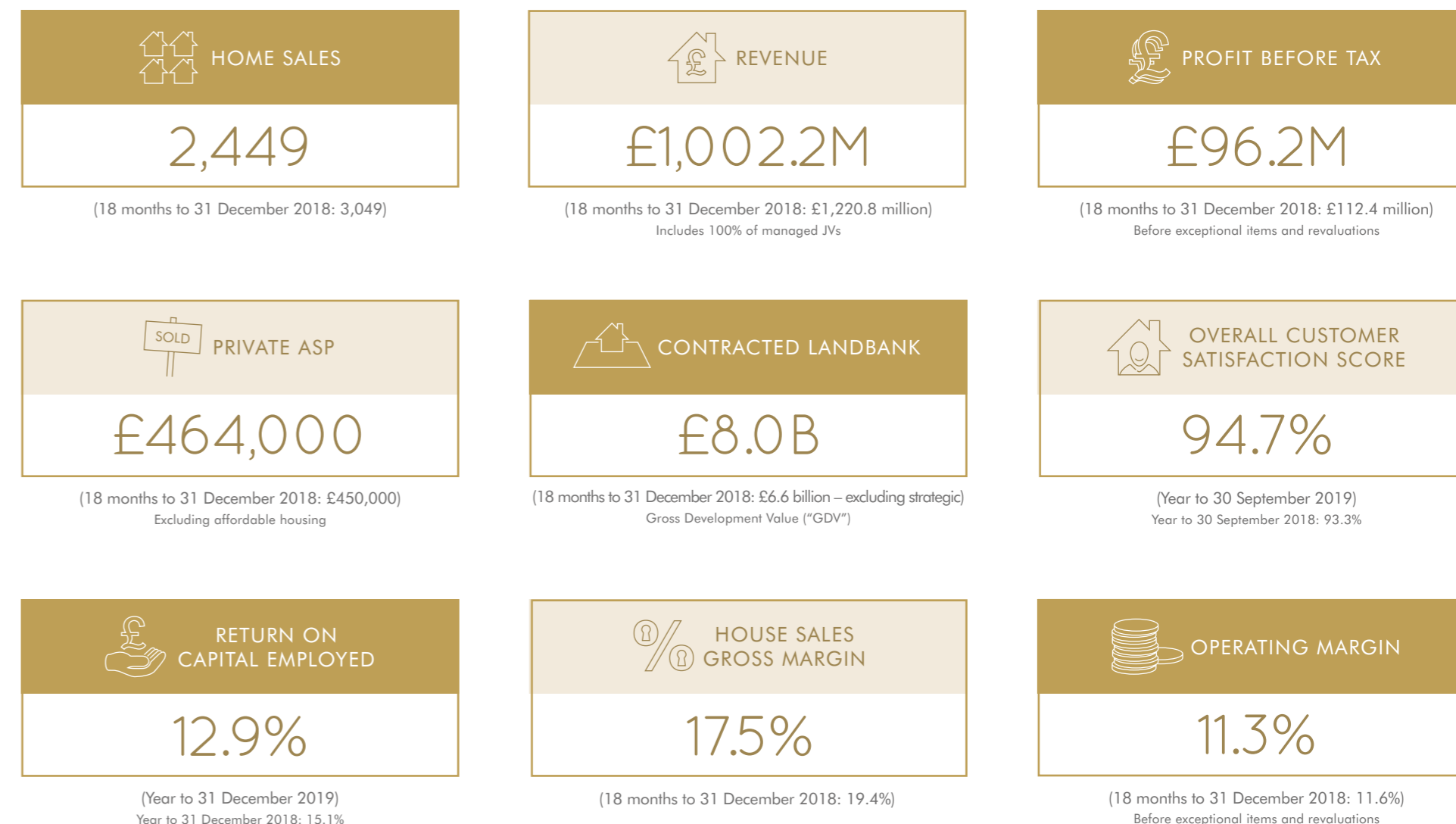
At 31 December 2019 we had accumulated 443 advance private home sales with a turnover value of £181.3 million for delivery by 31 December 2020 which is almost exactly the same as the previous period (18 months to 31 December 2018: 439 private home sale and £181.2 million). This equates to a sales carry forward of 22% (18 months to 31 December 2018: 27%) based on the number of private sales completions during the 12 months to 31 December 2019.

Looking forward, whilst the removal of revenue from the housebuilding industry during government-imposed lockdown arising from the COVID-19 pandemic has presented us with significant challenges and will have a material impact on our 2020 result, we believe that the mitigating actions we took, along with the support of our owner Legal & General plc and our banking group, put us in a strong position for the resumption of trading enabled by the easing of government restrictions.

At the time of writing, the full extent of the ongoing pandemic is still unfolding, so we have taken steps to reduce inevitable challenges and will continue to monitor both sales rates and pricing as we move forward.

\*Following acquisition by Legal & General, the group has changed its accounting reference date to 31 December to be co-terminus with Legal & General Group. This resulted in our previous reporting period being 18 months, from 1 July 2017 to 31 December 2018. The current reporting period has returned to 12 months, from 1 January 2019 to 31 December 2019.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS\*



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# OUR STRATEGY



We exist to do more than put bricks and mortar together. We are guided by our four key values: Passion, Quality, Delivery and Respect which define the culture of our business. Our purpose 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 home; 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. We want to be the leaders in our industry.

WE'RE COMMITTED THAT BY 2025 WE WILL BE...	
<b>THE FAVOURED EMPLOYER IN OUR SECTOR AND BEYOND</b>	We'll attract, inspire, grow and retain high performing teams through a diverse culture and purposeful leadership.
<b>LEADERS IN OUTSTANDING SERVICE</b>	We'll collaborate and invest to deliver the CALA experience that our customers deserve.
<b>DESIGNERS OF ASPIRATIONAL HOMES</b>	We'll improve production and customer satisfaction by mastering design, build and delivery.
AND WE WILL...	
<b>OPERATE OUR BUSINESS IN A SUSTAINABLE WAY</b>	We'll operate the business to meet the needs of the present without compromising the ability of future generations to meet theirs.
<b>HARNESS TECHNOLOGY TO TRANSFORM OUR WORKING ENVIRONMENT</b>	We'll deliver a visionary IT strategy to provide an industry-leading environment for employees and a first class experience for customers.
<b>DELIVER A FINANCIAL PERFORMANCE THAT REFLECTS THE QUALITY OF OUR HOMES</b>	We'll take pride in achieving industry comparable financial results.

Our Strategic Ambitions are underpinned by our Strategic Pillars:

<b>PEOPLE</b>
<b>SERVICE</b>
<b>PRODUCT</b>
<b>SUSTAINABILITY</b>
<b>TECHNOLOGY</b>
<b>PERFORMANCE</b>

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 focussed, they're time sensitive and unique to us.

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 maintain a resilient balance sheet through the business cycle with a clear focus and disciplined approach to margin delivery and return on capital.

Our people are our biggest strength. As a result of employee engagement with ideas for business improvement, 2020 will see us develop our approach to our Smarter Working system and enhance our employee wellbeing offering. We recognise that the way people work is changing, so we will be more creative in how we engage and communicate with our people, with a greater focus on using technology. We will continue to provide training programmes at all levels of the organisation to encourage our people to achieve their potential and know they are valued.

We want high calibre individuals to aspire to work with CALA and to be given the opportunity to succeed at all levels of our business. In 2020 we will launch our Inclusion & Diversity Work Plan, training initiatives and campaigns targeting inclusion and diversity to make sure we become a more inclusive and balanced workforce, reflective of our customers.

Doing the right thing by the communities in which we operate is important to us. We have established a sustainability forum to recognise the legacy we create in the communities we build, and the footprint we leave behind. An integral part of building communities is contributing to the causes and charities that are important to local people. Our community bursary scheme has donated over £300,000 to more than 300 local groups and charities over the last three years and our exciting new partnership with the Samaritans began in 2020.

The health and safety of our employees, subcontractors and customers is our absolute priority, and it is the foundation upon which we built our ways of working in response to the COVID-19 pandemic. We launched our Health and Safety Culture Change programme in 2019 and we will continue to build upon our measures to further reduce risk and accidents in the future. Our ultimate aim is to reach zero RIDDOR injuries.

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 a place a Group Customer Service Director to focus on the delivery of customer service excellence right across the business. In 2020 we began to implement Salesforce as the new CRM (Customer Relationship Management) for our Sales and Customer Service teams, enabling us to provide more intelligent, consistent, and innovative service. In 2019 we are proud of our achievements in this area:



## LAND AND PLANNING

DURING THE 12 MONTH PERIOD 1ST JANUARY 2019 TO 31st DECEMBER 2019, OUR LAND TEAMS HAVE CONTRACTED 15 NEW SITES, SPLIT ACROSS SCOTLAND AND THE SOUTH OF ENGLAND, IN STRONG MARKET AREAS THAT WILL APPEAL TO OUR CORE CUSTOMER BASE. THESE SITES ARE PROJECTED TO DELIVER 2,267 NEW HOMES WITH A GDV OF £884 MILLION AND AN AVERAGE SELLING PRICE INCLUDING AFFORDABLE HOUSING OF £390k (2017-18 18 MONTHS\*: 41 SITES WITH A GDV OF 1.79 BILLION). TWO NEW SITES WERE ALSO ADDED TO THE STRATEGIC LAND BANK WITH A POTENTIAL TURNOVER OF £58 MILLION. THE SIGNIFICANT LONG TERM SITE AT LONG MARSTON AIRFIELD ACHIEVED DETAILED PLANNING PERMISSION FOR THE FIRST PHASE OF 400 HOMES AND DEVELOPMENT HAS COMMENCED.

LAND CONTRACTED DURING THE FINANCIAL PERIOD*	Year to 31 December 2019	18 months to 31 December 2018
Sites	15	41
Plots	2,267	4,524
Consented (by plots)	35%	51%
Average site size	151 plots	110 plots
GDV	£884m	£1,788m
ASP	£390k	£392k
England: Scotland (by value)	54%/46%	78%/22%
Strategic plots	154	2,810

\*All figures include private and affordable

Despite the period of deceleration experienced by the land market in 2019 due to the uncertain political landscape, our dedicated planning teams have continued to deliver mostly negotiated consents, with minimal recourse to the appeal process.

During the 12 months to 31 December 2019, we either improved the planning status of land we had acquired with a planning permission or secured a first-time planning permission on 26 sites for 3,126 homes with an estimated GDV of £1.1 billion and an average selling price of £356,000 (2017-18 18 months\*: 6,148 homes with a GDV of £2.1 billion). 37% of the plots granted planning permission were pulled through from our strategic land bank.

We are participating actively in the formulation of emerging policy in both Scotland and England as we believe more certainty is required in the planning process to enable the government to meet its target for delivery of new homes.

LAND CONSENTED DURING THE FINANCIAL PERIOD*	Year to 31 December 2019	18 months to 31 December 2018
Sites	26	48
Plots	3,126	6,148
From strategic landbank (by plots)	37%	25%
Average site size	120 plots	128 plots
GDV	£1,113m	£2,082m
ASP	£356k	£339k

\*All figures include private and affordable

The group's owned and contracted short term landbank at 31 December 2019 comprises 20,844 plots (private and affordable homes), the scope and planning status of which are summarised on the next page (2018: 17,338 plots). Reinforcing our position 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 2019 have a combined GDV of approximately £8.03 billion, measured at today's selling prices, with an ASP including affordable housing of £385,000. This represents 8.1 years' development potential based on 2019 housing revenue although this will be used more quickly as the group's growth plans are realised.

## LAND AND PLANNING HIGHLIGHTS



The group also controls a high quality longer-term strategic landbank comprising 13,045 plots (2018: 13,539), 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 2019 year, over one third of the plots granted planning permission were drawn from the strategic landbank.

LANDBANK	PLOTS	GDV	ASP	LAND COSTS	YEARS
CONSENTED	18,301	£7,101M	£388K	21.3%	7.1
ALLOCATED	1,316	£475M	£361K	17.7%	0.5
DRAFT ALLOCATION OR NO PLANNING STATUS	1,227	£458M	£374K	22.9%	0.5
OWNED / CONTRACTED	20,844	£8,034M	£385K	21.1%	8.1
STRATEGIC	13,045	£4,368M	£335K	20.1%	
TOTAL AT 31 DECEMBER 2019	33,889	£12,402M	£366K	20.8%	
TOTAL AT 31 DECEMBER 2018	30,877	£11,110M	£360K	19.6%	



## CONSOLIDATED INCOME STATEMENT

	2019 Before Exceptional items and revaluations £000	2019 Exceptional items and revaluations £000	Year ended 31 December 2019 £000	2018 Before exceptional items and revaluations £000	2018 Exceptional items and revaluations £000	18 month period ended 31 December 2018 £000
Revenue	973,597	-	973,597	1,220,822	-	1,220,822
Cost of sales	(808,820)	(1,756)	(810,576)	(989,857)	(858)	(990,715)
<b>Gross profit/ (loss)</b>	<b>164,777</b>	<b>(1,756)</b>	<b>163,021</b>	230,965	(858)	230,107
Net operating expenses	(58,031)	-	(58,031)	(90,317)	-	(90,317)
Other operating income	661	-	661	838	-	838
<b>Operating profit/ (loss)</b>	<b>107,407</b>	<b>(1,756)</b>	<b>105,651</b>	141,486	(858)	140,628
Finance income	84	624	708	294	2,468	2,762
Finance costs	(15,922)	-	(15,922)	(28,923)	-	(28,923)
Finance costs - net	(15,838)	624	(15,214)	(28,629)	2,468	(26,161)
Share of post-tax profit/ (loss) of joint ventures	4,592	-	4,592	(490)	-	(490)
<b>Profit/ (loss) before tax</b>	<b>96,161</b>	<b>(1,132)</b>	<b>95,029</b>	112,367	1,610	113,977
Tax on profit / (loss)	(15,389)	215	(15,174)	(20,561)	(306)	(20,867)
<b>Profit / (loss) for the year / period</b>	<b>80,772</b>	<b>(917)</b>	<b>79,855</b>	91,806	1,304	93,110

## CONSOLIDATED BALANCE SHEET



At 31 December 2019	Group 2019 £000	Group 2018 £000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	48,730	48,730
Property, plant and equipment	17,166	2,114
Investments in jointly controlled entities	1,189	71
Available for sale financial assets	871	1,184
Trade and other receivables	17,591	17,272
	<u>85,547</u>	<u>69,371</u>
<b>Current assets</b>		
Available for sale financial assets	571	441
Inventories	1,600,799	1,026,783
Trade and other receivables	67,969	60,032
Cash at bank and in hand	80,845	24,410
	<u>1,750,184</u>	<u>1,111,666</u>
<b>Total assets</b>	<b><u>1,835,731</u></b>	<b><u>1,181,037</u></b>
<b>Current liabilities</b>		
Corporation tax	(8,637)	(7,348)
Trade and other payables	(365,755)	(254,604)
	<u>(374,392)</u>	<u>(261,952)</u>
<b>Non-current liabilities</b>		
Loans and borrowings	(195,730)	(190,000)
Trade and other payables	(363,701)	(119,441)
Deferred tax liabilities	(775)	(2,043)
Retirement benefit obligations	(17,538)	(14,466)
	<u>(577,744)</u>	<u>(325,950)</u>
<b>Total liabilities</b>	<b><u>(952,136)</u></b>	<b><u>(587,902)</u></b>
<b>Net assets</b>	<b><u>883,595</u></b>	<b><u>593,135</u></b>
<b>Equity</b>		
Ordinary share capital	360	360
Share premium	578,864	361,995
Retained earnings	304,077	230,487
<b>Equity attributable to the parent</b>	<b>883,301</b>	<b>592,842</b>
<b>Non-controlling interests</b>	<b>294</b>	<b>293</b>
	<u>883,595</u>	<u>593,135</u>
<b>Total equity</b>	<b><u>883,595</u></b>	<b><u>593,135</u></b>





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