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

CALICO HOMES LIMITED

Report and Financial Statements

Year ended 31 March 2016

Contents

Calico Homes Limited
Company number: 3752751

Board Members, Executive Officers, Advisors and Bankers

Board	
Chair	Lesley Burrows
Vice Chair	Peter Bevington
Other Members	Karen Ainsworth Gemma Dyson John Inglesfield Andrew Mullen Christina Yates Nickie Hallard Adam Greenhalgh (joined 27 July 15) Stewart Shaw (joined 27 July 15)
Executive Officers	
Chief Executive	Anthony Duerden
Director of Finance & Corporate Services and Company Secretary	Tracy Woods
Director of Customer Services	Helen Thompson
Registered Office	Centenary Court Croft Street Burnley Lancashire BB11 2ED www.calico.org.uk
Registered number	Company Registration No: 3752751 Charity Registration No: 1151945 (from 1 April 2013) Registered by the Homes and Communities Agency No: L4254
External Auditor	Beever and Struthers Chartered Accountants and Statutory Auditor St. George's House 215 – 219 Chester Road Manchester M15 4JE
Internal Auditor	Mazars LLP The Lexicon Mount Street Manchester M2 5NT
Solicitors	Forbes Solicitors Rutherford House 4 Wellington Street St. Johns Blackburn BB1 8DD
Bankers	National Westminster Bank 6th Floor, 1 Spinningfields Square Manchester M3 3AP
Lenders	Royal Bank of Scotland Floor 3, Kirkstane House 139 St Vincent Street Glasgow G2 5JF
	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW

Corporate Framework

Our Vision

The vision for the Company is:

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

Our Values

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

Our values are:

- Openness and Trust
- Diversity
- Promoting Pride in Calico and Burnley
- High Staff Performance and Morale
- Inspired Leadership
- Continual Improvement
- Customer Focused
- Value for Money/Efficiency
- Flexible/Responsive

Strategic Aims

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

The five strategic aims are:

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

Strategic Report of the Board

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

Performance for the year

Calico Homes continues to perform strongly despite a challenging operating environment. The additional £30m of funding secured in March 2015 is being used to support our growth strategy and in particular to deliver our property development programme which will increase our property portfolio by circa 480 additional properties. This programme will enable the Calico Group to diversify our activities and our Group offer even further and see us becoming a key player in new markets such as care and complex needs accommodation.

During 2015/16 the 60 unit development, Primrose Mill was completed, providing 46 units for rental and 14 units for outright sale. At the end of the financial year sales had completed on 7 of the outright sales units and 1 further unit reserved.

There are two other development schemes underway at the end of March 2016, Pomfret and Blannel a 22 unit general needs scheme and Whitworth a 28 bed care home and it is anticipated that these will be completed during the 2017/18 financial year.

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

In addition, during the year Calico Homes secured £618k funding from British Gas and delivered a £3 million external wall insulation programme to 448 properties, and a smaller second phase is to be delivered during 2016/17. This programme responds to the challenges our customers are facing around fuel poverty, alongside investing in our assets so they are sustainable into the future. Ring Stones, our internal contractor and part of the Calico Group, successfully delivered the programme in partnership with British Gas, realising significant social profit in the form of using local labour and offering apprenticeship opportunities.

In relation to income collection, the focused and intensive pro-active approach continued and this has resulted in a third year of improved performance with cash collection at the year end being at 99.42%. This positive performance is despite the ongoing changes to welfare reform. We recognise that there are further changes ahead that will prove challenging to maintaining this level of cash collection.

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

During 2015/16, we have invested £5.6 million on improving our existing properties including external improvements, replacement boilers, damp works, disabled adaptations, fencing and asbestos surveying and removal. This investment also included a £1m programme for the installation of P.V. panels funded by future investment programme provisions. Our repairs service has continued to perform highly, maintaining its accreditation from the Housing Quality Network and meeting all of its performance targets at year-end. We continue to achieve 100% gas servicing completed for the 4th year running.

Customer feedback has been extremely positive during the year with satisfaction improving in the majority of our service areas. Satisfaction with the overall services Calico Homes remains in line with target at 88%.

In December 2015, our regulator (the Homes and Communities Agency) reassessed both our financial viability and governance and awarded us the highest ratings of V1 and G1. Calico Homes has been selected for an In Depth Assessment, this is to take place in the first quarter of the 2016/17 financial year.

A high number of tenancy terminations and the resulting voids costs proved to be our biggest challenge during 2014/15. An action plan was created in response to this and during 2015/16 improvements have been seen in both of these areas, with the number of void properties reducing from 99 at the start of the financial year to 65 in March 2016. Rent loss due to void properties also remained within our business plan assumptions at a level of 2.38% against a business plan target on 3%. Furthermore, 84.27% of tenancies in the last 12 months have been sustained for at least twelve months exceeding the target for the year, evidencing the successful outcome of the action plan.

Future Activity

The details of the budget announced in July 2015 are proving a challenge to Calico Homes, in particular the changes to the required rent reduction of 1% per year over a four year period. It has been identified that an efficiency saving of £1.8m cumulative over the next three years is required to mitigate the reduction in rent levels. In response, we have brought forward a number of efficiency projects that were planned for future years to ensure we achieve the required efficiency savings to support the 30 year business plan. An efficiency project team is in place and the savings for 2016/17 have already been identified. We are confident that Calico Homes is well placed to deliver these efficiencies.

Strategic Report of the Board (continued)

Whilst there are challenges in relation to the budget and required efficiency savings, having the diversity of the group and the additional £30 million funding will ensure we continue to grow and broaden our offer to customers and commissioners. During 2016/17 we will start on site with a complex needs unit for Safenet. We have also been working up a replacement scheme for our young person's homeless hostel, which subject to planning permission will also commence on site during 2016/17.

Following the announcement by the Government to cease grant funding for affordable rented homes, we are reviewing our development programme and considering introducing additional tenure types such as shared ownership. Decisions will be made based on demand for these products in the local area.

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

Welfare reform and particularly the roll out of Universal Credit across Pennine Lancashire will continue to be a risk for Calico Homes' income stream. We will continue to monitor performance closely and to be ready to respond when necessary.

Calico considers our employees as our most valuable asset. To ensure we continue to invest in our staff, we are launching a bespoke leadership programme, which will ensure, despite the challenges we face, we continue to invest in our staff to realise their potential, improving productivity and staff satisfaction across the organisation. In February 2016, Calico were recognised as the 16th Best Company to work for in the Sunday Times Best 100 Companies to Work for (not-for-profit category).

This report was approved by the Board on 5 September 2016 and signed on its behalf by:

Tracy Woods
Company Secretary

Report of the Board

The Board is pleased to present its report and the financial statements for the year ended 31 March 2016.

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

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

Calico Homes Limited is the parent company of Whitworth Care Trust, a small care home (8 units) which also operates a day care centre.

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

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

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

Specific expectations of the HCA	*Summary of how Calico Homes is meeting these expectations*
Registered providers shall:	
Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions	Value for Money is one of our Group strategic aims. Each year we produce a corporate plan that sets out our strategic objectives for the next 3 years and identifies how we plan to deliver them. We set and monitor efficiency targets and have a 40 year business plan and loan covenants that have to be met which are detailed in the corporate plan. Our thorough budget setting and business planning processes which are approved by Board ensure that we have an appropriate assessment of what is required in future years. VfM is a key priority throughout the organisation. A strategic group made up of managers from across the Company focusses on delivering and monitoring initiatives to ensure we "provide value for money in everything we do". This group has been reviewed and has become the "Being a Business" group in 2015/16 to set the direction for how we deliver effective and efficient services and maximise the use of our resources across the group. Achieving Value for Money in the delivery of our development programme is a priority. In working via PPC2000 contract arrangements with our partner Ring Stones, we are able to gain a greater understanding of programme constraints, transparent costing and the ability to make key design decisions throughout the build period.
Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so	We benchmark our performance at an individual service level and benchmark specific costs, eg. regular benchmarking of all salaries, repairs, gas boiler replacements etc. We also use the HCA global accounts to benchmark our costs and are looking to join a back office benchmarking group to enable us to compare support costs. Benchmarking also indicated that voids costs were higher than the comparative average therefore the service level agreement with the contractor is being reviewed. Ring Stones, a member of the Calico Group, delivers the previously outsourced planned maintenance and development work. This results in VAT savings but it also enables us to ensure that targets for local employment are met.

Specific expectations of the HCA	Summary of how Calico Homes is meeting these expectations

Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives	Every 5 years our stock condition survey information is externally validated and used to populate our 40 year business plan. The individual property data is updated on a rolling inspection cycle.
	
	All our housing stock is located in close proximity to our head office in the centre of Burnley and is primarily estate based. Our neighbourhood strategy is focussed on developing places where people want to live. The Board believe this is best achieved by retaining stock on these estates. Long term voids on our estates have been investigated and action taken to deal with the issues which are preventing their letting, eg. conversion of 1 bedroom energy inefficient flats into energy efficient family homes.
	
	A financial investment appraisal is undertaken for all non estate based sundry properties when they become void to determine a course of action re retention/disposal.
	
	Options Appraisal/Reduction In void numbers
	We have a process in place to monitor the performance of our stock and take action to address poor performing assets. In 2015/16 we have significantly reduced void numbers as follows:
	
	• Three long term voids have undergone options appraisal and been brought back into stock
	• Three properties that were originally supported housing underwent a change of use and are now general needs properties
	• Royal court – options appraisal and now awaiting demolition
	• 17 properties now have alternative use:
	    o Five supported housing
	    o Five Safenet
	    o Five Pennine Reconnect
	    o Two Acorn
	Finding alternative use for these properties , or bringing them back into stock, has meant:
	
	• Additional rental income
	• Fewer voids
	• Impact on communities/ASB/links to other services
	• Improved performance of our stock
	
	The asset management strategy was reviewed during the year and approved by the Board. Work commenced during the year to assess and procure an appropriate model that will allow us to understand our assets and support future decision making. The Savills model was selected and was fully operational in August 2016.

Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance	We keep accurate and timely data of our service performance coupled with detailed financial records of costs. Targets are set and monitored for key performance indicators, as is the direction of travel (improving/deteriorating). These are reported to Board on a quarterly basis together with financial costs and expected out turns. The effect on loan covenants is also reported. Customers are involved in the selection of contractors and in the review of their performance. Review and scrutiny of activity takes place regularly through our 'co-regulation framework'. Through our involved customers we are able to scrutinise costs and determine whether the services we offer are meeting the needs and aspirations of our customers. Our repairs service has been externally accredited by Housing Quality Network and this is reviewed regularly.

Specific expectations of the HCA	*Summary of how Calico Homes is meeting these expectations*
The assessment shall:	*Registered providers' boards shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives.*
Enable stakeholders to understand the return on assets measured against the organisation's objectives	Our website contains a detailed self assessment (www.calico.org.uk/vfmselfassessment) which sets out our focus on the neighbourhoods where we own stock. Delivering a vibrant neighbourhood where people want to live is a key objective and our approach to asset management reflects this. The impact on the neighbourhood takes precedence when investment and disposal decisions are undertaken. We have introduced a property performance system through Savills and Board will be involved in understanding the data and setting an action plan which will include a new options appraisal process for our poorest performing properties. Our annual property valuation undertaken for funding purposes shows a small decrease in value of our social housing assets and this has been impacted by the reduction in rent levels. The £30m increase in our loan facility (which has been made possible due to the increasing value of our assets) means that an additional 489 properties are to be developed in the 5 years from April 2015, with 79 properties being delivered in 2015/16.
Set out the absolute and comparative costs of delivering specific services	We compare costs of individual activities, eg. voids, over time and through the budget setting process where comparisons to the previous year are made. We have benchmarked ourselves against our peers using the global accounts and identified why we are more expensive than others. The focus in this area is continuing to help us understand how costs can be reduced without adversely impacting on satisfaction. Going forward this benchmarking will be complemented with the use of the Housemark results. We are also developing a tool to measure the levels of social profit delivered.
Evidence the value for money gains that have been and will be made and how these have and will be realised over time	To mitigate the impact of the reduction in the rent levels, efficiency targets have been put in place to deliver cumulative savings of £1.8m over three years. These savings are being captured and reported to Board.

In preparing the above the Board have identified a number of areas where more detailed work is required to enable better informed decisions to be made in respect of value for money. An update on progress will be provided in next years self assessment.

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

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

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

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

Report of the Board (continued)

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. A Staff Panel comprising staff representatives meets with Executive Team representatives every six weeks to discuss issues relevant to staff.

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

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

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

Capital structure and treasury management
The Company borrowed an additional £5 million (2015: £3.2 million) to bring its total borrowings to £87.7 million (2015: £82.7 million) out of a facility of £115 million. The additional borrowing was used to support the development programme.

The Company borrows from the Royal Bank of Scotland and Nationwide at both fixed and floating rates of interest and currently has 71.4% (2015: 75.69%) 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 5.35% to 7.09% with the weighted average rate of interest on all loans due to low variable rates being 6.18% (2015: 5.66%).

Gearing, calculated as total loans as a percentage of capital grants and reserves, was 275% (2015: restated 248%). Although high, this is in line with the long term business plan which shows we are able to repay our loans in line with our agreement with our funders.

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

Reserves
After transfer of the surplus for the year of £900,000 (2015: £678,000) and actuarial gain of £2,233,000 (2015: loss £3,385,000). Company reserves at the year- end amounted to deficit £19,628,000 (2015: £22,751,000), which is in line with expectations.

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

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

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

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

Report of the Board (continued)

The Board
The Board comprises ten (2015: nine) non-executive members and is responsible for managing the strategic direction of the Company. It meets on a six weekly basis throughout the year. Details of Board Members can be found on page 1.

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

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

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

Customer involvement
Our Involvement Policy 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 involvement such as void property inspectors and neighbourhood reps, active tenant and resident associations, formal steering groups, scrutiny activities and other ad-hoc activities. 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 we issue to all customers and which is well used. We are currently enhancing this policy so it covers the entire Calico Group policy ensuring consistency across all of our Group companies.

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 2015 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.

Control environment and internal controls
The processes to identify and manage the key risks to which Calico is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, include strategic planning, the recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.

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

Key risk element	Status	Impact on strategic objectives
Change in Government policy and funding relating to registered providers impacts of financial viability of Calico Homes affecting ability to grow and meet strategic aims	Appropriate resources in place to support income recovery. Business plan assumptions in relation to income collection agreed annually to ensure financial viability is maintained. Increased monitoring and reporting put in place. All new development schemes are subject to a financial appraisal which is presented to Board. Efficiency action plan produced to make savings required. Financial Inclusion Strategy in place. Income Management policy in place.	
Loss of key staff limits ability to perform	People strategy in place focussing on realising peoples potential. 16th in Sunday Times top 100 companies to work for. Variety of policies in place to enhance working conditions and environment.	
Operational performance not delivered to levels required and deteriorates due to changes in external operating environment	Regular monitoring using a balance scorecard approach is undertaken, reviewed by teams, senior management and Exec. Supporting people funded teams changed in line with the reduction in income levels. Local lettings policies introduced to allow better control over neighbourhoods. Voids and tenancy sustainment action plan in place. External environment being monitored for changes in Government policy and action plans developed to manage.	

Key risk element	Status	Impact on strategic objectives
Ineffective Boards leading to poor governance	Board development plans in place. Board member appraisals undertaken. Compliance with the Code of Governance. Structured regular quorate board meetings held. Individual board member development plans in place Terms of Reference. Board skills/behaviours matrix.	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.
Failure to adhere to health and safety legislation and in Calico Homes Limited meeting the requirements of the consumer and economic standards set down by the HCA	Health and safety policy approved by Boards in place. Gas safety reporting undertaken through performance report. Information on incidents and accidents included in performance reports. Internal audit of key health and safety functions. Compliance monitoring group in place. H&S performance team. CQC audit completed. Compliance matrix in place.	
Development activity not delivered as planned and new build programme insufficient to be able to keep construction team fully occupied	Current development programme monitored by a Development Panel on a monthly basis. Sales progress report produced regularly. Financial position monitored through management accounts. Monthly meetings between development and finance. Monthly meetings between Calico Homes and Ring Stones (contractor for the delivery of the development programme). Regular board updates at Homes board meetings. Development bulletin produced monthly. All new schemes are financially appraised and approved by Board.	
Non development related (e.g. supporting people contracts) growth opportunities not identified or pursued	Growth strategy in place. Strategic Growth group meets monthly. Group KPI Board report produced. Updates on Growth Strategy to Board.	
Loan financing to develop/expand the property base	Annual treasury management strategy in place. Annual business plan prepared in conjunction with the Growth strategy. Updates on market availability of funds regularly received by the Director of Finance. Treasury Management advisors are on a retained basis	

Key risk element	Status	Impact on strategic objectives
Communication with customers, service users and tenants is poor or ineffective and does not meet the required standard.	Quarterly STAR survey undertaken. Satisfaction KPIs reported to Board. Digital strategy in place. Customer service strategy developed. Annual report to customers using a "you said, we did" format. Passionate About Customers training and embedding plans. Quarterly analysis of poor performing STAR survey results. Quarterly 'What our Customers are Saying' report to Board.	
Subsidiaries do not work together to deliver the growth strategy in order to maximise opportunities and manage risk.	Growth Strategy Strategic Growth Group Leadership Team Board strategic weekend.	
Non delivery of the efficiency project to address the reduction in rent levels and potentially other multi variate adverse conditions impacting on the long term viability of the business plan	Efficiency project team in place. Initial areas of efficiency savings identified. Stress testing undertaken. Management accounts reviewed monthly and forecasts undertaken. Annual budget setting process. Review of recharges. 2016/17 efficiency savings identified. Board and Leadership Team monitoring of efficiency programme.	
Loss of assets due to disaster	Business Continuity Plan Insurance investigations Decant policy Fire risk assessments Gas and electrical servicing Repairs policies Smoke/Co2 detection Property MOTs	

Report of the Board (continued)

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 has a reasonable expectation 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, Chartered Accountants and 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 5 September 2016 and signed on its behalf by:

Tracy Woods
Company Secretary

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

We have audited the financial statements of Calico Homes Limited for the year ended 31 March 2016 on pages 15 to 43. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Board and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its income and expenditure 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.

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

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

Beever and Struthers

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

Date 5.9.16

Calico Homes Limited
Company number: 3752751

Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	3	23,602	21,379
Operating costs	3	(17,840)	(16,544)
Operating surplus		5,762	4,835
Deficit on disposal of fixed assets	6	(8)	(69)
Interest receivable and other income	7	2	1
Interest payable and similar charges	8	(4,845)	(4,089)
Surplus on ordinary activities before tax		911	678
Taxation on non-charitable activities	11	(11)	-
Surplus for the year after tax		900	678
Actuarial gain/(loss) in respect of pension schemes	9	2,223	(3,385)
Total comprehensive income/(loss) for the year		3,123	(2,707)
Total comprehensive income/(loss) for the year attributable to: Owners of the parent company		3,123	(2,707)

The notes on pages 18 to 43 form part of these financial statements.

Statement of Changes in Reserves

For the year ended 31 March 2016

Income and expenditure reserve	2016 £'000	Restated 2015 £'000
Balance as at 1 April	(22,751)	(20,044)
Surplus from Statement of Comprehensive Income	3,123	(2,707)
Balance at 31 March	(19,628)	(22,751)

The financial statements were approved and authorised for issue by the Board on 5 September 2016 and signed on its behalf by:

Lesley Burrows
Chair of the Board

Tracy Woods
Company Secretary

John Inglesfield
Member of Audit Committee

Calico Homes Limited
Company number: 3752751

Statement of Financial Position

As at 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
Fixed assets			
Tangible fixed assets	12	87,273	82,262
Intangible assets	13	88	70
		87,361	82,332
Current assets			
Properties for sale	14	1,026	1,470
Stock	15	37	43
Debtors	16	3,100	1,748
Cash at bank and in hand		1,093	462
		5,256	3,723
Creditors: Amounts falling due within one year	17	(3,638)	(5,092)
Net current (liabilities)/assets		1,618	(1,369)
Total assets less current liabilities		88,979	80,963
Creditors: Amounts falling due after more than one year	18	99,971	93,339
Provision for liabilities			
Pension provision	9	8,636	10,375
		108,607	103,714
Income and expenditure reserve		(19,628)	(22,751)
		88,979	80,963

The notes on pages 18 to 43 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 5 September 2016 and signed on its behalf by:

Lesley Burrows
Chair of board

Tracy Woods
Company secretary

John Inglesfield
Member of Audit Committee

Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
Net cash from operating activities	24	5,835	7,722
Cash flow from investing activities			
Interest received and other income	7	2	1
Purchasing of housing properties and improvements		(8,300)	(6,987)
Grants received	20	1,540	268
Purchase of other fixed assets		(750)	(151)
Purchase of intangible fixed assets	13	(89)	(88)
Sales of housing properties		1,884	403
		(5,713)	(6,554)
Cash flow from financing activities			
Interest paid		(4,491)	(3,770)
Loans received		5,000	2,942
Capital element of finance lease payments		-	(56)
		509	(884)
Net change in cash and cash equivalents		631	284
Cash and cash equivalents at beginning of the year		462	178
Cash and cash equivalents at end of the year		1,093	462

Notes to the Financial Statements

1. Legal status

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

2. Accounting policies

Basis of accounting
The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, and under the historical cost convention, modified to include certain financial instruments at fair value.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102.

The charity meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in the financial statements are rounded to the nearest whole £000, except where otherwise indicated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reconciliations and descriptions of the effect of the transition to FRS 102 on (i) equity at 1 April 2014 (the date of transition) to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are shown in note 27.

The company meets the definition of a qualifying entity under FRS 102 and has taken advantage of the disclosure exemptions available to it in respect of financial instruments.

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. Government's announcements in July 2015 impacting on the future income of the Company have led to a reassessment of the business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare financial statements on a going concern basis.

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

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

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

- **Development expenditure.** The company capitalises development expenditure in accordance with the accounting policy described on page 21. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.
- **Categorisation of housing properties.** The company has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, management has considered if the asset is held for social benefit or to earn commercial rentals and has determined that there are no investment properties.

Notes to the Financial Statements (continued)

2. Accounting policies (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.
- **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 government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties and the Group have assessed that this represents a trigger for impairment review.

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

  Following the assessment of impairment, the determined impairment losses were £131,000 (2015: £Nil).

Turnover
Turnover represents rental and service charge income receivable, amortised capital grants, revenue grants from local authorities and the Homes and Communities Agency, income from property sales and other income. Income is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available to let, net of voids.

Income from property sales is recognised on legal completion.

Service Charge income and costs are recognised on an accruals basis.

Supporting People (SP) income is recognised under the contractual arrangements. Supporting people contract income received from local authorities is accounted for as SP income in turnover. The related support costs are matched against this income.

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

Loan arrangement fees
These costs 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. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation
Charitable activities of the company are not chargeable to corporation tax. The element deemed to be non-charitable, being outright property sales, are chargeable to corporation tax. Corporation tax at the current rate has been provided for the surplus made on this activity.

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 from HM Revenue and Customs. The balance of VAT payable ore recoverable at the year end is included as a current liability or asset.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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%

Tangible fixed assets and depreciation
Tangible fixed assets (including social housing properties) are stated at cost (or deemed cost) less accumulated deprecation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, development costs, interest charges on loans during the development period and expenditure on improvements. Expenditure on improvements will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

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

Freehold land is not depreciated.

Where a social housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

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

Major components and their UELs are as follows:

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

The company depreciates housing properties held on long term leases in the same manner as freehold properties.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected UEL, which is as follows:

Furniture, fixtures and fittings	10 - 33%
Computers and office equipment	5 - 33%

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Property managed by agents
Where the Company carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income Account.

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

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 income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Properties for sale
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, 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.

Stock
Stock is stated at the lower of cost or net realisable value.

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.

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

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

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.

Retirement benefits
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 defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Retirement benefits (continued)
For LCPF 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 with any other changes in fair value of assets and liabilities being recognised in the Statement of Comprehensive Income in the period incurred.

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 at the year ended using a market rate discount factor of 3.02% at 31 March 2014, 1.92% at 31 March 2015 and 2.06% at 31 March 2016. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Gains/Losses
Gains or losses recognised in income and expenditure:
- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains of losses recognised in other comprehensive income:
- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

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

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

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

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

Financial instruments held by the Company are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method,
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method,
- Loans to or from fellow 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.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

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

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

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

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

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

Notes to the Financial Statements (continued)

3. Turnover, operating costs and operating surplus

Continuing activities

	2016 Turnover	2016 Operating costs	2016 Operating surplus/ (deficit)	Restated 2015 Turnover	Restated 2015 Operating costs	Restated 2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings [A]	20,879	(15,118)	5,761	19,683	(14,897)	4,786
Other social housing activities						
Support services	445	(295)	150	791	(704)	87
Non-social housing other [B]	2,278	(2,427)	(149)	905	(943)	(38)
	23,602	(17,840)	5,762	21,379	(16,544)	4,835

A. Particulars of income and expenditure from social housing lettings

	General Housing £'000	Sheltered Housing £'000	2016 Total £'000	Restated 2015 Total £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	15,084	4,326	19,410	18,567
Service charges receivable	488	821	1,309	969
Amortised government grants	88	72	160	147
Turnover from social housing lettings	15,660	5,219	20,879	19,683
Expenditure on social housing lettings				
Management	(3,972)	(1,313)	(5,285)	(5,173)
Services	(634)	(761)	(1,395)	(662)
Routine Maintenance	(2,766)	(914)	(3,680)	(3,702)
Planned Maintenance	(404)	(134)	(538)	(651)
Major repairs expenditure	(1,023)	(338)	(1,361)	(2,023)
Bad debts	46	15	61	(144)
Depreciation of housing properties and loss on disposal	(1,870)	(644)	(2,514)	(2,269)
Impairment of housing properties	(122)	(9)	(131)	-
Other costs	(207)	(68)	(275)	(273)
Operating costs on social housing lettings	(10,952)	(4,166)	(15,118)	(14,897)
Operating surplus on social housing lettings	4,708	1,053	5,761	4,786
Void loss	(452)	(186)	(638)	(579)

Notes to the Financial Statements (continued)

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

B. Activities other than non-social housing

	Turnover	Operating costs	2016 Operating surplus/ (deficit)	2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Market Lettings	110	(8)	102	96
Properties developed for outright sale	1,672	(1,774)	(102)	(5)
Other	496	(645)	(149)	(129)
	2,278	(2,427)	(149)	(38)

4. Accommodation in management and development

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

	2016	2015
	Number of properties	
Owned Social housing		
General housing – social rent	3,441	3,382
Supported housing & housing for older people	1,158	1,172
Tenant group properties	1	1
Shared ownership	8	8
Managed Social housing		
Properties managed for Burnley Borough Council	23	13
Owned Non-social housing		
Student accommodation	7	7
Total managed	4,638	4,583

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

Student accommodation includes 39 units within 7 properties.

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

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

Notes to the Financial Statements (continued)

5. Operating surplus

	2016 £'000	2015 £'000
Depreciation of housing properties	2,418	2,184
Impairment losses of housing properties	131	-
Loss on disposal of components	95	90
Depreciation of other tangible fixed assets	130	155
Amortisation of intangible fixed assets	71	70
Amortisation of government grants	(160)	(147)
Operating lease rentals – land and buildings	65	65
Operating lease rentals – other	310	259
Auditor's remuneration:		
- for auditor services	18	14
- for non-audit services	1	1

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

	2016 £'000	2015 £'000
Disposal proceeds	147	91
Carrying value of fixed assets	(155)	(92)
Impairment of properties for sale	-	(68)
(Deficit)/Surplus on disposal	(8)	(69)

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

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

7. Interest receivable and other income

	2016 £'000	2015 £'000
Interest receivable and similar income	2	1

Notes to the Financial Statements (continued)

8. Interest payable and similar charges

	2016	2015
	£'000	£'000
Loans and bank overdrafts	4,689	4,358
Pensions – net interest on pension deficit	339	(33)
	5,028	4,325
Less: interest capitalised on housing properties under construction	(82)	(167)
Less: interest capitalised on properties for sale under construction	(101)	(69)
	4,845	4,089

The interest rate of 4.58% (2015: 4.58%) was used for capitalising finance costs.

9. Employees

Average monthly number of employees	**2016**	**2015**
	No.	**No.**
Administration	58	47
Housing and community services	184	200
Total	242	247
Full time equivalents (36.25 hours/week)	223	227

	2016	**2015**
	£'000	**£'000**
Employee costs:		
Wages and salaries (gross)	5,620	5,329
Social security costs	434	408
Other pension costs	696	697
Pension adjustment to Income and Expenditure Accounts	145	(81)
	6,895	6,353

Pension obligations

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

Social Housing Pension Scheme

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

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

Notes to the Financial Statements (continued)

9. Employees (continued)

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 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Present value of provision	436	344	358

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2016 £'000	2015 £'000
Provision at start of period	344	358
Unwinding of the discount factor (interest expense)	6	10
Deficit contribution paid	(41)	(40)
Remeasurements - impact of any change in assumptions	(3)	16
Remeasurements - amendments to the contribution schedule	130	-
Provision at end of period	436	344

Notes to the Financial Statements (continued)

9. Employees (continued)

INCOME AND EXPENDITURE IMPACT

	2016 £'000	2015 £'000
Interest expense	6	10
Remeasurements – impact of any change in assumptions	(3)	16
Remeasurements – amendments to the contribution schedule	129	-

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.06	1.92	3.02

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 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Year 1	55	41	40
Year 2	57	43	41
Year 3	59	45	43
Year 4	62	47	45
Year 5	52	49	47
Year 6	42	39	49
Year 7	44	29	39
Year 8	36	30	29
Year 9	27	21	30
Year 10	28	12	21
Year 11	14	12	12
Year 12	-	6	12
Year 13	-	-	6

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

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

Notes to the Financial Statements (continued)

9. Employees (continued)

Lancashire County Pension Fund (LCPF)

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

Assumptions

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

	31 March 2016	31 March 2015	31 March 2014
	% per annum	% per annum	% per annum
Rate of increase in salaries	3.5	3.5	3.9
Rate of increase in pensions in payment	2.0	2.0	2.4
Discount rate	3.6	3.3	4.5
Inflation assumption	2.0	2.0	2.4

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 and the expected rates of return were:

	Fair value 31 March 2016 £'000	Fair value 31 March 2015 £'000	Expected return 31 March 2015 %	Fair value 31 March 2014 £'000	Expected return 31 March 2014 %
Equities	8,093	11,098	6.5	10,407	7.0
Government bond	471	698	2.2	616	3.4
Bonds other	471	315	2.9	1,827	4.3
Property	2,259	2,274	5.9	1,728	6.2
Cash/liquidity	800	1,081	0.5	338	0.5
Others	11,436	7,046	6.5	4,945	7.0

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.

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Fair value of the above assets relating to the company	23,530	22,512	19,861	19,687	16,803
Value placed on liabilities relating to the company	(31,730)	(32,543)	(26,607)	(28,602)	(23,912)
	(8,200)	(10,031)	(6,746)	(8,915)	(7,109)

Notes to the Financial Statements (continued)

9. Employees (continued)

Analysis of the amount charged to operating costs

	2016	2015
	£'000	£'000
Current service cost	(708)	(546)
Net charge	(708)	(546)

Analysis of the amount charged to interest payable and similar charges

	2016	2015
	£'000	£'000
Interest on pension scheme assets	742	1,232
Interest on pension scheme liabilities	(1,063)	(1,199)
Administration expenses	(12)	-
Net charge	(333)	33

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

	2016	2015
	£'000	£'000
Actuarial (loss)/gain less expected return on pension scheme assets	2,223	(3,399)
Actuarial (loss)/gain recognised in SOCI	2,223	(3,399)

Amounts recognised in the Statement of Comprehensive Income (SOCI)

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Actuarial gains/(losses)recognised in SOCI	2,223	(3,399)	2,403	(1,621)	(1,653)
Cumulative actuarial gains and losses	(5,116)	(7,339)	(3,940)	(6,343)	(4,722)

Reconciliation of defined benefit obligation

	2016	2016	2015
	Unfunded benefits	All benefits	All benefits
	£'000	£'000	£'000
Opening defined benefit obligation	611	32,543	26,607
Current service costs	-	708	546
Interest cover	20	1,063	1,199
Contributions by members	-	232	203
Actuarial losses/(gains)	(20)	(1,880)	4,674
Estimated benefits paid	(31)	(936)	(686)
Closing defined benefit obligation	580	31,730	32,543

Notes to the Financial Statements (continued)

9. Employees (continued)

Reconciliation of fair value of employer's assets

	2016 Unfunded benefits £'000	2016 All benefits £'000	2015 All benefits £'000
Opening fair value of employers assets	-	22,512	19,861
Expected return on assets	-	742	1,232
Contributions by members	-	232	203
Contributions by the employer	31	649	627
Actuarial (losses)/gains	-	343	1,275
Benefits paid	(31)	(936)	(686)
Administration expenses	-	(12)	-
	-	23,530	22,512

History of experience gains and losses

	2016	2015	2014	2013	2012
Difference between expected and actual return on share of scheme assets:					
Amount (£'000)	343	1,275	(845)	1,607	(805)
Percentage of share of scheme assets	1.5%	5.7%	(4.3%)	8.2%	(4.8%)
Experience of gains and losses on share of scheme liabilities:					
Amount (£'000)	(1,880)	4,674	(3,248)	3,228	848
Percentage of present value of share of scheme liabilities	(5.95)	14,4%	(12,2%)	11.3%	3.5%
Total amount recognised in statement of changes in reserves:					
Amount (£'000)	2,223	(3,399)	2,403	(1,621)	(1,653)
Percentage of the present value of share of scheme liabilities	(7%)	(10.4%)	9%	(5.7%)	(6.9%)

Movement in deficit during they year

	2016 £'000	2015 £'000
Company share of scheme liabilities at beginning of year	(10,031)	(6,746)
Movement in year:		
Current service cost	(708)	(546)
Past service gain	-	-
Contributions	649	627
Net interest/return on assets	(333)	33
Actuarial gain/(loss)	2,223	(3,399)
	(8,200)	(10,031)

Notes to the Financial Statements (continued)

10. Board members and executive officers

The aggregate emoluments of executive officers, listed on page 1, for the period amounted to £355,412 (2015: £319,916) including pension contributions of £45,810 (2015: £50,115). None of the board members received emoluments. Expenses paid during the year in respect of board members amounted to £268 (2015: £234). The emoluments of the highest paid executive officer, the Chief Executive Anthony Duerden, including pension contributions were £143,613 (2015: £143,392), of which pension contributions were £22,027 (2015: £21,988).

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.

Number of senior officers with emoluments (basic salary, benefits in kind and employers pension contributions) between;

	2016	2015
	No.	No.
£60,000 to £70,000	2	3
£70,000 to £80,000	-	1
£80,000 to £90,000	1	1
£100,000 to £110,000	2	-
£140,000 to £150,000	1	1

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.

	2016	2015
	£000	£000
UK Corporation Tax charge for the year	-	-
Adjustment in respect of prior years	11	-
Total tax charge	11	-
Factors affecting tax charge for period:		
Surplus/(deficit) on ordinary activities before tax	911	687
Surplus/(deficit) on ordinary activities at standard rate 20% (2015: 20%)	182	137
Effect of charitable income and expenditure not subject to tax	(182)	(137)
Current tax charge for year	-	-
Adjustments in respect of prior years	11	-
	11	-

Notes to the Financial Statements (continued)

12. Tangible fixed assets

	---- Housing Properties ----						
	Social Housing Properties for Letting Completed £'000	Social Housing Properties for letting under Construction £'000	Low cost home ownership Properties completed £'000	Total Housing Properties £'000	Freehold offices £'000	Furniture and office equipment £'000	Total fixed assets £'000
Cost							
At start of the year	88,018	5,592	626	94,236	4,675	1,147	100,058
Additions	4,351	2,840	-	7,191	690	60	7,941
Schemes completed	7,642	(7,642)	-	-	-	-	-
Disposals	(483)	-	-	(483)	-	-	(483)
At end of the year	99,528	790	626	100,944	5,365	1,207	107,516
Depreciation and impairment							
At start of the year	15,901	-	14	15,915	988	893	17,796
Charge for the year	2,412	-	6	2,418	74	56	2,548
Impairment	131			131	-	-	131
Disposals	(232)	-	-	(232)	-	-	(232)
At end of the year	18,212	-	20	18,232	1,062	949	20,243
Net book value at the 31 March 2016	81,316	790	606	82,712	4,303	258	87,273
Net book value at the 31 March 2015	72,117	5,592	612	78,321	3,687	254	82,262

Notes to the Financial Statements (continued)

12. Tangible fixed assets – properties (continued)

Housing properties comprise:

	2016 £'000	Restated 2015 £'000
Freehold land and buildings	80,250	75,838
Long leasehold land and buildings	2,462	2,483
	82,712	78,321
Major works to existing properties in the year:		
Works capitalised	4,224	2,184
Amounts charged to expenditure (note 3)	1,361	2,023
	5,585	4,207
Aggregate amount of interest and finance costs included in the cost of housing properties (note 8)	82	167

13. Intangible Fixed Assets

Computer software and licences	2016 £'000	Restated 2015 £'000
Cost		
At start of year	945	857
Additions	89	88
At end of year	1,034	945
Amortisation		
At start of year	875	805
Charge for year	71	70
	946	875
Net book value		
At 31 March 2016	88	70
At 31 March 2015	70	52

Notes to the Financial Statements (continued)

14. Properties held for sale

	2016 £'000	Restated 2015 £'000
Properties for outright sale	1,026	1,470
Properties for shared ownership sale	-	-
	1,026	1,470

15. Stock and work in progress

	2016 £'000	Restated 2015 £'000
Raw materials and consumables	37	43

16. Debtors

	2016 £'000	Restated 2015 £'000
Due within one year		
Rent and service charges receivable	1,338	1,132
Less: Provision for bad and doubtful debts	(596)	(816)
	742	316
Other debtors	1,174	750
Less: Provision for bad and doubtful debts	(271)	(236)
Prepayments and accrued income	833	513
Intercompany balance	622	405
	3,100	1,748

Notes to the Financial Statements (continued)

17. Creditors: amounts falling due within one year

	2016 £'000	Restated 2015 £'000
Debt (Note 19)	-	-
Trade creditors	445	476
Rent and service charges received in advance	398	306
Others creditors	99	36
Accruals and deferred income	2,143	2,656
Other taxation and social security	18	1
RTB proceeds due to Burnley Borough Council	66	46
Intercompany balance	14	1,189
Deferred capital grant (Note 20)	160	153
Disposal proceeds fund (Note 21)	295	229
	3,638	5,092

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

	2016 £'000	Restated 2015 £'000
Debt (Note 19)	88,159	83,059
Deferred capital grant (Note 20)	11,034	9,661
Disposal proceeds fund (Note 21)	745	596
Leaseholder sinking funds	33	23
	99,971	93,339

Notes to the Financial Statements (continued)

19. Debt analysis

	2016 £'000	Restated 2015 £'000
Due after more than one year		
Bank loans	88,159	83,059
Debt is repayable as follows:		
Between two to five years	2,700	-
After five years	85,459	83,059

The Company borrows, currently from the Royal Bank of Scotland and Nationwide, at both fixed and floating rates of interest. The Company currently has 71.4% (2015: 75.69%) of its borrowings at fixed rates.

The fixed rates of interest range from 4.29% to 7.10% (2015: 5.35% to 7.09%) and the weighted average rate of interest on all loans is 6.18% (2015: 5.66%). Variable rate loans have their rate linked to LIBOR.

Break costs

The Company has interest rate fixes and forward rate fixes in place maturing at intervals up to 2038, if these fixes are not taken up or are terminated prior to maturity break costs will be incurred. The break costs are disclosed below but no provision for them 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.

Lender:	2016 £'000	2015 £'000
Royal Bank of Scotland	12,926	9,381
Nationwide	10,100	14,324

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 31/03/16 %
13/10/2008	13/10/2038	RBS/nationwide	RPI cap/collar	6,000	4.38

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

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

At 31 March 2016, the Company had un-drawn loan facilities of £27.3m (2015: £32.3m). The total loan facility is £115m (2015: £115m).

Notes to the Financial Statements (continued)

20. Deferred capital grant

	2016 £'000	Restated 2015 £'000
At start of year	9,814	9,693
Grant received in the year	1,540	268
Released to income in the year	(160)	(147)
At the end of the year	11,194	9,814
Amount due to be released < 1year	160	153
Amount due to be released > 1 year	11,034	9,661
	11,194	9,814

21. Disposal proceeds fund

	2016 £'000	Restated 2015 £'000
At start of year	825	525
Net PRTB receipts	360	296
HCA Grant received	81	-
Allocation of funds – New build	(229)	-
Interest accrued	3	4
At the end of the year	1,040	825
Amount due to be released < 1 year	295	229
Amount due to be released > 1 year	745	596
	1,040	825
Amounts over 3 years where repayment may be required	-	-

Notes to the Financial Statements (continued)

22. Capital commitments

Capital expenditure commitments were as follows:

	2016 £'000	2015 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	5,826	1,555
Expenditure approved by the Board, but not contracted	28,270	34,811
	34,096	36,366

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

Operating leases
The payments which the Group and Company are committed to make under operating leases are as follows:

	2016 £'000	2015 £'000
Land and buildings, leases expiring:		
Within one year	65	65
Two to five years	114	179
	179	244
Other leases expiring:		
Within one year	269	276
Two to five years	147	399
	416	675

23. Contingent liabilities

There were no contingent liabilities at 31 March 2016 (2015: Nil).

Notes to the Financial Statements (continued)

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

	2016	Restated 2015
	£'000	£'000
Operating surplus	5,762	4,835
Adjustments for non-cash items:		
Pensions adjustment	145	(81)
Depreciation of housing properties	2,418	2,184
Loss on disposal of components	95	90
Amortisation of intangible fixed assets	71	70
Amortisation of government grants	(160)	(147)
Depreciation of other tangible fixed assets	130	155
Impairment losses of housing properties	131	-
	8,592	7,106
Tax Paid	(11)	-
Working capital movements:		
Stock	6	6
Debtors	(1,352)	(303)
Creditors	(1,400)	913
Net cash generated from operating activities	5,835	7,722

25. Control

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

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

26. Related parties

The tenant member at 31 March 2016 was Christina Yates. Her tenancy is on normal commercial terms with rent payable of £4,000 per annum (2015: £4,000) and she is not able to use her position to her advantage. At 31 March 2016, there were no outstanding amounts (2015: £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-16	Mar-15
	£'000	£'000
• New house building	2,101	3,631
• Empty homes refurbishment	-	215
	2,101	3,846

During the year, the company recharged office costs to Hobstones totalling £22,000 (2015: £50,000).

At 31 March 2016, Hobstones owed the company £7,000 (2015: owed by the company £351,000).

Notes to the Financial Statements (continued)

26. Related parties (continued)

Ring Stones Maintenance and Construction LLP ("Ring Stones"), a subsidiary of Calico JV Limited
During the year, Ring Stones carried out part of the major works programme for Calico Homes, below is a list of the work programmes and the values involved:

	Mar-16	Mar-15
	£'000	£'000
• Various Investment works	251	88
• Fencing Programme	513	540
• Externals	2,426	1,527
• Heating	525	415
• Roofing	452	202
• Damp proofing	532	130
• Various Responsive works	140	100
• Development	697	253
	5,536	3,255

During the year, the company recharged office costs to Ring Stone totalling £126,000 (2015: £126,000).

At 31 March 2016, Ring Stones owed the company £305,000 (2015: owed by the company £690,000).

The Calico Group Limited ("Group"), the parent company
During the year, the Group recharged office costs amounting to £49,000 (2015: £9,000)

At 31 March 2016, Group owed the company £85,000 (2015: £37,000).

Calico Enterprise Limited ("Enterprise"), a fellow subsidiary of Group
During the year, the company recharged office costs to Enterprise totalling £152,000 (2015: £186,000) and Enterprise charged £533,000 (2015: £555,000) for cleaning, painting and decorating services.

At 31 March 2016, Enterprise owed the company £52,000 (2015: owed by the company £36,000).

Acorn Recovery Projects ("Acorn"), a fellow subsidiary of Group
During the year, the company recharged office costs to Acorn totalling £115,000 (2015: £87,000).

At 31 March 2016, Acorn owed the company £31,000 (2015: £187,000).

Safenet Domestic Abuse Service ("Safenet"), a fellow subsidiary of Group
During the year, the company recharged office costs and rents to Safenet totalling £120,000 (2015: £84,000).
At 31 March 2016, Safenet owed the company £87,000 (2015: £53,000).

Calico JV Limited ("JV"), a fellow subsidiary of Group
During the year, the company recharged legal & professional fees amounting to £36,000 (2015: £Nil) to JV.

At 31 March 2016, JV owed the company £36,000 (2015: £Nil).

Whitworth Care Trust ("Whitworth"), a subsidiary of the company
During the year, the company charged rents amounting to £11,000 (2015: £11,000) and gifted £102k (2015: £Nil).

At 31 March 2016, Whitworth owed the company £5,000 (2015: £15,000).

27. First time adoption of FRS 102

These financial statements are the first financial statements for Calico Homes Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Calico Homes Limited for the year ended 31March 2015 were prepared in accordance with UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made.

Notes to the Financial Statements (continued)

27. First time adoption of FRS 102 (continued)

Reconciliation of reserves

	Note	1 April 2014 £'000	31 March 2015 £'000
Capital and reserves as reported under previous UK GAAP		(19,304)	(21,562)
Adjustment arising from transition to FRS 102			
Pension liability previously not recognised	A	(358)	(344)
Holiday pay accruals	B	(43)	(65)
Loan interest payable	D	(339)	(780)
		(20,044)	(22,751)

	2015 £'000
Surplus from Statement of Comprehensive Income as reported under previous UK GAAP	(2,258)
Adjustment arising from transition to FRS 102	
Pension liability previously not recognised	14
Holiday pay accrual	(22)
Loan interest payable	(441)
Surplus from Statement of Comprehensive Income reported under FRS 102	(2,707)

A) Pension Scheme
Under FRS 102 a commitment under a multi-employer defined benefits scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2016 this was calculated as amounting to £436,000 (2015: £344,000).

B) Holiday Pay Accrual
FRS 102 requires holiday pay to be accrued as a liability specifically and therefore as at 31 March 2016 a provision has been made of £65,000 (2015: £65,000) reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

C) Property grant
Under previous UK GAAP grants relating to fixed assets where deducted from the cost of the relevant asset, also resulting in a lower annual depreciation charge. Under FRS 102 grants relating to fixed assets are recognised in income on a systematic basis over the expected useful life of the asset. An adjustment has been made to restate such grants.

D) Loan interest payable
FRS 102 requires loan interest payable to be 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. At 31 March 2016, this was calculated as £821,000 (2015: £780,000).