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

CALICO HOMES LIMITED

Report and Financial Statements

Year ended 31 March 2018

Contents

Board Members, Executive Officers, Advisors and Bankers

Board	
Chair	John Inglesfield
Vice Chair	Peter Bevington
Other Members	Karen Ainsworth (resigned 11 June 2018) Victoria Appleton Gemma Dyson Adam Greenhalgh Nickie Hallard (resigned 19 March 2018) William Lacey (appointed 30 April 2018) Andrew Mullen Gregory Robinson (appointed 30 April 2018) Paula Robinson (appointed 30 April 2018) Stewart Shaw Christina Yates
Executive Officers	
Chief Executive and Company Secretary	Anthony Duerden (appointed as secretary 31 March 2017; resigned as secretary 6 February 2018)
Director of Finance & Corporate Services and Company Secretary	Stephen Aggett (appointed 1 October 2017; appointed as secretary 5 February 2018)
Executive Director	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
Regulator of Social Housing	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:

"Investing in local communities where everyone thrives – through innovation, strength and collaboration"

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 real 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.

Public Benefit

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the directors consider how planned activities will contribute to the aims and objectives they have been set.

The Company undertakes and manages its activities in line with the above objectives through the provision of support contracts. The directors receive regular updates on performance and feel that the objectives have been achieved as set out in the next section.

Performance for the year

For Calico Homes, the purpose of "making a real difference to people's lives" has remained consistent and has become more evident through the delivery of yet more homes and services for our customers over the past 12 months.

Collaborative working between Calico Homes and Ring Stones has resulted in the design and development of affordable homes and shared ownership properties, increasing the financial viability of the development programme and the flexibility of tenure for our customers. In addition, successful partnership working with key stakeholders such as East Lancs Hospital Trust, NHS, Homes England and local authorities across Pennine Lancashire has ensured that Calico Homes are accessing existing markets and creating new ones.

During 2016/2017, the Pomfret and Blannel scheme in Burnley was delivered, providing 22 new homes. The offer of 2 and 3 bed houses and 2 bedroom bungalows provided much needed accommodation for affordable rent.

In development for 2017/18, the Melrose scheme has provided 30 houses, a mix of 2 and 3 bedroom, for affordable rent and includes one specialist 3 bedroom bungalow for a family who have high mobility needs.

A further 56 units for affordable rent on Perseverance Mill is progressing at speed and has totally transformed the Padiham landscape. The river culvert has been opened and flows impressively between the stone built properties either side. There are plans to regenerate adjoining dilapidated buildings nearby that will complement the new build development and extend Calico Homes' specialist supported housing offer and affordable housing offer to even more customers.

The success of last year's Syrian Refuge Project has resulted in Burnley and Pendle Local Authorities requesting further properties and this approach won Calico Homes a commendation at the National Housing Awards in London.

The delivery of Jane's Place for SafeNet has provided exemplary accommodation for those seeking refuge and won a prestigious award for "Outstanding approach to meeting specialist housing needs" at the UK Housing Awards in London and a commendation at the Northern Housing Awards in Manchester.

The Gateway project, an impressive architectural gateway into Burnley, has now completed and will open its doors in August of 2018 providing 30 units with communal space for homeless people. Companies in the Calico Group will work together to provide an array of services including drug and alcohol rehabilitation with Acorn, Delphi and Calico Enterprise facilitating employment and training opportunities from this facility.

On the 18 July 2018, we successfully completed the new funding arrangement which has increased our total loan facility by £27.5m from £115m to £142.5m. This is a bi-lateral arrangement with Royal Bank of Scotland and Nationwide who have both been our funders since transfer in 2000. This will support the continuation of our ambitious growth strategy and enable us to continue the delivery of our property development programme which will increase our property portfolio by circa 265 additional properties.

In relation to income collection, we have continued to perform strongly for a fourth year despite the continued roll out of Universal Credit and our year end rent collection performance was 99%. We continue to have an intensive and proactive approach to rental income management, along with a focus on tenancy sustainment. We have begun 2018/19 by continuing to support customers through welfare reform, in particular Universal Credit, which we are focussing on in partnership with the Department of Work & Pensions and Job Centre Plus. 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 Group Business Services (Human Resources, Finance, IT, Business Improvement and Office Accommodation) from other companies within the Calico Group.

The aim of our Asset Management Strategy is "To ensure Group assets are managed in a way which maintains and maximises their value". Our Asset Performance Evaluation (APE) model has enhanced our knowledge of the performance our domestic stock and we are using this to inform decisions about investment and wider opportunities. The average 30 year Net Present Value (NPV) of our stock is £13,537 per unit, which is in line with benchmarked organisations in the North West.

We have prioritised the 'Poor' and 'Marginal' asset groups for review and are continually considering options to improve performance. One example of this, being an asset group with low NPV versus a High Open Market Value. Following an options appraisal against this asset group, we are converting these properties to Market Rent at the point they become void and several properties have since been converted at the point of a new tenancy. The financial impact of this approach is beneficial as the rental income per annum more than doubles. The projected Net Present Value of the asset group, assuming all properties were to be converted, increases from £2,329 to £47,569 over 30 years.

Strategic Report of the Board (continued)

Performance for the year (continued)
Several long term voids (within the Sundries asset group) have been included in the Empty Homes programme and have been refurbished and brought back into stock, hence improving their performance. We have completed an options appraisal of the impact of the Empty Homes programme and anticipate an improved NPV of this asset group in the long term as a result.

In 2017/18, we spent a total of £3.6M investing in our properties on the following work streams: The Brunshaw Improvement Programme; Damp programme; Boiler Upgrade programme, Roofing repairs and Fire Safety Works. We completed a Stock Condition Survey in February 2018 which will inform our future investment programmes.

We also invested £56k completing disabled adaptations to our current customers' homes enabling them to remain in the property whilst improving their quality of life. A further £77k 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 6th consecutive year and focus on all compliance areas is a key priority for us.

Customer feedback has remained largely positive with satisfaction improving or remaining static in all areas. Overall customer satisfaction with our services is 88%, which aligns with our target and is an increase of 2% against the previous year.

The regulation of social housing is the responsibility of the Regulator of Social Housing (RSH) (formerly the Homes and Communities Agency). The regulator undertook an In Depth Assessment in 2016 and we maintained the highest possible rating (G1 and V1) for both our governance and financial viability. A subsequent review was completed in November 2017 and our G1/V1 status was reconfirmed.

Void property performance continued to be an area of focus. A seasonal and 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 (excluding the hostel and supporting housing) remained within our business plan assumptions at a level of 2.18% against a business plan target of 2.5%. 88% of tenancies sustain for at least 12 months and we have further reduced the number of tenancies terminating compared to the previous year, demonstrating that our approach to tenancy sustainment is effective.

Following a review of the offered pension schemes and consultation with staff, Homes served notice on the Lancashire County Pension Fund ("LCPF") defined benefit scheme with termination on 31 March 2018. A gain on settlement of £9.2m is realised in these financial statements.

Reserves Policy
The objective of having unrestricted funds in reserve is to enable the charity to cope with unplanned events. Very often, the effects of the event can be managed in the long term, but the charity needs reserves in the meantime. There is no rule on how large reserves should be; this will depend a great deal on the nature of the charity's activities and the level of external risk perceived by the trustees. It will also depend on what other action the charity is taking to mitigate the effects of the external threats, as this will affect the level of reserves required.

The Trustees will monitor and review the level of reserves annually, in line with guidance issued by the Charity Commission.

Directors' Induction and Training
New directors undergo training on their legal obligations under charity and company law; the content of the Articles of Association; the board and decision making processes; the business plan and recent financial performance of the charity. During the induction training programme, held over four training sessions, they learn about the organisation's purpose, history, aims and objectives, services, staff and volunteers, facilities, security, funding, residents' participation, strategic work, multi-agency and partnership involvement. They also meet key staff to learn about their work roles.

The background of the trustees means they are already familiar with the work being undertaken and their responsibilities as trustees. Presentations have been made to each Board meeting to further identify and explain the work being undertaken by the charity and its governance structure.

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 from 2016/17 was required. We have achieved our target of £640k efficiency savings for 2016/17 and £576k for 2017/18. These have been achieved with relatively little impact on service provision to customers. We have identified the budget savings of £535k for 2018/19, some of which have been incorporated into the business plan and budgets approved by Calico Homes Board, and we continue to identify opportunities to find the remaining balance. We are confident that we are able to deliver these and identify the remaining efficiencies of £180k in the final year of the programme.

Strategic Report of the Board (continued)

Future Activity (continued)

Alongside Calico Homes' new funding arrangement of an additional £27.5m, Calico Homes' partnership with local authorities across Pennine Lancashire and Homes England goes from strength to strength and development schemes being prepared for the next 3 years are secured with grant subsidy and land availability for delivery in 2017/18, 2018/19 and 2019/20.

In 2018, Ring Stones have commenced building 33 properties on Priory Chase, Nelson. These properties will be offered to the market for shared ownership and marketing is due to commence in August 2018. Grant funding from Homes England was secured for 10 units initially, however, since this time, Homes England have recently awarded grant to the remaining 23 units. As reported previously, no sales have been included in the Business Plan and all sales schemes can be reverted to affordable rent if required.

Station Road, Padiham – Calder Green site has been purchased and has been allocated Homes England funding for the first 20 units. Further grant applications will be made once the site has been fully designed.

Two other sites are being considered for purchase to land bank for future development. The team are currently working on feasibility processes to ensure the purchases are financially viable.

Feasibility studies are on going to determine the use of Elizabeth Street and Sunny Bank Nursing Home. These sites will become redundant once Gateway and Whitworth are in operation.

In line with our asset management strategy, we have undertaken an opportunity to refurbish and remodel 20 existing units owned by Calico Homes on the Brunshaw Estate, which compliments our externals refurbishment programme in that neighbourhood. The project will benefit from Homes England funding to provide affordable homes for our customers and will be delivered in partnership with Ring Stones Construction. We achieve significant social profit through the delivery of our programmes by working with Ring Stones, who support the local labour market and include apprenticeship opportunities on all schemes, enabling us to achieve our strategic aims.

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

Using our Asset Performance Evaluation Model, we have reviewed the performance of our sheltered asset groups and will this year commence a review of our stock and our Retirement Living Strategy, to better understand our customer aspirations and whether our current properties and services meet their needs.

Welfare reform and particularly the roll out of Universal Credit across Pennine Lancashire continues to be a risk for Calico Homes' income stream. Whilst we are well prepared for this and have continued to strengthen our relationship 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 have launched a bespoke leadership programme, which will ensure, despite the challenges we face, that 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 continue to make progress to becoming a values led organisation. In February 2018, Calico were recognised as the 36th (2017: 18th) Best Company to work for in the Sunday Times Best 100 Companies to Work for (not-for-profit category) and also received an award for recognition that we have been placed in the top 100 for the last decade.

This report was approved by the Board on 17 September 2018 and signed on its behalf by:

Stephen Aggett
Company Secretary
17 September 2018

Report of the Board

The Board is pleased to present its report and the financial statements for the year ended 31 March 2018.

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 Regulator of Social Housing ("RSH") 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.

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

Value for Money ("VfM")
The RSH has issued a new Value for Money Standard ("VfM") and a supporting Code of Practice that applies to all private registered providers of social housing ("RPs") and which came into effect on 1 April 2018. RPs must include evidence in these financial statements to enable stakeholders to understand:

- Performance against its own VfM targets and any metrics set out by the regulator and how that performance compares to its peers.
- Measurable plans to address any areas of underperformance.

Below is a table of Calico Homes Limited VfM Metrics together with a comparison of the 2016/17 Sector Scorecard analysis for our peer group (20 RPs).

	VfM Metrics	2018/19	2017/18	2016/17	2016/17
		Target	Actual	Actual	Peer
1	Reinvestment %	17.1%	16.6%	11.3%	-
2A	New supply delivered (social housing)	3.0%	1.1%	0.3%	0.7%
2B	New supply delivered (non-social housing)	0.0%	0.0%	0.0%	-
3	Gearing	96.2%	94.7%	99.6%	50.0%
4	Interest Cover – EBITDA MRI	129.7%	122.2%	131.3%	259.6%
5	Headline Social Housing cost per unit	£ 2,750	£ 2,915	£ 3,203	£3,201
6A	Operating Margin (social housing)	33.1%	31.6%	30.6%	32.6%
6B	Operating Margin	30.0%	28.1%	26.9%	32.2%
7	ROCE (Return on capital employed)	5.1%	6.5%	6.7%	6.9%

The Gearing metric (3) which is a ratio of net debt against housing NBV (net book value) is high due to the initial full costs of assets at transfer, our continuing reinvestment, new development and growth. Our treasury strategy is to maximise our asset value to allow for this to continue. The company can borrow funds on a loan to value (LTV) basis and this is monitored by a debt per unit covenant.

The Interest Cover metric (4) is lower than peers primarily due to the fact that there will be more interest payable as indicated by the higher Gearing metric. Our funders monitor this using an interest cover covenant.

The Headline Social Housing cost per unit metric (5) indicates that the company is operating at similar efficiency levels to our peers. There is also a projected trend of improvement, which links to savings made through the efficiency programme.

In respect of the Company's Value for Money Action Plan, the below table summarises the company's strategic aims alongside its relevant corporate strategies and actions to be taken:

Strategic Aim (Objectives)	Strategy	Action
To be customer led in delivering excellent services	Customer Sales and Marketing	Complete a branding review: • To enhance our marketing approach. • To better inform us of competition. • To analyse population for more strategic approach. • To inform our offer to BME communities
	ICT	Deliver the channel shift project to increase digital and self serve offer.
	Customer	Carry out a programme of customer profiling. Continue to work with other Group Companies to deliver broader range of services.
	Development	Development of energy efficiency charter to reduce fuel poverty.

Strategic Aim (Objectives)	Strategy	Action
To create social profit for the areas in which we work	Value for Money	Continuous review of contracts and procurement approaches. Use Social Profit Calculator to effectively measure social profit impact.
	Successful Neighbourhoods	Deliver transformational projects in key neighbourhoods, creating catalysts for regeneration.
	Asset Management Development	Establish links with commissioners, Health Boards and local authorities to promote Calico offer. Through partnership with Ring Stones and realise positive impact on the local economy.
To use our resources effectively, providing value for money in everything we do	Asset Management	Delivery of asset management strategy plan. Upgrade current APE (Asset Performance Evaluation) for recent data. Consider NPV (Net Present Value) of housing assets to ensure performing positively or moving towards this. Within our options appraisal framework underperforming/ void/ low demand assets and consider opportunities for stock investment or refurbishment, change of tenure, use or sale.
	Development	Bidding for further capital funding to support development programme. Consider opportunities to broaden geographical spread to enhance asset value and increase income. Identify opportunities to broaden tenure type through new developments. Ensure Development and Asset Management strategies align. Create a platform for discussion regarding energy performance, sustainability and construction of buildings.
	Sales and Marketing	Develop Sales and Marketing strategy. Articulate demand and/or strategy around shared ownership or sales.
	Tenancy Sustainment	Maintain focus on maximising income and sustainability against challenges presented through welfare reform.
	Value for Money	Monitor performance against budgets. Deliver the Homes efficiency programme action plan. Use Sector Scorecard and VfM Metrics to compare and produce actions for improvement.
To secure and deliver new business opportunities and partnerships	Treasury	Maximise financing opportunities and explore different funding options to enable future borrowing for development and growth.
	Value for Money	Position ourselves to influence regional and government policy
	Customer	Continue to work with other Group companies to deliver a broader range of services to enhance our offer as a housing provider.
To realise people's full potential	People	Developing our people and teams so that they are fulfilling their potential and increasing productivity as a result.
	Value for Money	Maximise the use of our resources throughout the Group and the synergies that can be generated from Group companies. Utilise staff commercial awareness to identify improvements or new activities.

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 Remuneration Committee 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.

Report of the Board (continued)

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.

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. The Staff Panel which comprised staff representatives who met with Executive Team representatives to discuss issues relevant to staff has been disbanded following a review. We are now recruiting Staff Champions from across the Group who will communicate with staff and gather feedback on any issues.

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. We have also been awarded Investors in Diversity and achieved the Leaders in Diversity accreditation.

In February 2018, Calico were recognised as the 36th (2017: 18th) 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 Performance Team, 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 £9.2 million (2017: £2.8 million) to bring its total borrowings to £99.7 million (2017: £90.5 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 64.4% (2017: 71.0%) 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 4.56% (2017: 4.78%).

Gearing, calculated as total loans less cash as a percentage of net book value of housing properties (VFM Metric definition), was 94.7% (2017: 99.6%).

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

In July 2018, the Company secured additional funding of £27.5m taking the total borrowing facility to £142.5m.

Reserves
After transfer of the surplus for the year of £2,446,000 (2017: £2,291,000) and actuarial gains of £1,937,000 (2017: loss £3,387,000) and a gain on settlement of LCC pension scheme amounting to £9,226,000 (2017: £Nil), the Company reserves at the year end amounted to a deficit of £7,087,000 (2017: £20,696,000) which is in line with expectations.

NHF Code of Governance
We are required by the RSH, 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 review whether we fully comply with this Code - where we do not, we agree an action plan and 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 2018 following an annual review that took place in March 2018.

Report of the Board (continued)

RSH Governance Compliance

The Board has carefully considered the requirements of the RSH'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 April 2018 and the Board certifies that the Company was fully compliant with those standards for the year ended 31 March 2018.

The Board

The Board comprises eleven (2017: 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.

Community Engagement

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 2017 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.

Report of the Board (continued)

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.

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
As part of the Calico Group approach to risk management, Calico Homes has in place a risk map which is reviewed by the Board on a quarterly basis. Risk Three recognises that our review of our performance indicators is now complete and the increased focus at Board on high profile schemes such as Whitworth. Risk Five also outlines our approach to responding to the Hackitt Review, which was undertaken in response to the tragedy at Grenfell.

Key risk element	Status	Impact on strategic objectives
1. Change in Government policy and funding, relating to registered providers, impacts on financial viability of Calico Homes affecting ability to grow and meet strategic aims	• Assumptions in the business plan, in respect of income collection, agreed annually and built into the business plan to ensure financial viability is maintained. • Tenancy Sustainment Strategy and action plans being delivered focussing on sustainment and Universal Credit. • Income management policy in place. • Progress/information on Welfare Reform regularly included in Board briefing packs. • Income collection & tenancy sustainment monitored & reported as a KPI to Board. • Partnership contracting with Ring Stones to ensure VfM and value engineer policies and procedures – design development and standards. • Multi-variant stress testing carried out and consultation with Board about scenarios and stress triggers. • Efficiency action plan produced to make savings required following reduction in income levels resulting from rent reduction. Year one and year two savings achieved. • Development Strategy in place including review of external funding streams. • Development team expanded to include a dedicated sales and marketing officer to take forward schemes for homeowner products. • Responded to the de-regulation agenda and the potential legal and governance risks to enable Board to govern effectively and maintain G1 status – through the approval of a Disposals Policy.	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.
2. Loss of key staff and decline in staff morale limits ability to perform	• People strategy in place focussing on Realising People's Potential ("RPP"). • Employee relations policy, RPP Policy, Wellbeing Policy, Health and Safety Policy, Pay and Reward policy. • HR & payroll systems. • Staff appraisal process. • Training. • Induction process. • Exit interviews. • Surveys/feedback. • Cultural values assessment. • Leadership Approach – Repairs Service. • Salary benchmarking completed periodically. • Continued embedding of the company values. • Review of Calico Homes Leadership Team structure.	

Key risk element	Status	Impact on strategic objectives
3. Operational performance not delivered to levels required and deteriorates due to changes in external operating environment	• Regular performance report produced on a balanced scorecard basis, reviewed by teams, senior management team and executive team monthly. • Review of company performance indicators for 18/19, to ensure they reflect our strategic targets and priorities. • Sector Scorecard data analysis and action plan. • Business plan assumes cessation of supporting people income in mid 2018. • Internal audit function able to validate the information being presented to Boards as part of their review of controls. • Additional checks to ensure external data is reported accurately. • External environment being monitored for changes in Government policy and action plans developed to manage. • Project Managers in place to oversee delivery of new schemes (Gateway and Whitworth), working with partners, both internal and external. • Development updates and additional reporting to Board, focussing on high profile schemes.	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.
4. Ineffective Boards due to their composition /skill set/ experience leading to poor governance	• Board member appraisals undertaken. • Revised Board Development Plan. • Compliance with Code of Governance. • Terms of Reference. • Board skills/behaviour matrix. • G1 rating maintained in independent assessment (RSH) in June 2016 and status reconfirmed in November 2017. • Strategic Events. • Organisational development/Governance role with more focus. • Annual review of Key Decision Items against the Regulatory Standards and Calico's Strategic Aims. • Financial training for all Boards. • Development of Board Governance Framework. • Board effectiveness review and summary.	
5. Failure to adhere to health and safety legislation and meeting the requirements of the consumer and economic standards set down by the RSH. Failure to respond to the political implications, and additional safety regulations, following the Grenfell fire tragedy, leading to reputational damage and regulatory intervention. Failure to listen to customers regarding Health and Safety concerns.	• Health and Safety ("H&S") Policy in place approved by all Boards. • Viability monitored through annual business plan preparation and other regulatory returns. • Structured regular quorate Board meetings held. • Compliance reporting to Board through the quarterly performance report and Gas safety reporting through performance report. • Internal audit of key H&S and compliance functions. • H&S performance team. • CQC audit completed. • Regulation/legislation matrix completed and reviewed annually. • Annual H&S audit. • H&S training for Board Members. • H&S updates provided to Board through performance reporting. • Review of our approach to Fire Safety completed and on-going monitoring of action plan. Initial report to Board in August 2017. • Assets and Liabilities Register complete. • Annual VfM Self-Assessment of Homes' partnership with Ring Stones and communication with Homes Board of the benefits, VfM and Social Profit achieved through this partnership. • Our approach to scrutiny includes customer engagement/ neighbourhood representatives, informal consultation and analysis of complaints and feedback. • Homes Business Continuity Plan/ Emergency Response Plan to ensure we have an appropriate approach to response following an emergency, which is well communicated and understood. • Company performance report includes a broader range of compliance indicators.	

Key risk element	Status	Impact on strategic objectives
6. Development activity not delivered as planned and new build programme has insufficient workload for construction operatives	• Current development programme monitored by Development Team on a weekly basis. Financial commitments reported to Exec each month. • Sales progress report produced regularly. • Financial position monitored through management accounts. • Monthly meetings between finance and development staff to review cash-flow forecasts. • Monthly meetings between Homes and Ring Stones. • Pre development processes and procedures in place to monitor activity and progress of each scheme. • Board Development training. • Regular Development updates at Homes Board meetings. • All new schemes are financially appraised and approved at Homes Board. • Revised financial assumptions approved by Board April 2018. • Internal audit. • Suite of KPIs now included in company performance report. • Design development processes being introduced to manage the Ring Stones programme. • New business opportunities being considered for new funding streams.	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.
7. Non development related (e.g. supporting people contracts) growth opportunities not identified or pursued	• Growth Strategy in place. • Group KPI Board report produced. • Corporate plan targets reviewed and introduced for Homes. • Growth Strategy reviewed and approved at Group Board. • Involvement of Homes Board in establishing strategic priorities and informing the Homes Growth Plan.	
8. Loan financing to develop / expand the property base	• Annual treasury strategy in place. • Annual business plan prepared in conjunction with Growth strategy. • Updates on market availability of funds regularly received by Director of Finance and Corporate Services. • Funding Options Review was undertaken and following approval by Homes and Group Boards, a new financing arrangement was put in place in July 2018. • Action plan devised and presented to Board.	
9. Communication with customers, service users and tenants is poor or ineffective and does not meet the required standard.	• Regular reporting of variety of customer insight. Action taken to address causes of dissatisfaction. • Adoption of Mary Gober principles. • Revised co-regulation framework. • Calico group Customer Contacts Policy – focus on treating feedback as gold and doing the right thing. • Review of the role of the Customer Engagement Team completed and implemented to support Homes strategy. • Channel shift project team established focussing on increasing amount of digital communication with customers. • Launched new customer strategy & action plan. • "What Our Customers Are Saying" report which enables us to use customer insight to inform service improvements. • Revised approach to STAR and introduce more quality checks.	
10. 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. • 2016/17 and 2017/18 efficiency savings delivered. • Year 3 efficiency savings identified. • Board and Leadership Team monitoring of efficiency programme. • Stress testing undertaken. • Management accounts reviewed monthly and forecasts made. • Annual budget setting process. • Review of group contributions. • Development of monitoring mechanism to track efficiency savings. • Regular reports to Board advising of progress against the efficiency programme and action plan.	

Key risk element	Status	Impact on strategic objectives
11. Subsidiaries do not work together to deliver the growth strategy in order to maximise opportunities and manage risk.	• Growth Strategy. • Board Strategic Sessions. • New Group Executive and Leadership Team Structure. • Homes Leadership Team Structure Review. • Strategic Review.	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.
12. Loss of assets due to disaster and impact on people.	• Business Continuity Plan. • Insurance investigations. • Decant Policy. • Fire risk assessments. • Gas & electrical servicing. • Repairs policies. • Smoke/CO2 detection. • Property MOTs. • Property Services Risk Map. • Homes Business Continuity Plan/Emergency Response Plan to ensure we have an appropriate approach to response following an emergency, which is well communicated and understood.	

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.

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 17 September 2018 and signed on its behalf by:

Stephen Aggett
Company Secretary
17 September 2018

Independent Auditor's Report to the Members of Calico Homes Limited

Opinion
We have audited the financial statements of Calico Homes Limited "the charitable company" for the year ended 31 March 2018 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its profit for the year then ended;
- 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' (who are also the directors of the charitable company for the purposes of company law) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Board which includes the Strategic Report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report included within the Report of the Board has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report included within the Report of the Board.

We have nothing to report in respect of the following matters in relation to which 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

Independent Auditor's Report to the Members of Calico Homes Limited (continued)

Matters on which we are required to report by exception (continued)

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body for our audit work, for this report, or for the opinions we have formed.

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: 17 September 2018

Calico Homes Limited
Company number: 3752751

Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	22,394	23,500
Operating expenditure	3	(16,046)	(17,108)*
Gain/(loss) on disposal of fixed assets	6	753	(71)*
Operating surplus		7,101	6,321
Interest receivable and other income	7	2	2
Interest payable and financing costs	8	(4,662)	(4,032)
Surplus on ordinary activities before tax		2,441	2,291
Taxation on non-charitable activities	11	-	-
Surplus for the year after tax		2,441	2,291
Actuarial gain/(loss) in respect of pension schemes	9	1,937	(3,387)
Gain on pension scheme settlement		9,226	-
Total comprehensive income/(loss)for the year		13,604	(1,096)
Total comprehensive income/(loss) for the year attributable to owners of the parent company:		13,604	(1,096)

* *The analysis within the figures for the year ended 31 March 2017 have been restated to reflect the revised accounting policy in respect of the disclosure of the gain/(loss) on disposal of fixed assets.*

Statement of Changes in Reserves

For the year ended 31 March 2018

Income and expenditure reserve	2018 £'000	2017 £'000
Balance as at 1 April	(20,696)	(19,600)
Surplus/(Deficit) from Statement of Comprehensive Income	13,604	(1,096)
Balance at 31 March	(7,092)	(20,696)

The financial statements on pages 16 to 42 were approved and authorised for issue by the Board on 17 September 2018 and signed on its behalf by:

John Inglesfield
Chair of the Board

Stephen Aggett
Group Director of Finance

Calico Homes Limited
Company number: 3752751

Statement of Financial Position

As at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	12	108,693	94,482
Intangible assets	13	211	105
		108,904	94,587
Current assets			
Stock	14	56	37
Debtors	15	3,483	3,287
Cash at bank and in hand		594	689
		4,133	4,013
Creditors: Amounts falling due within one year	16	(4,071)	(4,692)
Net current assets/(liabilities)		62	(679)
Total assets less current liabilities		108,966	93,908
Creditors: Amounts falling due after more than one year	17	115,427	102,756
Provision for liabilities			
Pension provision	9	631	11,848
		116,058	114,604
Income and expenditure reserve		(7,092)	(20,696)
		108,966	93,908

The notes on pages 19 to 42 form part of these financial statements.

The financial statements on pages 16 to 42 were approved and authorised for issue by the Board on 17 September 2018 and signed on its behalf by:

John Inglesfield
Chair of board

Stephen Aggett
Group Director of Finance

Statement of Cash Flows
For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash from operating activities	24	7,964	9,908
Cash flow from investing activities			
Interest received and other income	7	2	2
Purchasing of housing properties and improvements		(17,270)	(9,955)
Grants received		3,800	540
Purchase of other fixed assets		(64)	(267)
Purchase of intangible fixed assets	13	(269)	(131)
Proceeds of sales of housing properties		1,166	1,232
Net cash flow used in investing activities		(12,635)	(8,579)
Cash flow from financing activities			
Interest paid		(4,624)	(4,565)
Loans received		9,200	2,800
Net cash flow from / (used in) financing activities		4,576	(1,765)
Net change in cash and cash equivalents		(95)	(436)
Cash and cash equivalents at beginning of the year		689	1,125
Cash and cash equivalents at end of the year		594	689

The notes on pages 19 to 42 form part of these financial statements.

Notes to the Financial Statements

1. Legal Status

The Company is registered with the Charities Commission and registered with the Regulator of Social Housing ("RSH") 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 and are presented in sterling £'000 for the year ended 31 March 2018. The company meets the definition of a public benefit entity ("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 which have now been changed as part of the new funding arrangement. 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.

Critical accounting 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 21. Initial capitalisation of costs is based on management's judgement that a 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.
- **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.

  Following a trigger for impairment, the company performs 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 (2017: £Nil).

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Other key sources of estimation and assumptions:

- **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.

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 company's financial statements, merged subsidiary undertakings are treated as if they already had been a member of the company. The results of such a subsidiary are included for the whole period in the year it joins the company. 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
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 and revenue recognition
Turnover represents rental income receivable, amortised capital grant, supporting people services contract income, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Service charges
Service charge income and costs are recognised on an accruals basis. The company operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used, the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the Statement of Financial Position.

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 finance issue costs
These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

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.

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 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.

Housing properties under construction are stated at cost and are not depreciated. These are re-classified as housing properties on practical completion of construction.

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 before 5 April 2017 were credited to the disposal proceeds fund in creditors and have been 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.

The company depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Depreciation – Social housing properties (continued)

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

Low cost home ownership properties
Low cost home 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 (whichever 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.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Social Housing and other government grants
Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of turnover.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Company under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If a grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Disposal Proceeds Fund
Before 5 April 2017, receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal were credited to the DPF and used to fund the acquisition of new social housing.

After 6 April 2017 the company elected not to show new proceeds from relevant disposals in the Disposal Proceeds Fund. However, the company will continue to comply with DPF requirements during the wind-down period.

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
The Company participates 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”).

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. At 31 March 2018, the company terminated its participation in the LCPF defined benefit scheme.

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. Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the company’s financial statements calculated by the repayments known, discounted to the net present value of the year ended using a market rate discount factor as detailed in note 9. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

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 paragraph 11.8(c) of FRS 102 are measured at cost less impairment.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

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 expenditure and operating surplus

Continuing activities

	2018 Turnover	2018 Operating expenditure	2018 Operating surplus/ (deficit)	2017 Turnover	2017 Operating expenditure	2017 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings [A]	21,083	(14,347)	6,736	21,043	(14,514)*	6,529*
Other social housing activities:						
Support services	201	(281)	(80)	446	(282)	164
Non-social housing other [B]	1,110	(1,418)	(308)	2,011	(2,312)	(301)
	22,394	(16,046)	6,348	23,500	(17,108)	6,392

* During the year, the company made the decision to include gain/(loss) on disposal of properties within operating surplus. This more accurately reflects the transaction, with these sales being part of the ordinary operating activities of a registered provider and follows best practice guidance.

A. Particulars of income and expenditure from social housing lettings

	General Housing £'000	Sheltered Housing £'000	2018 Total £'000	2017 Total £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges and net of voids	15,275	4,291	19,566	19,561
Service charges receivable	505	834	1,339	1,316
Amortised government grants	134	44	178	166
Turnover from social housing lettings	15,914	5,169	21,083	21,043
Expenditure on social housing lettings				
Management	(3,870)	(1,279)	(5,149)	(5,141)
Service charge costs	(448)	(603)	(1,051)	(1,105)
Routine Maintenance	(2,603)	(860)	(3,463)	(3,458)
Planned Maintenance	(280)	(92)	(372)	(436)
Major repairs expenditure	(513)	(170)	(683)	(1,140)
Bad debts	(68)	(22)	(90)	(339)
Depreciation of housing properties	(2,090)	(696)	(2,786)	(2,592)*
Impairment of housing properties	-	-	-	-
Other costs	(257)	(85)	(342)	(303)
Exceptional – pension lump sum	(309)	(102)	(411)	-
Operating costs on social housing lettings	(10,438)	(3,909)	(14,347)	(14,514)
Operating surplus on social housing lettings	5,476	1,260	6,736	6,529
Void loss	(409)	(102)	(511)	(440)

Notes to the Financial Statements (continued)

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

B. Activities other than non-social housing

	Turnover	Operating costs	2018 Operating surplus/ (deficit)	2017 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Market Lettings	31	(15)	16	49
Properties developed for outright sale	-	-	-	(32)
Other**	1,079	(1,403)	(324)	(318)
	1,110	(1,418)	(308)	(301)

****** Included in Other are recharges of office costs to group companies (note 25) and Whitworth Sunnyside Care Home.

4. Accommodation owned, managed and in development

	2018 No. of properties		2017 No. of properties	
Social Housing	**Owned**	**Managed**	**Owned**	**Managed**
Under management at end of year:				
General Needs Housing	3,400	236	3,391	203
Supported housing and housing for older people	1,294	-	1,270	9
Low-cost home ownership	7	-	8	-
Registered Care Homes	7	-	8	-
	4,708	236	4,677	212
Non-Social Housing	**Owned**	**Managed**	**Owned**	**Managed**
Under management at end of year:				
Market rented	4	-	4	-
Student accommodation	-	-	9	-
	4	-	13	-
Social Housing	**Owned**	**Managed**	**Owned**	**Managed**
Under development at end of year:				
General Needs Housing – affordable rent	66	-	-	-
Supported housing	38	-	53	-
Low-cost home ownership	33	-	8	-
Care Homes	28	-	28	-
	165	-	89	-

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

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):-

	2018 £'000	2017 £'000
(Surplus)/deficit on sale of fixed assets	(753)	71
Depreciation of housing properties	2,786	2,592
Impairment losses of housing properties	-	-
Depreciation of other tangible fixed assets	149	143
Amortisation of intangible fixed assets	163	114
Amortisation of government grants	(178)	(163)
Pension deficit contributions (SHPS)	57	55
Pension deficit contributions (LCPF)	209	233
Operating lease rentals – land and buildings	148	79
Operating lease rentals – other	195	244
Auditor's remuneration (excluding VAT):		
- for auditor services	16	18
- taxation compliance services	1	1
- service charge certification	1	1

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

	2018 £'000	2017 £'000
Disposal proceeds	1,166	206
Carrying value of fixed assets	(413)	(320)
Grant disposal	-	43
Surplus/(deficit) on disposal	753	(71)

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 low cost home ownership first tranche are shown in Note 3.

7. Interest receivable and other income

	2018 £'000	2017 £'000
Interest receivable and similar income	2	2

Notes to the Financial Statements (continued)

8. Interest payable and similar charges

	2018	2017
	£'000	£'000
Loans and bank overdrafts	4,593	3,762
Pensions – net interest on pension deficit	282	305
Unwinding of SHPS pension liability discount	6	8
	4,881	4,075
Less: interest capitalised on housing properties under construction	(219)	(43)
	4,662	4,032

The interest rate of 4.58% (2017: 4.58%) was used for capitalising finance costs.

9. Employees

Average monthly number of employees	2018	2017
	No.	No.
Administration	63	60
Housing and community services	181	175
Total	244	235
Full time equivalents (36.25 hours/week)	172	215

	2018	2017
	£'000	£'000
Employee costs:		
Wages and salaries (gross)	6,091	5,892
Social security costs	562	524
Other pension costs	1,279	783
Pension adjustment to Income and Expenditure Accounts	(369)	(80)
	7,563	7,119

Pension obligations
The Group participates in the Social Housing Pension Scheme (SHPS). 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 2018	31 March 2017	31 March 2016
	£'000	£'000	£'000
Present value of provision	344	400	436

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2018	2017
	£'000	£'000
Provision at start of period	400	436
Unwinding of the discount factor (interest expense)	6	8
Deficit contribution paid	(57)	(55)
Remeasurements - impact of any change in assumptions	(5)	11
Provision at end of period	344	400
SHPS Pension liability		
Amounts due within one year (note 16)	59	57
Amounts due after one year (note 17)	285	343
	344	400

Notes to the Financial Statements (continued)

9. Employees (continued)

INCOME AND EXPENDITURE IMPACT

	2018	2017
	£'000	£'000
Interest expense	6	8
Re-measurements – impact of any change in assumptions	(5)	11
Re-measurements – amendments to the contribution schedule	-	-

ASSUMPTIONS

	31 March 2018	31 March 2017	31 March 2016
	% per annum	% per annum	% per annum
Rate of discount	1.72	1.33	2.06

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 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Year 1	59	57	55
Year 2	62	59	57
Year 3	52	62	59
Year 4	42	52	62
Year 5	44	42	52
Year 6	36	44	42
Year 7	27	36	44
Year 8	28	27	36
Year 9	14	28	27
Year 10	-	14	28
Year 11	-	-	14

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. On 31 March 2018, the company terminated its membership of this scheme. The final invoice dated 2 July 2018 amounted to £631,000 excluding interest and fees.

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

	31 March 2018	31 March 2017	31 March 2016
	% per annum	% per annum	% per annum
Rate of increase in salaries	3.6	3.8	3.5
Rate of increase in pensions in payment	2.2	2.3	2.0
Discount rate	2.6	2.5	3.6
Inflation assumption	2.1	2.3	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 2018 £'000	Fair value 31 March 2017 £'000	Fair value 31 March 2016 £'000	Fair value 31 March 2015 £'000
Equities	-	-	8,093	11,098
Government bond	-	551	471	698
Bonds other	-	440	471	315
Property	-	2,423	2,259	2,274
Cash/liquidity	-	303	800	1,081
Others	-	23,812	11,436	7,046

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.

	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Fair value of the above assets relating to the company	-	27,529	23,530	22,512
Value placed on liabilities relating to the company	(631)	(39,377)	(31,730)	(32,543)
	(631)	(11,848)	(8,200)	(10,031)

Notes to the Financial Statements (continued)

9. Employees (continued)

Analysis of the amount charged to operating costs	2018	2017
	£'000	£'000
Current service cost	(868)	(565)
Net charge	(868)	(565)

Analysis of the amount charged to interest payable and similar charges

	2018	2017
	£'000	£'000
Interest on pension scheme assets	695	845
Interest on pension scheme liabilities	(977)	(1,129)
Administration expenses	(13)	(13)
Net charge	(295)	(297)

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

	2018	2017
	£'000	£'000
Actuarial gain/(loss) less expected return on pension scheme assets	1,937	(3,387)
Actuarial gain/(loss) recognised in SOCI	1,937	(3,387)

Amounts recognised in the Statement of Comprehensive Income (SOCI)

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Actuarial gains/(losses)recognised in SOCI	1,937	(3,387)	2,223	(3,399)	2,403
Cumulative actuarial gains and losses	-	(8,503)	(5,116)	(7,339)	(3,940)

Reconciliation of defined benefit obligation

	2018	2018	2017
	Unfunded benefits	All benefits	All benefits
	£'000	£'000	£'000
Opening defined benefit obligation	640	39,377	31,730
Current service costs	-	868	565
Interest cover	16	977	1,129
Contributions by members	-	181	180
Actuarial (gains)/losses	6	(1,612)	6,672
Settlements	-	(38,316)	-
Estimated benefits paid	(31)	(844)	(899)
Closing defined benefit obligation	631	631	39,377

Notes to the Financial Statements (continued)

9. Employees (continued)

Reconciliation of fair value of employer's assets

	2018 Unfunded benefits £'000	2018 All benefits £'000	2017 All benefits £'000
Opening fair value of employer's assets	-	27,529	23,530
Expected return on assets	-	695	845
Re-measurements	-	305	-
Contributions by members	-	181	180
Contributions by the employer	31	1,237	601
Actuarial (losses)/gains	-	-	3,285
Benefits paid	(31)	(844)	(899)
Settlements	-	(29,090)	-
Administration expenses	-	(13)	(13)
	-	-	27,529

History of experience gains and losses

	2018	2017	2016	2015	2014
Difference between expected and actual return on share of scheme assets:					
Amount (£'000)	-	3,285	343	1,275	(845)
Percentage of share of scheme assets	-	11.9%	1.5%	5.7%	(4.3%)
Experience of gains and losses on share of scheme liabilities:					
Amount (£'000)	(1,632)	6,672	(1,880)	4674	(3,248)
Percentage of present value of share of scheme liabilities	-	16.8%	(5.95%)	14.4%	(12.2%)
Total amount recognised in statement of changes in reserves:					
Amount (£'000)	-	(3,648)	2,223	(3,399)	2,403
Percentage of the present value of share of scheme liabilities	-	(9.3%)	7%	(10.4%)	9%

Movement in deficit during the year

	2018 £'000	2017 £'000
Company share of scheme liabilities at beginning of year	(11,848)	(8,200)
Movement in year:		
Current service cost	(868)	(565)
Contributions	1,217	601
Net interest/return on assets	(295)	(297)
Actuarial gain/(loss)	1,937	(3,387)
Settlement gain	9,226	-
	(631)	(11,848)

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:

	2018	2017
	No.	No.
£60,000 to £70,000	4	1
£70,000 to £80,000	-	1
£80,000 to £90,000	-	1
£90,000 to £100,000	2	-
£100,000 to £110,000	-	1
£110,000 to £120,000	1	-
£140,000 to £150,000	1	2

10. Board members and executive officers

	2018	2017
	£'000	£'000
The aggregate emoluments paid to or receivable by non-executive Directors	-	-
The aggregate emoluments paid to or receivable by executive officers	385	372
The aggregate compensation paid to or receivable by executive officers	-	16
The emoluments paid to the highest paid executive officer (excluding pension)	121	121
The aggregate pensions costs for executive officers	45	55
Total key management personnel remuneration	385	388

None of the Board members received emoluments. Expenses paid during the year in respect of Board members amounted to £975 (2017: £1,185). The executive officers (the key management personnel) 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.

	2018	2017
	£'000	£'000
UK Corporation Tax charge for the year	-	-
Adjustment in respect of prior years	-	-
Total tax charge	-	-
Factors affecting tax charge for period:		
Surplus/(deficit) on ordinary activities before tax	2,530	2,291
Surplus/(deficit) on ordinary activities at standard rate 20% (2017: 20%)	506	458
Effect of charitable income and expenditure not subject to tax	(506)	(458)
Current tax charge for year	-	-
Adjustments in respect of prior years	-	-

Notes to the Financial Statements (continued)

12. Tangible fixed assets

	Housing Properties				Other Fixed Assets		
	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	103,573	6,070	626	110,269	5,567	1,272	117,108
Additions	1,255	13,151	-	14,406	-	64	14,470
Works to existing properties acquired	3,083	-	-	3,083	-	-	3,083
Schemes completed	5,511	(5,511)	-	-	-	-	-
Disposals	(690)	-	-	(690)	-	-	(690)
At end of the year	112,732	13,710	626	127,068	5,567	1,336	133,971
Depreciation and impairment							
At start of the year	20,446	-	26	20,472	1,145	1,009	22,626
Charge for the year	2,777	-	9	2,786	83	66	2,935
Impairment	-	-	-	-	-	-	-
Disposals	(283)	-	-	(283)	-	-	(283)
At end of the year	22,940	-	35	22,975	1,228	1,075	25,278
Net book value at the 31 March 2018	**89,792**	**13,710**	**591**	**104,093**	**4,339**	**261**	**108,693**
Net book value at the 31 March 2017	83,127	6,070	600	89,797	4,422	263	94,482

Notes to the Financial Statements (continued)

12. Tangible fixed assets – properties (continued)

Housing properties comprise:	2018 £'000	2017 £'000
Freehold land and buildings	101,689	87,372
Long leasehold land and buildings	2,404	2,425
	104,093	89,797
Major works to existing properties in the year:		
Works capitalised	3,083	3,531
Amounts charged to expenditure (note 3)	683	1,140
	3,766	4,671
Aggregate amount of interest and finance costs included in the cost of housing properties (note 8)	219	43
The capitalisation rate used was 4.58% (2017: 4.58%).		

Cost of properties includes £143,000 (2017: £133,000) for direct administrative costs capitalised during the year.

The completed housing properties with net book value £90,383,000 (2017: £83,727,000) are secured against the debt detailed in Note 18.

13. Intangible Fixed Assets

Computer software and licences	2018 £'000	2017 £'000
Cost		
At start of year	1,165	1,034
Additions	269	131
At end of year	1,434	1,165
Amortisation		
At start of year	1,060	946
Charge for year	163	114
	1,223	1,060
Net book value		
At 31 March	211	105

14. Stock and work in progress

	2018 £'000	2017 £'000
Raw materials and consumables	56	37

Notes to the Financial Statements (continued)

15. Debtors

	2018 £'000	2017 £'000
Due within one year		
Rent and service charges receivable	1,472	1,566
Less: Provision for bad and doubtful debts	(885)	(847)
	587	719
Other debtors	971	908
Less: Provision for bad and doubtful debts	(315)	(292)
Prepayments and accrued income	466	550
Intercompany balance	1,774	1,402
	3,483	3,287

16. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	119	350
Rent and service charges received in advance	422	376
Others creditors	237	108
Accruals and deferred income	2,536	2,689
Other taxation and social security	17	40
RTB proceeds due to Burnley Borough Council	176	160
Intercompany balances	295	562
Pension liability – SHPS (Note 9 on page 29)	59	57
Deferred capital grant (Note 19)	210	163
Disposal proceeds fund (Note 20)	-	187
	4,071	4,692

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

	2018 £'000	2017 £'000
Debt (Note 18)*	99,194	90,148
Deferred capital grant (Note 19)	15,645	11,495
Disposal proceeds fund (Note 20)	244	725
Pension liability – SHPS (Note 9 on page 29)	285	343
Leaseholder sinking funds	59	45
	115,427	102,756

* Debt is secured by housing properties. See note 18.

Notes to the Financial Statements (continued)

18. Debt analysis

	2018	2017
	£'000	£'000
Due after more than one year		
Bank loans	99,194	90,148
Debt is repayable as follows:		
Between two to five years	21,510	10,037
After five years	77,684	80,111

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% (2017: 71.0%) of its borrowings at fixed rates.

The fixed rates of interest range from 3.77% to 7.09% (2017: 4.8% to 6.38%) and the weighted average rate of interest on fixed rate loans is 4.56% (2017: 4.78%). 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 then 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 31/03/18 %
13/10/2008	13/10/2038	RBS/Nationwide	RPI cap/collar	6,000	5.26

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 housing properties 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.

19. Deferred capital grant

	2018	2017
	£'000	£'000
At start of year	11,658	11,194
Grant received in the year	4,375	627
Released to income in the year	(178)	(163)
At the end of the year	15,855	11,658
Amount due to be released within one year (note 16)	210	163
Amount due to be released after one year (note 17)	15,645	11,495
	15,855	11,658

Notes to the Financial Statements (continued)

20. Disposal proceeds fund

	2018 £'000	2017 £'000
At start of year	912	1,040
Net PRTB receipts	-	223
HCA Grant received	-	54
Allocation of funds – New build	(671)	(408)
Interest accrued	3	3
At the end of the year	244	912
Amount due to be released within one year	-	187
Amount due to be released after one year	244	725
	244	912
Amounts over 3 years where repayment may be required	-	-

21. Capital commitments

Capital expenditure commitments were as follows:

	2018 £'000	2017 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	4,405	9,061
Expenditure approved by the Board, but not contracted	11,613	17,773
	16,018	26,834

These are to be funded out of undrawn loan facilities of £15.3m (2017: £24.5m) and estimated grants of £3.5m and relate to potential property developments.

22. Operating leases

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

	2018 £'000	2017 £'000
Land and buildings:		
• Within one year	148	151
• Two to five years	41	198
	189	349
Other leases:		
• Within one year	164	208
• Two to five years	720	865
	884	1,073

Notes to the Financial Statements (continued)

23. Grant and financial assistance

	2018 £'000	2017 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March 2018:		
Held as deferred capital grant	17,163	12,788
Recognised as income in Statement of Comprehensive Income in the current period	178	163

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

	2018 £'000	2017 £'000
Operating surplus	7,101	6,321
Adjustments for non-cash items:		
Pensions adjustment	(362)	(80)
Depreciation of housing properties	2,786	2,592
Amortisation of intangible fixed assets	163	114
Amortisation of government grants	(178)	(163)
Depreciation of other tangible fixed assets	149	143
(Profit)/loss on sale of fixed assets	(753)	71
	8,906	8,998
Working capital movements:		
Stock	(19)	-
Debtors	(196)	(171)
Creditors	(727)	1,081
Net cash generated from operating activities	**7,964**	**9,908**

25. Control

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

The consolidated accounts of The Calico Group Limited are available from its registered office:

- Centenary Court, Croft Street, Burnley, Lancashire, BB11 2ED.

Notes to the Financial Statements (continued)

26. Related parties

Tenant member
The tenant member at 31 March 2018 and 2017 was Christina Yates. Her tenancy is on normal commercial terms with rent payable of £5,533 per annum (2017: £5,774) and she is not able to use her position to her advantage.

At 31 March 2018, there were no outstanding amounts (2017: £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-18 £'000	Mar-17 £'000
• New house building	11,094	4,973

During the year, the company recharged office costs to Hobstones totalling £106,000 (2017: £51,000).

At 31 March 2018, Hobstones owed the company £Nil (2017: £121,000).

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-18 £'000	Mar-17 £'000
• Various Investment works	991	981
• Externals	2,543	2,861
• Heating	412	-
• Roofing	133	199
• Damp proofing	437	281
• Various Responsive works	120	131
• Development	-	411
• Rossendale Empty Homes properties	98	527
	4,734	5,391

During the year, the company recharged office costs to Ring Stones totalling £340,000 (2017: £371,000).

At 31 March 2018, Homes was owed by Ring Stones £65,000 (2017: £20,000).

The Calico Group Limited ("Group"), the parent company
During the year, the Group recharged office costs amounting to £38,000 (2017: £58,000).

At 31 March 2018, Group owed the company £93,000 (2017: £49,000).

Syncora Limited ("Syncora")**,** a fellow subsidiary of Group
There were no transactions during the year (2017: £Nil).

At 31 March 2018, Syncora owed the company £2,000 (2017: £Nil)

Calico Enterprise Limited ("Enterprise"), a subsidiary of Syncora
During the year, the company recharged office costs to Enterprise totalling £136,000 (2017: £150,000) and Enterprise charged £650,000 (2017: £496,000) for cleaning, painting, decorating and catering services.

At 31 March 2018, Enterprise owed the company £133,000 (2017: £37,000).

Acorn Recovery Projects ("Acorn"), a subsidiary of Syncora
During the year, the company recharged rents and office costs to Acorn totalling £211,000 (2017: £128,000) and Acorn recharged £Nil (2017: £54,000) for professional fees. Also, the company acquired Elliot House for £325,000 (2017: £Nil).

At 31 March 2018, Acorn owed the company £839,000 (2017: £625,000).

Safenet Domestic Abuse Service ("Safenet"), a subsidiary of Syncora
During the year, the company recharged rents and office costs to Safenet totalling £247,000 (2017: £211,000).

At 31 March 2018, Safenet owed the company £53,000 (2017: £17,000).

Notes to the Financial Statements (continued)

26. Related parties (continued)

Calico JV Limited ("JV"), a fellow subsidiary of Group
There were no transactions during the year (2017: £Nil).

At 31 March 2018, JV owed the company £45,000 (2017: £52,000).

Delphi Medical Limited ("Delphi"), a subsidiary of Acorn
During the year, the company recharged rents to Delphi totalling £73,000 (2017: £Nil).

At 31 March 2018, the company owed Delphi £141,000 (2017: £30,000).

Delphi Medical Consultants Limited ("DMC"), a subsidiary of Acorn
There were no transactions during the year (2017: £Nil).

At 31 March 2018, DMC owed the company £521,000 (2017: £3,000).

27. Financial instruments

The Company had the following financial instruments:

	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost:		
• Cash at bank and in hand	594	689
• Rent and service charges receivable	587	719
• Other debtors	656	616
• Amounts due from group undertakings	1,774	1,402
	3,611	3,426
Financial liabilities at amortised cost:		
• Bank loans	99,194	90,148
• Trade creditors	119	350
• RTB proceeds due to Burnley Borough Council	176	160
• Amounts due to group undertakings	295	562
• Deferred capital grant	15,855	11,658
• Disposal proceeds fund	244	912
	115,883	103,790

28. Post Balance Sheet Events

On the 18 July 2018, we successfully completed the new funding arrangement which has increased our total loan facility by £27.5m from £115m to £142.5m. This is a bi-lateral arrangement with Royal Bank of Scotland and Nationwide who have both been our funders since transfer in 2000. This will support the continuation of our ambitious growth strategy and enable us to continue the delivery of our property development programme which will increase our property portfolio by circa 265 additional properties.