COMPANY NUMBER: 3752751
CHARITY NUMBER: 1151945
HCA REGISTRATION NUMBER: L4254

CALICO HOMES LIMITED

Report and Financial Statements

Year ended 31 March 2017

Contents

Board Members, Executive Officers, Advisors and Bankers

Board	
Chair	John Inglesfield (appointed 31 October 2016) Lesley Burrows (resigned 31 October 2016)
Vice Chair	Peter Bevington
Other Members	Karen Ainsworth Victoria Appleton (appointed 18 March 2017) Gemma Dyson Adam Greenhalgh Nickie Hallard Andrew Mullen Stewart Shaw Christina Yates
Executive Officers	
Chief Executive and Company Secretary	Anthony Duerden (appointed as secretary 31 March 2017)
Director of Finance & Corporate Services and Company Secretary	Tracy Woods (resigned 31 March 2017)
Executive Director (formerly Director of Customer Services)	Helen Thompson
Director of Organisational Development	Kay Atwood & Vicki Howard (appointed 1 April 2017)
Registered Office	Centenary Court, Croft Street, Burnley, Lancashire, BB11 2ED www.calico.org.uk
Company Registered number	3752751
Charity Registered number	1151945
Homes and Communities Agency	L4254
External Auditor	Beever and Struthers Chartered Accountants and Statutory Auditor St. George's House 215 – 219 Chester Road Manchester M15 4JE
Internal Auditor	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
Solicitors	Forbes Solicitors Rutherford House 4 Wellington Street St. Johns, Blackburn, BB1 8DD
Bankers	National Westminster Bank 6th Floor, 1 Spinningfields Square Manchester M3 3AP
Lenders	Royal Bank of Scotland Floor 3, Kirkstane House 139 St Vincent Street Glasgow G2 5JF Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW

Corporate Framework

Our Vision
The vision for the Company is:

"Providing quality services that make a difference to people's lives"

Our Values
Our values reflect the priorities we see our organisation needs to concentrate on to ensure that the vision can be delivered.

Our values are:

- Going one step further with our customers
- Our wellbeing as individuals and teams
- Improving and strengthening ourselves and our organisation

To achieve our purpose of making a difference to people's lives.

Strategic Aims
The vision and values provides the strategic direction of the Company. The Company will achieve its vision and values through its strategic aims.

The five strategic aims are:

- To be customer led in delivering excellent services.
- To create social profit for the areas where we work.
- To use our group resources effectively, providing Value for Money in everything we do.
- To secure and deliver new business opportunities and partnerships.
- To realise people's full potential.

Strategic Report of the Board

The Board is pleased to present its strategic report as required by the Companies Act 2006.

Performance for the year

Calico Homes continues to perform strongly despite a challenging operating environment. The additional £30m of funding secured in March 2015 is being used to support our growth strategy and in particular to deliver our property development programme which will increase our property portfolio by circa 429 additional properties. This programme will enable the Calico Group to diversify our activities and our Group offer even further and see us becoming a key player in new markets such as care and complex needs accommodation.

During 2015/16 the 60 unit development, Primrose Mill was completed, providing 46 units for rental and 14 units for outright sale. At the end of 2016/17 financial year sales had completed on all the units.

There were two other development schemes underway at the end of March 2017, Pomfret and Blannel a 22 unit general needs scheme, which has since completed, and Whitworth a 28 bed care home, which was anticipated to complete during the 2017/18 financial year. Unforeseen remediation works have delayed progress, however, site activity is now fully operational and will complete in 2018/19.

Two more developments have been contracted to Ring Stones – Melrose Avenue, Burnley 31 units and Perseverance Mill 56 units. Both sites are being delivered for affordable rent.

Calico Homes is currently purchasing off the shelf properties in Pendle to support the Syrian Refugee Project (14 units) and are preparing to purchase 2 further sites for redevelopment of 39 units and 66 units to provide mixed tenure products for our customers.

The “Homelessness for Change” HCA programme has provided subsidy for SafeNet’s new recovery refuge which was completed 7 weeks ahead of programme and opened its doors on 16 June 2017. The funding pot has also provided funds for the Gateway, a 30 unit development that will provide safe and secure accommodation for homeless people. The construction of the building is underway and will provide much needed communal space for learning and well being activities.

We have been successful in achieving additional Homes and Communities Agency grant funding for supported housing and general needs schemes during the year, increasing the external grant within our programme to £5.6m.

In relation to income collection, we have improved performance for a fourth year despite the launch of further welfare reforms and our year end rent collection performance was 99.87%. We continue to have an intensive and proactive approach to rental income management, along with a focus on tenancy sustainment. We have begun 2017/18 by increasing our preparation for the launch of Universal Credit in Burnley and we are confident that our plans will help us to mitigate the risks to our income stream of this and other external factors.

Income continues to be received for the delivery of back office services (Human Resources, Finance, IT, Business Improvement and Office Accommodation) from other companies within the Calico Group.

In 2016/17, we spent a total of £3.5m investing in our properties on the following work streams: Phase 3 of the ECO (External Wall Insulation) programme, for which we achieved external capital funding of £618k; The Brunshaw Improvement Programme; Damp programme; Boiler Upgrade programme and Roofing repairs.

We also invested £97k completing disabled adaptations to our current customers’ homes enabling them to remain in the property whilst improving their quality of life. A further £103k was invested on asbestos surveying and removals, ensuring a safe working & living environment for staff, contractors & customers.

Despite the challenges we face around creating efficiencies, the Calico Homes Board have decided to continue our planned level of investment in properties throughout the life of the business plan.

Our repairs service has continued to perform highly, maintaining its accreditation from the Housing Quality Network and continuing to deliver high performance levels in comparison to our peers. We continue to achieve 100% gas servicing completed for the 5th year running.

Customer feedback has remained generally positive with satisfaction improving in some areas. Overall customer satisfaction with our services is 86%, which is just below the target. We are reviewing our approach to collection of customer satisfaction insight and are taking steps to understand the reason for the slight reduction in satisfaction.

In June 2016, our regulator (the Homes and Communities Agency) completed an In Depth Assessment and assessed both our financial viability and governance. We were awarded the highest ratings of V1 and G1. This was further reviewed after the submission of the 2016 Forecast Financial Return and we were advised in January 2017 that the V1 and G1 ratings were maintained.

Void property performance remained within the target for the majority of 2016/17. A forecasted increase in tenancy terminations during the last three months of the financial year resulted in us ending the year with 90 void properties against a target of 80 and we are taking steps to reduce this. Rent loss due to void properties remained within our business plan assumptions at a level of 1.75% against a business plan target of 3%. 82% of tenancies sustain for at least 12 months and we have further reduced the number of tenancies terminating compared to the previous year. This demonstrates that our approach to tenancy sustainment is effective.

Strategic Report of the Board (continued)

Future Activity

Following the Government requirement for Registered Providers to reduce rents by 1% for a four year period, we have adjusted our business plans and introduced efficiency targets across the business. A total efficiency saving of £1.8m cumulative across three years from 2016/17 is required. We have achieved our target of £640k efficiency savings for 2016/17. The business planning and budget setting process for 2017/18 is complete and the required efficiency of £576k was included in this. We are confident that we are able to deliver these and identify the remaining efficiencies of £535k in the final year of the programme.

Whilst there are challenges in relation to the budget and required efficiency savings, having the diversity of the group and the additional £30 million funding will ensure we continue to grow and broaden our offer to customers and commissioners. During 2016/17 we completed the complex needs unit for SafeNet. We are also on site with Gateway, Calico's largest new building, which will provide 30 units for homeless people. Staff and residents of the existing service at Elizabeth Street are expected to move into the new facility in 2018.

Following the announcement in April 2017 by the Government to reintroduce grant funding for affordable rented homes, we have secured support from the Homes and Community Agency to subsidise units where required. We are currently producing a Sales and Marketing Strategy that will determine the need for sales as much as possible without compromising the offer to customers, however, our business plan assumes no such sales.

Alongside delivering the ECO programme, we will continue to invest in our properties through planned works to tackle damp, replace boilers and manage asbestos.

Welfare reform and particularly the roll out of Universal Credit across Pennine Lancashire will continue to be a risk for Calico Homes' income stream. Whilst we are well prepared for this and have positive relationships with the DWP and our local Job Centre, we will continue to monitor performance closely and to be ready to respond when necessary.

Calico considers our employees as our most valuable asset. To ensure we continue to invest in our staff, we are launching a bespoke leadership programme, which will ensure, despite the challenges we face, we continue to invest in our staff to realise their potential, improving productivity and staff satisfaction across the organisation. We have also completed detailed work around our organisational values and are taking steps to support us to become a values led organisation. In February 2017, Calico were recognised as the 18th (2016: 16th) Best Company to work for in the Sunday Times Best 100 Companies to Work for (not-for-profit category).

This report was approved by the Board on 11 September 2017 and signed on its behalf by:

Anthony Duerden
Company Secretary
11 September 2017

Report of the Board

The Board is pleased to present its report and the financial statements for the year ended 31 March 2017.

Principal activities
Calico Homes Limited is a registered charity. New charitable Articles were adopted from 1 April 2013 with Charities Commission registration being granted on 8 May 2013. The Company is governed by its memorandum and articles of association and is registered with the Homes and Communities Agency as a registered provider.

The Company is the largest provider of affordable housing in the Burnley area and plays a significant role in the on-going development and enhancement of housing opportunities for people in need.

Whitworth Care Trust was incorporated into Calico Homes in January 2017, the CQC registration is now in the name of Calico Homes and the existing service will continue until the replacement home is developed. Previous years results and notes have been restated throughout the accounts to reflect the inclusion of Whitworth Trust.

Calico Homes Limited is a subsidiary of The Calico Group Limited.

Value for Money ("VfM")
In line with regulatory requirements we have published a value for money self assessment on our website at http://calico.org.uk/vfm . It contains detailed information supporting and expanding on the matters included below on how we think Calico Homes is meeting the value for money standard. It also includes other information which is beneficial to those wishing to understand how we deliver value for money.

In addition to the above, the Board set out below why they believe Calico Homes meets the requirements of the VfM standard as required by our Regulator, the Homes and Communities Agency ("HCA"):-

Specific expectations of the HCA	Summary of how Calico Homes is meeting these expectations
Registered providers shall:	
Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions	Value for Money is one of our Group strategic aims. Each year we produce a corporate plan that sets out our strategic objectives for the next 3 years and identifies how we plan to deliver them. We set and monitor efficiency targets and have a 40 year business plan and loan covenants that have to be met which are detailed in the corporate plan. Our thorough budget setting and business planning processes which are approved by Board ensure that we have an appropriate assessment of what is required in future years. VfM is a key priority throughout the organisation, and is reflected in our strategic aims - "To provide value for money in everything we do". Achieving Value for Money in the delivery of our development programme is a priority. In working via PPC2000 contract arrangements with our partner Ring Stones, we are able to gain a greater understanding of programme constraints, transparent costing and the ability to make key design decisions throughout the build period. We deliver an annual VfM self-assessment of our partnership arrangement with Ring Stones.
Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so	We benchmark our performance at an individual service level and benchmark specific costs, eg. regular benchmarking of all salaries, repairs, gas boiler replacements etc. We also use the HCA global accounts to benchmark our costs and are looking to join a back office benchmarking group to enable us to compare support costs. We are taking part in a one-year pilot scheme, Sector Scorecard, which is a set of 15 indicators that benchmark efficiency across the sector. The aim is for these indicators to become the mainstream way that efficiency and effectiveness are measured from 2018. Ring Stones, a member of the Calico Group, delivers the previously outsourced planned maintenance and development work. This results in VAT savings but it also enables us to ensure that targets for local employment are met.

Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives	Every 5 years our stock condition survey information is externally validated and used to populate our 40 year business plan. The individual property data is updated on a rolling inspection cycle. All our housing stock is located in close proximity to our head office in the centre of Burnley and is primarily estate based. Our neighbourhood strategy is focussed on developing places where people want to live. The Board believe this is best achieved by retaining stock on these estates. Long term voids on our estates have been investigated and action taken to deal with the issues which are preventing their letting, eg. conversion of 1 bedroom energy inefficient flats into energy efficient family homes. A financial investment appraisal is undertaken for all non-estate based sundry properties when they become void to determine a course of action i.e. retention or disposal. Working alongside Savills – who are specialist asset consultants – we undertook a full review of the financial performance of our homes in 2016/17. The 30 year average NPV (Net Present Value) per unit was £13,537 (against a benchmark within the region of £18k – formulated before the rent reductions). **Options Appraisal/Reduction in void numbers** We have a process in place to monitor the performance of our stock using the Savills framework. To date, focus has been on asset groups with high market value and low NPV, poor performing asset groups, marginal asset groups, sundry asset groups and sheltered stock. In 2016/17 we have reduced void numbers by utilising properties within the Calico Group: • Two difficult to let void properties are now being utilised by SafeNet, providing safe accommodation. • Former student accommodation units have been transferred to Acorn to provide rehabilitation facilities and secondary housing. • Royal Court sheltered housing scheme has now been demolished. Finding alternative use for these properties, has meant: • Additional rental income • Fewer voids • Impact on communities/ASB/links to other services • Improved performance of our stock Neighbourhood Management have focused on maximising the number of sustainable lets, achieving above target performance for tenancies sustaining over 12 months. Terminations are continuing to decrease year on year, which in turn has reduced void loss. • 639 terminations in 2014/15 • 534 terminations in 2015/16 • 493 terminations in 2016/17
Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance	We keep accurate and timely data of our service performance coupled with detailed financial records of costs. Targets are set and monitored for key performance indicators, as is the direction of travel (improving/deteriorating). These are reported to Board on a quarterly basis together with financial costs and expected out turns. The effect on loan covenants is also reported. Customers are involved in the selection of contractors and in the review of their performance. Review and scrutiny of activity takes place regularly through our 'co-regulation framework'. Through our involved customers we are able to scrutinise costs and determine whether the services we offer are meeting the needs and aspirations of our customers. Our repairs and gas services have achieved external accreditation by Housing Quality Network. This is reviewed regularly.

Registered providers' boards shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The assessment shall:	
Enable stakeholders to understand the return on assets measured against the organisation's objectives	Our website contains a detailed self-assessment which sets out our focus on the neighbourhoods where we own stock (www.calico.org.uk/vfmselfassessment). Delivering a vibrant neighbourhood where people want to live is a key objective and our approach to asset management reflects this. The impact on the neighbourhood is a key consideration when investment and disposal decisions are undertaken. We have introduced Savills' property performance system and the Board have been involved in understanding the data and setting an action plan, which will include a new options appraisal process for our poorest performing properties. Our annual property valuation for 2017, undertaken for funding purposes, shows an overall increase in the value of our social housing assets from £148m to £155m as a number of new properties are being charged and are now included in the valuation. The £30m increase in our loan facility from 2015 means that an additional 429 properties are to be developed in the 5 years from April 2015, with 79 properties being delivered in 2015/16 and 28 in 2016/17. We are currently looking at our funding options and plan to carry out a refinancing exercise in 2018. The increased funding will enable us to continue to develop more properties.
Set out the absolute and comparative costs of delivering specific services	We compare costs of individual activities, eg. voids, over time and through the budget setting process where comparisons to the previous year are made. We have benchmarked ourselves against our peers using the global accounts and identified why we are more expensive than others. The focus in this area is continuing to help us understand how costs can be reduced without adversely impacting on satisfaction. As we are now managing properties on behalf of Rossendale Council, this has a positive impact on the results of the global accounts information. As well as this benchmarking, we also have the Housemark results which we are using to identify areas where action is required. We have also developed a tool to measure the levels of social profit delivered and this has been used in some areas of the Group.
Specific expectations of the HCA	Summary of how Calico Homes is meeting these expectations
Evidence the value for money gains that have been and will be made and how these have and will be realised over time	To mitigate the impact of the reduction in the rent levels, efficiency targets have been put in place to deliver cumulative savings of £1.8m over three years. The target savings of £640k for 2016/17 were achieved and the budget and business plan for 2017/18 includes further savings of £576k. There are still savings of £535k required in 2018/19 and work is underway to deliver these. All savings are being captured and reported to Board, with updates on a regular basis.

Board members and executive directors
The present Board members and the executive directors of the Company together with details of the changes which have occurred up to the date of approval of this report by the Board are set out on page 1. The senior officers act as executives within the authority delegated by the Board.

The Company has insurance policies that indemnify its Board members and executive directors against liability when acting for the Company.

Remuneration policy
The Group Board is responsible for setting the remuneration policy, and in doing so pays close attention to remuneration levels in the sector in determining the remuneration packages of the senior officers. Basic salaries are set having regard to each senior officers responsibilities and pay levels for comparable positions.

Pensions
The senior officers are eligible to join the Social Housing Pension Scheme. The senior officers participate in the scheme on the same terms as all other eligible staff. Full details of the scheme are given in note 9 to the financial statements.

Employees
The strength of the Company lies in the quality and commitment of its employees. The Company's ability to meet its objectives and commitments to customers in an efficient and effective manner depends on the contribution of all its employees.

Report of the Board (continued)

Employees (continued)
The Company continues to provide information on its objectives, progress and activities through briefings from senior staff, regular departmental meetings, an annual staff conference, an on line performance monitoring system and a regularly updated intranet site. A Staff Panel comprising staff representatives meets with Executive Team representatives every six weeks to discuss issues relevant to staff.

The Company is committed to equal opportunities for all its employees and in particular supports the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in employment. Calico has been awarded the two ticks award for being positive about disabled people and also the Investor in People Gold Award. We have also been awarded Investors in Diversity and have also achieved the Leaders in Diversity accreditation.

In February 2017, Calico were recognised as the 18th (2016: 16th) Best Company to work for in the Sunday Times Best 100 Companies to Work For (not-for-profit category). This is a testimony to how we successfully engage with our staff.

Health and safety
The Board is aware of its responsibilities on all matters relating to health and safety. Calico has prepared detailed health and safety policies and risk assessments and provides staff training and education on health and safety matters. The Health and Safety Committee, chaired by the Chief Executive, meets on a regular basis. The company are CHAS (the Contractors Health and Safety Assessment Scheme) accredited.

Capital structure and treasury management
The Company borrowed an additional £2.8 million (2016: £5.0 million) to bring its total borrowings to £90.5 million (2016: £87.7 million) out of a facility of £115 million. The additional borrowing was used to support the development programme.

The Company borrows from the Royal Bank of Scotland and Nationwide at both fixed and floating rates of interest and currently has 71.0% (2016: 71.40%) of its borrowings at fixed rates. The loans are secured by fixed and floating charges on the property stock.

The fixed rates of interest range from 3.77% to 7.09% with the weighted average rate of interest on all loans due to low variable rates being 4.78% (2016: 6.18%).

Gearing, calculated as total loans as a percentage of capital grants and reserves, was 280% (2016: 275%). Although high, this is in line with the long term business plan which shows we are able to repay our loans in line with our agreement with our funders.

The Group borrows and lends only in sterling and so is not exposed to currency risk.

Reserves
After transfer of the surplus for the year of £2,291,000 (2016: £843,000 restated) and actuarial loss of £3,387,000 (2016: gain £2,223,000) the Company reserves at the year end amounted to a deficit £20,696,000 (2016: £19,600,000 restated) which is in line with expectations.

NHF Code of Governance
We are required by The Homes and Communities Agency ("HCA"), our regulator, to adopt an appropriate code of governance. We have adopted the National Housing Federation Excellence in Governance Code 2015 edition. The Code sets down key principles with which we must comply and supporting best practice recommendations where we have some discretion. Where we do not follow the Code we must explain why not.

The Code deals with our Board, the way it operates, our constitution, the role of chair, the chief executive, equalities and probity, in fact everything which you would expect to see in a well-run Board and organisation. Each year, we will review whether we fully comply with this Code. Where we do not we will agree an action plan, we will do what is necessary to comply with the Code.

We carry out individual and collective Board appraisals and produce a board development programme. This programme focuses on Board performance and how the Board ensures its future effectiveness together with tailored events on specific business related topics where a training need has been identified.

The Board and its committees obtain external specialist advice from time to time as necessary.

The Board certifies that the Company is pleased to report full compliance with this Code for the year ended 31 March 2017 following an annual review that took place in March 2017.

HCA Governance Compliance
The Board has carefully considered the requirements of the HCA's Regulatory Framework and fully embraces the principles of co-regulation and the expectations of registered providers arising from that regulatory approach as set out in the Framework. We have, in particular, reviewed all aspects of the Governance and Financial Viability Standards in March 2017 and the Board certifies that the Company was fully compliant with those standards for the year ended 31 March 2017.

Report of the Board (continued)

The Board
The Board comprises ten (2016: ten) non-executive members and is responsible for managing the strategic direction of the Company. It meets on a six weekly basis throughout the year. Details of Board Members can be found on page 1.

The Board is responsible for the Company's strategy and policy framework. It delegates the day-to-day management and implementation to the Chief Executive and other senior officers. The Executive Team meet weekly and attend Board meetings.

Committees
The Group Audit Committee meets a minimum of three times a year. It considers the appointment of internal and external auditors, the scope of their work and their reports. It also reports to the Board on the effectiveness of the Company's internal financial control arrangements.

The Group Remuneration Committee is responsible for making recommendations to the Board on the remuneration and employment contracts of the senior officers. The committee also sets the objectives for the Chief Executive and reviews performance against those objectives. The committee meets at least annually but at other times as required.

Customer involvement
Our approach to involving customers is in line with the regulatory standards. We involve customers both formally and informally and use their feedback to influence service improvements and key decisions. We have a range of different opportunities which ensure customers are involved at all levels. These include:

- Customer Board membership;
- Calico Crew (an on-line network of customers who provide feedback on key topics);
- Service level and informal involvement within neighbourhoods;
- Neighbourhood representatives who complete customer scrutiny activities and are involved in the development of policies and strategies; and
- Active tenant and resident associations and community groups.

It is important that we use the insight we gather from our customers and we have developed a "What Our Customers are Saying" (WOCAS) report that is used to inform decision-making and service improvement. Our Board oversees our approach to involvement and ensures co-regulation is happening effectively.

Furthermore, we have a clear and simple complaints policy that is available to all customers and which focusses on a principle of doing the right thing to resolve complaints.

Internal controls assurance
The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss, in line with the Board's view that risks should be controlled and not avoided.

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls that are embedded within day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Company is exposed.

The process for identifying, evaluating and managing the significant risks faced by Calico is ongoing and has been in place throughout the period commencing 1 April 2016 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements on a regular basis during the year and considers at each meeting whether the risk map needs amending as a result of the meeting.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

Identifying and evaluating key risks
Calico's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. A review of the Risk Management Framework was undertaken during the 2015/16 financial year and has been refined and updated and is now adopted across the Group.

Information and reporting systems
Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board and monitored throughout the year. Reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes are regularly produced and reviewed. The outcomes of these reviews are formally reported and discussed by the Board quarterly.

Report of the Board (continued)

Monitoring arrangements
Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via the Group Audit Sub-Committee. The arrangements include a rigorous procedure, monitored by the Group Audit Sub-Committee, for ensuring that corrective action is taken in relation to any significant control issues. Calico has implemented a programme of control risk self-assessment and is further embedding this at all levels of the organisation, which will continue to strengthen control arrangements.

Risks and uncertainties
Utilising the above approach Calico has identified the following major risks to the successful achievement of its objectives:-

<table>
<tr><th>Key risk element</th><th>Status</th><th>Impact on strategic objectives</th></tr>
<tr><td>Change in Government policy and funding relating to registered providers impacts of financial viability of Calico Homes affecting ability to grow and meet strategic aims</td><td>● Appropriate resources in place to support income recovery.
● Business plan assumptions in relation to income collection agreed annually to ensure financial viability is maintained.
● Income collection and tenancy sustainment monitored and reported as KPIs to Board..
● Progress/information on Welform Reform regularly included in Board briefing packs.
● All new development schemes are subject to a financial appraisal which is presented to Board.
● Efficiency action plan produced to make savings required.
● Tenancy Sustainment Strategy in place.
● Income Management policy in place.</td><td rowspan="4">These risks impact across all our strategic aims as without the right people performing well and delivering the services to an appropriate or better standard than expected and a quality asset base which stimulates demand or retention of customers, we will not be able to grow, retain business and enhance our reputation.</td></tr>
<tr><td>Loss of key staff limits ability to perform</td><td>● People strategy in place focussing on realising peoples potential.
● 18th in Sunday Times top 100 companies to work for.
● Variety of policies in place to enhance working conditions and environment.
● Staff appraisal process.</td></tr>
<tr><td>Operational performance not delivered to levels required and deteriorates due to changes in external operating environment</td><td>● Regular monitoring using a balanced scorecard approach is undertaken, reviewed by teams, senior management and Executives.
● Supporting people funded teams changed in line with the reduction in income levels.
● Local lettings policies introduced to allow better control over neighbourhoods.
● Voids and tenancy sustainment action plan in place.
● Internal audit to validate information being presented to Board.
● External environment being monitored for changes in Government policy and action plans developed to manage.</td></tr>
<tr><td>Ineffective Boards due to their composition /skill set/ experience leading to poor governance</td><td>● Board development plans in place.
● Board member appraisals undertaken.
● Compliance with the Code of Governance.
● Structured regular quorate Board meetings held.
● Individual Board member development plans in place Terms of Reference.
● Board skills/behaviours matrix.
● Financial training for Board members.
● Annual review of key decision items against the Regulatory Standards and Calico’s Strategic Aims.</td></tr>
</table>

Key risk element	Status	Impact on strategic objectives
Failure to adhere to health and safety legislation and meeting the requirements of the consumer and economic standards set down by the HCA. Failure to respond to the political implications, and additional safety regulations, following the Grenfell fire tragedy, leading to reputational damage and regulatory intervention.	● Health and safety policy approved by Boards in place. ● Gas safety reporting undertaken through performance report. ● Information on incidents and accidents included in performance reports. ● Internal audit of key health and safety functions. ● Compliance monitoring group in place. ● H&S performance team. ● H&S training for Board members ● H&S updates provided to Board through performance reporting. ● CQC audit completed. ● Compliance matrix in place. ● Review of approach to Fire Safety completed and action plan in place. ● Assets and Liabilities Register in place. ● Annual VfM Self Assessment of Homes' partnership with Ring Stones	These risks impact across all our strategic aims as without the right people performing well and delivering the services to an appropriate or better standard than expected and a quality asset base which stimulates demand or retention of customers, we will not be able to grow, retain business and enhance our reputation.
Development activity not delivered as planned and new build programme insufficient workload for construction operatives.	● Current development programme monitored by a Development Panel on a monthly basis. ● Sales progress report produced regularly. ● Financial position monitored through management accounts. ● Monthly meetings between development and finance. ● Monthly meetings between Calico Homes and Ring Stones (contractor for the delivery of the development programme). ● Regular Board updates at Homes Board meetings. ● Development training for Board members ● Development bulletin produced monthly. ● All new schemes are financially appraised and approved by Board. ● Development Strategy in place ● Design Development Framework established.	
Non development related (e.g. supporting people contracts) growth opportunities not identified or pursued	● Growth strategy in place. ● Strategic Growth group meets monthly. ● Group KPI Board report produced. ● Corporate Plan targets introduced and reviewed. ● Updates on Growth Strategy to Board.	
Loan financing to develop / expand the property base	● Annual treasury management strategy in place. ● Annual business plan prepared in conjunction with the Growth strategy. ● Updates on market availability of funds regularly received by the Director of Finance. ● Funding Options Review has been undertaken ● Treasury Management advisors are on a retained basis.	
Communication with customers, service users and tenants is poor or ineffective and does not meet the required standard.	● Annual "Views for Vouchers" customer survey undertaken. ● Satisfaction KPIs reported to Board. ● Channel shift action plan in place. ● Customer strategy developed. ● Annual report to customers using a "you said, we did" format. ● Passionate About Customers training and embedding plans. ● Transactional quality monitoring being developed. ● Six monthly 'What our Customers are Saying' report to Board. ● "What Our Customers are Saying" report which enables us to use customer insight to inform service improvements.	

Key risk element	Status	Impact on strategic objectives
Subsidiaries do not work together to deliver the growth strategy in order to maximise opportunities and manage risk.	● Growth Strategy. ● Strategic Growth Group. ● Leadership Team. ● Board strategic weekend. ● New Group Executive and Leadership Team structure.	
Non delivery of the efficiency project to address the reduction in rent levels and potentially other multi variate adverse conditions impacting on the long term viability of the business plan	● Efficiency project team in place. ● Initial areas of efficiency savings identified. ● Stress testing undertaken and mitigating actions identified where possible. ● Management accounts reviewed monthly and forecasts undertaken. ● Annual budget setting process. ● Review of group contributions. ● 2016/17 efficiency savings achieved. ● 2017/18 efficiency savings identified. ● Board and Leadership Team monitoring of efficiency programme. ● Development of monitoring mechanism to track efficiency savings. ● Regular report to Board re progress against efficiency action plan.	
Loss of assets due to disaster	● Business Continuity Plan ● Insurance investigations ● Decant policy ● Fire risk assessments ● Gas and electrical servicing ● Repairs policies ● Smoke/CO2 detection ● Property MOT ● Property Services Risk Map	

Statement of directors' responsibilities for the annual report and financial statements

Company law and registered provider regulation requires the directors to prepare financial statements for each financial period. Under that law directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 Company, and of the surplus or deficit of the Company for that period. In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Social Housing Providers" (updated 2010) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis.

The Board is responsible for keeping proper 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 enable it to ensure that the financial statements comply with the Companies Act 2006, paragraph 17 of schedule 1 of the Housing and Regeneration Act 2008 and the Accounting Direction for Registered Social Landlords. It is also responsible for taking reasonable steps to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is also responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditors

The Board, who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Report of the Board (continued)

Going concern
After making enquiries the Board are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Auditor
Beever and Struthers, Statutory Auditor, have indicated their willingness to continue in office. A resolution to reappoint them as External Auditors will be proposed at the forthcoming annual general meeting.

This report was approved by the Board on 11 September 2017 and signed on its behalf by:

Anthony Duerden
Company Secretary
11 September 2017

Independent Auditor's report to the members of Calico Homes Limited

We have audited the financial statements of Calico Homes Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and the Auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the board is 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). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- the information given in the Board Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

Maria Hallows
Senior Statutory Auditor
For and on behalf of **BEEVER AND STRUTHERS**, Statutory Auditor
St George's House
215-219 Chester Road
Manchester
M15 4JE

Date: 11 September 2017

Calico Homes Limited
Company number: 3752751

Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	2017 £'000	Combined* 2016 £'000
Turnover	3	23,500	23,802
Operating expenditure	3	(17,190)	(18,097)
Operating surplus		6,310	5,705
Gain/(loss) on disposal of fixed assets	6	11	(8)
Interest receivable and other income	7	2	2
Interest payable and financing costs	8	(4,032)	(4,845)
Surplus on ordinary activities before tax		2,291	854
Taxation on non-charitable activities	11	-	(11)
Surplus for the year after tax		2,291	843
Actuarial (loss)/gain in respect of pension schemes	9	(3,387)	2,223
Total comprehensive (loss)/income for the year		(1,096)	3,066
Total comprehensive (loss)/income for the year attributable to: Owners of the parent company		(1,096)	3,066

The notes on pages 18 to 41 form part of these financial statements.

** Combined to include Whitworth Care Trust (note 27)*

Statement of Changes in Reserves

For the year ended 31 March 2017

Income and expenditure reserve	2017 £'000	Combined* 2016 £'000
Balance as at 1 April	(19,600)	(22,666)
(Deficit)/Surplus from Statement of Comprehensive Income	(1,096)	3,066
Balance at 31 March	(20,696)	(19,600)

The financial statements on pages 15 to 41 were approved and authorised for issue by the Board on 11 September 2017 and signed on its behalf by:

John Inglesfield
Chair of the Board

Anthony Duerden
Chief executive

Nickie Hallard
Member of Audit Committee

Calico Homes Limited
Company number: 3752751

Statement of Financial Position

As at 31 March 2017

	Note	2017 £'000	Combined* 2016 £'000
Fixed assets			
Tangible fixed assets	12	94,482	87,273
Intangible assets	13	105	88
		94,587	87,361
Current assets			
Properties for sale	14	-	1,026
Stock	15	37	37
Debtors	16	3,287	3,111
Cash at bank and in hand		689	1,125
		4,013	5,299
Creditors: Amounts falling due within one year	17	(4,692)	(3,708)
Net current (liabilities)/assets		(679)	1,591
Total assets less current liabilities		93,908	88,952
Creditors: Amounts falling due after more than one year	18	102,756	100,352
Provision for liabilities			
Pension provision	22	11,848	8,200
		114,604	108,552
Income and expenditure reserve		(20,696)	(19,600)
		93,908	88,952

The notes on pages 18 to 41 form part of these financial statements.

** Combined to include Whitworth Care Trust (note 27)*

The financial statements on pages 15 to 41 were approved and authorised for issue by the Board on 11 September 2017 and signed on its behalf by:

John Inglesfield
Chair of board

Anthony Duerden
Company Secretary

Nickie Hallard
Member of Audit Committee

Statement of Cash Flows

For the year ended 31 March 2017

	Note	2017	Combined* 2016
		£'000	**£'000**
Net cash from operating activities	25	9,908	5,803
Cash flow from investing activities			
Interest received and other income	7	2	2
Purchasing of housing properties and improvements		(9,955)	(8,300)
Grants received		540	1,540
Purchase of other fixed assets		(267)	(750)
Purchase of intangible fixed assets	13	(131)	(89)
Sales of housing properties		1,232	1,884
Net cash flow used in investing activities		(8,579)	(5,713)
Cash flow from financing activities			
Interest paid		(4,565)	(4,491)
Loans received		2,800	5,000
Net cash flow (used in) / from financing activities		(1,765)	509
Net change in cash and cash equivalents		(436)	599
Cash and cash equivalents at beginning of the year		1,125	526
Cash and cash equivalents at end of the year		689	1,125

The notes on pages 18 to 41 form part of these financial statements.

** Combined to include Whitworth Care Trust (note 27)*

Notes to the Financial Statements

1. Legal status

The Company is registered with the Charities Commission and registered with the Homes and Communities Agency as a registered provider of social housing. The company is limited by guarantee and incorporated in England & Wales. The registered office and principal place of business is Centenary Court, Croft Street, Burnley, Lancashire, BB11 2ED.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with UK Accounting Generally Accepted Accounting Practice (UK GAAP) including FRS 102, the 'Statement of Recommended Practice for registered housing providers' (Housing SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, and under the historical cost convention, modified to include certain financial instruments at fair value and are presented in sterling £'000 for the year ended 31 March 2017. The company meets the definition of a public benefit entitiy ("PBE").

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The impact on the future income of the company from the 2015 Government announcements has been assessed within the company's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare financial statements on a going concern basis.

Basis of consolidation

The financial statements of the Company are consolidated in the financial statements of The Calico Group Limited. The consolidated financial statements of The Calico Group Limited are available from the registered office, Centenary Court, Croft Street, Burnley Lancashire, BB11 2ED.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as individual entity and not about its group.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Development expenditure**. The company capitalises development expenditure in accordance with the accounting policy described on page 20. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
- **Categorisation of housing properties**. The company has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, management has considered if the asset is held for social benefit or to earn commercial rentals and has determined that there are no investment properties.
- **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.
- **Goodwill and intangible assets.** The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising from business combinations.
- **Pension and other post-employment benefits.** The cost of defined benefit contributions and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.
- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit ("CGU") is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a CGU exceeds the higher of its net realisable value or its value in use. A CGU is normally a group of properties at scheme level whose cash income can be separately identified.

  During the year, the company has assessed that there has not been a trigger for an impairment review.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Impairment of non-financial assets (continued)
Following a trigger for impairment, the company perform impairment tests based on fair value costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in arm's length transaction or similar CGUs or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on a depreciated replacement cost based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential as the existing property.

Following the assessment of impairment, the determined impairment losses were £Nil (2016: £131,000).

Merger accounting
Where merger accounting is used, the investment is recorded at the nominal value of shares issued together with the fair value if any additional consideration paid. In the Group's financial statements, merged subsidiary undertakings are treated as if they already had been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period and the assets and liabilities at the previous balance sheet date.

Intangible fixed assets
Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and labilities acquired. Subsequently goodwill is carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful life. The company establishes a reliable estimate of the useful life of goodwill arising on business combinations based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life assumptions that market participants would consider in respect of similar businesses.

Intangible assets are measured at cost less accumulated amortisation and any impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use.
- The ability to use the software.
- The availability of adequate resources to complete the development.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The principal annual rates used are:

- Software development costs 20 – 33%

Turnover
Turnover comprises rental income and service charges from social housing, supporting people services contract income, income from property sales and other amounts received in respect of service contracts. Turnover is stated exclusive of Value Added Tax ("VAT").

Loan interest payable
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and the amount of maturity of the related loan.

Loan arrangement fees
Loan arrangement fees are capitalised and amortised over the life of the loan.

Taxation
The charge for taxation for the year is based on the profits arising on taxable activities undertaken within the company at the appropriate enacted rate.

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. Deferred tax assets are only recognised to the extent that their recovery is reasonably expected in the foreseeable future.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Value added tax
The Company charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Company and not recoverable.

Tangible fixed assets and depreciation

Social housing properties
Social housing properties are principally properties available for rent and are stated at cost or valuation less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements subsequently made to social housing properties are capitalised in-line with component accounting regulations. See deprecation of social housing properties note for more information.

Disposal of social housing properties
Properties are sold under the statutory regulations of ‘Preserved Right to Buy’ and ‘Right to Acquire’. The sale is recognised when the transaction is completed. Amounts arising on the disposal of properties under the Right to Acquire are credited to the disposal proceeds fund in creditors and are normally available to be recycled against future development activity.

Capitalisation of interest and administration costs
Interest on loans financing development is capitalised up to the date of completion of the scheme and only when development activity in progress.

Administration costs relating to the development activities capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Supported housing managed by agencies
Where the Company holds the support contract with the Supporting People Administering Authority and carries the financial risk, the entire project’s income is included in the Company’s Statement of Comprehensive Income.

Depreciation – Social housing properties
Freehold land is not depreciated.

Where a social housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life, on the basis of original cost, less the proportion of SHG and other grants attributable to the component. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred and any remaining net book value relating to the original component is written off to the income and expenditure account in the year it is disposed of.

The company depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

Major components and their UELs are as follows:

Structure – general needs houses	100 years	Central heating	30 years
Structure – GN flats/ sheltered housing hostel	75 years	External wall insulation	25 years
Structure – sheltered housing	50 years	Electrical wiring	25 years
Roof	50 years	Doors	20 years
Bathrooms	30 years	Kitchens	20 years
Windows	30 years	Boilers	15 years
Externals	30 years	Solar panel system	25 years

Impairment
Social housing properties are depreciated over a period in excess of 50 years and are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating profit.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Shared ownership properties
Shared ownership properties which remain unsold at the accounting date are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. As the properties are sold the proceeds are included in turnover and the Group share remains in fixed assets at cost less any provisions needed for depreciation or impairment.

Depreciation – Other tangible fixed assets
Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

• Freehold property	75 years
• Leasehold properties	75 years or the term of the lease (which ever is lower)
• Furniture, fixtures and fittings	10-33%
• Computers and office equipment	5-33%

Leased assets
Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Company's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the Statement of Comprehensive Income over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Stock and properties for sale
Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Social Housing Grants
These include grants from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Social Housing Grant (SHG) is receivable from the Housing and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the Housing and Communities Agency or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates. Included within SHG in the accounts is the recycled disposal proceeds fund.

Disposal Proceeds Fund
Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Pensions
Some members of the Company participate in the Lancashire County Pension Fund ("LCPF") and the Social Housing Pension Scheme ("SHPS"); both are defined benefit final salary pension schemes. The assets of both schemes are invested and managed independently of the finances of the Company. The Company also participates in a defined contribution scheme with the Social Housing Pension Scheme ("SHPS").

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Pensions (continued)
For LCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised gains and losses.

For SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Financial instruments
Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Company are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method.
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value.
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial instruments Impairment
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

(a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

Notes to the Financial Statements (continued)

3. Turnover, operating costs and operating surplus

Continuing activities

	2017			Combined 2016		
	Turnover	Operating expenditure	Operating surplus/ (deficit)	Turnover	Operating expenditure	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings [A]	21,043	(14,596)	6,447	20,879	(15,118)	5,761
Other social housing activities:						
Support services	446	(282)	164	445	(295)	150
Non-social housing other [B]	2,011	(2,312)	(301)	2,478	(2,684)	(206)
	23,500	(17,190)	6,310	23,802	(18,097)	5,705

A. Particulars of income and expenditure from social housing lettings

	General Housing	Sheltered Housing	2017 Total	Combined 2016 Total
	£'000	£'000	£'000	£'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	14,513	5,048	19,561	19,410
Service charges receivable	356	960	1,316	1,309
Amortised government grants	125	41	166	160
Turnover from social housing lettings	14,994	6,049	21,043	20,879
Expenditure on social housing lettings				
Management	(3,864)	(1,277)	(5,141)	(5,183)
Services	(496)	(609)	(1,105)	(1,395)
Routine Maintenance	(2,599)	(859)	(3,458)	(3,680)
Planned Maintenance	(328)	(108)	(436)	(538)
Major repairs expenditure	(857)	(283)	(1,140)	(1,361)
Bad debts	(255)	(84)	(339)	61
Depreciation of housing properties and loss on disposal	(2,010)	(664)	(2,674)	(2,514)
Impairment of housing properties	-	-	-	(131)
Other costs	(228)	(75)	(303)	(377)
Operating costs on social housing lettings	(10,637)	(3,959)	(14,596)	(15,118)
Operating surplus on social housing lettings	4,357	2,090	6,447	5,761
Void loss	(320)	(120)	(440)	(638)

Notes to the Financial Statements (continued)

3. Turnover, operating costs and operating surplus (continued)

B. Activities other than non-social housing

	Turnover	Operating costs	2017 Operating surplus/ (deficit)	Combined 2016 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Market Lettings	66	(17)	49	102
Properties developed for outright sale	1,030	(1,062)	(32)	(102)
Other	915	(1,233)	(318)	(206)
	2,011	(2,312)	(301)	(206)

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	2017	2016
	Number of properties	
Owned Social housing		
General housing – social rent	3,422	3,441
Supported housing & housing for older people	1,163	1,158
Tenant group properties	1	1
Shared ownership	8	8
Managed Social housing		
Properties managed for Burnley Borough Council	25	23
Properties managed for Rossendale Borough Council	187	-
Owned Non-social housing		
Student accommodation	-	7
Total managed	4,806	4,638

The Tenant group property is included in housing properties at cost, being set aside for use by tenant groups that are supported by the Company.

The ex student accommodation is now being used by subsidiaries for supported housing.

Included in supported housing and housing for older people are the Elizabeth Street hostel which comprises 20 units in 1 property, a refuge Orchard House which comprises 20 units in 1 property and a care home Sunnyside Rest Home which comprises 8 units in 1 property.

Properties managed for Burnley Borough Council and Rossendale Borough Council are their Empty Homes properties which we let and manage on their behalf.

Notes to the Financial Statements (continued)

5. Operating surplus

The operating surplus is stated after charging/(crediting):-

	2017 £'000	2016 £'000
Depreciation of housing properties	2,592	2,418
Impairment losses of housing properties	-	131
Loss on disposal of components	82	95
Depreciation of other tangible fixed assets	143	130
Amortisation of intangible fixed assets	114	71
Amortisation of government grants	(163)	(160)
Operating lease rentals – land and buildings	79	65
Operating lease rentals – other	244	310
Auditor's remuneration (excluding VAT):		
- for auditor services	18	18
- for non-audit services	-	1

6. Surplus/(Deficit) on sale of fixed housing assets

	2017 £'000	2016 £'000
Disposal proceeds	206	147
Carrying value of fixed assets	(238)	(155)
Grant disposal	43	-
Surplus/(deficit) on disposal	11	(8)

Disposal proceeds represent the net receipt for sale of properties in accordance with the sharing agreement with Burnley Borough Council and proceeds from other sales.

Disposal of properties built for sale and shared ownership are shown in Note 3.

7. Interest receivable and other income

	2017 £'000	2016 £'000
Interest receivable and similar income	2	2

Notes to the Financial Statements (continued)

8. Interest payable and similar charges

	2017	2016
	£'000	£'000
Loans and bank overdrafts	3,770	4,689
Pensions – net interest on pension deficit	305	339
	4,075	5,028
Less: interest capitalised on housing properties under construction	(43)	(82)
Less: interest capitalised on properties for sale under construction	-	(101)
	4,032	4,845

The interest rate of 4.58% (2016: 4.58%) was used for capitalising finance costs.

9. Employees

		Combined
Average monthly number of employees	**2017**	**2016**
	No.	**No.**
Administration	60	58
Housing and community services	175	184
Total	235	242
Full time equivalents (36.25 hours/week)	215	223

		Combined
	2017	**2016**
	£'000	**£'000**
Employee costs:		
Wages and salaries (gross)	5,892	5,884
Social security costs	524	444
Other pension costs	783	697
Pension adjustment to Income and Expenditure Accounts	(80)	145
	7,119	7,170

Pension obligations

The Group participates in the Social Housing Pension Scheme (SHPS) with the Company also participating in Lancashire County Council's Superannuation Fund (LCCSF). The Group also operates a stakeholder pension scheme.

Social Housing Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

Notes to the Financial Statements (continued)

9. Employees (continued)

Social Housing Pension Scheme (continued)
The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows.

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020**:**	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Present value of provision	400	436	344

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2017 £'000	2016 £'000
Provision at start of period	436	344
Unwinding of the discount factor (interest expense)	8	6
Deficit contribution paid	(55)	(41)
Remeasurements - impact of any change in assumptions	11	(3)
Remeasurements - amendments to the contribution schedule	-	130
Provision at end of period	400	436
SHPS Pension liability		
Amounts due within one year (note 17)	57	-
Amounts due after one year (note 18)	343	436
	400	436

Notes to the Financial Statements (continued)

9. Employees (continued)

INCOME AND EXPENDITURE IMPACT

	2017 £'000	2016 £'000
Interest expense	8	6
Re-measurements – impact of any change in assumptions	11	(3)
Re-measurements – amendments to the contribution schedule	-	129

ASSUMPTIONS

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Year 1	57	55	41
Year 2	59	57	43
Year 3	62	59	45
Year 4	52	62	47
Year 5	42	52	49
Year 6	44	42	39
Year 7	36	44	29
Year 8	27	36	30
Year 9	28	27	21
Year 10	14	28	12
Year 11	-	14	12
Year 12	-	-	6
Year 13	-	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the statement of comprehensive income ie. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Notes to the Financial Statements (continued)

9. Employees (continued)

Lancashire County Pension Fund (LCPF)
The LCPF is a multi-employer defined benefit scheme with more than one participating employer, which is administered by Lancashire County Council under the regulations governing the Local Government Pension Scheme (LGPS). The benefit paid is normally in the form of a lump sum retirement grant plus an annual pension.

Assumptions
The major assumptions used by the actuary in assessing scheme liabilities were:

	31 March 2017	31 March 2016	31 March 2015
	% per annum	% per annum	% per annum
Rate of increase in salaries	3.8	3.5	3.5
Rate of increase in pensions in payment	2.3	2.0	2.0
Discount rate	2.5	3.6	3.3
Inflation assumption	2.3	2.0	2.0

Fair value and expected return on assets

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class. The rates quoted are gross of expenses.

The fair value of assets in the LCPF were:

	Fair value 31 March 2017 £'000	Fair value 31 March 2016 £'000	Fair value 31 March 2015 £'000	Fair value 31 March 2014 £'000
Equities	-	8,093	11,098	10,407
Government bond	551	471	698	616
Bonds other	440	471	315	1,827
Property	2,423	2,259	2,274	1,728
Cash/liquidity	303	800	1,081	338
Others	23,812	11,436	7,046	4,945

There is no provision for unitising the assets of a Fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

	2017	2016	2015	2014
	£'000	£'000	£'000	£'000
Fair value of the above assets relating to the company	27,529	23,530	22,512	19,861
Value placed on liabilities relating to the company	(39,377)	(31,730)	(32,543)	(26,607)
	(11,848)	(8,200)	(10,031)	(6,746)

Notes to the Financial Statements (continued)

9. Employees (continued)

Analysis of the amount charged to operating costs

	2017	2016
	£'000	£'000
Current service cost	(565)	(708)
Net charge	(565)	(708)

Analysis of the amount charged to interest payable and similar charges

	2017	2016
	£'000	£'000
Interest on pension scheme assets	845	742
Interest on pension scheme liabilities	(1,129)	(1,063)
Administration expenses	(13)	(12)
Net charge	(297)	(333)

Analysis of amount recognised in Statement of Comprehensive Income (SOCI)

	2017	2016
	£'000	£'000
Actuarial (loss)/gain less expected return on pension scheme assets	(3,387)	2,223
Actuarial (loss)/gain recognised in SOCI	(3,387	2,223

Amounts recognised in the Statement of Comprehensive Income (SOCI)

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Actuarial gains/(losses)recognised in SOCI	(3,387	2,223	(3,399)	2,403	(1,621)
Cumulative actuarial gains and losses	(8,503)	(5,116)	(7,339)	(3,940)	(6,343)

Reconciliation of defined benefit obligation

	2017	2017	2016
	Unfunded benefits	All benefits	All benefits
	£'000	£'000	£'000
Opening defined benefit obligation	580	31,730	32,543
Current service costs	-	565	708
Interest cover	20	1,129	1,063
Contributions by members	-	180	232
Actuarial losses/(gains)	71	6,672	(1,880)
Estimated benefits paid	(31)	(899)	(936)
Closing defined benefit obligation	640	39,377	31,730

Notes to the Financial Statements (continued)

9. Employees (continued)

Reconciliation of fair value of employer's assets

	2017	2017	2016
	Unfunded benefits	All benefits	All benefits
	£'000	£'000	£'000
Opening fair value of employers assets	-	23,530	22,512
Expected return on assets	-	845	742
Contributions by members	-	180	232
Contributions by the employer	31	601	649
Actuarial (losses)/gains	-	3,285	343
Benefits paid	(31)	(899)	(936)
Administration expenses	-	(13)	(12)
	-	27,529	23,530

History of experience gains and losses

	2017	2016	2015	2014	2013
Difference between expected and actual return on share of scheme assets:					
Amount (£'000)	3,285	343	1,275	(845)	1,607
Percentage of share of scheme assets	11.9%	1.5%	5.7%	(4.3%)	8.2.%
Experience of gains and losses on share of scheme liabilities:					
Amount (£'000)	6,672	(1,880)	4,674	(3,248)	3,228
Percentage of present value of share of scheme liabilities	16.8%	(5.95%)	14.4%	(12.2%)	11.3%
Total amount recognised in statement of changes in reserves:					
Amount (£'000)	(3,648)	2,223	(3,399)	2,403	(1,621)
Percentage of the present value of share of scheme liabilities	(9.3%)	7%	(10.4%)	9%	(5.7%)

Movement in deficit during the year

	2017	2016
	£'000	£'000
Company share of scheme liabilities at beginning of year	(8,200)	(10,031)
Movement in year:		
Current service cost	(565)	(708)
Past service gain	-	-
Contributions	601	649
Net interest/return on assets	(297)	(333)
Actuarial gain/(loss)	(3,387)	2,223
	(11,848)	(8,200)

Notes to the Financial Statements (continued)

9. Employees (continued)

Aggregate number of full time equivalent staff whose remuneration (basic salary, benefits in kind, employer's pension contributions and compensation for loss of office) exceeded £60,000 in the period:

	2017	2016
	No.	No.
£60,000 to £70,000	1	2
£70,000 to £80,000	1	-
£80,000 to £90,000	1	1
£100,000 to £110,000	1	2
£140,000 to £150,000	2	1

10. Board members and executive officers

	2017	2016
	£'000	£'000
The aggregate emoluments paid to or receivable by non-executive Directors	-	-
The aggregate emoluments paid to or receivable by executive officers	372	355
The aggregate compensation paid to or receivable by executive officers	16	-
The emoluments paid to the highest paid executive officer (excluding pension)	121	122
The aggregate pensions costs for executive officers	55	46
Total key management personnel remuneration	388	355

None of the Board members received emoluments. Expenses paid during the year in respect of Board members amounted to £1,185 (2016: £268). The executive officers are those as listed on page 1.

The Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Company does not make any further contribution to an individual pension arrangement for the Chief Executive.

11. Taxation on non-charitable activities

As a charity Calico Homes Limited is not liable to tax on its ordinary charitable activities. One element of their operation includes property sales which are deemed by HMRC to be non-charitable. Therefore, a tax provision on the surplus/(deficit) has been provided at the relevant corporation tax rate.

	2017	2016
	£'000	£'000
UK Corporation Tax charge for the year	-	-
Adjustment in respect of prior years	-	11
Total tax charge	-	11
Factors affecting tax charge for period:		
Surplus/(deficit) on ordinary activities before tax	2,291	854
Surplus/(deficit) on ordinary activities at standard rate 20% (2016: 20%)	458	171
Effect of charitable income and expenditure not subject to tax	(458)	(171)
Current tax charge for year	**-**	**-**
Adjustments in respect of prior years	-	11

Notes to the Financial Statements (continued)

12. Tangible fixed assets

	Housing Properties						
	Social Housing Properties for Letting Completed £'000	Social Housing Properties for letting under Construction £'000	Low cost home ownership Properties completed £'000	Total Housing Properties £'000	Freehold offices £'000	Furniture and office equipment £'000	Total fixed assets £'000
Cost							
At start of the year	99,528	790	626	100,944	5,365	1,207	107,516
Additions	4,878	5,302	-	10,180	202	65	10,447
Schemes completed	22	(22)	-	-	-	-	-
Disposals	(855)	-	-	(855)	-	-	(855)
At end of the year	103,573	6,070	626	110,269	5,567	1,272	117,108
Depreciation and impairment							
At start of the year	18,212	-	20	18,232	1,062	949	20,243
Charge for the year	2,586	-	6	2,592	83	60	2,735
Impairment	-	-	-	-	-	-	-
Disposals	(352)	-	-	(352)	-	-	(352)
At end of the year	20,446	-	26	20,472	1,145	1,009	22,626
Net book value at the 31 March 2017	**83,127**	**6,070**	**600**	**89,797**	**4,422**	**263**	**94,482**
Net book value at the 31 March 2016	81,316	790	606	82,712	4303	258	87,273

Notes to the Financial Statements (continued)

12. Tangible fixed assets – properties (continued)

Housing properties comprise:

	2017	2016
	£'000	£'000
Freehold land and buildings	87,372	80,250
Long leasehold land and buildings	2,425	2,462
	89,797	82,712
Major works to existing properties in the year:		
Works capitalised	3,531	4,224
Amounts charged to expenditure (note 3)	1,140	1,361
	4,671	5,585
Aggregate amount of interest and finance costs included in the cost of housing properties (note 8)	43	82

13. Intangible Fixed Assets

	2017	2016
Computer software and licences	£'000	£'000
Cost		
At start of year	1,034	945
Additions	131	89
At end of year	1,165	1,034
Amortisation		
At start of year	946	875
Charge for year	114	71
	1,060	946
Net book value		
At 31 March	105	88

14. Properties held for sale

	2017	2016
	£'000	£'000
Properties for outright sale	-	1,026
	-	1,026

Notes to the Financial Statements (continued)

15. Stock and work in progress

	2017 £'000	2016 £'000
Raw materials and consumables	37	37

16. Debtors

	2017 £'000	Combined 2016 £'000
Due within one year		
Rent and service charges receivable	1,566	1,338
Less: Provision for bad and doubtful debts	(847)	(596)
	719	742
Other debtors	908	1,182
Less: Provision for bad and doubtful debts	(292)	(271)
Prepayments and accrued income	550	836
Intercompany balance	1,402	622
	3,287	3,111

17. Creditors: amounts falling due within one year

	2017 £'000	Combined 2016 £'000
Debt (Note 19)	-	-
Trade creditors	350	445
Rent and service charges received in advance	376	398
Others creditors	108	100
Accruals and deferred income	2,689	2,157
Other taxation and social security	40	18
RTB proceeds due to Burnley Borough Council	160	66
Intercompany balance	562	14
Pension liability – SHPS (Note 9 on page 28)	57	55
Deferred capital grant (Note 20)	163	160
Disposal proceeds fund (Note 21)	187	295
	4,692	3,708

18. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Debt (Note 19)	90,148	88,159
Deferred capital grant (Note 20)	11,495	11,034
Disposal proceeds fund (Note 21)	725	745
Pension liability – SHPS (Note 9 on page 28)	343	381
Leaseholder sinking funds	45	33
	102,756	100,352

19. Debt analysis

	2017 £'000	2016 £'000
Due after more than one year		
Bank loans	90,148	88,159
Debt is repayable as follows:		
Between two to five years	10,037	2,700
After five years	80,111	85,459

The Company borrows, currently from the Royal Bank of Scotland and Nationwide, at both fixed and floating rates of interest. The Company currently has 64.44% (2016: 71.4%) of its borrowings at fixed rates.

The fixed rates of interest range from 4.80% to 6.38% (2016: 4.29% to 7.109%) and the weighted average rate of interest on fixed rate loans is 5.87% (2016: 6.18%). Variable rate loans have their rate linked to LIBOR.

Break costs
The Company has interest rate fixes and forward rate fixes in place maturing at intervals up to 2038, if these fixes are not taken up or are terminated prior to maturity break costs will be incurred. No provision for break costs is recognised in the financial statements as it is likely that they will be taken up when they fall due and terminations prior to maturity date are not expected.

Our loan portfolio also includes a number of loans whose interest rate is calculated in relation to the retail price index. Details are as follows:

Value date	Maturity date	Lender	Type	Amount £'000	Rate including margin at 31/03/17 %
13/10/2008	13/10/2038	RBS/nationwide	RPI cap/collar	6,000	5.82

RPI (floor 0% p.a., Cap 5% p.a.) + 0.915% + margins payable from the effective date.

The bank loans are secured by a fixed and floating charge over the assets of the Company held on behalf of the Funders by Prudential Trustee Company. The loans are repayable in agreed stages from 2018 onwards. The break costs are considered to be the fair value of the loans.

Notes to the Financial Statements (continued)

20. Deferred capital grant

	2017 £'000	2016 £'000
At start of year	11,194	9,814
Grant received in the year	627	1,540
Released to income in the year	(163)	(160)
At the end of the year	11,658	11,194
Amount due to be released within one year	163	160
Amount due to be released after one year	11,495	11,034
	11,658	11,194

21. Disposal proceeds fund

	2017 £'000	2016 £'000
At start of year	1,040	825
Net PRTB receipts	223	360
HCA Grant received	54	81
Allocation of funds – New build	(408)	(229)
Interest accrued	3	3
At the end of the year	912	1,040
Amount due to be released within one year	187	295
Amount due to be released after one year	725	745
	912	1,040
Amounts over 3 years where repayment may be required	-	-

22. Pension provision

	2017 £'000	2016 £'000
LCPF – Lancashire County Pension Fund (Note 9)	11,848	8,200

Notes to the Financial Statements (continued)

23. Capital commitments

Capital expenditure commitments were as follows:

	2017	2016
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	9,061	5,826
Expenditure approved by the Board, but not contracted	17,773	28,270
	26,834	34,096

Amounts contracted for but not provided in the accounts are to be funded out of loan facilities and relate to potential property developments.

Operating leases
The future minimum lease payments which the Company is committed to make under operating leases are as follows:

	2017	2016
	£'000	£'000
Land and buildings:		
• Within one year	151	65
• Two to five years	198	114
	349	179
Other leases:		
• Within one year	208	269
• Two to five years	865	147
	1,073	416

24. Contingent liabilities

There were no contingent liabilities at 31 March 2017 (2016: Nil).

Notes to the Financial Statements (continued)

25. Reconciliation of Company operating surplus to net cash inflow from operating activities

	2017	Combined 2016
	£'000	£'000
Operating surplus	6,310	5,705
Adjustments for non-cash items:		
Pensions adjustment	(80)	145
Depreciation of housing properties	2,592	2,418
Loss on disposal of components	82	95
Amortisation of intangible fixed assets	114	71
Amortisation of government grants	(163)	(160)
Depreciation of other tangible fixed assets	143	130
Impairment losses of housing properties	-	131
	8,998	8,535
Tax Paid	-	(11)
Working capital movements:		
Stock	-	6
Debtors	(171)	(1,323)
Creditors	1,081	(1,404)
Net cash generated from operating activities	9,908	5,803

26. Control

The Calico Group Limited ("Group") is the immediate parent, a company incorporated in United Kingdom.

The consolidated accounts of The Calico Group Limited are available from its registered office, Centenary Court, Croft Street, Burnley, Lancashire, BB11 2ED.

27. Related parties

Tenant member
The tenant member at 31 March 2017 and 2016 was Christina Yates. Her tenancy is on normal commercial terms with rent payable of £5,500 per annum (2016: £4,000) and she is not able to use her position to her advantage.

At 31 March 2017, there were no outstanding amounts (2016: £Nil).

Hobstones Homes Limited ("Hobstones"), a fellow subsidiary of Group
During the year, Hobstones was contracted to deliver our major development programme listed below:

	Mar-17	Mar-16
	£'000	£'000
• New house building	4,973	2,101

During the year, the company recharged office costs to Hobstones totalling £51,000 (2016: £22,000).

At 31 March 2017, Hobstones owed the company £121,000 (2016: £7,000).

Notes to the Financial Statements (continued)

27. Related parties (continued)

Ring Stones Maintenance and Construction LLP (“Ring Stones”), a subsidiary of Calico JV Limited

During the year, Ring Stones carried out part of the major works programme for Calico Homes, below is a list of the work programmes and the values involved:

	Mar-17 £’000	Mar-16 £’000
• Various Investment works	981	251
• Fencing Programme	-	513
• Externals	2,861	2,426
• Heating	-	525
• Roofing	199	452
• Damp proofing	281	532
• Various Responsive works	131	140
• Development	411	697
• Rossendale Empty Homes properties	527	-
	5,391	5,536

During the year, the company recharged office costs to Ring Stone totalling £371,000 (2016: £126,000).

At 31 March 2017, Homes owed to Ring Stones £20,000 (2016: owed by £305,000).

The Calico Group Limited (“Group”), the parent company
During the year, the Group recharged office costs amounting to £58,000 (2016: £49,000).

At 31 March 2017, Group owed the company £49,000 (2016: £85,000).

Calico Enterprise Limited (“Enterprise”), a fellow subsidiary of Group
During the year, the company recharged office costs to Enterprise totalling £150,000 (2016: £152,000) and Enterprise charged £496,000 (2016: £533,000) for cleaning, painting, decorating and catering services.

At 31 March 2017, Homes owed to Enterprise £37,000 (2016: owed by £52,000).

Acorn Recovery Projects (“Acorn”), a fellow subsidiary of Group
During the year, the company recharged office costs and rents to Acorn totalling £128,000 (2016: £115,000) and Acorn recharged £54,000 (2016: £Nil) for professional fees.

At 31 March 2017, Acorn owed the company £625,000 (2016: £31,000).

Safenet Domestic Abuse Service (“Safenet”), a fellow subsidiary of Group
During the year, the company recharged office costs and rents to Safenet totalling £211,000 (2016: £120,000).

At 31 March 2017, Safenet owed the company £17,000 (2016: £87,000).

Calico JV Limited (“JV”), a fellow subsidiary of Group
During the year, the company recharged legal & professional fees amounting to £Nil (2016: £36,000) to JV.

At 31 March 2017, JV owed the company £52,000 (2016: £36,000).

Whitworth Care Trust (“Whitworth”), a subsidiary of the company
The Whitworth charity was dissolved following Calico Homes obtaining CQC (Care Quality Commission) certification in January 2017.

The assets and liabilities of Whitworth were transferred to Calico Homes and under merger accounting method the comparatives have been restated in these financial statements. At the transfer date, Whitworth had net assets of £33,000 (2016: £28,000).

Delphi Medical Limited (“Delphi”), a subsidiary of Acorn
There were no transactions during the year (2016: £Nil).

At 31 March 2017, Delphi owed the company £30,000 (2016: £Nil).

Delphi Medical Consultants Limited (“DMC”), a subsidiary of Acorn
There were no transactions during the year (2016: £Nil).

At 31 March 2017, DMC owed the company £3,000 (2016: £Nil).

Notes to the Financial Statements (continued)

28. Financial instruments

The Company had the following financial instruments:

	2017 £'000	2016 £'000
Financial assets that are debt instruments measured at amortised cost:		
• Cash at bank and in hand	689	1,125
• Rent and service charges receivable	719	742
• Other debtors	616	911
• Amounts due from group undertakings	1,402	622
	3,426	3,400
Financial liabilities at amortised cost:		
• Bank loans	90,148	88,159
• Trade creditors	350	445
• RTB proceeds due to Burnley Borough Council	160	66
• Amounts due to group undertakings	562	14
• Deferred capital grant	11,658	11,194
• Disposal proceeds fund	912	1,040
	103,790	100,918