

CALA Group (Holdings) Limited Results for the financial year Ended 30 June 2014

RECORD PROFITS, SIGNIFICANT LAND INVESTMENT AND BANNER ACQUISITION

PROVIDE PLATFORM FOR SUBSTANTIAL FUTURE GROWTH

CALA Group (Holdings) Limited (“CALA” or “the Group”), the UK’s most upmarket major home builder, today announces its financial results for the year ended 30 June 2014.

Financial Highlights*

	Year ended 30 June 2014	Year ended 30 June 2013	
Total Group Revenue	£294.2m	£240.8m	+22%
Profit Before Tax	£27.3m	£12.6m	+117%
House Sales Gross Margin	22.7%	18.8%	+390bps

Corporate Highlights

- Group on course to deliver a three-fold increase in revenue by 2016
- Significant investment in land bank particularly in South East England
- Increased financial firepower through backing of investment partners Patron and Legal & General
- Acquisition of luxury developer Banner Homes (“Banner”) accelerates stated expansion plans – targeting turnover of around £0.5bn in the current financial year
- CALA now a top 10 UK housebuilder by revenue with eight regional operating areas; five in England and three in Scotland
- Awarded UK’s “Best Medium Housebuilder” by What House? for the second year running; Trinity Park, Edinburgh also recognised as the “UK’s Best Development” accolade by What House?

Financial and Operational Highlights*

- Revenue up 22% to £294.2m (2013: £240.8m)
- Record profit before tax at £27.3 million, a rise of 117%, including a strong contribution from Banner
- As envisaged, private home completions broadly unchanged at 677 (2013: 694) but average selling price (“ASP”) significantly higher at £423,000 (2013: £335,000) due to a change in site mix, sales inflation and Banner’s higher ASP
- House sales gross margin up to 22.7% (2013: 18.8%), a record for the Group
- Operating margin up to 13.6% (2013: 10.2%)
- Sales per site per week slightly lower at 0.48 (2013: 0.56) due to change in site and product mix plus nature of Banner’s higher ASP; compares favourably to industry peers given CALA’s low reliance on Help to Buy
- Owned and contracted landbank up 27% to 12,690 plots (2013: 10,016) with a potential gross development value (“GDV”) approaching £4.7bn, up 48% versus 2013 (£3.1bn) and a total ASP of £370,000 (2013: £316,000)
 - 7,288 consented and 2,763 allocated plots

- Contracted 37 new sites which will deliver an estimated GDV of £795m, equivalent to 2.8x 2014 group turnover, at an ASP of £408,000; 50% in the South East of England
- Longer term strategic landbank of over 12,000 plots, with 48% of homes consented in the year pulled through from the strategic landbank
- Net bank debt rose to £141.6 million (2013: £40.5 million) resulting in gearing of 45% at 30 June 2014
- Strong forward sales position as at 1 July 2014 of 367 advance private home sales with a turnover value of £166.2 million (2013: 192 units and £69.9 million) for delivery by 30 June 2015
- Industry leading customer service and health & safety performance

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

“This year has been a transformational period for CALA with our excellent financial performance delivering record profits once again. Following another year of significant investment in our land bank and our acquisition of Banner Homes in March, CALA is now an established, top 10 UK housebuilder by revenue and, with the bulk of the Banner integration now complete, our focus is on driving the increased synergies and benefits of scale we have identified.

“Our growth plans are underpinned by the strength of our landbank, and the quality of our development locations with 81% of the projected profit to be delivered through our business plans in the next four years already owned, contracted or with deal terms agreed, providing the Group with an excellent platform and a high level of visibility.

“We have entered the new financial year in a very positive position thanks to strong forward sales and, with a stable market backdrop, I am very excited about CALA’s prospects for the year ahead which will deliver our first year of significant volume growth since the implementation of our new growth strategy.”

For further information or to arrange to speak with Alan Brown, Chief Executive of CALA Group Limited, please contact:

MHP Communications

Andrew Jaques, Reg Hoare, James +44 (0)20 3128 8540
White,
Giles Robinson, Charlie Barker

CALA Group - Financial Results for the Year Ended 30 June 2014

Financial Results

With the economic environment in the UK improving steadily throughout the year, CALA has reported another period of strong financial and operating performance, resulting in record profitability for the year with profit before tax and exceptional items up 117% to £27.3 million. This was due to both a strong increase in house sales gross margin, which increased sharply to a record for the group of 22.7% (2013: 18.8%), alongside a strong profit contribution from Banner for the three and a half month period since acquisition. As a consequence, the operating margin increased to 13.6% (2013: 10.2%).

Total legal completions during the year amounted to 743 homes, including 62 by Banner (2013: 850), a slight fall on the number of homes completed in the prior year as a result of the delivery of fewer affordable homes (2014: 66 versus 2013: 156). The delivery of affordable homes from large sites in recent years has not been repeated on any of CALA's developments in 2014 although this trend will reverse in future years as the Group's growth plans are realised.

Private home completions were broadly unchanged during the year at 677 (2013: 694) but these completions were delivered at a sharply higher ASP of £423,000 (2013: £335,000) due to a change in site mix and the contribution from Banner, alongside some price inflation in the South East of England and the East of Scotland, including Aberdeen, with more modest pricing gains in our other regions.

Total Group revenue for the year, including share of joint ventures, was £294.2 million (2013: £240.8m) with this year-on-year increase of 22% almost entirely due to the inclusion of Banner's revenue for the period since the date of acquisition.

The Group increased its average number of active selling sites per week to 29 (2013: 25), and secured legal completions from a total of 56 sites (2013: 39) with these increases being entirely due to the inclusion of the Banner portfolio. The Group completed 22 sites during the 12 month period and delivered the first legal completion of homes on 24 new developments across the business.

Net bank debt at 30 June 2014 was £141.6 million (2013: £40.5 million) due to the Banner acquisition and greater investment in land to support CALA's growth plans. Group net assets were £207.3 million (2013: £94.6 million) resulting in gearing at 30 June 2014 of 45% including shareholder loan notes.

Landbank

The residential land market has continued to be very competitive during the financial year. However, CALA's market positioning, long land bank and strategic approach to land buying means that the Group has been able to exceed its land buying targets and secure excellent opportunities at above CALA's financial hurdle criteria that will underpin future growth.

During the year, the Group acquired land or secured planning permission on 42 sites for 3,256 homes with an estimated GDV of over £1bn at an average selling price of £318,000 (including affordable housing). This compares to 3,378 homes with an estimated GDV of £1bn consented during the previous year, although last year's figures included 2,000 homes at the Group's Barton Farm strategic landholding in Winchester. 48% of homes which secured planning permission during the financial year were pulled through from the Group's strategic landbank.

CALA's land teams contracted 37 new sites in premium locations during the year. These are projected to deliver 1,948 homes with an estimated gross development value ("GDV") of £795 million and average selling price of £408,000 (2013: 1,290 homes with a GDV of £455 million). This represents 2.8 times 2014 group turnover with nearly 50% located in the Group's principal

growth area of the South East of England.

Overall, the Group has made good progress in developing the length and quality of its landbank which, at 30 June 2014, stood at 12,690 owned or contracted plots with a potential GDV of £4.7bn and an ASP of £370,000 (private and affordable), significantly higher than at the same time last year, reflecting the Group's success in the land market and the inclusion of Banner. In addition, the Group controls a longer term strategic landbank comprising over 12,000 plots which is actively being promoted through the planning system.

Owned / Contracted	Plots	GDV £m	ASP £000s	Land %	Years
Consented	7,288	2,773	380	23.4	3.3
Allocated	2,763	923	334	15.9	1.1
Other	2,639	998	378	23.7	1.2
Total at 30 June 2014	12,690	4,694	370	22.0	5.6
Total at 30 June 2013	10,016	3,163	316	19.8	7.2

Acquisition

On 21 March 2014, CALA Group acquired Banner Homes Group Plc, a leading independent luxury homebuilder operating in the South East of England.

This transaction placed the combined group in the top 10 of UK homebuilders by revenue and was an excellent fit with CALA's own premium market positioning whilst accelerating the Group's existing organic expansion plans, particularly within the South East of England. In addition, the acquisition brought with it a team that adds to the existing talented and committed business that will help drive future shareholder value and provide the necessary platform to deliver our growth strategy.

A comprehensively planned integration strategy is being executed with all key elements expected to be completed on schedule by 31 October 2014. As the integration work streams have progressed, it has become clear that significant further potential value exists than was assumed at the time of the acquisition.

The following areas of additional value are already being realised, not only directly from the Banner business but also due to the increase in scale of the enlarged group:

- Overhead efficiency savings of circa £2 million per annum
- Improvement in site return on capital
- Material and subcontractor procurement gains
- Site margin increases through rationalisation of product and specification

Operations

CALA's ongoing commitment to health and safety remains the Group's primary concern and, in the 12 months to 31 March 2014, the Group recorded 6 injuries reportable under RIDDOR (the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations), the same as the previous year.

CALA remain clear industry leaders in the delivery of both high quality customer service and high quality homes. During the period, the Group achieved an overall satisfaction score of 90% as measured by customer surveys undertaken by external consultants In House Research and once again, 98% of our customers said they would recommend CALA. The Group was also awarded the top rating of 5 stars for both categories measured in the HBF National New Home Customer Satisfaction Survey and remains the only mainstream home builder to have achieved unqualified

five star ratings for both of the measured categories for each of the last five years.

Market Conditions

Much brighter employment prospects and a continued improvement in the wider UK economy have created an optimism that has translated through to the housing market while the extension of Help to Buy to 2020, despite having a limited, direct impact on CALA due to our market positioning, remains a welcome and supportive measure for the housing market as a whole. However, the Group is disappointed that there is not yet a longer term replacement for Help to Buy in Scotland or a continuation of the existing scheme beyond 2015/6.

The Group has experienced little adverse impact following the introduction of the Mortgage Market Review as the majority of CALA purchasers are not dependent on high levels of mortgage debt. Visitor levels have generally remained strong and, combined with tight supply, this has meant that all of regional businesses have now seen good improvements in sales prices with the biggest increases seen in the South East of England and East of Scotland including Aberdeen.

The improving housing market and increasing levels of development activity have brought about the first marked rise in the cost of labour and materials we have seen since the downturn although, to date, this has been more than offset by sales price inflation or accommodated within our overall budget allowances. Alongside this, the well documented disruption to the supply of certain key building materials during the past year has eased gradually, alleviated by additional manufacturing capacity and alternative sources of supply. Nonetheless, we expect cost pressures to remain a challenge to the business in the year ahead and for the availability of supply of skilled tradesman to feature as a growing issue for CALA and the industry as development activity continues to increase.

People

Anthony Fry, CALA's Chairman, is currently away from the business for health reasons so Mark Collins has assumed the role of acting Chairman in Anthony's absence. The Board wishes Anthony a full recovery and hope that he is able to return to the business in due course.

John Pollock joined the Group as a Non-Executive Director on 24 June 2014. John joined the Legal & General board more than 11 years ago and currently holds the position of Chief Executive Officer of the Legal & General Assurance Society. John replaces Paul Stanworth who stepped down from the board during the year and the Board is grateful for Paul's contribution.

The Group's performance over the past year, delivered alongside the acquisition and integration of Banner, is testament to CALA's hardworking staff, subcontractors and business partners and the board continues to appreciate their ongoing efforts. The Board welcomes all our new colleagues from Banner to the enlarged Group.

Strategy

With increased financial strength thanks to the backing of investment partners Patron and Legal & General, CALA's strategy is to accelerate the growth of the Group and optimise the operational efficiency of its eight regional businesses without compromising the Group's premium market positioning.

It is anticipated that this will result in a trebling of annual turnover between 2014 and 2016, driven by increasing the level of development activity in the East of Scotland and Aberdeen where CALA's existing landbank is already very strong as well as through the Group's new operating regions in the South East of England where there is significant unmet demand for high quality homes.

This anticipated growth of the business will require additional increases in staffing levels, which will be developed in a gradual and controlled manner in line with the Group's growth plans.

This growth strategy will be delivered and sustained through the strength of the Group's existing landbank and the platform provided by the acquisition of Banner. Simultaneously, CALA will look to ensure that its strategy generates value for shareholders in a responsible and controlled manner through its commitment to maintaining a strong and resilient balance sheet coupled with a clear focus on margin delivery, cash flow efficiency and increased return on capital as well as a disciplined approach to land acquisitions and an ongoing commitment to retaining landbank flexibility through the cycle.

Current Trading and Outlook

CALA has continued the strong momentum generated during the 12 months to 30 June 2014 and has started the new financial year with a strong forward sales position. At 1 July 2014, the Group had accumulated 367 advance private home sales with a turnover value of £166.2 million (2013: 192 units and £69.9 million) for delivery by 30 June 2015. This includes 37% (2013: 28%) of a significantly greater number of private homes planned for the year ahead and, at 1 October 2014, this had risen to 50% including legal completions since the year end.

The summer trading period marked a return to a more normalised trading pattern following a particularly strong corresponding period in 2013 with the usual seasonal slowdown more in line with previous years. This was exacerbated slightly within Scotland as uncertainty over the outlook for the Scottish version of Help to Buy, alongside uncertainty caused by the Scottish independence vote, resulted in reduced sales activity in Scotland during the latter stages of August and the first half of September.

Despite this, the overall trading backdrop remains positive. Pricing remains strong, particularly for quality new developments in prime locations where supply has been constrained and, subject to a

continuation of current market conditions, the Group is well placed to build on its strong start to the current financial year. 2015 will be the Group's first year of significant volume growth since the implementation of its new growth plans and this delivery is underpinned by a strong development portfolio, well spread across CALA's eight operating regions.

- ENDS -