CALA GROUP

# ANNUAL REPORT & ACCOUNTS 2016

CALA GROUP (HOLDINGS) LIMITED

# THIS IS CALA

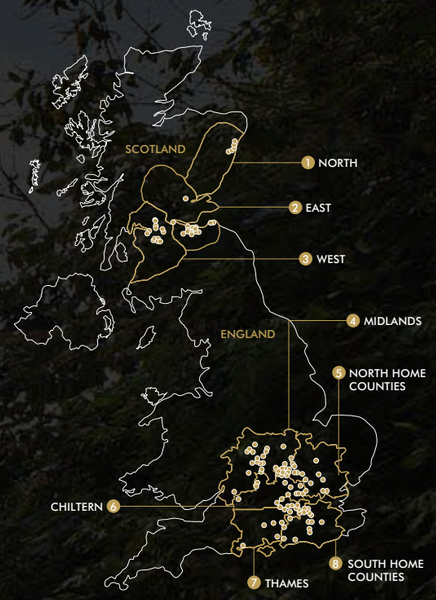
CALA is the UK's most upmarket major homebuilder, a leading provider of high quality homes and sustainable communities in affluent areas of southern England and Scotland.

We operate through eight regional businesses in the UK which target some of the country's strongest markets. Four of these cover the Home Counties excluding central London, with a fifth operating in the southern Midlands. CALA is the leading premium homebuilder in Scotland where we have three regional businesses covering the principal cities of Glasgow, Edinburgh and Aberdeen.

Reflecting an embedded strength in design excellence and with sector-leading build quality, our brand is highly regarded within the industry and aspirational for many homebuyers. At £538,000, we have the highest private average selling price ('ASP') of the top 10 major UK homebuilders outside central London.

We have an equity-rich and financially resilient customer base. However, our homes are positioned as premium, rather than luxury, with only 5% of group sales completions last year priced above £1 million.

We are differentiated by our clear focus on delivering excellent customer service and are immensely proud to be the only mainstream major homebuilder to have achieved an unqualified maximum 5 stars in the HBF National New Home Customer Satisfaction Survey for 7 years running.




CHALDON MEAD, CHALDON, SURREY


MILLTIMBER GRANGE, MILLTIMBER, ABERDEEN

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WILLOW CLOSE, WELWYN, HERTFORDSHIRE

"IT GIVES ME GREAT PLEASURE TO REFLECT ON ANOTHER RECORD FINANCIAL PERFORMANCE AND FURTHER VOLUME GROWTH."

MANJIT WOLSTENHOLME
Chairman

I am delighted to present my first report as Chairman of CALA and would like to start by passing on the board's thanks to Anthony Fry for his expert leadership over the past 6 years, during a time of significant change for the business. I very much look forward to working with the board to deliver the growth strategy set with our major shareholders, Patron Capital and Legal & General, in 2013.

The group has delivered an 18% increase in profit before tax, exceptional items and revaluations to £60.1 million from 1,151 new homes completed during the year (2015: 993).

The CALA team has continued to make considerable progress in implementing our business strategy and it gives me great pleasure to reflect on another record financial performance and further volume growth.

Market conditions during the year have been favourable for the wider industry and most of our developments. Good access to low cost mortgage finance, rising employment and the use of Help to Buy has resulted in a greater number of homes sold and rising prices, albeit more slowly than we have seen in the last few years. However, the housing market in Aberdeen, where our smallest operating region is located, has seen further significant price falls during the year. Despite this, we completed more homes in this market than last year supported by the strength of our brand and quality of our sites. We also experienced a slowdown in demand for homes priced above £1.25 million, largely due to the high Stamp Duty Land Tax ('SDLT') burden at this price point. Combined, these challenges have held back our good progress during the year and resulted in some housing margin dilution.

I am particularly pleased that in building a bigger business and driving growth, CALA has remained true to its core values of excellent customer service and high health and safety standards. I know the group is extremely proud to have been awarded the maximum 5 stars in the HBF National New Home Customer Satisfaction Survey for the 7th year running. CALA has also received high profile external recognition for its excellence, being named 'Large Business of the Year' at the prestigious Scottish Business Awards from a shortlist containing several blue chip companies.

The group has implemented and moved forward a number of initiatives to meet the key challenges it faces now and in the years ahead, primarily around skills, capacity and efficiency. These include the introduction of CALA's new house type range 'Light & Space', the second year of our graduate recruitment programme and an important new partnership with The Prince's Trust to help disadvantaged young people get into work.

It remains too soon to judge what impact the result of the EU referendum will have on the UK housing market but initial signs from our sales experience over the summer are encouraging. We believe that market fundamentals remain strong and combined with our focus on building high quality family homes in premium locations, we can be confident of the outlook. However, we remain alert to the challenges that continued uncertainty may bring in the months ahead as negotiations with the EU play out and have adapted our business plans accordingly.

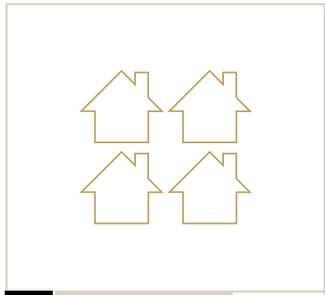
During the year, Paul Stanworth and Phil Bayliss from Legal & General also stepped down from the board and our thanks go to them for their excellent contribution. They are replaced by their colleagues Matteo Colombo and Geoffrey Timms, and we welcome their involvement in the business.

Finally, I would like to thank our hugely dedicated staff for their hard work and commitment, which has been invaluable to another successful year for CALA. I am also grateful to our business partners and major shareholders who have been essential in supporting our achievements in 2016.





## FINANCIAL AND OPERATIONAL HIGHLIGHTS



↑ 1,151 +16%

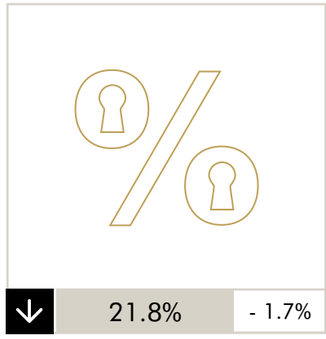
HOMES SALES
(2015: 993)

↑ £587.1 million +15%

REVENUE
(2015: £511.6 million)

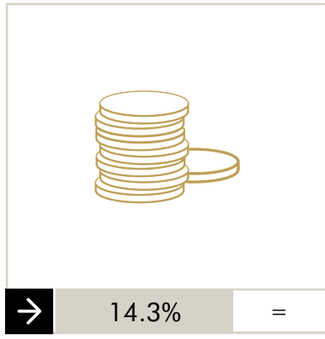
↑ £60.1 million +18%

PROFIT BEFORE TAX
(2015: £50.9 million)
Before exceptional items and revaluations



↓ 21.8% - 1.7%

HOUSE SALES GROSS MARGIN
(2015: 23.5%)

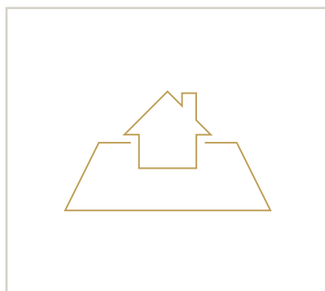


→ 14.3% =

OPERATING MARGIN
(2015: 14.3%)
Before exceptional items and revaluations

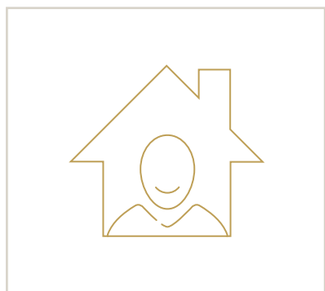

↑ £538,000 +6%

PRIVATE ASP
(2015: £509,000)
Private excludes affordable housing



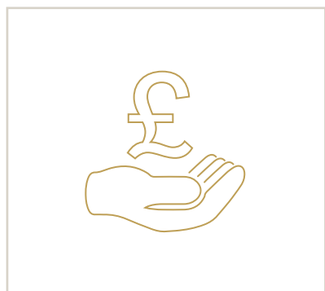
↑ £5.5 billion + 5%

CONTRACTED LANDBANK
(2015: £5.2 billion)
Gross Development Value ('GDV')



↓ 86 -2

OVERALL CUSTOMER SATISFACTION SCORE
(2015: 88)



↑ 18.6% +0.2%

RETURN ON CAPITAL EMPLOYED
(2015: 18.4%)

# STRATEGIC REPORT

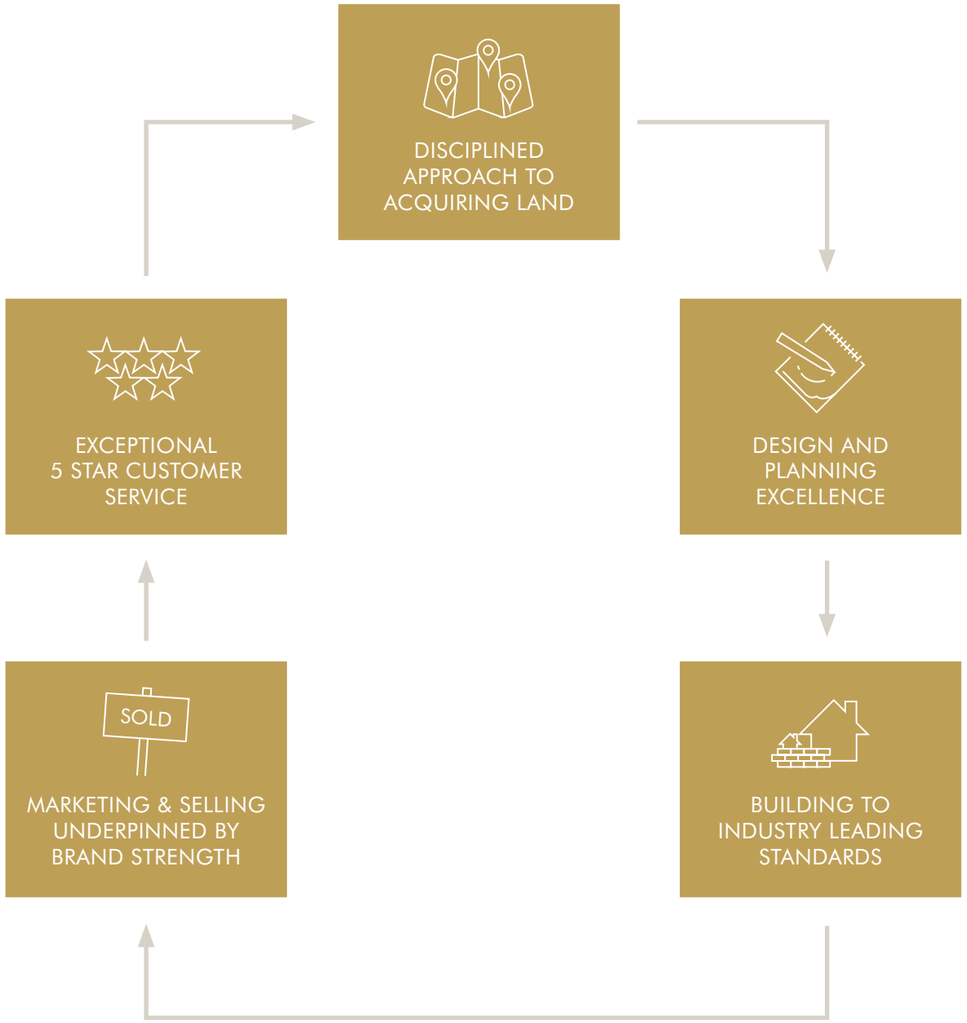
The Strategic Report contains information which has been provided for the purpose of assisting shareholders, as a body, in assessing the strategies adopted by the group and the potential for those strategies to succeed. Any forward-looking statements have been made in good faith based on the information available at the time of approval of this report, but 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.

SHEPHERD'S FOLD, MICKLETON, GLOUCESTERSHIRE

THE ARBOUR, WELFORD ON AVON, WARWICKSHIRE

## THIS IS WHAT WE DO

CALA has a rich and extensive history of designing and building fantastic, sustainable places to live – delivering homes we are proud to build and communities our customers love. Our business model focuses on delivering value at each point in the development cycle and is driven by the quality and strength of our landbank. Everything we do is encapsulated by four key values from the CALA brand house which reflect the culture of our business – Passion, Quality, Respect and Delivery.



## OUR STRATEGY

Our overriding strategic objective is to reinforce CALA's position as the UK's most upmarket major homebuilder, delivering high quality sustainable returns and industry-leading customer service.

We will ensure our strategy generates value for shareholders in a responsible and controlled manner by adopting the following key principles:

- FINANCIAL: maintain a resilient balance sheet through the business cycle with a clear focus and disciplined approach to margin delivery and return on capital.
- CULTURAL: conduct our business in an open and professional manner underpinned by strong ethical values that promote good decision making.
- SUSTAINABLE: make a positive contribution to those stakeholders and communities impacted by our business activities and create an enduring legacy for future generations.

We have embarked upon a medium term plan to optimise the operational efficiency of our eight regional businesses by accelerating the growth of the group and maximise the absorption of our overhead structure. CALA's existing operating platform and regional network has a potential capacity of 2,000 – 2,500 homes per annum that will be able to deliver annual revenue of around £1 billion by 2020, based on current market conditions.

## THIS IS OUR FOCUS

### CUSTOMERS

The quality of what we deliver to our customers and the way in which we service and care for them is the principal driver of our business.

#### PEOPLE

Our success as a company relies on the dedication, commitment and talent of our teams. To allow them to deliver to their potential we provide a work environment that ensures our employees are engaged and enabled. We also promote a culture that empowers our staff and nurtures high performance.

#### HOMES

At CALA we take great pride in the quality of homes we build in conjunction with our subcontract partners. We set a high priority on ensuring our sites are well managed and our staff and customers protected by high standards of health and safety.

#### LANDBANK

A strong, flexible landbank of sufficient length is essential to deliver sustainable financial returns and in that regard our focus is to maintain a disciplined approach to supplementing our landbank with high margin sites in premium locations.

#### SUSTAINABILITY

Our aim is to make a positive contribution to those affected by our business activities by creating attractive, well designed places that are seen as a valuable legacy for the communities in which we build, while reducing the environmental impact of our offices and sites.





KINLEITH MILL, CURRIE, EDINBURGH

STRATEGIC REPORT

# HOW WE DO IT

## CUSTOMER SERVICE

At CALA, the clarity of our core values provides a strong platform to deliver a first class experience for our customers. We place our customers at the heart of everything we do, from the selection of our developments, the quality of the design and finish of the homes we build, to the home buying process and post occupation experience. We listen to our customers and use their feedback to evolve the design and specification of our homes and enhance their home buying journey.

This is what defines the CALA brand and our premium market positioning.


OUR PRIORITIES ARE TO:

- Provide industry-leading service to our customers
- Maintain every year our 5-star rating in the HBF National New Home Customer Satisfaction Survey
- Ensure the quality of the customer experience is not diluted as our business grows

## ACQUIRING LAND

Land is the most critical ingredient in delivering our business strategy. Our business model is founded on acquiring sufficient land in premium, sustainable locations within our areas of operation that meets our profit margin and internal rate of return targets.

We use the expertise of our regional land and planning teams to procure new land acquisition opportunities and to promote our strategic landbank. Planning permission is secured through extensive consultation with key stakeholders that will deliver an attractive development proposition for our customers and the local community.

OUR PRIORITIES ARE TO:

- Meet our land buying volume requirements at or above our target gross margin hurdle rate (currently 24%)
- Ensure the majority of all homes sold annually originate from our strategic landbank or from land acquired subject to delivery of planning permission
- Maintain a high quality, high margin landbank in premium locations

## DESIGNING, BUILDING AND SELLING HOMES

The aspirational positioning of our developments is reinforced through our focus on outstanding value-added design, in keeping with the areas in which we build.

We partner with selected subcontractors, which, combined with the skill, care and attention of our own site teams, enables CALA to deliver high quality homes, built safely, efficiently and with minimal impact on the environment. Our professional sales approach is supported by a strong and distinctive marketing presence that provides our customers with a personal and enjoyable buying experience.

OUR PRIORITIES ARE TO:

- Target zero accidents reportable under RIDDOR
- Maintain a rigorous health and safety inspection regime
- Deliver high quality, well designed homes to our customers
- Develop strong, committed and enabled site management teams

## SUSTAINABILITY

In the course of our business activities, we recognise that what we build and how we build has a long-term impact on local communities. We ensure that all of our developments are based on principles of high quality, attractive design. We strive to make our building activities respectful of neighbouring properties and where possible we contribute to local communities or use local resources to supplement our own.

We aim to leave a valuable legacy through a responsible and sustainable approach to development that is engrained in every stage of our business processes.

OUR PRIORITIES ARE TO:

- Maintain our consultative approach to design and planning activities that engages local communities
- Reduce the environmental impact of our offices and sites
- Continue to expand the charitable activities in our partnership with The Prince's Trust

STRATEGIC REPORT

# CHIEF EXECUTIVE'S REVIEW

"OUR SALES PERFORMANCE DURING THE YEAR HAS BEEN OUTSTANDING WITH NET PRIVATE RESERVATIONS UP 45%."

ALAN D. BROWN
Chief Executive

THORNTONHALL, SOUTH LANARKSHIRE

I am very pleased with the progress we have made in 2016 towards our goal of operational efficiency, delivering further growth and achieving record profits once again despite encountering challenges in some of our markets. Our teams have worked extremely hard to deliver such a good result whilst at the same time continuing to improve the underlying strength of the business.

We increased the number of homes sold by 16% to 1,151 (2015: 993) which, combined with an increase in the private ASP to £538,000, has driven turnover to a record £587.1 million, up 15% compared with last year.

Providing first-class customer service, a high quality product and excellent health and safety remain our key non-financial priorities and are at the heart of how we run our business. During the year we retained the maximum 5-star rating in the HBF National New Home Customer Satisfaction Survey which we have now held for each of the last seven years. Customer service delivery is an area that we regularly benchmark to ensure we maintain our market-leading position and keep our standards as high as possible. We receive consistently high scores for our customer service performance and our overall customer satisfaction score as measured by external consultants In-house Research was 86 out of 100, with 94% of our customers responding that they would recommend CALA.

We have invested significant effort in 2016 to build the size and capability of our teams for a bigger business. We welcomed nearly 100 new employees to CALA during the year including graduates and trade apprentices with our workforce reaching 810 at 30 June 2016 (2015: 719), a rise of 13%.

We have also made a number of important changes to our development process, the highlight being the introduction of our 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 we have established a standard specification and extended our group procurement activity that will leverage 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 a year.



## MARKET REVIEW

The UK economy continued to grow during the financial year and despite some unease driven by concerns over global growth during the second half, most economic indicators have been positive. This favourable economic backdrop has been supportive for the UK housing market, which as a whole has remained strong, characterised by robust demand and chronic under-supply.

Housing demand continues to be underpinned by the ever present aspiration of home ownership in this country, enabled currently by growing employment levels and good access to low cost mortgage finance. The Government's Help to Buy equity loan scheme is a further significant support measure for the broader industry, although it has limited direct impact on CALA due to our market positioning; just 12% of our private completions in 2016 used Help to Buy (2015: 9%), only slightly more than last year.

Average UK house prices have risen strongly during the 12 months to 30 June 2016 in a range from 5 - 8% depending on which of the recognised indices are used, although this growth has eased in recent months. Our own experience has been consistent with this on many of our developments, but there have been some notable exceptions within our markets.

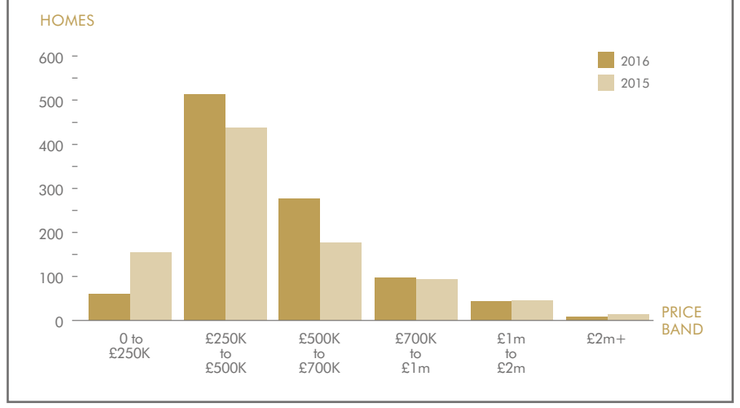
Our North region based in Aberdeen has seen reduced consumer confidence and further significant price falls during the year. This has been driven by employment concerns related to the North Sea oil market although some welcome stability appears to have emerged in recent months. I am very pleased at the way our team has handled these difficult market conditions, running a profitable business and completing more homes than last year, supported by the strength of the CALA brand and quality of our offering. The adverse impact on the group has been limited, our North region representing only 7% of group revenue in 2016.

We also experienced a slowdown in demand for homes priced above £1.25 million. A growing reticence to buy was initially seen in the run up to the UK General Election in May 2015, with much speculation about the introduction of a 'mansion tax'. This segment of the market has failed to recover during the year, not helped by the higher SDLT rates for homes of this value.

In anticipation of becoming a much bigger business, we had already started a process to rebalance our portfolio and reduce our exposure to this end of the market and our progress this year can be seen in the chart below. Only 5% of private homes sold and 16% by value were over £1m in 2016 compared to last year at 6% and 22% respectively.

Combined, these two market challenges have held back our financial delivery this year and resulted in some housing margin erosion. Notwithstanding this, we remain firmly on track to deliver on our growth strategy, improving operational efficiency and generating high quality sustainable earnings at the same time.

HOME SALES BY PRICE BAND




COTSWOLD GATE, MORETON-IN-MARSH, GLOUCESTERSHIRE

STRATEGIC REPORT

# CHIEF EXECUTIVE'S REVIEW

## DEVELOPMENT ACTIVITY

During the financial year to 30 June 2016, 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). We closed 31 sites during the 12 month period and delivered the first sales completions on 48 new sites across our regions.

Having operated last year on a number of small sites with higher value homes, we are currently transitioning to larger developments with selling prices that are more in line with the group average. This is 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). This change is also reflected in our land activity as we continued to lay the building blocks of our strategic growth plan.

Our sales performance during the year has been outstanding with net private reservations up 45% on 2015 at an average selling price of £536,000, similar to last year (2015: £540,000). This success has been driven from a greater number of sales outlets, highly attractive developments, all supported by a professional marketing approach that one would associate with the CALA brand. The cancellation rate was only marginally higher than last year at 17% (2015: 16%).

The group achieved a net private reservation rate of 0.48 average weekly sales per development (2015: 0.40) with minimal support from Help to Buy and despite the aforementioned challenges in the Aberdeen and higher value markets. This equates to a sector-leading average weekly private revenue per development of £254,000 (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.

At 1 July 2016 we had accumulated 303 advance private home sales with a turnover value of £160.0 million (2015: 206 units and £106.5 million) 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.

## LAND

Housing supply has been slow to improve in a meaningful way and remains well below pre-crisis levels. Latest provisional figures supplied by the Department for Communities and Local Government ('DCLG') show that total annual housing starts in England for the year ending 31 March 2016 were 139,680, an increase of 1% from 2014-15. Annual completions fared only slightly better at 139,690 up 12 % year-on-year for the same period. However these are significantly short of DCLG's 2014-based household projections, which show average annual household growth for England projected to be 216,000 per year between 2014 and 2039 – the gap between delivery and need remains significant.

| LAND CONTRACTED* | 2016 | 2015 |
|---|---|---|
| Sites | 30 | 56 |
| Plots | 2,683 | 2,434 |
| Consented (by plots) | 50% | 47% |
| Average site size | 89 plots | 43 plots |
| GDV | £1,000m | £953m |
| ASP | £373k | £392k |
| Scotland:England (by value) | 43%:57% | 39%:61% |
| Strategic plots | 342 | 1,806 |

*All figures include private and affordable

THE PINES AT BRACKENWOOD, MIDHURST, WEST SUSSEX



The National Planning Framework ('NPF') in Scotland and the National Planning Policy Framework ('NPPF') in England, together provide a sound policy framework for housing development. There has been a noticeable increase in the number of outline planning approvals granted and an increased flow of high quality land opportunities. This has resulted in a residential land market in our areas of operation that has become progressively less competitive during the financial year, enabling us to meet our land buying targets.

During the year to 30 June 2016, our land teams have been selective in their activity, contracting 30 new sites in premium locations, which are projected to deliver 2,683 homes with an estimated gross development value ('GDV') of £1 billion and average selling price of £373,000 (2015: 2,434 homes with a GDV of £953 million). 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.

Whilst the principle of planning permission is now generally easier to secure, the process for clearing planning conditions and obtaining certain other statutory consents is under-resourced, overly bureaucratic and inordinately slow in most cases. Last year we highlighted this as a significant barrier to the delivery of new homes and the position has arguably worsened since then. We welcome the Government's 'Fixing the Foundations' initiative as it pertains to the delivery of new housing but it is unclear, how or when the proposals will translate into practical action. Change is needed quickly if we are to deliver new homes that are clearly so desperately needed.

| LAND CONSENTED* | 2016 | 2015 |
|---|---|---|
| Sites | 34 | 58 |
| Plots | 3,078 | 2,853 |
| From strategic landbank (by plots) | 42% | 32% |
| Average site size | 91 plots | 49 plots |
| GDV | £1,035m | £1,071m |
| ASP | £336k | £375k |

*All figures include private and affordable

Despite the inefficiencies of the planning system and through proactive engagement with all stakeholders, our planning teams have worked very hard to achieve another very successful year of delivery. During the 12 months to 30 June 2016, we acquired land with a planning permission or secured a first-time planning permission on 34 sites for 3,078 homes with an estimated GDV of £1 billion at an average selling price of £336,000, including affordable housing (2015: 2,853 homes with a GDV of £1.1 billion). 64% of sales completions during the financial year were either pulled through from our strategic landbank or converted from conditional contracts on a 'subject-to-planning' basis.

The group's owned and contracted landbank at 30 June 2016, consists of 15,399 plots (private and affordable homes), the scope and planning status of which is shown below (2015: 14,236 plots). CALA continues to build and sell new homes from all sites within its landbank, where approvals are in place and contractual terms agreed that would permit development to commence.

The plots in the landbank at 30 June 2016, have a projected GDV of approximately £5.5 billion measured at today's selling prices with an ASP, including affordable housing of £356,000. This is significantly higher than at the same time last year, reflecting further success in the land market. Overall the owned and contracted landbank represents 9.4 years' development potential based on 2016 housing revenue, although this will be used more quickly as the group's growth plans are realised.

The group also controls a high quality, longer-term strategic landbank comprising 11,223 plots (2015: 11,227), mostly held under option. The prospects of gaining a planning status in the short-term for a large number of these are very promising and the remainder will be promoted through the planning system at the appropriate time. During the year, 150 plots from the strategic landbank secured a planning status for the first time and 5 new strategic sites were contracted comprising 342 plots.

| LANDBANK | PLOTS | GDV | ASP | LAND COST | YEARS |
|---|---|---|---|---|---|
| CONSENTED | 10,889 | £3,979M | £365K | 22.1% | 6.8 |
| ALLOCATED | 2,086 | £677M | £325K | 14.6% | 1.2 |
| OTHER | 2,424 | £833M | £343K | 22.2% | 1.4 |
| OWNED / CONTRACTED | 15,399 | £5,489M | £356K | 21.2% | 9.4 |
| STRATEGIC | 11,223 | £3,327M | £296K | 17.0% | |
| TOTAL AT 30 JUNE 2016 | 26,622 | £8,816M | £331K | 19.6% | |
| TOTAL AT 30 JUNE 2015 | 25,463 | £8,567M | £336K | 18.2% | |

# CHIEF EXECUTIVE'S REVIEW

## CURRENT TRADING AND OUTLOOK

We experienced no discernible change to our sales rates in the lead up to the EU referendum on 23 June 2016, but the surprise 'Leave' result has created an air of considerable uncertainty that is likely to last for some time. Market confidence and political stability are crucial in ensuring that the challenging process of withdrawal from the EU does not stimulate a recession in the UK or downturn in the housing market.

Although too early to reach any conclusions, the UK housing market has performed well during the summer and continues to be underpinned by supportive Government policy and the structural demand and supply imbalance. We have experienced positive trading in our markets during the 10 weeks since the referendum with total enquiries up 6% and reservation rates up 51% on the equivalent period last year. Sales prices have also remained stable.

We remain committed to our strategic growth plan that will see us optimise the operational efficiency of our 8 regional businesses through a sustained and controlled period of growth. However, we are acutely aware of the elevated market volatility that is likely to prevail as we establish a new relationship with the EU and have factored this into our business plans.

Despite the heightened external uncertainty, we are in a strong position to build on our success and record profits in 2016. We have a talented and enthusiastic team in place that has worked exceptionally hard during the year and I would like to thank them all for their fantastic efforts. Their teamwork has been first-class alongside the contribution and support from our business partners and our shareholders, Patron Capital and Legal & General.

CALA is in excellent shape and I continue to be optimistic about our prospects for the year ahead.

THORNTONHALL, SOUTH LANARKSHIRE





FOXHILLS, BARNT GREEN, WORCESTERSHIRE

STRATEGIC REPORT

# FINANCIAL PERFORMANCE REVIEW

"THE GROUP DELIVERED A RECORD PROFIT BEFORE TAX, REVALUATIONS AND EXCEPTIONAL ITEMS OF £60.1 MILLION."

J. GRAHAM G. REID
Group Finance Director

NORBURY PLACE, FETCHAM, SURREY

## TRADING

This year CALA has once again traded strongly, generating record results for a fourth successive year. The group delivered a record profit before tax, revaluations and exceptional items of £60.1 million (2015: £50.9 million) on revenue of £587.1 million (2015: £511.6 million). The year-on-year profit and revenue increases of 18% and 15% respectively were almost entirely due to the greater number of homes sold in the year combined with a further increase in our private ASP to a record £538,000.

Revaluations and exceptional items before tax were a net adverse £2.1 million for the financial year, comprising a decrease in the fair value of the group's interest rate swaps of £2.5 million and a £0.4 million reduction to last year's exceptional bad debt provision. In 2015, revaluations and exceptional items before tax were a net adverse £2.9 million. This was made up of a decrease in the fair value of the group's interest rate swaps of £3.3 million, a bad debt provision of £1.1 million relating to project work performed for a third party, offset by the write-back of historical exceptional land write-down provisions of £1.5 million.

CALA Group completed the sale of 1,151 homes during the 12 months to 30 June 2016 (2015: 993). The increase in the number of home completions was mainly due to more private home sales generated from a similar number of sites at 80 (2015: 82), albeit much larger on average than last year. The number of private homes completed increased by 8% to 1,002 (2015: 926) but were delivered at a higher ASP, increasing to £538,000 (2015: £509,000) due mainly to a change in site mix. The delivery of affordable homes more than doubled to 149 (2015: 67), comprising discounted market value homes to qualifying purchasers and homes delivered to housing associations.

| REVENUE | 2016 | 2015 |
|---|---|---|
| | £m | £m |
| Private housing | 538.3 | 469.7 |
| Affordable housing | 42.9 | 17.9 |
| Land sales | 5.9 | 24.0 |
| GROUP REVENUE | 587.1 | 511.6 |

Our housing gross margin has seen some erosion compared with last year, easing back to 21.8% (2015: 23.5% as recalculated). Several factors have contributed to the fall, most notably the adverse market experience in Aberdeen and on sites with homes priced above £1.25 million. In addition, our revenue mix in the year has changed to include a higher proportion of affordable housing income at lower margins. Sales price gains during the year on other sites, net of cost inflation, have not been sufficient to maintain the housing gross margin at last year's level.

Despite a reduction in the housing gross margin, the group has managed to maintain its operating margin at last year's record level of 14.3% (2015: 14.3%) through an improvement in operational efficiency. Although still some way below target, the ratio of net operating expenses, inclusive of other operating income, to revenue has fallen from 7.9% last year to 6.8% in 2016.

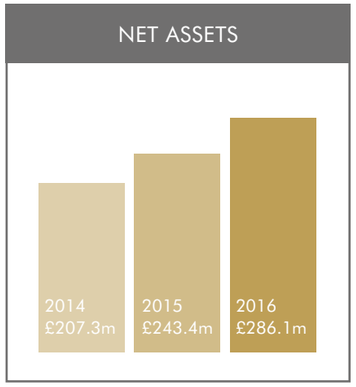
Return on capital employed ('ROCE') remains one of our key financial performance measures. Despite strong financial results in 2016, ROCE edged up to 18.6% (2015: 18.4%) and although a record performance, it remains slightly below our stated target of 20%. This is mainly due to the combination of a lower house sales gross margin and the higher carrying investment in new sites delivering in future years as we transition to a much larger business. In addition, part exchange stock was significantly higher at 30 June 2016.

## BALANCE SHEET

Land and work in progress, net of land creditors, has risen from £454.4 million in 2015 to £530.2 million, due to the increased investment in new developments for CALA's expansion plans. We continue to use land creditors to assist with the funding of larger land acquisitions and where it is value-enhancing for the business. Land creditors at 30 June 2016 were £136.2 million (2015: £134.0 million).

Inventories include part exchange properties with a combined net expected resale value of £41.6 million (2015: £16.6 million). This is a significant increase since last year, reflecting a further change in the scale of the business and a greater weighting of sales activity in the latter part of the financial year. At 30 June 2016, part exchange properties with an inventory value of £21.3 million were already reserved for onward sale and at 31 August 2016, £33.2 million of the part exchange inventory at the year end had either been sold or is reserved for sale.

| INVENTORIES | 2016 | 2015 |
|---|---|---|
| | £m | £m |
| Land and options | 485.0 | 438.9 |
| Less: Land creditors | (136.2) | (134.0) |
| Net Land and options | 348.8 | 304.9 |
| Part exchange | 41.6 | 16.6 |
| WIP and other stock | 181.4 | 149.5 |
| NET INVENTORY | 571.8 | 471.0 |




The group's deferred tax asset relating to past trading losses stands at £6.5 million (2015: £18.4 million) and has been absorbed substantially by the taxable trading profits earned during the year.

The group's core past trading losses are expected to be absorbed in their entirety during the financial year to 30 June 2017.

The carrying value of the group's intangible assets includes the value of the CALA brand in Scotland, which remains unchanged since last year at £8.6m. The CALA brand is considered to have an indefinite life and is tested for impairment on an annual basis. The remaining intangible asset is the goodwill arising on the acquisition of Banner, which has an unchanged balance sheet value of £40.1 million. The goodwill is also tested for impairment on an annual basis.

At 30 June 2016, the group held available for sale financial assets, being shared equity debtors relating to 89 homes with an estimated net recoverable value of £2.3 million (2015: 140 homes and £3.0 million respectively). The value of shared equity debtors has reduced during the year due to loan redemptions by a number of our home owners, partially offset by a change in the assumptions used to establish the fair value of the portfolio to reflect the group's current and expected recovery levels.

Net assets of the group increased by 18% during the year to an all-time high of £286.1 million (2015: £243.4 million) driven by retained profits.

THORNTONHALL, SOUTH LANARKSHIRE

STRATEGIC REPORT

# FINANCIAL PERFORMANCE REVIEW

## FINANCING AND CASH FLOW

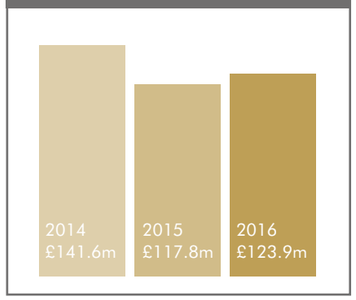
At the year end the group had in place committed senior debt facilities of £285 million which expire in March 2019. These comprised an amortising term loan with a remaining balance of £85 million and a revolving credit facility of £200 million. The debt funding is provided by a syndicate of six banks led by Bank of Scotland and including Santander and HSBC.

At 30 June 2016, the group had net debt of £248.7 million (2015: £232.4 million) which consisted of net bank debt of £123.9 million (2015: £117.8 million) and unsecured redeemable loan notes provided by the group's shareholders amounting to £130.9 million (2015: £120.1 million). These were offset by loans due from joint ventures of £6.1 million (2015: £5.5 million).

The increase in net bank debt is due to a fall in cash generated from operations compared with last year, with interest payments and the investment required in land and work in progress to deliver CALA's expansion plans exceeding income generated in the year. The increase in the value of the shareholder loan notes of £10.8 million (2015: £10.1 million) is attributable to accumulated interest applied and a minor further issuance during the year.

Gearing, defined as the ratio of net bank debt to net assets including shareholder loan notes, has reduced to 29.7% since last year (2015: 32.4%) despite a small increase in net bank debt. If land creditors are added to net bank debt, gearing increases to 62.4% and 69.3% for 2016 and 2015 respectively.

NET BANK DEBT




## PENSIONS

Due to the continued escalation in cost of providing retirement benefits on a defined benefit basis, the CALA Retirement and Death Benefits Scheme ('the DB Scheme') was closed to all future accrual with effect from 31 December 2015. This resulted in a curtailment gain of £1.2 million, credited to the income statement during the financial year to 30 June 2016. The IAS 19 net pension deficit shown in the balance sheet at 30 June 2016 is £7.4 million (2015: £6.2 million).

From 1 January 2016, all eligible employees will be able to accrue retirement benefits under the CALA Flexible Retirement Plan ('DC Scheme'), the group's defined contribution pension scheme operated by Standard Life. The default contribution rate is 3.0% of pensionable salary from employees and 7.0% from the company, with certain other matching alternatives available. The group is currently considering how best to monitor the performance of the DC Scheme going forward in conjunction with external consultants, as there are now many more members.

The most recent Triennial Valuation for the DB Scheme was carried out as at 6 April 2015 and agreement reached with the Trustees on a new recovery plan which will eliminate the deficit by March 2020. The group has continued to comply fully with the recovery plan and has made special deficit contributions into the DB Scheme during the 12 months to 30 June 2016 of £1.4 million (2015: £1 million) and a further payment of £0.5m since the balance sheet date.

The group, in consultation with the Trustees, continually monitors the Scheme with a view to reducing risk and funding volatility for the long term security of members' pensions. Following the closure to future accrual, both parties are now focused on steering the DB Scheme to self-sufficiency.

BROOKWOOD FARM, WOKING, SURREY



TEN BRUNSWICK ROAD, EDINBURGH

## FINANCIAL RISK AND TREASURY MANAGEMENT

The treasury function is centrally managed to support the operating activities of the group, its primary objective being to manage liquidity and interest rate risk. Any trading in financial instruments is prohibited and hedging is undertaken using simple risk management products, such as interest rate swaps.

The management of liquidity is a significant risk for the group. It is essential that cash flow is tightly managed and borrowing remains within agreed bank facility limits. The major variable in maintaining adequate liquidity is the impact of a deterioration in the housing market on cash flow. This is managed by the collection and monitoring of extensive market intelligence at a local and national level, combined with a clear and effective sales strategy aligned with the delivery of our financial plan. This is further supported by a close working relationship with our shareholders and debt providers.

The group has interest rate hedging in place, effected through five interest rate swaps with an average value of £100.0 million covering the period from 1 July 2016 to 21 March 2019 at a blended fixed rate of interest of 2.14% excluding margin.

At 30 June 2016, net bank debt of £100.0 million was hedged at a blended fixed rate of interest of 1.99% excluding margin.

The aggregate fair value of all the group's interest rate swaps at 30 June 2016 was a liability of £5.0 million (2015: liability of £2.5 million) with the adverse movement in the year of £2.5 million reported as a finance cost under the 'Exceptional items and revaluations' column in the Consolidated Statement of Comprehensive Income. The fair value liability of £5.0 million has no cash impact and will reverse in full in future accounting periods, provided the interest rate swaps are held to maturity.

Direct foreign exchange exposure is negligible given the nature of the group's business activities which are conducted exclusively in the United Kingdom.

STRATEGIC REPORT

# KEY PERFORMANCE INDICATORS ('KPIs')

The board monitors the group's progress by reference to a range of selected KPIs. These KPIs are unaudited.

| FINANCIAL | DEFINITION | COMMENTARY |
|---|---|---|
| HOUSE SALES GROSS MARGIN<br>23.5% (2015) 21.8% (2016) | The ratio of gross profit (before exceptional items and excluding abortive land costs) to housing revenue, including 100% of joint ventures, expressed as a percentage. The method of calculation has changed to include fair value adjustments arising from the group's acquisitions as included in the income statement. The figure for 2015 has been recalculated. | House sales gross margin for the year eased back to 21.8% compared with 23.5% in 2015. The reduction was primarily due to a fall in sales prices driven by the difficult market in Aberdeen and weaker pricing for homes with sales values above £1.25 million. In addition, a higher proportion of lower margin affordable housing revenue diluted house sales gross margin by 0.2% compared with last year. |
| OPERATING MARGIN<br>14.3% (2015) 14.3% (2016) | The ratio of operating profit (before exceptional items) to total revenue, expressed as a percentage. The method of calculation has changed to exclude joint ventures. The figure for 2015 has been recalculated. | Operating margin in 2016 was maintained at last year's record level of 14.3% (2015: 14.3%) despite a fall in the house sales gross margin as described above. This was more than offset by a further increase in the absorption of net operating expenses from greater revenue earned during the year as the group progresses towards its goal of operational efficiency. |
| RETURN ON CAPITAL EMPLOYED<br>18.4% (2015) 18.6% (2016) | The ratio of operating profit (before exceptional items) to average net assets after adding back net bank debt and fixed rate loan notes and deducting intangible assets and the deferred tax asset, expressed as a percentage. | Return on capital employed climbed to 18.6% (2015: 18.4%) and although a record for the group, this was slightly below our stated target of 20%. This is mainly due to the combination of a higher carrying investment in new sites delivering in future years and significantly higher part exchange stock at 30 June 2016. |

| OPERATIONAL | DEFINITION | COMMENTARY |
|---|---|---|
| HOUSE SALES<br>993 (2015) 1,151 (2016) | The number of homes sold and completed including joint ventures. | The total number of homes sold by the group increased to 1,151, a rise of 16% compared with 2015. The increase was due to a higher number of private homes completed, rising from 926 to 1,002 from larger developments on average than the previous year. At 149, the number of affordable homes also increased, being more than double last year (2015: 67). |



| OPERATIONAL | DEFINITION | COMMENTARY |
|---|---|---|
| AVERAGE WEEKLY RESERVATIONS PER ACTIVE SITE<br>0.40 (2015) 0.48 (2016) | The average number of net private homes reserved for sale including joint ventures for each week of the financial year divided by the average number of active selling sites for each week. | The average weekly reservation rate per active site increased to 0.48 homes in 2016 compared with 0.40 achieved in 2015. The rise has been achieved despite a further increase in our private ASP and some market challenges in our areas of operation. The higher sales rate has been assisted by a greater number of homes being at or around the group's ASP and the strength of CALA's development offering. |
| AVERAGE WEEKLY REVENUE PER ACTIVE SITE<br>£216k (2015) £254k (2016) | The average revenue for each net private home reserved for sale including joint ventures for each week of the financial year divided by the average number of active selling sites for each week. | The average weekly revenue per active site is an important measure for CALA because it 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 average weekly revenue per site increased considerably during the year to £254,000 (2015: £216,000) and is directly linked to the improvement in the average weekly reservation rate described above. This is a sector-leading performance and reflects the strength of our brand and sales capability. |
| FORWARD SALES<br>22% (2015) 30% (2016) | The ratio of private homes, including joint ventures, reserved or better at 30 June for the following year to total private home completions in the current financial year expressed as a percentage. The method of calculation has changed to show the forward sales percentage based on actual completions in the current year rather than budgeted completions for the next financial year. The figure for 2015 has been recalculated. | Forward sales at 30% equate to 303 private homes with a GDV of £160.0 million (2015: 22% and 206 private homes with a GDV of £106.5 million). This is 47% higher in number than achieved in 2015 and 50% more by value. The increase has been driven by a larger number of sites open for sale as we approached the latter part of the financial year, reflecting a greater level of site continuity from 2016 into 2017. |
| OVERALL CUSTOMER SATISFACTION<br>88 (2015) 86 (2016 12 months to 31/3/16) | Overall customer satisfaction with the quality of the homes delivered and the service provided by CALA, both before and after sales, as measured through customer surveys undertaken by external consultants, In-house Research. | The overall satisfaction score does not include Banner for the period before the acquisition date of 22 March 2014. This measure represents a mean overall satisfaction rating and to achieve in excess of 75 means that a majority of our customers have to be either 'satisfied' or 'very satisfied'. Once again we have achieved a very high overall satisfaction score albeit slightly down on 2015. |
| ANNUAL INJURY INCIDENCE RATE ('AIIR')<br>464 (2015) 583 (2016) | The total number of accidents reportable under RIDDOR for the year to 31 March expressed per 100,000 employees and contractors. | The AIIR has worsened since last year due to an increase in the number of reportable accidents from 13 to 16, rising at a faster rate than the increase in number of employees and subcontractors. |

# KEY PERFORMANCE INDICATORS ('KPIs')

| OPERATIONAL | DEFINITION | COMMENTARY |
|---|---|---|
| REPORTABLE ACCIDENTS<br>13 (2015) 16 (2016) | The total number of accidents reportable under RIDDOR for the year to 31 March. | The number of reportable accidents has risen from 13 to 16 reflecting another significant increase in development activity during the year along with more employees and subcontractors working on our sites. Despite the increase in the number of reportable accidents during the year, a strong safety culture is in place and the board remains committed to its zero accident target. The group's internal health and safety resource has been increased during the year to support our site teams as the business grows. |

| LAND | DEFINITION | COMMENTARY |
|---|---|---|
| CONTRACTED LANDBANK<br>£5.2 billion (2015) £5.5 billion (2016) | The estimated revenue generated from land owned or controlled. This includes strategic sites that have earned a planning status, and where the prospects for achieving a planning consent within a reasonable timescale are strong. | The contracted landbank has increased significantly in the year to 30 June 2016. The number of plots increased by 8% from 14,236 to 15,399 compared with the previous year and this has translated to a 5% rise in total GDV, with the average selling price reducing slightly to £356,000 (2015: £365,000). The planning status of the contracted landbank is strong with 85% of GDV comprising sites with either a planning consent or an allocation for residential development within an adopted local plan. This compares with 79% last year. |
| CONSENTED LANDBANK<br>£3.3 billion (2015) £4.0 billion (2016) | The estimated turnover value generated from land owned or controlled with an outline or detailed planning consent. | The consented landbank has grown substantially during the year, with the number of plots increasing from 8,809 to 10,889. The ASP has reduced slightly from £379,000 to £365,000. The increase in size of the consented landbank has been driven by the acquisition of a number of larger sites with outline planning permission to further underpin our growth plans in the south east of England. In addition, during the year we secured planning permission on 1,292 plots from our strategic landbank, representing GDV of £347 million. |
| STRATEGIC LAND PULL-THROUGH<br>72% (2015) 64% (2016) | The proportion of homes sold and completed including joint ventures without a planning permission at the time a commercial interest was acquired in the site, expressed as a percentage. | 733 homes sold in the year (2015: 716) were from our strategic landbank or from developments controlled under conditional contracts where CALA secured a first-time planning permission. This equates to 64% of total homes sold in the year, down from 72% a year ago. In order to reduce the timing risk associated with our future development pipeline, a greater proportion of new land is being acquired with an existing consent, normally outline planning permission. |





# RISK MANAGEMENT

## OVERVIEW

The successful operation of the business and execution of the group's strategy are subject to a number of significant risks. It is vital that these risks are understood and considered fully in all decision making.

The board has in place a risk management system for the group, each of its operating divisions, the IT function and land acquisition process. The aim being to highlight, manage and reduce the principal risks to which the group is exposed.

Risks are assessed and formally reviewed on a regular basis to ensure that the group is fully aware of their potential impact on the business. The controls in place to manage identified risks are also reviewed to ensure that they remain relevant and effective.

Each regional operating division maintains its own risk matrix, which captures and evaluates the significant risks applicable to their particular business activities, including the identification of key mitigation measures and any further action required. The risks are assessed at regular intervals by the regional management teams and the risk matrix is used at all regional board meetings to direct discussion to where it is most effective. Separately, the Operations Board maintains a group-level risk matrix containing strategic and macroeconomic risks combined with key operational risks distilled from the regional risk matrices. This overarching risk matrix is reviewed by the Group Board. During the year, the group made a number of refinements to its risk matrices to drive a greater focus on mitigation actions and clarity of ownership for these. The group also used external advisors to facilitate a number of risk review sessions.

The group's internal audit function carried out a full assurance programme during the year, which included reviews of key financial controls, procurement and sales. The internal audit function currently partners with KPMG to undertake review work that is specialist in nature.

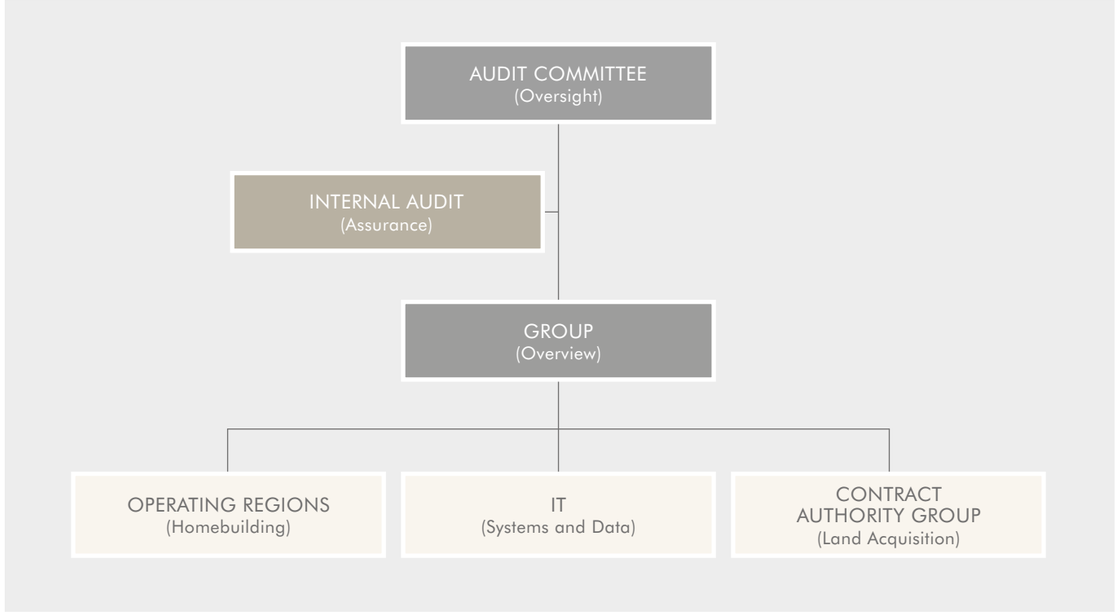
## RISK APPETITE

The board has overall responsibility for determining the nature and extent of the risk it is willing to take and this is communicated clearly throughout the business.

In determining its appetite for risk the board is guided by the following key principles:

1. Risks should be consistent with CALA's business strategy, financial objectives and core values.
2. Risks should only be accepted where there is sufficient, appropriate and measurable reward for taking the risk.
3. Risks should be monitored closely and actively managed with sufficient resource required for the task.

## RISK MANAGEMENT FRAMEWORK



STRATEGIC REPORT

# RISK MANAGEMENT

The principal operating risks currently affecting the group along with key mitigation measures for each are described as follows:

| RISK | MITIGATION | CHANGE SINCE 2015 |
|---|---|---|
| **HEALTH AND SAFETY**<br>Injury or death caused by unsafe practices operated on our sites or in our offices. | We have a comprehensive health, safety and environmental management system in place. We have a positive and active safety culture throughout the group and proactively adapt our work practices to eliminate safety risks as they are identified.<br>On-site safety compliance is monitored and reinforced through an in-house inspection regime and regular direct communication with subcontractors.<br>We have a thorough training programme in place with minimum standards of competence that need to be attained based on position held. | RISK INCREASED<br>This risk remains heightened during our current phase of significant volume growth and the increase in number of reportable accidents. |
| **EU WITHDRAWAL**<br>Uncertainty leads to a downturn in the housing market, adversely affecting profitability, cashflow and CALA's strategic growth plans. | The group has a strong balance sheet with modest debt levels and operates with significant headroom in its banking facilities.<br>The group gathers and considers a variety of market intelligence at a local and national level, which is reviewed regularly by management with prompt action taken in relation to pricing, build rates and the level of inventory as required.<br>We have reviewed all of our key potential land commitments to ensure their prospects are maximised in preparation for more difficult market conditions, should these materialise and are making alterations where needed.<br>We have a strong portfolio of high quality developments in premium locations, supported by a strong brand proposition. | NEW RISK<br>Whilst post year end trading performance has been strong, the recent EU referendum has created a significant new risk, the potential impact and severity of which is still being assessed. |
| **SKILLED TRADESMEN**<br>Inability to maintain continuity of supply and quality of key trades on our sites. | We operate and manage a portfolio of approved subcontractors many with whom we have long-standing relationships.<br>Our construction and commercial teams review regularly our subcontractor base, seeking to add new partners to supplement our available resources where possible.<br>We provide a safe and organised working environment that allows our subcontractors to work efficiently and we offer competitive rates of pay with prompt payment.<br>We partner with The Prince's Trust to introduce young people to the industry whom we place with our key subcontractors. We also employ certain key trades and apprentices on our own account. | RISK DECREASED<br>The availability of competent key trades remains a critical risk to the timing of housing delivery, but this has eased marginally during the year as we have evolved the mix of subcontractors working with us. |
| **PLANNING PERMISSION**<br>Securing appropriate and timely planning permission on sufficient development sites in our contracted landbank and from our strategic land portfolio. | The group manages its planning risk by working collaboratively with all key stakeholders and decision makers, engaging in extensive local consultation.<br>We have high levels of skill and experience of the planning process within the business to ensure we only invest in opportunities with a strong chance of planning success.<br>We are utilising the provisions and spirit of the NPPF and NPF to secure a greater flow of planning permissions to meet the growing housing need.<br>We incorporate planning uncertainties into our business planning, as well as running a surplus of developments in our planning pipeline to protect against the risk of refusal or delays arising from the appeals process. | RISK STABLE<br>The NPPF has driven a further increase in the number of planning permissions granted, but the time taken to clear site start conditions and to gain other statutory consents continues to offset this. |



| RISK | MITIGATION | CHANGE SINCE 2015 |
|---|---|---|
| **KEY PERSONNEL**<br>The loss of key personnel and the inability to replace their skills and experience. | The group offers a positive, empowered, working culture.<br>We have in place a succession strategy which includes capability assessments and development plans for key individuals.<br>The group also operates a comprehensive benefits structure and a performance and personal development review system which are updated on a regular basis to ensure they remain effective. | RISK INCREASED<br>The housing industry has experienced a high level of staff turnover during the past year. |
| **PREMIUM BRAND AND REPUTATION**<br>The loss of our HBF 5-star customer service rating would represent a significant reputational risk for the group. | The group has in place a director responsible for product and customer service to review targets, performance and trends and ensure implementation of best practice across our operating regions.<br>Customer service delivery forms a material element of performance related pay for most employees in the group.<br>A passion to deliver excellent service is embedded within the culture of the group and spread and reinforced at every opportunity. | RISK STABLE<br>We continue to maintain a tight focus on this key metric for the group. |
| **GROWTH MANAGEMENT**<br>Inability to effectively manage our regional businesses as we rapidly expand the size of the group. | We have in place an appropriate organisational structure to deliver our plans, combined with the necessary oversight of operational activity.<br>The group has recently reviewed and documented a number of key processes and controls to ensure they are sufficiently clear and robust to enable the business to operate in an effective and controlled manner. Further work in this area is ongoing.<br>The strength and breadth of expertise of our regional leadership teams has been reviewed and changes made to ensure the increased business capacity is managed effectively. | RISK INCREASED<br>This risk is elevated at the current time, given the challenge to maintain the requisite skills and resources required by the business, to meet our growth plans against a background of high staff turnover in the industry. |

BROOKWOOD FARM, WOKING, SURREY

STRATEGIC REPORT

# SUSTAINABILITY

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

CALA has ambitious growth plans for the next few years and we recognise that as our business grows, so does our impact and responsibility. Given the scale of our expansion plans, we have invested considerable time and resource during the year to best balance the social, environmental and financial considerations that drive a sustainable business. At the end of our last financial year we appointed our first Corporate Social Responsibility Manager. This has allowed us to start a number of new initiatives this year, including a strategic long-term partnership with The Prince's Trust and matched funding schemes to support our employees' charitable endeavours.

We have also joined NextGeneration, a membership-based benchmark consisting of many of the UK's largest homebuilders and overseen by the UK Green Building Council and the Homes and Communities Agency. As a result we now participate in the Annual Sustainability Benchmark, which measures the sustainability performance of the homebuilders' operations and seeks to drive best practice in sustainability into the heart of the residential development sector.

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

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

## LAND AND DESIGN

Acquiring the right land in sufficient quantity is critical to the sustainability of our business and delivery of our strategic plan. Our land and design teams are not only very experienced in land assembly and navigating the planning process, but have developed a strong track record of promoting the right development solutions for each site, respecting the local environment and seeking the views of all key stakeholders. This approach frequently results in our ability to secure new land opportunities where our bids may not lead on price, but our development proposals are compelling for landowners.

High quality design that marries our development plans with the surrounding area is a major focus for the group and a key differentiator. CALA's renowned design has this year been supplemented with the introduction of a new house type range called 'Light & Space', which is intended to drive greater efficiency and less wastage, essential for a growing business. The design focus has been on making spaces work properly for their intended uses and ensuring these new homes have naturally light and bright places to enjoy life whilst retaining a strong kerb appeal.

We prefer to work collaboratively with local communities, interest groups and Local Authorities at the earliest possible stage of the planning process, often consulting even when there is no statutory requirement. We believe strongly in the benefit this brings to facilitating a better understanding and greater support for our development plans, and for us to appreciate fully the things that matter most to local people.

| 2016 AT A GLANCE | |
|---|---|
| 30 | NEW SITES CONTRACTED |
| 54% | OF DEVELOPMENT ON BROWNFIELD SITES |
| 3,078 | PLANNING PERMISSION GRANTED FOR HOMES |
| 149 | NEW AFFORDABLE HOMES DELIVERED |
| 42% | OF NEW PLANNING CONSENTS FROM OUR STRATEGIC LANDBANK |

## OUR SUSTAINABILITY PLEDGE

For the team at CALA, sustainability is simply about people; our staff and the teams that work on our homes, our customers and the communities in which we operate. Our aim is to make a positive contribution to those affected by our business activities with a responsible approach to development that is ingrained at every stage of our process:

**THE LAND WE BUY**

We take a partnership approach with landowners, buying well-located sites and promoting sustainable and deliverable developments through the planning process.

**THE COMMUNITIES WE BUILD**

We give local communities a say on new developments, invest in local facilities and services and aim to leave a lasting legacy for future generations.

**THE HOMES WE CREATE**

We design high quality, sustainable homes that reflect and enhance their surroundings, with practical layouts and design details that will stand the test of time.

**THE SAFETY WE FOLLOW**

We create sites that are safe for our staff, considerate of our neighbours and sensitive to local ecology and wildlife.

**THE CUSTOMERS WE CARE FOR**

We are committed to providing an exceptional customer experience, with a professional, friendly and knowledgeable approach, from first enquiry to moving day and beyond.

LIBERTON GRANGE, EDINBURGH

## CASE STUDY

### LIBERTON GRANGE, EDINBURGH

Last year CALA acquired, in partnership, this former water treatment works serving the city of Edinburgh. A significant, highly sustainable brownfield site within the city boundary, the development comprises 296 homes in total, of which 75 are affordable to be delivered by our consortium partner.

CALA's share of the development consists of 92 homes, being a mix of detached houses, terraced houses and apartments. Our technical expertise, design vision and programming skills have been invaluable in developing our plans for the site and securing detailed planning permission.

Specific challenges and sensitivities have included the retention of a listed water tank and two listed pump houses. Open space has been focused around the central area of the site, providing a green corridor through the development. A large portion of the open space utilises a landscaped deck formed over the listed tank. The listed pump houses will provide attractive period features and setting to the site.

The considerable volume of enabling works has been completed and the first homes sold and occupied during the financial year.

STRATEGIC REPORT

# SUSTAINABILITY

## BUILDING

Despite the premium nature of our developments, each year the majority of our homes are built on brownfield land. During the 12 months to 30 June 2016 we completed the sale of 626 homes on brownfield land representing 54% of all legal completions in the year (2015: 752 homes and 76%). This often involves bringing back into use, areas of public land and green open space that requires a carefully planned technical solution to deal with complex remediation, demolition and engineering works to prepare the ground for development.

Building high quality homes and delivering them on time is a key focus for us and vital to the experience we want for customers who purchase a CALA home. The skill, care and attention shown by our site teams is key in this respect and it is pleasing that once again a number of them have been recognised for their outstanding performance. This year we have had 7 NHBC Pride in the Job quality award winners, acknowledging the commitment and dedication of some of our best people.

The availability of sufficient, skilled tradesmen has been a considerable constraint on site delivery for the sector, but in our experience this pressure has eased during the year as we have expanded our subcontractor base and been able to offer greater continuity of work from larger sites in our portfolio. Nonetheless, we have made our own direct contribution to help resolve the skills shortage by supporting The Prince's Trust's 'Get Into Construction' programme, resulting in a number of trade apprentices being placed with CALA or our subcontractors.

In order to maintain our competitiveness we have expanded our group procurement activity in combination with the introduction of a standard specification for our product. We have introduced a number of national framework agreements with large volume manufacturers, suppliers, merchants and contractors to protect price, quality and supply for key products. We plan to extend this further in the year ahead to encompass a greater number of products and suppliers.

## ENVIRONMENT

CALA's environmental management system provides the framework to ensure we comply with environmental laws and minimise the environmental impact of our development proposals and supply chain through comprehensive evaluation at the design stage of our projects.

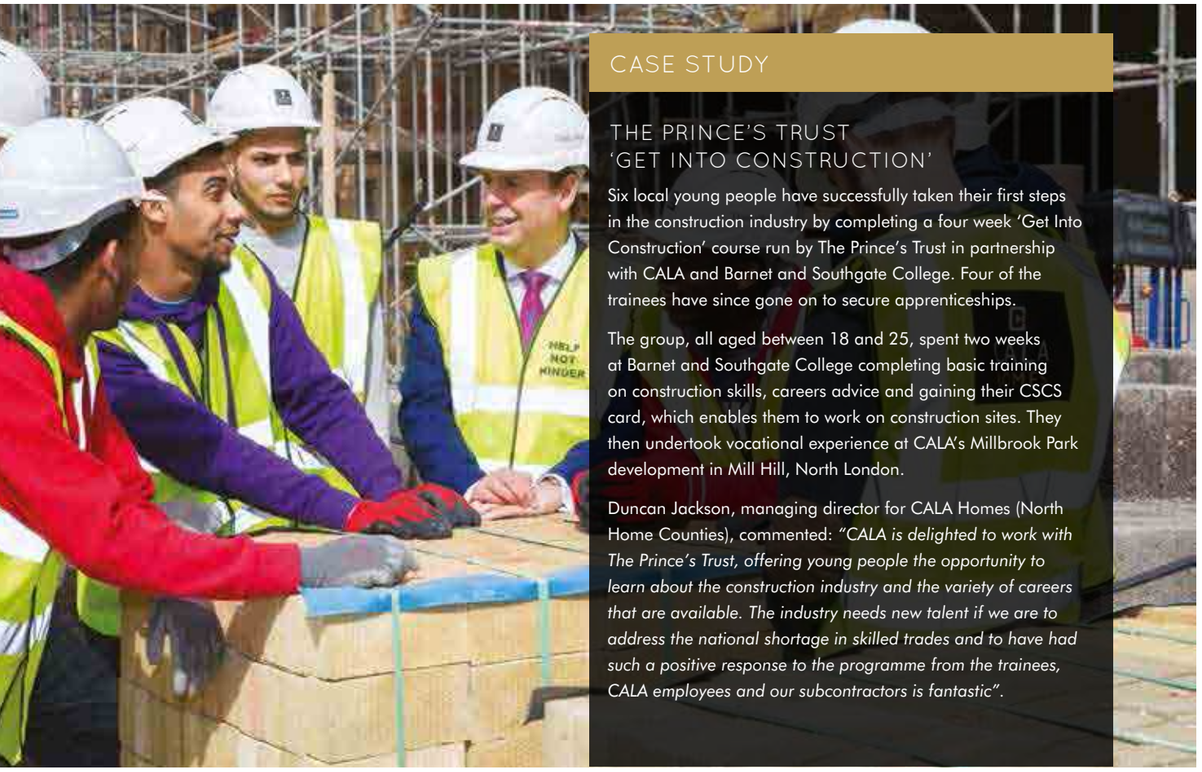
We protect and enhance habitats, biodiversity and ecology on our sites. Examples include the creation of wildlife corridors in larger developments and the safe rehoming of protected species like the great crested newt, badgers and bats. We also work with local planning authorities to protect trees and other local heritage features located on or near our developments. As part of our sustainable procurement policy, we are committed to specifying and purchasing timber products sourced from sustainably managed forests and where possible, we use suppliers with FSC certification and Chain of Custody evidence.

Waste recycling of building materials from sites is an important part of our sustainability programme. During the 12 months to 30 June 2016, the proportion of construction waste recycled from our sites increased to 97% (2015: 94%). The total waste sent to landfill was down 20% at 602 tonnes, compared with 748 tonnes in 2015, despite a greater level of development activity.

We adopt a 'fabric first' approach to design and construction and aim to deliver energy efficient living with a focus on the thermal performance of our homes.

We also incorporate renewable technologies in our homes, but at the same time minimise the complexity for customers, providing low maintenance, cost effective solutions. 303 home sales, completed during the year to 30 June 2016, were constructed with renewable energy components (2015: 62) that included solar PV, solar thermal, air source heating and district heating.

RECYCLING TIMBER FOR WILDLIFE HOMES



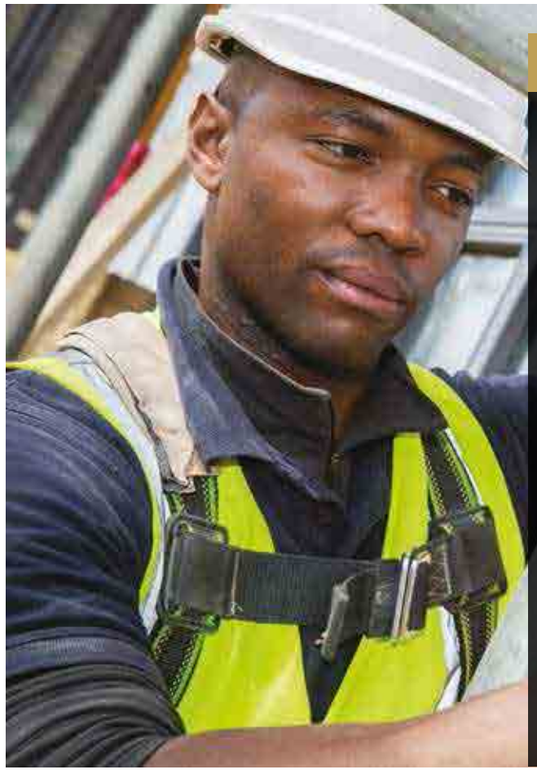

### CASE STUDY

#### THE PRINCE'S TRUST 'GET INTO CONSTRUCTION'

Six local young people have successfully taken their first steps in the construction industry by completing a four week 'Get Into Construction' course run by The Prince's Trust in partnership with CALA and Barnet and Southgate College. Four of the trainees have since gone on to secure apprenticeships.

The group, all aged between 18 and 25, spent two weeks at Barnet and Southgate College completing basic training on construction skills, careers advice and gaining their CSCS card, which enables them to work on construction sites. They then undertook vocational experience at CALA's Millbrook Park development in Mill Hill, North London.

Duncan Jackson, managing director for CALA Homes (North Home Counties), commented: *"CALA is delighted to work with The Prince's Trust, offering young people the opportunity to learn about the construction industry and the variety of careers that are available. The industry needs new talent if we are to address the national shortage in skilled trades and to have had such a positive response to the programme from the trainees, CALA employees and our subcontractors is fantastic".*



### CASE STUDY

#### GAIL'S SHOES CAMPAIGN

The Gail's Shoes initiative was designed to empower individuals on-site to take ownership of Health and Safety. The behavioural safety programme focuses on the personal story of fictional characters Fraser and Gail McCallum. The story is three short films; Fraser's story, Gail's story and interviews with work colleagues. The films highlight from the outset Fraser's poor approach to safety on-site which in turn leads to his behaviour resulting in an electrical accident that caused severe burns and disfigurement.

It also looks more into the unseen issues such as the effects of the accident on family, friends and work colleagues, highlighting to everyone that their choices on-site affect others. The training has been accepted well by both CALA staff and by the subcontractors on-site with a number of the subcontractors requesting the training for all operatives within their company.

On completion of the training participants are given a sticker showing a pair of red high heeled shoes. This is designed to be placed on the back of their hard hat to show that they have completed the training and to act as a talking point on-site for others who may not have attended the course. It also reminds those who have attended the course of the potential consequences of the choices they make at work.

STRATEGIC REPORT

# SUSTAINABILITY

## CUSTOMER SERVICE

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.

The customer journey is a hugely important aspect of CALA's customer service, which starts with the presentation of our product and the interactive experience with our website and other marketing materials. We plan the home buying process to be straightforward and informative, and for our customers to continue to receive the help and attention they need after they have moved into their new home. We are establishing our Heads of Customer Service as champions of customer service in their regions, to ensure there is as much focus when we plan our developments as there is during the all-important construction phase.

### 2016 AT A GLANCE

- RETAINED HBF MAXIMUM 5-STAR RATING FOR SEVENTH YEAR RUNNING
- OVERALL SATISFACTION SCORE OF 86
- 94% OF OUR CUSTOMERS SAID THEY WOULD RECOMMEND CALA
- 7 NHBC AWARD-WINNING SITE MANAGERS
- SCOTTISH HOUSEBUILDER OF THE YEAR

We undertake external benchmarking to measure objectively our performance and provide feedback to help us drive our standards ever higher. For the 12 months to 31 March 2016, we achieved an overall satisfaction score of 86 (2015: 88), as measured by customer surveys undertaken by external consultants In-house Research, and 94% (2015: 96%) of our customers said they would recommend CALA. Whilst these are still very good scores, we are mindful of the year-on-year fall and are focusing our staff training efforts on coaching for growth.

## HEALTH AND SAFETY

The health and safety of our employees, subcontractors and customers is always the first concern of the board, and we are committed to ensuring that everyone who visits our sites and offices is able to carry out their duties safely.

The group operates a comprehensive health and safety management system, which includes monitoring, staff training and management reporting. Frequent on-site inspections are carried out by our own qualified staff who also provide forward planning and coaching support to our site teams. All health and safety issues, including matters arising from on-site inspections, are reported to the board for consideration on a regular basis.

NHBC AWARD WINNERS
From left to right: Mark Foley, Michael Harding, Michael Carrigan, Colin Hawthorne, Alan Whitelaw, Stuart Dallas, Fred Anderson




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 as a result of our activities. Whilst the board is disappointed with the increase in CALA's Annual Injury Incidence Rate ('AIIR') for the year to 31 March 2016, it is 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. The AIIR was 583 incidents per 100,000 employees (2015: 464), which reflects a rise in the number of injuries reportable under RIDDOR from 13 to 16, albeit from greater site activity.

Disappointingly, four major injuries were reported during the year to 30 June 2016 (2015: one) although fortunately none serious in nature. There were no fatalities (2015: nil).

Our commitment to maintaining the highest standards of health and safety is reinforced by the investment we make in ensuring our own staff and subcontractors are fully aware of their responsibilities and that they have the resources, knowledge and capability to carry out their roles safely. In the 12 months to 30 June 2016, the number of health and safety training days delivered fell slightly to 959 (2015: 1,031). These statistics only include training lasting more than 3 hours and exclude inductions.

In light of the increase in our site activity and the number of accidents during the year several new initiatives have been introduced. Our group health and safety managers are now more focused on providing a regional support service, as well as the required governance role. With the support of the regional management teams, this allows our safety professionals to get involved at every stage of our business, rather than traditionally just the construction activities. On-site inspections now target significant hazards and incident trends, as well as providing an opportunity for review of future works and on-going coaching of our site teams. A core health and safety competency training matrix has been developed which as well as expanding on the minimum competencies required by our construction teams, also includes our non-construction functions. A group health and safety improvement plan has been developed, identifying key target areas for the next two years.

This year, CALA has installed 70 lifesaving mobile defibrillators at regional offices and active housing developments across the UK. The move will give our staff and contractors access to automated external defibrillators in the event of a medical emergency.

During the year we received one HSE Enforcement Notice issued to one of our sites for non-compliance with health and safety legislation and corrective action was immediately taken (2015: one).

The day-to-day management of all health and safety activities is conducted by our director of health and safety. Graham Reid is the main board director responsible for health and safety throughout the group.

MILLBROOK PARK, MILL HILL, LONDON

STRATEGIC REPORT

# EMPLOYEES

The commitment and effective engagement of our employees is fundamental to CALA's success, the delivery of our strategic plan and the sustainability of our business. We aim to attract and retain excellent people by creating the right environment to nurture high performance, one that provides all employees with equal support and opportunity and embraces diversity and inclusion.

## CULTURE

Our culture is defined simply by the four foundation values we expect to see in our people – Passion, Quality, Respect and Delivery. Our culture is a key ingredient in our ability to live up to the vision we have for our employees and for the business to deliver to its potential. We encourage our employees to make a difference, pushing responsibility and decision-making further down the organisation in an open and supportive environment. We are very mindful of the challenge we face in a fast growing business to retain the culture we value so highly. This is currently a major focus for us against a background of high demand and opportunities for the best people in our sector.

## ENGAGING WITH OUR EMPLOYEES

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

Regular staff briefings are hosted at our regional and head offices. In addition, we bring all our employees together for an annual briefing, hosted in both England and Scotland. These are extremely important and popular events for our staff, that provide an opportunity for them to hear about the group's plans and vision for the future. It is also an opportunity for staff to put questions to the senior management team via an open Q&A forum.

At 30 June 2016, we had 810 staff working for the group (2015: 719), an increase of nearly 100 compared with last year. Given the significant change in scale of the group and number of new staff employed, we conducted an externally facilitated employee engagement survey last year to gain valuable insight into how our staff feel about working at CALA. Last year we reported that, benchmarked against other high performing companies, the results were overwhelmingly positive. During 2016 we followed up the survey with a number of regional and team briefings to develop action plans that will help our staff maximise their capability and strengthen the business.

## INVESTING IN OUR PEOPLE

Educating our staff and equipping them to make an immediate impact in their role starts at the earliest opportunity. All staff have access to the 'CALA Hub', the group's online training and development platform. This provides easy access to key information for new employees to enable them to understand our business, where their role fits in and allowing them to make a confident start in their career at CALA. The induction programme is rounded off with a group gathering that brings together new staff from across the business to meet our Regional Chairmen and learn about CALA's history, our values and vision for the future.

The 'CALA Hub' also hosts our online performance development review ('PDR') system. An annual PDR is carried out for all staff to assess personal performance, for objective setting and the identification of individual training requirements. We invest heavily in training for all staff through this exercise in addition to group-wide core training initiatives for our key teams. We also support our staff through further education qualifications. For the first time, the group has recruited an internal sales trainer to design and deliver a training programme that will drive up the skills and knowledge of our site sales teams and support their delivery.

We promote from within where possible and ensure that remuneration packages are competitive and understood through benchmarking and individual total reward statements. We operate an online HR portal which empowers employees to take control of their personal data at any time and from any place that is able to access our systems.

The strength in depth of our line managers is a key component of achieving and sustaining success for the group. This year we ran a Leadership Development Programme to support some of our middle managers and plan to repeat this for others in the year ahead. This modular programme aims to equip line managers with a range of essential core skills to manage and lead their teams effectively during a time of considerable change.

## DEVELOPING TALENT

Investing in new talent for the future is essential for the business to harness new thinking and engender high levels of motivation and ambition. This year we completed CALA's first structured graduate development programme with 17 bright, enthusiastic individuals covering all of our eight operating regions, working across the disciplines of land, commercial, technical and sales. The 12-month programme will end with a celebration event to draw together what our graduates have learned before they progress into a substantive role within the business. Building on this success, selection for our second graduate programme is already largely complete and we will be welcoming our next new graduates this month.

Being acutely aware of the growing need for new talent in the business, we also have a number of young people working with our teams as part of their university courses in a placement capacity and we continue to work with local schools to help young people gain work experience.

CALA has entered into a long-term corporate partnership with The Prince's Trust, with the simultaneous aims of supporting disadvantaged young people in need of a positive opportunity and addressing the on-going skills shortage faced by the construction industry. This year, the group piloted two 'Get Into Construction' programmes, each combining a two week college placement with a two week work placement on a CALA site and those participating having the opportunity to secure a trade apprenticeship. The pilot programmes were very successful, with over half of the young people involved securing employment with CALA or our subcontractors.

## DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The Strategic Report was approved by the board on 9 September 2016.

MOIRA R. SIBBALD
**Group Company Secretary**
9 September 2016

WEYBRIDGE HOUSE, WEYBRIDGE, SURREY

DIRECTORS' REPORT

PARKLANDS, READING, BERKSHIRE

The directors of CALA Group (Holdings) Limited present their report and the audited consolidated financial statements for the period ended 30 June 2016.

## MEETINGS

The board of CALA Group (Holdings) Limited met 9 times during the financial year to 30 June 2016.

## INTERNAL CONTROL

The board, through the Audit and Risk Committee, is responsible for reviewing the effectiveness of the group's internal controls and risk management system. The Committee has monitored the effectiveness of the system of internal control throughout the year, including controls relating to operational, financial and compliance matters and has reported to the board accordingly.

Work has started on a review of the online Quality Management System ('QMS') framework which documents processes and key controls covering operations and central support functions. A project manager has been appointed, part of whose role is to work with the business functions to update and embed the QMS in the company.

The internal audit function provides an additional level of assurance around the adequacy and effectiveness of the system of internal control, CALA's governance and risk management system. This additional assurance is delivered by the Director of Internal Audit who reports functionally to the Audit Committee and administratively to the General Counsel & Group Company Secretary. KPMG currently provides support to the Director of Internal Audit on certain specialist reviews.

During the year, the Audit and Risk Committee reviewed the group's strategic annual and 3-year internal audit plans, which set out a programme of reviews that focus on the key risks and priorities across the group. The Committee also considered the key findings, recommendations and management actions arising from the internal audit programme, as well as the internal control recommendations raised by the external auditor during the course of the external audit and the group's response to dealing with such recommendations.

## CORPORATE GOVERNANCE

The group is committed to achieving and maintaining a high standard of corporate governance.

### ORGANISATION STRUCTURE

An Executive Board dealing with matters of policy, a Management Board responsible for delivery of the group's business strategy and an Operations Board responsible for best practice and improvement initiatives are in place.

The group is organised into eight regional divisions, which are separate business units. Local boards of directors run these divisions and the Group Chief Executive and Group Finance Director sit on these boards. Clear reporting lines have been put in place as well as appropriate levels of delegation, with major decisions being escalated to the Management or Executive boards.

A Contract Authority Group is in place which comprises the Group Chief Executive, Group Finance Director, Group Land Director, Group Land Manager, the Group Commercial team and the two Regional Chairmen. This body provides an important control by reviewing and sanctioning all land acquisition and development commencement proposals, following a rigorous due diligence process by the regional teams.

### WHISTLEBLOWING POLICY

This policy has put in place a confidential method of communication for employees to raise matters of concern and for such matters to be properly and independently investigated. It is the role of the Chairman of the Audit and Risk Committee to oversee this policy and to act as one of the channels of communication in the event of a matter being raised.

### ANTI-CORRUPTION POLICIES

The group has an anti-money laundering policy and an anti-bribery policy with relevant ancillary policies and processes including those dealing with gifts, hospitality and expenses. In addition to bringing the policies to the attention of staff and suppliers of services to the group, all staff undertake an online training module covering the Bribery Act and further appropriate training using a risk based approach continues to ensure that all staff are aware of the legislation and the zero tolerance approach taken by the group. In addition, regular training on the anti-money laundering processes is undertaken by all sales staff. Online training modules for sales staff, and separately for all other staff, are being piloted with a view to being rolled out in the final quarter of 2016.

### COMPETITION POLICY

The group's competition manual containing the policy and procedures to ensure compliance with competition legislation was reviewed during the year.

### BOARD COMMITTEES

The board has delegated certain responsibilities to board committees with agreed terms of reference.

These committees report regularly to the board.

1. The Audit and Risk Committee is chaired by Jonatas Szkurnik. Matteo Colombo replaced Phil Bayliss as a member of the Committee during the year. The Audit and Risk Committee meets at least three times per year. The Audit and Risk Committee assists the board in fulfilling its oversight responsibilities relating primarily to the consideration of financial information being reported, the system of internal control including the internal audit programme, risk management system and external audit process. The Group Finance Director, the General Counsel & Group Company Secretary and the Director of Internal Audit attend all meetings. The external auditors attend at least two meetings per year.
2. The Remuneration Committee is chaired by Manjit Wolstenholme. The Group Chief Executive is also a member of the Committee. The Human Resources Director, the Group Finance Director and the General Counsel & Group Company Secretary attend, as appropriate, at the request of the Committee Chairman. The Committee meets at least twice a year and ensures that the executive directors and senior management are appropriately rewarded having regard to the financial performance of the group. The Committee met on seven occasions during the financial year, the increased number of meetings being due to the group-wide remuneration and benefits review carried out, which will be implemented in the second half of 2016.
3. Manjit Wolstenholme replaced Mark Collins as Chair of the Nomination Committee during the year. The duties of the Committee are to review the structure, composition and diversity of the board including succession planning. The Group Chief Executive and a representative of the investor, Haut Investments Limited, sit on this committee, which met on one occasion during the year.

BALLS PARK, HERTFORD, HERTFORDSHIRE

DIRECTORS' REPORT

FOXHILLS, BARNT GREEN, WORCESTERSHIRE

## GOING CONCERN

The consolidated balance sheet at 30 June 2016 shows the group had net assets of £286.1 million.

The group's most recent financial projections show that for the foreseeable future, net assets remain in a positive position at each financial year end. In addition, forecast debt requirements are comfortably within existing committed banking facilities which expire on 21 March 2019, and the group is forecasting to be able to comply with its banking covenants at each appropriate test date.

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.

## DIVIDENDS

No dividends have been proposed or paid in the year (2015: nil).

## POLITICAL AND CHARITABLE CONTRIBUTIONS

Contributions to charities during the year amounted to £105,687 (2015: £16,135). These donations were made to various local charities covering a range of community, school and charitable purposes. The group made no political contributions during the year (2015: nil).

## DIRECTORS

The names of the current directors and changes in directorships during the year are listed on page 53.

At the date of this report the board comprises two executive and five non-executive directors. Manjit Wolstenholme is non-executive Chairman, replacing Anthony Fry during the year.

All directors have access to the advice of the General Counsel & Group Company Secretary who ensures that the board, which meets at least six times a year, receives appropriate information for its decision-making, that the board procedures are followed and that the statutory requirements are met.

There is a procedure whereby any director who wishes to do so in the furtherance of their duties may take independent professional advice.

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 last financial 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.

## INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors in connection with preparing their report) of which the company's auditors are 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 auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and their appointment will continue.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, Reduced Disclosure Framework ('FRS101').

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 the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, and disclose with reasonable accuracy at any time the financial position of the company and the group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Director's Report was approved by the board on 9 September 2016.

MOIRA R. SIBBALD
**Group Company Secretary**
9 September 2016

BALLS PARK, HERTFORD, HERTFORDSHIRE

PASTURES WOOD, CRAWLEY DOWN, WEST SUSSEX

BOARD OF DIRECTORS

## 1. ALAN D. BROWN
### Chief Executive

Alan joined CALA in 1986 as a development manager and held a range of positions including Divisional Managing Director, before being appointed to the Group Board in 2007 as Regional Chairman of CALA Homes in England. In 2008, Alan was appointed Managing Director for CALA Homes across the UK and promoted to Chief Executive in 2009.

## 2. MANJIT WOLSTENHOLME
### Chairman

Manjit is a non-executive director and Chairman of the Audit Committee for Provident Financial and a range of other blue chip companies. Previously a senior partner at Gleacher Shacklock LLP, Manjit also worked for 13 years at Dresdner Kleinwort Wasserstein, having graduated in Chemistry from Bristol University and trained as a Chartered Accountant with PricewaterhouseCoopers. Manjit joined the CALA board in 2015.

1 2 3 4

## 3. MATTEO COLOMBO
### Non-Executive Director

Heading the development of Strategic Equity in Legal & General's Direct Investment team, Matteo worked for nine years at private equity company Terra Firma and prior to that spent four years at Morgan Stanley. A Cambridge graduate in Mechanical & Manufacturing Engineering, Matteo is a Chartered Financial Analyst. He is also a non-executive director of the alternative asset manager, Pemberton Group. Matteo was appointed to the CALA board in 2016.

## 4. JONATAS SZKURNIK
### Non-Executive Director

Jonatas joined Patron in August 2007 and works on Patron's direct investments in real estate, asset-backed operating companies and corporate investments. During his time with Patron, he has been involved in investments in the residential, commercial and healthcare sectors. Jonatas was appointed to the CALA board in 2013.



## 5. GEOFFREY TIMMS
### Non-Executive Director

Geoffrey Timms is the General Counsel & Company Secretary of Legal & General Group Plc. He has been Legal & General's Chief Legal Officer since 1999. Aside from CALA his other external directorship is for Bracknell Regeneration Partnership Limited. Geoffrey joined the CALA board in 2016.

## 6. MOIRA R. SIBBALD
### Group Company Secretary

Moira joined CALA as Group Company Secretary in 2001. Previously she worked in a senior capacity for a Scottish financial services institution and in private practice for leading firms in Edinburgh and Glasgow, specialising in commercial property. Moira has also served as a non-executive director on the boards of a large housing association, a building society and an arts charity.

5 6 7 8

## 7. J. GRAHAM G. REID
### Group Finance Director

Following various financial roles with TDG Plc and Thomson Travel Group, Graham joined CALA in 1995 as Divisional Finance Manager. He was promoted to Finance Director of CALA Group in 2001. Graham is a former Chairman of the Scottish Finance Directors Group and ACCA Scotland President.

## 8. A. MARK COLLINS
### Non-Executive Director

Mark is a partner of Patron Capital Advisers LLP and Chairman of its UK investment activity. Mark is a chartered surveyor and has held a number of senior positions in the UK real estate market with GE Capital Real Estate, Land Securities Group Plc and Lloyds Banking Group. Mark joined the CALA board in 2013.

OVERTON PLACE, SUTTON, GREATER LONDON



# DIRECTORS AND ADVISERS

## DIRECTORS

Alan D. Brown
Chief Executive

J. Graham G. Reid
Group Finance Director

Anthony M. Fry
Independent Chairman (resigned 31 October 2015)

Manjit Wolstenhome
Independent Chairman (appointed 1 November 2015)

Phillip Bayliss
Non-Executive Director (resigned 19 July 2016)

A. Mark Collins
Non-Executive Director

Paul R. Stanworth
Non-Executive Director (resigned 11 March 2016)

Geoffrey Timms
Non-Executive Director (appointed 25 July 2016)

Matteo Colombo
Non-Executive Director (appointed 11 March 2016)

Jonatas Szkurnik
Non-Executive Director

## GENERAL COUNSEL & GROUP COMPANY SECRETARY

Moira R. Sibbald

## REGISTERED OFFICE

CALA House
54 The Causeway
Staines-Upon-Thames
Surrey
TW18 3AX

## INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

## PRINCIPAL SOLICITORS

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

## PRINCIPAL BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CALA GROUP (HOLDINGS) LIMITED

## REPORT ON FINANCIAL STATEMENTS

### OUR OPINION

In our opinion:

- CALA Group (Holdings) Limited's group financial statements and parent company financial statements (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 30 June 2016 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### WHAT WE HAVE AUDITED

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the Consolidated and Company Balance Sheets as at 30 June 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated and Company Statements of Changes in Shareholder's Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the group financial statements is IFRSs as adopted by the European Union and applicable law. The financial reporting framework that has been applied in the preparation of the parent company financial statements is United Kingdom Accounting Standards, comprising FRS101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

#### ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the 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.

We have no exceptions to report arising from this responsibility.

#### DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

#### OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of the Directors' Responsibilities set out on page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

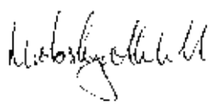
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Hoskyns-Abrahall
(Senior Statutory Auditor)

For and on behalf of
**PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**

Edinburgh, 9 September 2016

# CALA GROUP (HOLDINGS) LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

| | Note | Year ended 30 June 2016 Before exceptional items and revaluations £000 | Exceptional items and revaluations (note 2) £000 | Year ended 30 June 2016 £000 | Year ended 30 June 2015 Before exceptional items and revaluations £000 | Exceptional items and revaluations (note 2) £000 | Year ended 30 June 2015 £000 |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| Revenue | 1 | 587,091 | - | 587,091 | 511,592 | - | 511,592 |
| Cost of sales | | (463,287) | 415 | (462,872) | (398,177) | 429 | (397,748) |
| **Gross profit** | | 123,804 | 415 | 124,219 | 113,415 | 429 | 113,844 |
| Net operating expenses | | (41,523) | - | (41,523) | (40,753) | - | (40,753) |
| Other operating income | | 1,399 | - | 1,399 | 308 | - | 308 |
| **Operating profit** | | 83,680 | 415 | 84,095 | 72,970 | 429 | 73,399 |
| Finance income | | 1,382 | - | 1,382 | 375 | - | 375 |
| Finance costs | | (24,824) | (2,547) | (27,371) | (22,454) | (3,330) | (25,784) |
| Finance costs - net | 5 | (23,442) | (2,547) | (25,989) | (22,079) | (3,330) | (25,409) |
| Share of post-tax (loss)/profit of joint ventures | 10 | (103) | - | (103) | 21 | - | 21 |
| **Profit before tax** | 3 | 60,135 | (2,132) | 58,003 | 50,912 | (2,901) | 48,011 |
| Tax on profit on ordinary activities | 6 | (12,588) | 405 | (12,183) | (11,786) | 580 | (11,206) |
| **Profit for the year** | | 47,547 | (1,727) | 45,820 | 39,126 | (2,321) | 36,805 |
| **Profit attributable to:** | | | | | | | |
| Owners of the parent | | 47,546 | (1,727) | 45,819 | 39,126 | (2,321) | 36,805 |
| Non-controlling interests | | 1 | - | 1 | - | - | - |
| | | 47,547 | (1,727) | 45,820 | 39,126 | (2,321) | 36,805 |
| **Other comprehensive income** | | | | | | | |
| **Profit for the year** | | 47,547 | (1,727) | 45,820 | 39,126 | (2,321) | 36,805 |
| **Other comprehensive income** | | | | | | | |
| Remeasurements of post-employment benefit obligation | 21 | (3,521) | - | (3,521) | (367) | - | (367) |
| Movement in deferred tax relating to post-employment benefit obligation | | 471 | - | 471 | 77 | - | 77 |
| **Other comprehensive income for the year** | | (3,050) | - | (3,050) | (290) | - | (290) |
| **Total comprehensive income for the year** | | 44,497 | (1,727) | 42,770 | 38,836 | (2,321) | 36,515 |
| **Attributable to:** | | | | | | | |
| Owners of the parent | | 44,496 | (1,727) | 42,769 | 38,836 | (2,321) | 36,515 |
| Non-controlling interests | | 1 | - | 1 | - | - | - |
| **Total comprehensive income for the year** | | 44,497 | (1,727) | 42,770 | 38,836 | (2,321) | 36,515 |

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company profit and loss account.

The profit for the parent company for the year was £11.5 million (2015: £11.0 million).

The notes on pages 69 to 92 are an integral part of these consolidated financial statements.



# CALA GROUP (HOLDINGS) LIMITED

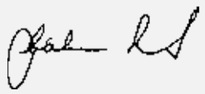
## CONSOLIDATED AND COMPANY BALANCE SHEETS

at 30 June 2016

| | Note | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 7 | 48,730 | 48,730 | - | - |
| Property, plant and equipment | 8 | 2,846 | 3,235 | - | - |
| Investments in subsidiaries | 9 | - | - | 90,643 | 90,643 |
| Investments in jointly controlled entities | 10 | 515 | 645 | - | - |
| Available for sale financial assets | 11 | 2,012 | 2,852 | - | - |
| Trade and other receivables | 13 | - | 442 | - | - |
| Deferred tax assets | 18 | 6,489 | 18,392 | - | - |
| | | 60,592 | 74,296 | 90,643 | 90,643 |
| **Current assets** | | | | | |
| Available for sale financial assets | 11 | 252 | 99 | - | - |
| Inventories | 12 | 707,929 | 605,033 | - | - |
| Trade and other receivables | 13 | 26,646 | 33,241 | 134,260 | 122,329 |
| Cash at bank and in hand | | 81,126 | 32,162 | - | - |
| | | 815,953 | 670,535 | 134,260 | 122,329 |
| **Total assets** | | 876,545 | 744,831 | 224,903 | 212,972 |
| **Current liabilities** | | | | | |
| Derivative financial instruments | 14 | - | (11) | - | - |
| Loans and borrowings | 15 | (25,000) | (15,000) | - | - |
| Corporation tax | | - | (389) | - | - |
| Trade and other payables | 16 | (180,070) | (180,895) | (454) | - |
| | | (205,070) | (196,295) | (454) | - |
| **Non-current liabilities** | | | | | |
| Derivative financial instruments | 14 | (5,043) | (2,485) | - | - |
| Loans and borrowings | 15 | (310,902) | (255,104) | - | - |
| Trade and other payables | 16 | (61,938) | (41,351) | - | - |
| Retirement benefit obligations | 21 | (7,449) | (6,223) | - | - |
| | | (385,332) | (305,163) | - | - |
| **Total liabilities** | | (590,402) | (501,458) | (454) | - |
| **Net assets** | | 286,143 | 243,373 | 224,449 | 212,972 |
| **Equity** | | | | | |
| Ordinary share capital | 19 | 4,350 | 4,350 | 4,350 | 4,350 |
| Share premium | | 195,440 | 195,440 | 195,440 | 195,440 |
| Retained earnings | | 86,060 | 43,291 | 24,659 | 13,182 |
| **Equity attributable to parent** | | 285,850 | 243,081 | 224,449 | 212,972 |
| **Non-controlling interest** | | 293 | 292 | - | - |
| **Total equity** | | 286,143 | 243,373 | 224,449 | 212,972 |

The notes on pages 69 to 92 are an integral part of these consolidated financial statements. The financial statements of CALA Group (Holdings) Limited (registration number 08428265) were approved by the board of directors on 9 September 2016 and were signed on its behalf by:

Alan D. Brown, Director



J. Graham G. Reid, Director

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June 2016

| Group | Share capital £000 | Share premium £000 | Retained earnings £000 | Total £000 | Non-controlling interest £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2014** | 4,349 | 195,004 | 6,776 | 206,129 | 1,162 | 207,291 |
| Issuance of ordinary shares | 1 | 436 | - | 437 | - | 437 |
| Profit for the year | - | - | 36,805 | 36,805 | - | 36,805 |
| Other comprehensive income for the year | - | - | (290) | (290) | - | (290) |
| Return of capital | - | - | - | - | (870) | (870) |
| **Balance at 30 June 2015** | 4,350 | 195,440 | 43,291 | 243,081 | 292 | 243,373 |
| Profit for the year | - | - | 45,819 | 45,819 | 1 | 45,820 |
| Other comprehensive income for the year | - | - | (3,050) | (3,050) | - | (3,050) |
| **Balance at 30 June 2016** | 4,350 | 195,440 | 86,060 | 285,850 | 293 | 286,143 |

| Company | Share capital £000 | Share premium £000 | Retained earnings £000 | Total £000 | Non-controlling interest £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2014** | 4,349 | 195,004 | 2,201 | 201,554 | - | 201,554 |
| Issuance of ordinary shares | 1 | 436 | - | 437 | - | 437 |
| Profit for the year | - | - | 10,981 | 10,981 | - | 10,981 |
| **Balance at 30 June 2015** | 4,350 | 195,440 | 13,182 | 212,972 | - | 212,972 |
| Profit for the year | - | - | 11,477 | 11,477 | - | 11,477 |
| **Balance at 30 June 2016** | 4,350 | 195,440 | 24,659 | 224,449 | - | 224,449 |





# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2016

| | Notes | Year ended 30 June 2016 £000 | Year ended 30 June 2015 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | A | 6,520 | 33,813 |
| Interest paid | | (10,523) | (9,989) |
| Corporation tax paid | | (437) | (285) |
| **Net cash (used in) / generated from operating activities** | | (4,440) | 23,539 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (914) | (3,188) |
| Proceeds from sale of property, plant and equipment | | 89 | 2,452 |
| **Net cash used in investing activities** | | (825) | (736) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of ordinary shares | | - | 437 |
| Proceeds from issuance of fixed rate loan notes | | 62 | - |
| Repayment of fixed rate loan notes | | (319) | - |
| Net repayment of loans from joint ventures | | (514) | 1,404 |
| Drawdown of bank loans | | 70,000 | - |
| Repayment of bank loans | | (15,000) | (20,800) |
| Dividends paid to non-controlling interests | | - | (870) |
| **Net cash generated from / (used in) financing activities** | | 54,229 | (19,829) |
| **Net increase in cash and cash equivalents** | | 48,964 | 2,974 |
| Cash and cash equivalents at the beginning of the year | | 32,162 | 29,188 |
| **Cash and cash equivalents at the end of the year** | | 81,126 | 32,162 |

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2016

| A. Cash generated from operations | Year ended 30 June 2016 £000 | Year ended 30 June 2015 £000 |
|---|---|---|
| Profit before corporation tax | 58,003 | 48,011 |
| Adjustments for: | | |
| Finance costs - net | 25,989 | 25,409 |
| Share of loss / (profits) from joint ventures | 103 | (21) |
| Depreciation charge | 1,279 | 1,102 |
| Gain on disposal of fixed assets | (65) | (1,022) |
| Retirement benefits | (1,509) | (928) |
| Movements in working capital: | | |
| (Increase) in inventories | (102,896) | (56,968) |
| Decrease / (increase) in trade and other receivables | 7,127 | (14,498) |
| Increase in trade and other payables | 17,509 | 32,402 |
| Decrease in available for sale financial assets | 980 | 326 |
| **Cash generated from operations** | 6,520 | 33,813 |

| B. Reconciliation of net cash flow to net debt | £000 | £000 |
|---|---|---|
| Increase in cash in the year | 48,964 | 2,974 |
| Cash outflow / (inflow) from increase / (decrease) in amounts due by joint ventures | 514 | (1,404) |
| Accrued interest on fixed rate loan notes | (11,055) | (10,121) |
| Proceeds from issuance of fixed rate loan notes | (62) | - |
| Repayment of fixed rate loan notes | 319 | - |
| Drawdown of bank loans | (70,000) | - |
| Repayment of bank loans | 15,000 | 20,800 |
| **Change in net debt resulting from cash flows** | (16,320) | 12,249 |
| **Net debt as at 1 July** | (232,388) | (244,637) |
| **Net debt as at 30 June** | (248,708) | (232,388) |



CALA GROUP (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2016

| C. Analysis of net debt | As at 1 July 2015 £000 | Accrued interest £000 | Cash flow £000 | As at 30 June 2016 £000 |
|---|---|---|---|---|
| **Cash and cash equivalents:** | | | | |
| Cash at bank and in hand | 32,162 | - | 48,964 | 81,126 |
| **Loans:** | | | | |
| Amounts owed by joint ventures | 5,554 | - | 514 | 6,068 |
| **Debt:** | | | | |
| Bank loans | (150,000) | - | (55,000) | (205,000) |
| Loan notes | (120,104) | (11,055) | 257 | (130,902) |
| | (270,104) | (11,055) | (54,743) | (335,902) |
| **Net debt** | (232,388) | (11,055) | (5,265) | (248,708) |

# STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2016

CALA Group (Holdings) Limited ('the company') and its subsidiaries (together, 'the group') are a national homebuilder. The Company is a limited company and is incorporated and domiciled in the United Kingdom. The address of the registered office is CALA House, 54 The Causeway, Staines-Upon-Thames, Surrey, TW18 3AX.

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 (Holdings) 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 IFRS IC 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, in the year ended 30 June 2016 the company has undergone transition from reporting under existing United Kingdom Generally Accepted Accounting Practice to FRS 101 as issued by the Financial Reporting Council. Consequently, 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 new standards and amendments to standards which became effective for financial years beginning on or after 1 February 2015. None of these standards or amendments have had a material impact on these financial statements.

- IAS 16 'Property, plant and equipment'
- IAS 19 'Employee benefits'
- IAS 37 'Provisions, contingent liabilities and contingent assets'
- IAS 38 'Intangible assets'
- Amendments to IFRS 9 'Financial instruments'
- IFRS 39 'Financial instruments – recognition and measurement'

**b) New standards and interpretations not yet adopted**

The following pronouncements may have a significant effect on the group's financial statements but are not applicable for the year ending 30 June 2016 and have not been applied in preparing these financial statements. Except as disclosed below, the full impact of these accounting changes is being assessed by the group.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the





STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2016

## CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement.
- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time.

## GOING CONCERN

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

The consolidated balance sheet at 30 June 2016 shows the group had net assets of £286.1 million.

The group's most recent financial projections show that for the foreseeable future net assets remain in a positive position at each financial year end and the group is able to comply with its banking covenants at each test date. In addition, the financial projections have been sensitised to assess the impact of poorer market conditions on the profit and loss account, borrowings profile, balance sheet and financial covenants.

As a result, the projected trading position for the group and associated sensitivity analysis enables the directors to form a judgment 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.

## BASIS OF CONSOLIDATION AND GOODWILL

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.

Acquisition-related costs are expensed as incurred.

## BASIS OF CONSOLIDATION AND GOODWILL (CONTINUED)

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. 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.

## 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 are 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.

## INTANGIBLES

**a) 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.



CALA GROUP (HOLDINGS) LIMITED

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2016

## INTANGIBLES (CONTINUED)

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.

**b) Brand**

Internally generated brands are not held on the balance sheet. The group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles, as the group believes that the value of the brands is maintained indefinitely. The factors that result in the durability of the brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the group's pre-tax weighted average cost of capital, on the branded revenue stream.

## 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.

## EXCEPTIONAL ITEMS AND REVALUATIONS

Exceptional items and revaluations 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, 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 substantially enacted tax rates, and adjusted for any tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting or 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 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 year. Where the asset is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the year.

## IMPAIRMENT OF FINANCIAL ASSETS

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

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 ongoing 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.



CALA GROUP (HOLDINGS) LIMITED
STATEMENT OF ACCOUNTING POLICIES
for the year ended 30 June 2016

## CASH AND CASH EQUIVALENTS

In the consolidated cash flow statement, cash and cash equivalents include cash in hand and bank overdrafts.

## 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.

## BANK 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 year to which they relate. Bank arrangement fees are amortised over the term of the bank borrowings.

## 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 pension scheme.

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

For defined contribution plans, the 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 assessment of future trading activity and is therefore subject to a degree of inherent uncertainty. Provisions are made where necessary to reflect any impairment.

### FINANCE AND OPERATING LEASES

Where assets are financed by leasing agreements which give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the profit and loss account on the same basis as other fixed assets. Leasing payments are allocated between capital and interest and the interest is charged to the profit and loss account in proportion to the reducing capital element outstanding. Costs in respect of operating leases are charged to the income statement on a straight line basis over the lease term unless another systematic basis is more representative.

### 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 years presented.

### 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:

#### LAND AND WORK-IN-PROGRESS

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, the amount of profit recognised on sales made to date 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 material change to the inventory value. The reviews were conducted on a site-by-site basis, using valuations that incorporated selling price and development cost movements, based on local management and the board's assessment of market conditions existing at the balance sheet date. If there are significant movements in UK house prices or development costs beyond management's expectations, then further impairments/reversals of previous write-downs of land and work-in-progress may be necessary.

#### IMPAIRMENT OF INTANGIBLES

The determination of the impairment calculation for the group's goodwill and indefinite life brand intangible requires an estimation of the group's ability to successfully convert its current and strategic land holdings. The calculations require an estimate of the future cash flows expected, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based upon the average capital structure of the group and current market assessments of the time value of money and risk appropriate to the group's home building business. Changes in these may impact upon the group's discount rate in future periods. At 30 June 2016, the carrying amount of goodwill is £40.1 million (2015: £40.1 million) and the carrying value of the indefinite life brand is £8.6 million (2015: £8.6 million), with no impairment recognised during the year ended 30 June 2016 (2015: nil).

#### DEFINED BENEFIT PENSION SCHEME

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

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





## 1. REVENUE

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

## 2. EXCEPTIONAL ITEMS AND REVALUATIONS

| | **Group Year ended 30 June 2016 £000** | Group Year ended 30 June 2015 restated £000 |
|---|---|---|
| **Cost of sales:** | | |
| Land and work-in-progress write-backs: Home building | - | 1,547 |
| Bad debt provision | 415 | (1,118) |
| | 415 | 429 |
| **Finance costs - net:** | | |
| Fair value losses on interest rate swaps | (2,547) | (3,330) |
| **Corporation tax** | | |
| Deferred tax on above items | 405 | 580 |
| | (1,727) | (2,321) |

The carrying value of trade receivables is reviewed on a regular basis, and in prior years, the company made significant write-downs to the carrying value of trade receivables which were reported within exceptional items and revaluations at the time due to their nature as non-core elements of the business and value. At 30 June 2016, the directors carried out a review of these which resulted in write-backs of £0.4 million in the current year.

The carrying value of stocks is reviewed to take account of market conditions and trading performance. In prior years, the group made significant write-downs to the carrying value of stock which were reported within exceptional items and revaluations at the time. At 30 June 2015, the directors carried out a review of these which resulted in write-backs of £1.6 million in the prior year. The review of land and work-in-progress has been carried out on a site-by-site basis using internal valuations incorporating projected sales rates and prices that reflect both current and anticipated trading conditions. Where appropriate, external market research has been used to support land valuations.

To more accurately reflect the underlying performance of the business, fair value movements on interest rate swaps have been shown within exceptional items and revaluations.

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | Group Year ended 30 June 2016 £000 | Group Year ended 30 June 2015 £000 |
|---|---|---|
| **Stated after charging/(crediting):** | | |
| Staff costs (note 4) | 48,389 | 44,149 |
| Depreciation | 1,279 | 1,102 |
| Operating leases: - hire of plant and machinery | 998 | 742 |
| - land and buildings | 1,025 | 984 |
| Auditors' remuneration: | | |
| The audit of the company's financial statements | 20 | 19 |
| Fees payable to the company's auditors and its associates for other services: | | |
| The audit of the company's subsidiaries | 185 | 191 |
| Audit-related assurance services | 3 | 3 |
| Tax compliance services | 80 | 79 |
| Tax advisory services | 24 | 33 |
| Gain on sale of property, plant and equipment | (65) | (1,022) |
| Rental income - operating leases | (35) | (35) |

The tax fee disclosed above includes £1,000 (2015: £1,000) in respect of the company.

## 4. DIRECTORS AND EMPLOYEES

| | Group Year ended 30 June 2016 £000 | Group Year ended 30 June 2015 £000 |
|---|---|---|
| **The average monthly number of employees during the year, including directors, was made up as follows:** | | |
| Home building: site | 329 | 296 |
| Home building: office | 440 | 359 |
| | 769 | 655 |
| **Employee costs during the year amount to:** | | |
| Wages and salaries | 41,077 | 37,488 |
| Social security costs | 4,704 | 4,352 |
| Other pension costs | 2,608 | 2,309 |
| | 48,389 | 44,149 |
| **Directors' remuneration:** | | |
| Aggregate emoluments | 1,043 | 1,165 |
| Defined contribution plan - company contributions | 60 | 46 |
| | 1,103 | 1,211 |



CALA GROUP (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

## 4. DIRECTORS AND EMPLOYEES (CONTINUED)

| | Group Year ended 30 June 2016 £000 | Group Year ended 30 June 2015 £000 |
|---|---|---|
| **Highest paid director:** | | |
| Aggregate emoluments | 461 | 655 |
| Defined contribution plan - company contributions | 31 | 31 |
| Defined benefit pension scheme: | | |
| Accrued pension at 30 June | 43 | 95 |

Retirement benefits are accruing to two (2015: two) directors under the group defined benefit scheme at 30 June 2016.

## 5. FINANCE INCOME AND COSTS

| | Group Year ended 30 June 2016 £000 | Group Year ended 30 June 2015 £000 |
|---|---|---|
| Finance costs: | | |
| Interest expense on bank loans, overdrafts and other borrowings | 22,356 | 20,189 |
| Imputed interest on deferred land payables | 2,452 | 1,999 |
| Fair value losses on interest rate swaps | 2,547 | 3,330 |
| Other finance costs | 16 | 266 |
| **Finance costs** | 27,371 | 25,784 |
| Finance income: | | |
| Imputed interest on available for sale financial assets | (293) | (296) |
| Interest receivable | (44) | (79) |
| Other finance income | (1,045) | - |
| **Finance income** | (1,382) | (375) |
| **Net finance costs** | 25,989 | 25,409 |

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | Group Year ended 30 June 2016 £000 | Group Year ended 30 June 2015 £000 |
|---|---|---|
| **a) Analysis of charge in the year** | | |
| **Group** | | |
| Current tax: | | |
| United Kingdom corporation tax on profits for the year at 20.0% (2015: 20.75%) | 375 | 1,310 |
| Adjustments in respect of prior years | (191) | (822) |
| Foreign taxes | - | 17 |
| **Total current tax** | 184 | 505 |
| Deferred tax (note 18): | | |
| Origination and reversal of timing differences | 12,033 | 9,279 |
| Adjustments in respect of prior years | (34) | 1,422 |
| **Total deferred tax** | 11,999 | 10,701 |
| **Total tax charge** | 12,183 | 11,206 |

**b) Factors affecting tax charge for the year**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

| | | |
|---|---|---|
| **Profit on ordinary activities before taxation** | 58,003 | 48,011 |
| Profit on ordinary activities before taxation in the United Kingdom at 20.00% (2015: 20.75%) | 11,601 | 9,962 |
| Effects of: | | |
| Joint ventures' results reported net of tax | 21 | 1 |
| Expenses not deductible for tax purposes | 43 | 100 |
| Adjustments in respect of prior years | (225) | 600 |
| Re-measurement of deferred tax - change in tax rate | (381) | (337) |
| Utilisation of tax losses | - | (134) |
| Non-taxable income | (19) | (102) |
| Foreign taxes | - | 17 |
| Movement on unrecognised deferred tax | 1,143 | 1,099 |
| **Total tax charge for the year** | 12,183 | 11,206 |

**Factors affecting future tax charges:**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

In addition to the changes in rates of corporation tax disclosed above, further changes to the UK corporation tax rate were announced in the Chancellor's Budget on 16 March 2016. The changes were to reduce the main rate to 17% from 1 April 2020. As these changes have not been substantively enacted at the balance sheet date their effect is not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £0.1 million and increase the tax expense for the period by £0.1 million.





## 7. INTANGIBLE ASSETS

| | Group | | |
|---|---|---|---|
| | Goodwill £000 | Brand £000 | Total £000 |
| **Cost** | | | |
| As at 30 June 2016 and 2015 | 40,144 | 8,586 | 48,730 |
| **Accumulated amortisation and impairment** | | | |
| As at 30 June 2016 and 2015 | - | - | - |
| **Carrying amount at 30 June 2016** | 40,144 | 8,586 | 48,730 |
| Carrying amount at 30 June 2015 | 40,144 | 8,586 | 48,730 |

**Impairment test for brand**

The group does not amortise the brand acquired with CALA Group Limited, being CALA Homes, valued at £8.6 million (2015: £8.6 million), as the directors consider that this has an indefinite life. The directors consider that this brand has an indefinite life due to the fact that the group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so.

The group tests its indefinite life brand annually for impairment, or more frequently if there are indications that it might be impaired. The recoverable amount is determined using a value-in-use calculation. The value-in-use was determined by discounting expected future cash flows. The first four years of cash flows were determined using cash flow forecasts derived from the most recent financial budgets approved by management. The cash flows for year five onwards were extrapolated in perpetuity using an estimated growth rate of 2.25% (2015: 2.25%), which is based upon the expected long-term growth rate of the UK economy.

The key assumptions for the value-in-use calculation are those regarding the discount rate, expected changes in selling prices for completed houses and expected changes in site costs to complete. The directors estimate the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks appropriate to the housebuilding business. Accordingly the rate of 15.7% (2015: 15.7%) is considered by the directors to be the appropriate pre-tax risk adjusted discount rate. Changes in selling prices and direct costs are based upon past experience and expectations of future changes in the market.

It is considered that there are no reasonably likely changes in assumptions that would lead to an impairment.

**Impairment test for goodwill**

The group tests its goodwill annually for impairment, or more frequently if there are indications that it might be impaired. The recoverable amount is determined using a value-in-use calculation. The value-in-use was determined by discounting expected future cash flows from the legacy Banner companies, acquired in March 2014. The first four years of cash flows were determined using cash flow forecasts derived from the most recent financial budgets approved by management. The cash flows for year five onwards were extrapolated in perpetuity using an estimated growth rate of 2.25% (2015: 2.25%).

The key assumptions for the value-in-use calculation are those regarding the discount rate, expected changes in selling prices for completed houses and expected changes in site costs to complete. The pre-tax discount rate of 15.7% (2015: 15.7%) has been used to determine the value-in-use. Changes in selling prices and direct costs are based upon past experience and expectations of future changes in the market.

It is considered that there are no reasonably likely changes in assumptions that would lead to an impairment.

## 8. PROPERTY, PLANT AND EQUIPMENT

| | Group | | | |
|---|---|---|---|---|
| | Land and buildings £000 | Computers £000 | Plant and equipment £000 | Total £000 |
| **Cost:** | | | | |
| At 1 July 2014 | 388 | 2,801 | 2,064 | 5,253 |
| Additions | 1,179 | 261 | 1,748 | 3,188 |
| Disposals | (1,357) | (592) | (1,143) | (3,092) |
| At 30 June 2015 | 210 | 2,470 | 2,669 | 5,349 |
| Additions | - | 332 | 582 | 914 |
| Disposals | - | - | (100) | (100) |
| **At 30 June 2016** | **210** | **2,802** | **3,151** | **6,163** |
| **Accumulated depreciation:** | | | | |
| At 1 July 2014 | 105 | 1,452 | 1,117 | 2,674 |
| Charge in the year | 6 | 573 | 523 | 1,102 |
| Disposals | (68) | (564) | (1,030) | (1,662) |
| At 30 June 2015 | 43 | 1,461 | 610 | 2,114 |
| Charge in the year | 3 | 544 | 732 | 1,279 |
| Disposals | - | - | (76) | (76) |
| **At 30 June 2016** | **46** | **2,005** | **1,266** | **3,317** |
| **Carrying amount at 30 June 2016** | **164** | **797** | **1,885** | **2,846** |
| Carrying amount at 30 June 2015 | 167 | 1,009 | 2,059 | 3,235 |
| Carrying amount at 1 July 2014 | 283 | 1,349 | 947 | 2,579 |

Land and buildings are freehold and heritable.

The company has no property, plant and equipment.



CALA GROUP (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

## 9. INVESTMENTS IN SUBSIDIARIES

| | Company £000 |
|---|---|
| Cost and carrying value of investments in subsidiary undertakings at 1 July 2015 and 30 June 2016 | 90,643 |

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

The principal and active subsidiary undertakings of the group are shown below:

| Name of Company | % of £1 ordinary shares held | Accounting year end | Nature of business |
|---|---|---|---|
| CALA Group Limited | 100 | 30 June | Administrative & holding company |
| CALA 1999 Limited | 100 | 30 June | Administrative & holding company |
| CALA Limited | 100 | 30 June | Administrative & holding company |
| CALA 1 Limited | 100 | 30 June | Administrative & holding company |
| CALA Management Limited | 100 | 30 June | Home building |
| CALA Homes (North) Limited * | 100 | 30 June | Home building |
| CALA Homes (East) Limited * | 100 | 30 June | Home building |
| CALA Homes (West) Limited * | 100 | 30 June | Home building |
| CALA Homes (Midlands) Limited * | 100 | 30 June | Home building |
| CALA Homes (Chiltern) Limited * | 100 | 30 June | Home building |
| CALA Homes (Thames) Limited * | 100 | 30 June | Home building |
| CALA Homes (South Home Counties) Limited * | 100 | 30 June | Home building |
| CALA Homes (North Home Counties) Limited * | 100 | 30 June | Home building |
| CALA Ventures Limited | 100 | 30 June | Home building |

A full list of all subsidiary companies is given in the appendix on pages 93 - 94.

All the above companies are incorporated in the United Kingdom 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.

## 10. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

| | Group 2016 £000 |
|---|---|
| **Cost** | |
| At 1 July 2015 | 645 |
| Share of results of jointly controlled entities | (103) |
| Transfer from provisions | (27) |
| **At 30 June 2016** | 515 |

The group's share of assets and liabilities of jointly controlled entities is as follows:

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| Current assets | 526 | 899 |
| Current liabilities | (11) | (254) |
| **Net assets of jointly controlled entities** | 515 | 645 |

The group's share of current assets and liabilities in respect of joint ventures represents: trade debtors and creditors arising in the normal course of business; tangible stocks of land and work-in-progress on each development; and loan balances due to the joint venture partners.

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

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| Revenue | - | 21 |
| Expenses | 22 | (5) |
| | 22 | 16 |
| Tax | (125) | 5 |
| **Share of results of jointly controlled entities** | (103) | 21 |

The principal joint venture companies are:

| Name of company | % of £1 ordinary shares held | Accounting year end | Nature of business |
|---|---|---|---|
| CALA Evans Restoration Limited | 50 | 30 June | Home building |
| CALA Campus Limited | 50 | 31 December | Home building |

All the above companies are incorporated in the United Kingdom.

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 arm's-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.



CALA GROUP (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

## 11. AVAILABLE FOR SALE FINANCIAL ASSETS

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| At 1 July | 2,951 | 2,981 |
| Disposals | (980) | (326) |
| Imputed interest | 293 | 296 |
| **At 30 June** | 2,264 | 2,951 |

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 period. 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 30 June 2016.

## 12. INVENTORIES

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| **Home building:** | | |
| Land and options | 484,984 | 438,905 |
| Part exchange inventories | 41,583 | 16,605 |
| Work in progress and other inventories | 181,362 | 149,523 |
| | 707,929 | 605,033 |

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £440.9 million (2015: £384.8 million).

Land creditors are shown in note 16.

Inventories with a carrying value of £248.1 million (2015: £217.4 million) have been pledged as security for the bank borrowings of the group.

## 13. TRADE AND OTHER RECEIVABLES

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Amounts owed by joint ventures | - | 442 | - | - |
| | - | 442 | - | - |
| **Current assets** | | | | |
| Trade receivables | 6,495 | 13,940 | - | - |
| Amounts owed by group undertakings | - | - | 133,706 | 122,329 |
| Amounts owed by joint ventures | 6,260 | 5,476 | - | - |
| Other receivables | 8,805 | 9,718 | 554 | - |
| Corporation tax | 353 | 113 | - | - |
| Prepayments and accrued income | 4,733 | 3,994 | - | - |
| | 26,646 | 33,241 | 134,260 | 122,329 |

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. The directors consider that the carrying value of trade receivables approximates to their fair value.

The amounts owed by group undertakings bear interest at a market rate and are repayable on demand.

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

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| Ageing of overdue but not impaired receivables | | |
| Less than 3 months | 539 | 65 |
| Greater than 3 months | 296 | 880 |
| | 835 | 945 |

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 value of trade and other receivables are stated after the following allowance for doubtful receivables:

| | | |
|---|---|---|
| At start of year | 1,361 | 134 |
| Charge for the year | 13 | 1,275 |
| Unused amounts reversed | (458) | (10) |
| Amounts written off during the year as uncollectable | (22) | (38) |
| **At 30 June** | 894 | 1,361 |



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## 14. DERIVATIVE FINANCIAL INSTRUMENTS

| | Group 2016 Assets £000 | Group 2016 Liabilities £000 | Group 2015 Assets £000 | Group 2015 Liabilities £000 |
|---|---|---|---|---|
| Interest rate swaps | - | 5,043 | - | 2,496 |
| Less non-current portion: | | | | |
| Interest rate swaps | - | (5,043) | - | (2,485) |
| **Current portion** | - | - | - | 11 |

The group has entered into interest rate swap arrangements to manage interest rate risks as explained in note 17. The swap arrangements expire on 21 March 2019. The group does not enter into any derivatives for speculative purposes.

The arrangements are at fixed interest rates of between 0.785% and 2.3575%, excluding margin.

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2016 was £140.0 million (2015: £140.0 million). This amount varies throughout the period of the swap arrangements. The remaining debt is at floating rates of interest.

Changes in fair values of interest rate swaps are recorded within finance income in the income statement (note 5) and presented within the exceptional items and revaluations column.

The fair value of the instruments is based on the market price of these instruments at the balance sheet date. In accordance with IFRS 7, the interest rate swaps are considered to be level 2 with the fair value being calculated at the present value of the estimated future cash flows using market rates.

## 15. LOANS AND BORROWINGS

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| **Current liabilities** | | |
| Loans and other borrowings | 25,000 | 15,000 |
| **Non-current liabilities** | | |
| Loans and other borrowings | 310,902 | 255,104 |

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

| (a) Analysis by instrument: | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| Term loan | 85,000 | 100,000 |
| Revolving credit facility | 120,000 | 50,000 |
| Unsecured redeemable fixed rate loan notes | 130,902 | 120,104 |
| | 335,902 | 270,104 |

The term loan matures on 21 March 2019 and bears interest of LIBOR plus 3.25%. The revolving credit facility varies depending on the working capital requirements of the group and as such the contractual interest payments are based upon the lenders' base rate plus LIBOR plus 3.25%. The unsecured redeemable fixed rate loan notes bear interest of 9% with a maturity date of 18 March 2023.

## 15. LOANS AND BORROWINGS (CONTINUED)

**(b) Borrowing facilities**

The group had undrawn committed borrowing facilities of £78.5 million at 30 June 2016 (2015: £148.5 million) in respect of which all conditions precedent had been met.

**(c) Security**

Bank borrowings of £150.0 million 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, fixed securities, debentures and share pledges over land and assets have been granted by certain subsidiaries of the company in favour of the bank.

| (d) Maturity analysis | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| **Repayments due as follows:** | | |
| Within one year, or on demand | 25,000 | 15,000 |
| After more than one year | 310,902 | 255,104 |
| | 335,902 | 270,104 |
| **Repayments due after more than one year are analysed as follows:** | | |
| Between one and two years | 30,000 | 25,000 |
| Between two and three years | 150,000 | 30,000 |
| Between three and four years | - | 80,000 |
| Between four and five years | - | - |
| After five years | 130,902 | 120,104 |
| | 310,902 | 255,104 |

## 16. TRADE AND OTHER PAYABLES

| | Group 2016 £000 | Group 2015 £000 | Company 2016 £000 | Company 2015 £000 |
|---|---|---|---|---|
| **Current liabilities:** | | | | |
| Trade payables: | | | | |
| Land - in development | 44,633 | 63,211 | - | - |
| Land - not yet acquired or in development | 29,589 | 29,471 | - | - |
| Other | 94,062 | 71,072 | - | - |
| Amounts owed to group companies | - | - | 454 | - |
| Amounts owed to joint venture companies | 192 | 364 | - | - |
| Other taxation and social security costs | 1,415 | 1,235 | - | - |
| Other payables | 1,558 | 2,901 | - | - |
| Accruals | 8,621 | 12,641 | - | - |
| | 180,070 | 180,895 | 454 | - |



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## 16. TRADE AND OTHER PAYABLES (CONTINUED)

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| **Non-current liabilities** | | |
| Trade payables: | | |
| Land - in development | 37,457 | 24,378 |
| Land - not yet acquired or in development | 24,481 | 16,973 |
| | 61,938 | 41,351 |

Total trade payables include accruals of £136.2 million (2015: £134.0 million) for development land under contract. Total land payables also include £73.6 million (2015: £67.1 million) which is secured by way of legal charge against land acquired for development. 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 group companies bear interest at a market rate and are repayable on demand.

## 17. FINANCIAL RISK MANAGEMENT

The principal operational risks of the business are detailed on pages 32 to 33.

**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 and brand.

The value of the group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2016 these assets were carried at a fair value of £2.3 million (2015: £3.0 million).

*Sensitivity analysis*

At 30 June 2016, 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 affects of current or deferred tax by £0.1 million.

**Interest rate risk**

The group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of fixed and floating rates. The group's primary funding is at floating rates through its bank facilities. In order to manage the associated interest rate risk, the group uses interest rate swaps to vary the mix of fixed and floating rates. At 30 June 2016, the notional amount of these interest rate swaps was £140.0 million (2015: £140.0 million), of which £112.0 million were in effect at the year end (2015: £70.0 million). The fixed to floating rate net debt ratio was 1: 2.22 (2015: 1: 3.32). The group has no formal target for a ratio of fixed to floating funding. 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.

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

*Sensitivity analysis*

If in the period ended 30 June 2016 UK interest rates had been 0.5% higher/lower, then the group's pre-tax profit would have increased/decreased by £1.0 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.

**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.

The group's banking arrangements outlined in note 15 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 the section of the Strategic Report relating to Risk Management which can be found on pages 31 to 33.

*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.

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| Group | 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 | 335,902 | 441,399 | 25,000 | 30,000 | 150,000 | 236,399 |
| Trade and other payables | 104,241 | 104,241 | 104,241 | - | - | - |
| Land payables | 82,090 | 136,203 | 74,910 | 41,254 | 13,059 | 6,980 |
| Financial liabilities | 522,233 | 681,843 | 204,151 | 71,254 | 163,059 | 243,379 |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| Group | 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 | 270,104 | 392,896 | 15,000 | 25,000 | 110,000 | 242,896 |
| Trade and other payables | 86,614 | 86,614 | 86,614 | - | - | - |
| Land payables | 87,589 | 137,101 | 93,550 | 23,533 | 9,998 | 10,020 |
| Financial liabilities | 443,307 | 616,611 | 195,164 | 48,533 | 119,998 | 252,916 |

Trade and other payables exclude amounts owed to joint ventures, tax and social security and other non-financial liabilities. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

**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 £2.3 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.





## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 of £248.7 million (2015: £232.4 million) being borrowings as detailed in note 15 offset by cash and bank balances and equity of the group of £286.1 million (2015: £243.4 million) comprising issue 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 board. 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 | 2016 Fair value £000 | 2016 Carrying value £000 | 2015 Fair value £000 | 2015 Carrying value £000 |
|---|---|---|---|---|
| Loans and receivables: | | | | |
| Trade and other receivables (note 13) | 15,300 | 15,300 | 23,658 | 23,658 |
| Cash and cash equivalents | 81,126 | 81,126 | 32,162 | 32,162 |
| Assets at fair value through profit and loss: | | | | |
| Available for sale financial assets (note 11) | 2,264 | 2,264 | 2,951 | 2,951 |
| **Total financial assets** | 98,690 | 98,690 | 58,771 | 58,771 |

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 | 2016 Fair value £000 | 2016 Carrying value £000 | 2015 Fair value £000 | 2015 Carrying value £000 |
|---|---|---|---|---|
| Liabilities at fair value through profit and loss: | | | | |
| Derivative financial instruments (note 14) | 5,043 | 5,043 | 2,496 | 2,496 |
| Financial liabilities at amortised cost: | | | | |
| Trade and other payables (note 16) | 104,241 | 104,241 | 86,614 | 86,614 |
| Borrowings (note 15) | 335,902 | 335,902 | 270,104 | 270,104 |
| **Total financial liabilities** | 445,186 | 445,186 | 359,214 | 359,214 |

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

## 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table provides an analysis of financial assets 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, 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 | Level 1 £000 | Level 2 £000 | Level 3 £000 | 2016 Total £000 |
|---|---|---|---|---|
| Derivative financial liabilities | - | (5,043) | - | (5,043) |
| Trade and other payables | - | (104,241) | - | (104,241) |
| Borrowings | - | (335,902) | - | (335,902) |
| Trade and other receivables | - | 15,300 | - | 15,300 |
| Available for sale financial assets | - | - | 2,264 | 2,264 |
| **Total** | - | (429,886) | 2,264 | (427,622) |

| Group | Level 1 £000 | Level 2 £000 | Level 3 £000 | 2015 Total £000 |
|---|---|---|---|---|
| Derivative financial liabilities | - | (2,496) | - | (2,496) |
| Trade and other payables | - | (86,614) | - | (86,614) |
| Borrowings | - | (270,104) | - | (270,104) |
| Trade and other receivables | - | 23,658 | - | 23,658 |
| Available for sale financial assets | - | - | 2,951 | 2,951 |
| **Total** | - | (335,556) | 2,951 | (332,605) |

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 £0.4m.

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 is raised on a floating rate basis where payments are reset to market rates at intervals of less than one year, and the interest charged on the unsecured redeemable fixed rate loan notes accumulates is settled with the principal on maturity and is charged at a market rate, the fair value of non-current borrowings approximates to the carrying value reported in the balance sheet.



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## 18. DEFERRED TAXATION

The deferred tax asset recognised comprises:

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| Accelerated capital allowances | (453) | (285) |
| Retirement benefit obligation | (1,340) | (1,244) |
| Trading losses | (8,430) | (18,671) |
| Derivative financial instruments | (958) | (499) |
| Other timing differences | 4,692 | 2,307 |
| **Deferred tax assets:** | | |
| Amount provided | (6,489) | (18,392) |
| Amount not provided | (2,581) | (2,831) |

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

| | Accelerated capital allowances £000 | Retirement benefit obligation £000 | Derivative financial instruments £000 | Trading losses £000 | Other timing differences £000 | Total £000 |
|---|---|---|---|---|---|---|
| At 1 July 2015 | (285) | (1,244) | (499) | (18,671) | 2,307 | (18,392) |
| Charged to the income statement | (168) | - | (459) | 10,241 | 2,385 | 11,999 |
| Charged to other comprehensive income | - | (96) | - | - | - | (96) |
| **At 30 June 2016** | (453) | (1,340) | (958) | (8,430) | 4,692 | (6,489) |

It is anticipated that the deferred tax asset in respect of trading losses will be utilised within one year, with the remaining assets or liabilities utilised or realised after one year.

No recognition has been made in these financial statements for the deferred tax asset of £2.6 million (2015: £2.8 million) shown above as un-provided which relates to disallowed accrued interest.

Furthermore, no recognition has been made in these financial statements for deferred tax assets held by jointly controlled entities in relation to commercial property trading losses. At 30 June the CALA share of unrecognised deferred tax assets in jointly controlled entities was £1.0 million (2015: £1.0 million).

## 19. SHARE CAPITAL

| | 2016 Number of Shares | 2015 Number of Shares |
|---|---|---|
| **Equity share capital:** | | |
| 'A' ordinary shares of £0.001 each | 190,312,591 | 190,312,591 |
| 'B' ordinary shares of £1.00 each | 1,872,259 | 1,872,259 |
| 'C' ordinary shares of £1.00 each | 779,934 | 779,934 |
| 'D' ordinary shares of £1.00 each | 462,372 | 462,372 |
| 'E' ordinary shares of £1.00 each | 462,372 | 462,372 |
| 'F' ordinary shares of £1.00 each | 577,134 | 577,134 |
| 'G1' ordinary shares of £0.001 each | 4,507,291 | 4,886,889 |
| 'G2' ordinary shares of £0.001 each | 768,998 | 389,400 |
| 'H1' ordinary shares of £0.00001 each | 12,558,894 | 12,311,394 |
| 'H2' ordinary shares of £0.00001 each | 2,307,692 | 2,307,692 |
| 'H3' ordinary shares of £0.00001 each | 52,500 | - |
| **At 30 June** | 214,662,037 | 214,362,037 |

| | 2016 £000 | 2015 £000 |
|---|---|---|
| **Equity share capital:** | | |
| 'A' ordinary shares of £0.001 each | 190 | 190 |
| 'B' ordinary shares of £1.00 each | 1,872 | 1,872 |
| 'C' ordinary shares of £1.00 each | 780 | 780 |
| 'D' ordinary shares of £1.00 each | 463 | 463 |
| 'E' ordinary shares of £1.00 each | 463 | 463 |
| 'F' ordinary shares of £1.00 each | 577 | 577 |
| 'G1' ordinary shares of £0.001 each | 4 | 5 |
| 'G2' ordinary shares of £0.001 each | 1 | - |
| 'H1' ordinary shares of £0.00001 each | - | - |
| 'H2' ordinary shares of £0.00001 each | - | - |
| 'H3' ordinary shares of £0.00001 each | - | - |
| **At 30 June** | 4,350 | 4,350 |

The 'A' ordinary shares carry 75% of the votes attaching to all shares.
The 'B', 'C', 'D', 'E' and 'F' ordinary shares each carry 5% of the votes attaching to all shares.
The 'G1', 'G2', 'H1', 'H2' and 'H3' ordinary shares have no voting rights.

Each class of share is entitled pari passu to dividend payments or any other distribution.

During the year:
- 498,594 'G1' ordinary shares were re-designated as 'G2' ordinary shares.
- 118,996 'G2' ordinary shares were re-designated as 'G1' ordinary shares.
- 52,500 'H1' ordinary shares were re-designated as 'H3' ordinary shares.
- 300,000 'H1' ordinary shares were issued for a total consideration of £3.

The 'B', 'C', 'D', 'E', 'F', 'G1' and 'G2' ordinary shares are held by members of the senior management team having been acquired at market value. Other than differences in voting rights disclosed above, these shares have identical rights to the 'A' ordinary shares.

Senior management hold the 'H1', 'H2' and 'H3' ordinary shares disclosed above. These shares have a number of conditions and vesting periods. The fair value of the shares was determined to be not materially greater than the purchase price resulting in any expense in the statement of comprehensive income for these shares being immaterial.





## 20. FINANCIAL COMMITMENTS

At 30 June 2016 the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | Land and buildings 2016 £000 | Plant and machinery 2016 £000 | Land and buildings 2015 £000 | Plant and machinery 2015 £000 |
|---|---|---|---|---|
| - No later than 1 year | 608 | 619 | 902 | 384 |
| - Later than 1 year and no later than 5 years | 2,813 | 1,883 | 2,856 | 734 |
| - Later than 5 years | 3,970 | - | 1,366 | 106 |
| | 7,391 | 2,502 | 5,124 | 1,224 |

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

## 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 periods. 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 has reduced the value of scheme liabilities by £1.2 million 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.

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

## 21. RETIREMENT BENEFITS (CONTINUED)

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

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Present value of funded obligations | 79,832 | 72,862 |
| Fair value of plan assets | (72,383) | (66,639) |
| Deficit of funded plans | 7,449 | 6,223 |
| Present value of unfunded obligations | - | - |
| Total deficit of defined benefit pension plans | 7,449 | 6,223 |
| Impact of minimum funding requirement/asset ceiling | - | - |
| Liability in the balance sheet | 7,449 | 6,223 |

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

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Present value of obligation £000 | Fair value of plan assets £000 | Total £000 | Present value of obligation £000 | Fair value of plan assets £000 | Total £000 |
| At 1 July | 72,862 | (66,639) | 6,223 | 64,462 | (57,930) | 6,532 |
| Current service cost | 625 | - | 625 | 1,006 | - | 1,006 |
| Interest expense/(income) | 2,786 | (2,591) | 195 | 2,837 | (2,571) | 266 |
| Gain on curtailment | (1,240) | - | (1,240) | - | - | - |
| | 2,171 | (2,591) | (420) | 3,843 | (2,571) | 1,272 |
| Remeasurements: | | | | | | |
| • Return on plan assets excluding amounts included in interest income | - | (3,904) | (3,904) | - | (5,157) | (5,157) |
| • Gain from change in demographic assumptions | (608) | - | (608) | (306) | - | (306) |
| • Loss from change in financial assumptions | 7,879 | - | 7,879 | 5,830 | - | 5,830 |
| • Experience losses | 154 | - | 154 | - | - | - |
| | 7,425 | (3,904) | 3,521 | 5,524 | (5,157) | 367 |
| Contributions: | | | | | | |
| • Employers | - | (1,875) | (1,875) | - | (1,948) | (1,948) |
| • Plan participants | 165 | (165) | - | 315 | (315) | - |
| Payments from plans: | | | | | | |
| • Benefit payments | (2,791) | 2,791 | - | (1,282) | 1,282 | - |
| At 30 June | 79,832 | (72,383) | 7,449 | 72,862 | (66,639) | 6,223 |



CALA GROUP (HOLDINGS) LIMITED
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## 21. RETIREMENT BENEFITS (CONTINUED)

The significant actuarial assumptions were as follows:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 3.10% | 3.90% |
| RPI inflation | 2.85% | 3.20% |

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:

| | 2016 | 2015 |
|---|---|---|
| • Male | 23 | 23 |
| • Female | 25 | 25 |
| Retiring 20 years after the end reporting period: | | |
| • Male | 24 | 24 |
| • Female | 26 | 26 |

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 | 0.25% | decreases by 5% | increases by 5% |
| RPI inflation | 0.25% | increases by 1% | decreases by 1% |
| | | Increase by 1 year in assumption | Decrease by 1 year in assumption |
| Life expectancy | | increase by 4% | decrease by 4% |

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

## 21. RETIREMENT BENEFITS (CONTINUED)

Plan assets are comprised as follows:

| | 2016 Quoted £000 | 2015 Quoted £000 |
|---|---|---|
| Equities | 7,426 | 6,478 |
| Property | 3,126 | 2,975 |
| Diversified growth fund | 11,110 | 11,208 |
| Global absolute return fund | 12,126 | 13,041 |
| Liability Driven Investment (LDI) | 20,971 | 16,207 |
| Multi Asset Credit (MAC) | 17,391 | 16,657 |
| Cash and cash equivalents | 233 | 73 |
| **Total** | 72,383 | 66,639 |

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 employer has agreed that it will aim to eliminate the Scheme deficit (as assessed on the on-going funding basis) by 31 December 2018. 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 30 June 2017 are £1.5 million. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed as at 6 April 2018.

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

**Defined contribution schemes**

The Company operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the schemes are held separately from those of the company in funds under the control of trustees. The total cost charged of £2.2 million (2015: £1.3 million) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 30 June 2016, contributions of £0.2 million (2015: £0.1 million) due in respect of the current reporting period had not been paid over to the schemes.



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## 22. CONTINGENT LIABILITIES

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| Bank guarantees | 167 | 392 |
| Indemnities for performance bonds | 3,730 | 3,133 |

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.

## 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 are disclosed below.

| | Group 2016 £000 | Group 2015 £000 |
|---|---|---|
| **Relating to joint ventures:** | | |
| Amounts owed by joint ventures | 6,260 | 5,918 |
| Fees payable to joint ventures | (192) | (364) |

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 ended 30 June 2016 £000 | Year ended 30 June 2015 £000 |
|---|---|---|
| **Key management remuneration:** | | |
| Salaries and other short-term employee benefits | 3,098 | 3,324 |
| Post-employment benefits | 306 | 96 |
| | 3,404 | 3,420 |

During the year CALA Management Limited constructed a property for Alan Brown (Chief Executive Officer) on land owned by him. This land is adjacent to a current CALA site and the developments are being undertaken simultaneously. The development for Alan Brown is being invoiced at cost plus a management fee which has been determined on an arms-length basis. The value of work invoiced by CALA Management Limited to Alan Brown during the year is £247,970. No amounts remain outstanding at the year end.

## 23. RELATED PARTY DISCLOSURES (CONTINUED)

| | 2016 £000 | 2015 £000 |
|---|---|---|
| **Loans from related parties:** | | |
| Loans from key management of the company: | | |
| At start of year | 120,104 | 109,983 |
| Loans advanced during the year | 62 | - |
| Loans repaid during the year | (319) | - |
| Interest charged | 11,055 | 10,121 |
| **At 30 June** | 130,902 | 120,104 |

Loans from related parties include the unsecured redeemable fixed rate loan notes held by shareholders.

## 24. ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent company is Haut Investments Limited. Haut Investments Limited is the largest and smallest group in which the results of CALA Group (Holdings) Limited is consolidated. Haut Investments Limited is owned in equal share and controlled by Legal & General Capital Investments Limited and Patron Haut LP.





The subsidiary undertakings of CALA Group (Holdings) Limited at 30 June 2016 are shown below. All companies are wholly-owned and incorporated in the UK. CALA Management Limited is the group's principal operating subsidiary, and those companies marked ** are agents of CALA Management Limited.

| | |
|---|---|
| CALA Group Limited | Administrative & holding company |
| CALA 1999 Limited | Administrative & holding company |
| CALA Limited | Administrative & holding company |
| CALA 1 Limited | Administrative & holding company |
| CALA Management Limited | Home building |
| CALA Homes (East) Limited * | Home building |
| CALA Homes (Midlands) Limited * | Home building |
| CALA Homes (Chiltern) Limited * | Home building |
| CALA Homes (Thames) Limited * | Home building |
| CALA Homes (West) Limited * | Home building |
| CALA Homes (North) Limited * | Home building |
| CALA Homes (North Home Counties) Limited * | Home building |
| CALA Homes (South Home Counties) Limited * | Home building |
| CALA Ventures Limited | Home building |
| Banner Homes Group Limited | Administrative & holding company |
| Banner Management Limited | Administrative & holding company |
| Banner Construction Limited | Home building |
| Banner Homes Central Limited | Home building |
| Banner Homes Bentley Priory Limited | Home building |
| Banner Homes Ventures Limited | Home building |
| Banner Developments Limited | Home building |
| Banner Homes Limited | Home building |
| Banner Homes Southern Limited | Home building |
| Banner Homes Midlands Limited | Home building |
| CALA Land Investments Limited *** | Home building |
| CALA (ESOP) Trustees Limited | Trustee |
| CALA Land Investments (Bearsden) Limited | Home building |
| CALA Homes (Aberdeen) Limited | Home building |
| CALA Developments Limited | Home building |
| CALA Finance Limited | Development funding |

# APPENDIX – SUBSIDIARY COMPANIES

| | |
|---|---|
| CALA Homes Limited *** | Home building |
| CALA Homes (Motherwell) Limited | Home building |
| CALA Properties Limited | Commercial property |
| CALA Homes (Scotland) Limited | Home building |
| CALA Homes (Southern) Limited | Home building |
| CALA Trustees Limited | Trustee |
| CALA Homes (Yorkshire) Limited | Home building |
| CALA Homes (Cults) Limited | Home building |
| Banner Freehold Limited | Home building |
| The Advantage Collection Limited | Home building |
| Banner (Spare) Limited | Home building |
| Jimcourt Limited | Home building |
| Care Secured Limited | Home building |
| CALA Properties (Banbury) Limited | Commercial property |
| CALA Properties (Holdings) Limited | Commercial property |
| CALA Properties (Slateford) Limited | Commercial property |
| CALA Properties (Cowcaddens) Limited | Commercial property |
| CALA Properties (Glasgow) Limited | Commercial property |
| Trueline Systems Limited | IT services |
| CALA Properties (Ayr) Limited | Commercial property |
| CALA Properties (Central) Limited | Commercial property |
| Business Homes CALA Limited | Commercial property |
| CALA Properties (Brandon) Limited ** | Commercial property |
| CALA Properties (Commercial) Limited ** | Commercial property |
| CALA Properties (Motherwell) Limited ** | Commercial property |
| CALA Properties (Plot 4) Limited ** | Commercial property |
| CPM (UK) Solutions Limited ** | Home building |

* Agent of CALA Management Limited
** In liquidation
*** Parent company audit guarantee provided (TECH 07/13BL)



# AWARD-WINNING EXCELLENCE

HADLEY MANOR, HADLEY WOOD, HERTFORDSHIRE

We are extremely proud to have won a range of prestigious industry awards across 2015 and 2016 that acknowledge the scale of our growing business.

Seven of our site managers won NHBC Pride in the Job quality awards. For the seventh consecutive year we achieved a five star rating for customer service from the Home Builders Federation, which was further endorsed with Customer Service Excellence at the Scottish Home Awards.

We were named Scotland's Large Business of the Year at the Scottish Business Awards 2015 and achieved the double when winning for a successive year, Best Large Housebuilder of the Year at the Scottish Home Awards 2016.

These accolades reflect the hard work and commitment of the whole CALA team, and are testimony to the group's dedication to design and construction excellence, and our unwavering focus on customer service.

NHBC Pride in the Job
7 WINNERS

5 STAR HOME BUILDER CUSTOMER SATISFACTION HBF 2016 HOME BUILDERS FEDERATION
7 YEARS RUNNING

The Scottish Business Awards
LARGE BUSINESS OF THE YEAR 2015

SCOTTISH HOME AWARDS 2016 WINNER
LARGE HOUSEBUILDER OF THE YEAR

SCOTTISH HOME AWARDS 2016 WINNER
CUSTOMER SERVICE EXCELLENCE

CALA GROUP

CALA.CO.UK

Company registration number: 08428265