

18 March 2013

CALA Group Limited

CALA announces new investment partners

Patron and Legal & General to acquire the Group

CALA Group Limited ("CALA" or "The Group"), the UK's premium major home builder, today announces that it has reached an agreement with Patron Capital Partners ("Patron"), the private equity group, and Legal & General Group plc ("Legal & General"), the insurance, savings and investment management company, under which they will acquire the Group.

The investment by both Patron and Legal & General illustrates their confidence in the Group's future prospects and provides CALA with a strong platform for growth, through greater balance sheet capacity and the funds to add significantly to its existing land bank. This platform will enable the Group to build on the positive momentum it has generated in recent years, with a medium term aim of increasing the size of the Group substantially.

Under the terms of the agreement, Legal & General and Patron will each take a 46.5% equity stake in CALA alongside CALA's existing senior management team who will take a 7% share. The transaction comprises £140m of equity, and £70m of debt, valuing CALA at £210m. Patron will lead the investment and both Legal & General and Patron will have a representative on CALA's Board going forward. Lloyds Banking Group will continue its support of the business with a new £100m five year banking facility.

CALA's premium market positioning and presence in more affluent areas of the UK such as the Home Counties, The Cotswolds and around Glasgow, Edinburgh and Aberdeen enabled the Group to return to profitability in 2011 for the first time since 2007, one year ahead of management's plans. In 2012, the Group announced a six fold increase in profitability to £11.4m on a pre-tax basis for the 12 months to 30 June 2012 alongside a 35% rise in completions to 875 homes and a 16.4% house sales gross margin, up from 14.8% the previous year.

At the half year ended 31 December 2012, home completions were up 13% on the equivalent period last year, while pre-tax profits were £9.6m and the house sales gross margin was 19.7%, up 5.9% on the previous year.

Current trading

The Group's trading performance during the first eight weeks of 2013 has been exceptionally strong with increased private home sales up 34% to 154 (2011: 115) at an average selling price of c.£330,000, consistent with the same period last year. Average sales per site per week are up 31% to 0.72 for the eight-week period (2011: 0.55).

At 28 February 2013, CALA's land bank stood at 9,900 owned and contracted plots with a potential gross development value of £3.1bn, equivalent to approximately 10 years' output on current projections. In addition, the Group controls a longer term strategic land bank comprising c.5,400 plots.

Alan Brown, Chief Executive of CALA, said:

"Today's investment represents a significant step forward for CALA and we are now poised for the next phase of our growth. By selecting Patron, one of the leading European real estate private equity houses, and Legal & General, to support the Group in the next stage of our development, we have secured the backing of two highly respected investors who both share our vision for the business. I am also delighted that CALA's excellent relationship with Lloyds Banking Group will be continuing and look forward to their ongoing support as we deliver the next phase of CALA's growth strategy."

"Having invested heavily in growing our land bank since 2010, we are now very well positioned to grow the business significantly over the next five years. From our perspective, the timing of this transaction is perfect and I am tremendously excited about what this deal means for our business as we look forward to a long and fruitful relationship with Patron and Legal & General, both of whom share our values and are passionate about this new partnership."

Commenting on the investment, Keith Breslauer, Managing Director of Patron said:

"This significant transaction for Patron highlights our confidence in CALA, its growth potential and the Group's competitive position in the UK housebuilding sector, which is one of the key areas of focus for the economy due to its ability to create jobs and fuel economic growth."

"A continued undersupply of new housing in the UK, coupled with the availability of land at a lower point in the cycle and legislation to promote development, creates a favourable backdrop for this deal. We have a strong track record of investing in sites across the UK through healthcare, hotel and leisure businesses including Powerleague and Luxury Family Hotels, and are confident that our financial backing and expertise will enable us to work with the existing strong management team to capitalise upon CALA's strong brand."

"We are delighted to be partnering with Legal & General on this deal and look forward to working with their experienced team as we position CALA for ambitious growth in the medium term."

Commenting on the investment, Wadham Downing, Group M&A and Strategy Director, of Legal & General said:

"We are very excited to have invested in CALA alongside Patron and CALA's experienced management team. We are confident that with this combined expertise and financial resources that both Patron and Legal & General bring, we can build many more homes in the UK and help CALA grow and realise its potential.

"At our preliminary results we identified direct investment as one of our five drivers of growth. We are delighted to announce an acquisition in this area as our first M&A transaction for some time. We will continue our evolution as a Group by combining our strength in organic growth with selected bolt-on acquisitions, which satisfy our strategic and financial criteria, across each of the five areas identified."

Anthony Fry, Chairman of CALA, added:

"I would like to thank Lloyds Banking Group for its support for the Group since its restructuring. I should also like to thank my fellow board members, Michael Freshney and Michael Pacitti, who have provided the Group with significant help over recent years and who will be retiring from the Board on completion of the new investment.

"The Board joins me in thanking all our hard working employees who have continued to drive the business forward despite the inevitable distractions involved in a transaction such as this."

Mark Prentice, Area Director East of Scotland for Lloyds Commercial Mid Markets, said:

"Lloyds Banking Group has a long standing relationship with CALA and this new growth strategy will significantly strengthen CALA's balance sheet and put the business in a strong position to benefit from the more stable housing market. The house building sector is of vital importance to the UK economy and Lloyds Banking Group is committed to supporting its growth whether that be supporting housebuilders like CALA or the £6.5bn we have pledged to lend to first time buyers to help them get on the property ladder."

Rothschild, KPMG and Ernst & Young acted as financial advisers to the transaction, while Dundas and Wilson, Pinsent Masons LLP, DLA Piper and Hogan Lovells acted as legal advisors.

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Notes to editors:

About CALA Group

CALA Group is a national house builder with its headquarters in Edinburgh. It provides high quality homes in the North, East and West of Scotland, in the Midlands and in the South East of England, with a focus on high quality, well-designed homes in prime locations, from starter homes to luxury detached family properties. CALA is an acronym for City of Aberdeen Land Association (and therefore uses upper case letters).

Key Facts:

- CALA Homes builds around 875 homes each year.
- In the year ending June 2012, CALA reported its best results since the group was taken private in 1999. Total completions were up 35% and profit before tax increased nearly six fold on 2011.
- CALA Homes has an average selling price of £340,000 – significantly higher than any of its larger competitors.

- CALA Homes won Housebuilder of the Year, Best Medium Housebuilder and Best House at the 2012 What House? Awards. The company was also named Housebuilder of the Year and Best Large Housebuilder at the Scottish Home Awards.
- In March 2013, CALA Homes received the maximum 5 Star rating in the Home Builder Federation's National New Homes Customer Satisfaction Survey for the fourth consecutive year.
- Health and safety is of paramount importance to CALA. In 2012, the company reduced the number of minor injuries reportable under RIDDOR to five and has reported no major injuries in the last four years. Over the course of the last four years CALA has had the lowest average annual incidence rate of any housebuilder in the HBF benchmark of companies.

About Patron

- Patron represents approximately €2.4 billion of capital across several funds (including its most recent Fund IV) and related co-investments, investing in property, corporate operating entities whose value is primarily supported by property assets and distressed debt and credit related businesses.
- Since it was established in 1999, Patron has invested in over 100 transactions across over 50 investments, involving approximately 40 million square feet in 13 countries, with many of these investments realised.
- Investors represent a variety of prominent universities, major institutions, private foundations, and high net worth individuals located throughout North America, Europe, Asia and the Middle East.
- The investment advisers to Fund IV are Patron Capital Advisers LLP and Patron Capital Europe sarl.
- The investment advisers are based in London and Luxemburg and Patron has other offices in Barcelona, Milan, Dreieich (Germany) and Luxemburg, the group is comprised of 71 people, with 42 investment professionals.
- Further information about Patron, please see www.patroncapital.com

About LEGAL & GENERAL Group Plc

Established in 1836, Legal & General is a leading provider of protection, annuities, savings and investment management products in the UK, with a market capitalisation of £10bn¹. In its recent 2012 preliminary results earnings per share were up 12% to 13.90p and dividends per share up 20% to 7.65p for the period. Legal & General's return on equity for 2012 was 15.5%. (http://files.shareholder.com/downloads/LGEN/1463381520x0x642450/9de6ea30-87b8-4919-8b17-2580d14ec35e/2012_Preliminary_Results_.pdf) The Group has over seven million customers in the UK for life assurance, pensions, investments and general insurance plans.

- Our investment management business, Legal & General Investment Management (LGIM), is responsible for investing £406bn² worldwide on behalf of investors, policyholders and shareholders. LGIM is one of the largest investors in the UK stock market, managing around 4% of all London listed equities. LGIM has leading capability in index, active fixed income and liability driven investments and manages £43bn² of assets for international clients.
- Our UK Protection and Annuities businesses insure customers' potential financial exposure from death, illness, injury or household damage, and provide retirement annuities for individuals and pension schemes. In 2012 UK protection and general insurance gross premiums reached £1.6bn, and the annuity portfolio is £32bn².
- Our UK Savings business has £70bn² of assets under administration and provides a range of retail savings funds and savings structures to individuals and workplace clients.
- Legal & General America (LGA) writes protection products in the US market, focusing on higher sum assured policies and in 2012 gross premiums increased to US\$922m².

¹ As at 13 March 2013.

² As at 31st December 2012

For more information on Legal & General, please see <http://www.legalandgeneralgroup.com/>