COMPANY NUMBER: 08747100

THE CALICO GROUP LIMITED

Report and Consolidated Financial Statements

Year ended 31 March 2017

Contents

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Board Members, Executive Officers, Advisors and Bankers

Board	Lesley Burrows (Chair) Councillor Simon Blackburn (appointed 11 November 2016) Peter Bevington Grahame Elliott CBE John Inglesfield (Co-optee) Martin King Melanie Manners (resigned 15 December 2016) Paul Mayson Carmel McKeogh (appointed 11 November 2016) Sarah Parr	
Executive Officers Chief Executive and Company Secretary	 Anthony Duerden (appointed as secretary 31 March 2017)	
Director of Finance & Corporate Services and Company Secretary	Tracy Woods (resigned 31 March 2017)	
Registered Office	Centenary Court Croft Street Burnley Lancashire BB11 2ED www.calico.org.uk	
Company Registered Number	08747100	
External Auditor	Beever and Struthers Chartered Accountants & Statutory Auditor St George's House 215-219 Chester Road Manchester M15 4JE	
Internal Auditor	BDO LLP 3 Hardman Street Manchester M3 3AT	
Solicitors	Forbes Solicitors Rutherford House 4 Wellington Street St. Johns Blackburn BB1 8DD	
Bankers	National Westminster Bank 6th Floor, 1 Spinningfields Square Manchester M3 3AP	Barclays Bank Plc 198 Ashley Road Hale Cheshire WA15 9SW
Group 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
	Barclays Bank Plc 198 Ashley Road Hale Cheshire WA15 9SW	

Corporate Framework

Our Vision

The vision for the Group is:

“Providing quality services that make a difference to people’s lives”

Our Values

Our values reflect the priorities we need to concentrate on to ensure that the vision can be delivered.

Our values are:

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

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

Strategic Aims

The vision and values provides the strategic direction of the Group. The Group 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.

Legal status and objective
The Calico Group Limited was incorporated as a not for profit, non charitable company limited by guarantee to act as the parent body for the Calico Group of companies.

The Company is non asset holding and provides strategy and direction to the Group ensuring opportunities are seen with a whole Group perspective. Its Board is drawn from across all areas of activity undertaken by its subsidiaries. The constitution is such that at least 50% of the Board must be independent of any other company within the Group.

Review of activities and future prospects
Whilst the Group has had another successful year, each company within the Group has faced its own challenges, the continuing 1% rent reduction, austerity measures and the reduction in grant funding levels have all impacted on the financial performance.

Our services include the provision of housing, homelessness support and accommodation, help for people suffering from domestic abuse, drug and alcohol recovery services, support into work and training opportunities. All of these align with our vision to generate social profit and make a difference to people's lives.

We also operate a commercial building and construction company, Ring Stones Maintenance and Construction LLP, to undertake relevant work for Calico Homes Limited and other private customers. This produces VAT savings and provides a route to work for our apprentices.

During the year, the Group acquired Delphi Medical Limited and Delphi Medical Consultants Limited ("Delphi") who provide clinical treatment for detoxification services which complements existing services provided by Acorn Recovery Projects ("Acorn"). Delphi is now the lead provider of integrated substance misuse services in Blackpool and in Manchester and Buckley Hall prisons, working alongside Acorn.

Safenet Domestic Abuse Service ("Safenet") continues to manage refuges based in Preston, Lancaster and Burnley that support women and children who have suffered domestic abuse. Safenet have been delivering community based Independent Domestic Violence Advisor ("IDVA") services in Blackpool and have recently took over a contract to manage a refuge in Rochdale.

A challenge to Calico Homes remains the Government required rent reduction of 1% per year over a four year period from 2016/17. It has been identified that an efficiency saving of £1.8m cumulative over 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. We have achieved our target of £640k efficiency savings for 2016/17. The business planning and budget setting process for 2017/18 is complete and the required efficiency of £576k was included in this. We are confident that Calico Homes will be able to deliver these and identify the remaining efficiencies in the final year of the programme.

Calico Homes continues to maintain high levels of income collection and to demonstrate Value for Money. Although, Welfare Reform and particularly the roll out of Universal Credit across Pennine Lancashire will continue to be a risk for Calico Homes' income stream which will be closely monitored.

There were several developments underway at the end of March 2017:
- Pomfret and Blannel, a 22 unit general needs scheme which completed in first quarter of 2017/18.
- Jane's Place, a recovery refuge for Safenet which was subsidised by HCA Homelessness for Change programme and opened its doors on 16 June 2017. The first of its kind in the North to offer safe and secure temporary accommodation for women and children at risk of domestic abuse, who have complex needs.
- Whitworth Care Home, a 28 bed facility to replace the existing facility in 2018/19.
- Melrose Avenue (Burnley), a 31 unit affordable rent scheme.
- Perserverance Mill, a 56 unit affordable rent scheme.

Growth areas include new build development opportunities for Calico Homes which was successful in its latest bid for grants from the Homes and Communities Agency. In addition to the provision of social housing there are also opportunities to work with other organisations within the group to provide supported housing for our vulnerable customers and those requiring support for complex needs. This enables the Group to tailor the service offers available to continue to support individuals and achieve our purpose of making a difference to people's lives.

The Board are satisfied with the progress being made and that the various companies in the Group will grasp the opportunities that they generate or that arise during the coming year and manage the challenges to minimise or mitigate their effect.

This report was approved by the Board on 15 September 2017 and signed on its behalf by:

Lesley Burrows
Chair of the Board
15 September 2017

Report of the Board

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

Principal activities

The Calico Group Limited is a not for profit, non-charitable company limited by guarantee, governed by its articles of association. The company was incorporated on 24 October 2013 to facilitate a restructure of the Calico Group on 1 November 2013 with the previous parent company being Calico Homes Limited. Consolidated accounts have been prepared in line with recognised accounting practices.

The Calico Group Limited is the ultimate parent company for Calico Homes Limited, Calico Enterprise Limited, SafeNet Domestic Abuse Service, Calico JV Limited (a 99% partner (2016: 99%) in Ring Stones Maintenance and Construction LLP ("Ring Stones")), Hobstones Homes Limited (a 1% partner (2016: 1%) in Ring Stones), Acorn Recovery Projects, Delphi Medical Limited and Delphi Medical Consultants Limited. "Calico" is used generically to describe this group of companies.

Board members and executive officers

The present Board members and the executive officers 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 executive officers act as directors within the authority delegated by the Board. The executive officers are employed under joint employment contracts with Calico Homes Limited.

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

Remuneration policy

The Board is responsible for setting the remuneration policy of Calico, and in doing so pays close attention to remuneration levels in the relevant sectors in determining the remuneration packages of the executive officers and other senior staff within the group. Basic salaries are set having regard to an individual's responsibilities and the pay levels for comparable positions.

Pensions

The executive officers and senior staff are eligible to join and participate in the pension schemes available to other staff members in the company by which they are employed. They participate in the schemes on the same terms as all other eligible staff. Full details of the schemes are given in note 7 to the financial statements.

Employees

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

Calico 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.

Calico 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 the Leaders in Diversity award.

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

Health and safety

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

Capital structure and treasury management

Only two Calico companies have loan facilities, Calico Homes Limited ("Homes") and Acorn Recovery Projects ("Acorn").

Homes borrowed a further £2.8 million (2016: £5 million) to bring its total borrowings to £90.5 million (2016: £87.7 million) out of the facility of £115 million. The additional borrowing was used to support the development programme.

Acorn has repayment mortgages totalling £0.4 million (2016: £0.5 million) at the year end. There were no additional borrowings undertaken in the year.

Homes borrows from the Royal Bank of Scotland and Nationwide at both fixed and floating rates of interest and currently has 71.0% (2016: 71.4%) of its borrowings at fixed rates. The loans are secured by fixed and floating charges on the property stock.

Acorn borrows from Barclays Bank plc at both fixed and floating rates. The mortgages are secured by fixed charges on some of the Acorn properties.

Report of the Board (continued)

Capital structure and treasury management (continued)
Gearing is in line with the long term business plans which show 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 total comprehensive loss for the year £2,231,000 (2016: income £2,192,000), which includes actuarial loss £3,387,000 (2016: gain £2,223,000), the Group reserves at the year end amounted to deficit £19,100,000 (2016: £16,869,000), which overall is in line with expectations.

The Board
The Board comprises nine (2016: eight) non-executive members. It is responsible for managing the strategic direction of the Group. It formally meets each quarter throughout the year. Other meetings are held as required to support the development of the members. Details of Board Members can be found on page 1.

The Board is responsible for Calico's strategy and policy framework. It delegates the day-to-day management and implementation to the Chief Executive and other senior officers. The Executive officers 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 Group'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 Executive and 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.

Group structure
A review of the Group's company and governance structures has taken place over the past year to ensure they can best support our purpose by ensuring there is adequate leadership capacity and that the Group continues to grow and develop.

A number of options relating to changes in structure of the Group to help with these objectives were considered by all Boards. It has been agreed to establish a new 'social enterprise' holding company with a common board for each of the legal entities which are Calico Enterprise, Acorn, Safenet and Delphi. This holding company will sit between the legal entities and the Group Board. A 'transitional' advisory board has been established to progress the new arrangements which is expected to be established by March 2018. This new arrangement will enhance continued growth by integrating service and company offers and allowing competition with larger scale 'lead' providers.

Internal controls assurance
The Board has overall responsibility for establishing and maintaining the whole system of internal control of Calico 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 Group is exposed.

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

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

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

Report of the Board (continued)

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.

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	● Business plan assumptions in relation to income collection agreed annually to ensure financial viability is maintained. ● Income collection and tenancy sustainment monitored and reported as KPIs to Board. ● Progress/information on Welform Reform regularly included in board briefing packs. ● All new development schemes are subject to a financial appraisal which is presented to Board. ● Development strategy approved including review of external funding streams. ● Efficiency action plan produced to make savings required. ● Tenancy Sustainment Strategy and action plans being delivered focussing on tenancy sustainment and Universal Credit. ● Income Management policy in place.	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.
Loss of key staff limits ability to perform	● People strategy in place focussing on realising peoples potential. ● 18th in Sunday Times top 100 companies to work for. ● Variety of policies in place to enhance working conditions and environment. ● Staff appraisal process.	
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 Executives. ● Universal Credit and tenancy sustainment action plans in place. ● Internal audit to validate information being presented to Board. ● External environment being monitored for changes in Government policy and action plans developed to manage. ● Charitable company's financial plans are linked to operational performance. Monthly review meetings in place to ensure targets are achieved.	

Key risk element	Status	Impact on strategic objectives
Ineffective Boards due to their composition /skill set/ experience leading to poor governance	• Board development plans in place. • Board member appraisals undertaken. • Compliance with the Code of Governance. • Individual board member development plans in place Terms of Reference. • Board skills/behaviours matrix reviewed annually. • Financial training for Board members. • Board induction reviewed. • New role Head of Governance & Compliance	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 various regulatory and statutory legislation and meeting the requirements of the consumer and economic standards set down by the HCA, H&S, CQC and Home Office. Failure to respond to the political implications, and additional safety regulations, following the Grenfell fire tragedy, leading to reputational damage and regulatory intervention.	• Health and Safety Policy in place approved by all Boards. • Viability monitored through annual business plan preparation and other regulatory returns. • Structured regular quorate board meetings held. • Individual Board member training/development plans. • VFM self-assessment process in place. • Reporting in key areas of legislation and compliance reported to individual Boards. • NHF Self-assessment. • Internal Audit. • H&S Performance team with Group remit. • CQC audit completed – Group companies achieving strong results in inspections. • Compliance audit schedule – includes landlords, H&S, Payroll, HR. • Revised approach to co-regulation in Homes. • Annual Returns to Charities Commission. • Review of approach to Fire Safety completed and action plan in place. • Assets and Liabilities Register in place for Calico Homes.	
Development activity not delivered as planned and new build programme insufficient workload for construction operatives.	• Current development programme monitored by a Development Panel on a monthly basis. • Sales progress report produced regularly – all properties currently sold. • Financial position monitored through management accounts. • Monthly meetings between development and finance. • Monthly meetings between Calico Homes and Ring Stones (contractor for the delivery of the development programme). • Regular Board updates at Homes board meetings. • Development training for Board members • Development bulletin produced monthly. • All new schemes are financially appraised and approved by Homes Board. • Internal Audit. • KPIs reported at project level and to 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. • Corporate Plan targets introduced and reviewed. • Updates on Growth Strategy to Board.	
Loan financing to develop / expand the property base	• Annual treasury management strategy in place. • Annual business plan prepared in conjunction with the Growth strategy. • Updates on market availability of funds regularly received by the Director of Finance. • Funding Options Review has been undertaken. • Treasury Management advisors are on a retained basis.	

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.	● Annual “Views for Vouchers” customer survey undertaken. ● Regular reporting of variety of customer insights with action taken to address any causes of dissatisfaction. ● Channel shift project team established focussing on increasing amount of digital communication with customers. ● Customer strategy and action plan launched. ● Annual report to customers using a “you said, we did” format. ● Passionate About Customers training and embedding plans. ● Revised co-regulation framework incorporating informal engagement with customers. ● Calico Group complaints policy. ● New telephony system.	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.
Subsidiaries do not work together to identify opportunities for integrated service offers which deliver strategic aims, maximise opportunities and manage risk.	● Growth Strategy. ● Strategic Growth Group. ● Board strategic weekend ● New Group Executive and Leadership Team structure. ● Strategic review of leadership, governance and company structures.	
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. Any subsidiary companies not being financially viable which impact on the Group’s ability to compete for contracts.	Calico Homes ● Efficiency project team in place. ● Initial areas of efficiency savings identified. ● Stress testing undertaken and mitigating actions identified where possible. ● Management accounts reviewed monthly and forecasts undertaken. ● Annual budget setting process. ● 2016/17 efficiency savings achieved. ● 2017/18 efficiency savings identified. ● Regular report to Board re progress against efficiency action plan. Other Boards ● Individual monthly finance reports. ● Restructures at Acorn, Enterprise and Safenet.	
Loss of assets due to disaster	● Business Continuity Plan. ● Insurance arrangements in place. ● Fire risk assessments. ● Gas and electrical servicing. ● Repairs policies. ● Smoke/CO2 detection. ● Property MOT. ● Property Services Risk Map. ● Assets and liabilities register.	

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

Company law 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 the Companies Act 2006.

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 Group and Company, and of the surplus or deficit of the Group 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;
- 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 Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements comply with the Companies Act 2006. It is also responsible for taking reasonable steps to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Board (continued)

Statement of directors' responsibilities for the annual report and financial statements (continued)
The Board is also responsible for the maintenance and integrity of the corporate and financial information on the Group's websites. 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.

Going concern
After making enquiries the Board has a reasonable expectation that the Group and Company have 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 15 September 2017 and signed on its behalf by:

Lesley Burrows
Chair of the Board
15 September 2017

Independent Auditor's Report to the members of The Calico Group Limited

We have audited the financial statements of The Calico Group Limited for the year ended 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Reserves, the Consolidated Statement of Financial Position, the Statement of Financial Position (company) and Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of the Board and the auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 group's and of the parent company's affairs as at 31 March 2017 and of the group's loss 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Date: 15 September 2017

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	2	36,994	31,573
Operating costs	2	(31,810)	(26,448)
Operating surplus		5,184	5,125
Gain/(Loss) on disposal of fixed assets	4	11	(8)
Interest receivable and similar income		7	6
Interest payable and financing costs	5	(4,046)	(4,879)
Surplus before tax		1,156	244
Members remuneration charged as an expense	26	-	(250)
Taxation	9	-	(25)
(Deficit)/Surplus for the year after tax		1,156	(31)
Actuarial gain/(loss) in respect of pension schemes	7	(3,387)	2,223
Total comprehensive (loss)/income for the year		(2,231)	2,192

The notes on pages 16 to 37 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2017

	Note	2017 £'000	Restated* 2016 £'000
Fixed assets			
Tangible fixed assets	10	96,672	89,499
Intangible assets and goodwill	11	789	675
Investments		27	27
		97,488	90,201
Current assets			
Properties for sale	12	-	1,026
Stock		40	55
Trade and other debtors	13	3,768	4,539
Cash and cash equivalents		1,741	2,011
		5,549	7,631
Creditors: Amounts falling due within one year	14	(7,123)	(5,678)
Net current assets		(1,574)	1,953
Total assets less current liabilities		95,914	92,154
Creditors: Amounts falling due after more than one year	15	103,161	100,823
Provisions for liabilities	21	11,853	8,200
		115,014	109,023
Capital and reserves			
Income and expenditure reserve		(19,884)	(17,589)
Restricted reserve		784	720
Group reserves before minority interest		(19,100)	(16,869)
Minority interest		-	-
Total reserves		(19,100)	(16,869)
		95,914	92,154

** Restated to reclassify SHPS pension liability*

The notes on pages 16 to 37 form part of these financial statements.

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

Lesley Burrows
Chair of the Board

Sarah Parr
Member of Audit Committee

Statement of Financial Position – The Calico Group Limited

As at 31 March 2017

	Note	2017 £'000	2016 £'000
Tangible fixed assets		-	-
Current assets			
Trade and other debtors	13	83	46
Cash and cash equivalents		1	45
		84	91
Creditors: Amounts falling due within one year	14	(82)	(89)
Net current assets		2	2
Total assets less current liabilities		2	2
Capital and reserves			
Income and expenditure reserve		2	2

The Calico Group Limited is a non-asset holding parent company.

The notes on pages 16 to 37 form part of these financial statements.

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

Lesley Burrows
Chair of the Board

Sarah Parr
Member of Audit Committee

Consolidated Statement of Changes in Reserves

	Income and expenditure reserve £'000	Restricted reserve £'000	Total excluding non-controlling interest £'000	Non-controlling interest £'000	Total including non-controlling interest £'000	Restricted fund £'000	Unrestricted fund £'000
Balance as at 1 April 2015	(19,920)	758	(19,162)	101	**(19,061)**	758	(19,819)
Deficit from Statement of Comprehensive income	2,293	-	2,293	(101)	**2,192**	-	2,192
Transfer of restricted expenditure from unrestricted reserve	38	(38)	-	-	**-**	(38)	38
Restated balance at 31 March 2016	(17,589)	720	(16,869)	-	**(16,869)**	720	(17,589)
Surplus from Statement of Comprehensive income	(2,231)	-	(2,231)	-	**(2,231)**	-	(2,231)
Transfer of restricted expenditure from unrestricted reserve	(64)	64	-	-	**-**	64	(64)
Balance at 31 March 2017	(19,884)	784	(19,100)	-	**(19,100)**	784	(19,884)

Consolidated Statement of Cash Flows
For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Net cash inflow from operating activities	26	10,461	5,785
Cash flow from investing activities			
Interest received		7	6
Purchase of housing properties and improvements		(9,955)	(6,365)
Grants received		540	1,540
Purchase of other tangible fixed assets		(345)	(2,898)
Purchase of intangible fixed assets	11	(404)	(796)
Sale of housing properties		1,232	2,157
Purchase of investments		(38)	(27)
Cash acquired	25	83	-
Net cash used in investing activities		(8,880)	(6,383)
Cash flow from financing activities			
Interest paid		(4,593)	(4,525)
New secured loans		2,800	5,000
Repayment of borrowings		(58)	(95)
Net cash (used in) / from financing activities		(1,851)	380
Net change in cash and cash equivalents		(270)	(218)
Cash and cash equivalents at beginning of the year		2,011	2,229
Cash and cash equivalents at end of the year		1,741	2,011

The notes on pages 16 to 37 form an integral part of these accounts

Notes to the Consolidated Financial Statements

1. Accounting policies

Legal Status
The Calico Group Limited is a not for profit, non charitable company limited by guarantee incorporated in England & Wales. The Company is non asset holding and provides strategy and direction to the Group ensuring opportunities are seen with a whole Group perspective. Its Board are drawn from across all areas of activity undertaken by its subsidiaries. The constitution is such that at least 50% of the Board must be independent of any other company within the Group. The registered office is Centenary Court, Croft Street, Burnley, Lancashire, BB11 2ED.

Basis of accounting
The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

The financial statements are presented in pounds sterling £'000 because that is the functional currency of the Group.

The Calico Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in respect to financial instruments and presentation of a cash flow statement.

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

Basis of consolidation
Calico Group is required by statute to prepare group accounts. The consolidated financial statements incorporate the results of The Calico Group Limited, and its subsidiary undertakings, Calico Homes Limited, Calico Enterprise Limited, SafeNet Domestic Abuse Service, Hobstones Homes Limited, Calico JV Limited, Ring Stones Maintenance and Construction LLP, Acorn Recovery Projects, Delphi Medical Limited and Delphi Medical Consultants Limited.

Using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control. Where the merger method is used, the results are incorporated from the date that control passes. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Where necessary, adjustments are made to financial statements of subsidiaries to bring accounting policies used into line with those used by other members of the group.

The Group has taken advantage of the exemption granted under Section 408 of Companies Act 2006 from disclosing the unconsolidated Statement of Comprehensive Income for the parent entity.

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 Group capitalises development expenditure in accordance with the accounting policy described on page 18. 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 Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that there are no investment properties.

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Other key sources of estimation and assumptions (continued):

- **Goodwill and intangible assets.** The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations.
- **Pension and other post-employment benefits.** The cost of defined benefit contributions and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.
- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit ("CGU") is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a CGU exceeds the higher of its net realisable value or its value in use. A CGU is normally a group of properties at scheme level whose cash income can be separately identified.

  During the year, the Group has assessed that there has not been a trigger for an 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 £Nil (2016: £131,000).

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

Acquisition accounting
Delphi Medical Limited and Delphi Medical Consultants Limited have been included in the Group financial statements using the purchase method of accounting. Accordingly, the Group statement of comprehensive income and statement of cash flows include their results and cash flows for the period from acquisition on 14 October 2016. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

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

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

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

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

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

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

- Software development costs 20 – 33%

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Turnover
Turnover comprises rental income and service charges from social housing, supporting people services contract income, income from property sales and other amounts received in respect of service contracts. Turnover is stated exclusive of Value Added Tax ("VAT") and a summary can be found in note 2 to the financial statements.

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

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

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

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

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

Value added tax
The Group 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 Group and not recoverable.

Tangible fixed assets and depreciation

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

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

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

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

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

Depreciation - Social housing properties
Freehold land is not depreciated. Where a social housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life, on the basis of original cost, less the proportion of SHG and other grants attributable to the component. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred and any remaining net book value relating to the original component is written off to the Statement of Comprehensive Income in the year it is disposed of.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Depreciation - Social housing properties (continued)
The company depreciates freehold housing properties by component on a straight-line basis over the estimated useful economic lives of the component categories.

Major components and their useful economic lives are as follows:

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

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

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

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

• Freehold property	75 years
• Leasehold properties	75 years or the term of the lease (which ever is lower)
• Furniture, fixtures and fittings	10-33%
• Computers and office equipment	5-33%
• Motor vehicles	25%
• Plant	20-33%

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

The interest element of rental obligations is charged to the 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.

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

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

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

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

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

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

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

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

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

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

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

Defined contribution schemes with other providers are in operation by subsidiaries within the Group. The assets associated with these schemes are held separately from those of the relevant company. Employer contributions to these schemes are charged to the profit and loss account as they fall due.

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 Group are classified as follows:

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

Notes to the Consolidated Financial Statements (continued)

1. 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 Consolidated Financial Statements (continued)

2. Turnover, operating expenditure and operating surplus

Continuing activities

	2017 Turnover £'000	2017 Operating costs £'000	2017 Operating surplus/ (deficit) £'000	2016 Turnover £'000	2016 Operating Costs £'000	2016 Operating surplus/ (deficit) £'000
Social housing lettings	21,043	(14,596)	6,447	20,879	(15,118)	5,761
Support services	1,434	(282)	1,152	679	(590)	89
Non-social housing other	14,517	(16,932)	(2,415)	10,015	(10,740)	(725)
	36,994	(31,810)	5,184	31,573	(26,448)	5,125

3. Surplus on ordinary activities

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

	Note	2017 £'000	2016 £'000
Depreciation of tangible fixed assets	10	2,850	2,689
Impairment losses of housing properties		-	131
Loss on disposal of components		82	96
Loss on disposal of other tangible fixed assets		23	5
Amortisation of intangible fixed assets	11	290	223
Amortisation of government grants		(163)	(160)
Operating lease rentals – land and buildings		216	283
Operating lease rentals – other		491	422
Auditor's remuneration (excluding VAT):			
• for audit services		52	43
• for non-audit services		-	2

4. Gain/(Loss) on disposal of fixed assets

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

Notes to the Consolidated Financial Statements (continued)

5. Interest payable and finance costs

	2017	2016
	£'000	£'000
Loans and bank overdrafts	3,784	4,723
Net interest on pension deficit	305	339
	4,089	5,062
Less: interest capitalised on housing properties under construction	(43)	(82)
Less: interest capitalised on properties for sale under construction	-	(101)
	4,046	4,879

6. Employees

Average monthly number of employees

	2017	2016
	No.	No.
Administration	106	86
Housing and community services	314	326
Non social-housing activity	233	248
Total	653	660
Full-time equivalents (36.25 hours/week)	591	589

Employee Costs	£'000	£'000
Wages and salaries (gross)	14,170	13,310
Social security costs	1,191	989
Other pension costs	964	814
Termination payments	38	-
Pension adjustment	(80)	145
Total	16,283	15,258

Number of employees in the Group with emoluments, including pension contributions, between:

	2017	2016
	No.	No.
£60,000 to £70,000	1	2
£70,000 to £80,000	1	-
£80,000 to £90,000	2	1
£90,000 to £100,000	2	2
£100,000 to £110,000	1	3
£140,000 to £150,000	2	1

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations

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 Group 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.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the Group 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 Group has agreed to a deficit funding arrangement, the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUES OF PROVISION

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Present value of provision	462	500	361

ASSUMPTIONS

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

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

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations (continued)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2017 £'000	2016 £'000
Provision at start of period	500	361
Unwinding of the discount factor (interest expense)	9	6
Deficit contribution paid	(60)	(42)
Remeasurements - impact of any change in assumptions	13	(3)
Remeasurements - amendments to the contribution schedule	-	178
Provision at end of period	462	500
Amounts due less than one year (Note 14)	63	55
Amounts due after one year (Note 15)	399	445
	462	500

INCOME AND EXPENDITURE IMPACT

	2017 £'000	2016 £'000
Interest expense	9	6
Remeasurements – impact of any change in assumptions	13	(3)
Remeasurements – amendments to the contribution schedule	-	178

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

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Year 1	63	61	42
Year 2	65	63	44
Year 3	68	65	47
Year 4	59	68	49
Year 5	49	59	51
Year 6	51	49	41
Year 7	43	51	31
Year 8	34	43	32
Year 9	36	34	23
Year 10	18	36	14
Year 11	-	18	14
Year 12	-	-	7
Year 13	-	-	-

The Group 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 Group's balance sheet liability.

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations (continued)

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

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

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

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

The fair value of assets in the LCPF and the expected rates of return were:

	Fair value 31 March 2017 £'000	**Fair value 31 March 2016 £'000**	**Fair value 31 March 2015 £'000**	**Expected return 31 March 2015 %**
Equities	-	8,093	11,098	6.5
Government bond	551	471	698	2.2
Bonds other	440	471	315	2.9
Property	2,423	2,259	2,274	5.9
Cash/liquidity	303	800	1,081	0.5
Others	23,812	11,436	7,046	6.5

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

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

Analysis of the amount charged to operating costs

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

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations (continued)

Analysis of the amount charged to interest payable and similar charges

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

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

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

Amounts recognised in the Statement of Comprehensive Income (SOCI)

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

Reconciliation of defined benefit obligation

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

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations (continued)

Reconciliation of fair value of employer's assets

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

History of experience gains and losses

	2017	2016	2015	2014	2013
Difference between expected and actual return on share of scheme assets:					
Amount (£'000)	3,285	343	1,275	(845)	1,607
Percentage of share of scheme assets	11.9%	1.5%	5.7%	(4.3%)	8.2%
Experience of gains and losses on share of scheme liabilities:					
Amount (£'000)	6,672	(1,880)	4,674	(3,248)	3,228
Percentage of present value of share of scheme liabilities	16.8%	(5.95)	14,4%	(12,2%)	11.3%
Total amount recognised in statement of changes in reserves:					
Amount (£'000)	(3,648)	2,223	(3,399)	2,403	(1,621)
Percentage of the present value of share of scheme liabilities	(9.3%)	(7%)	(10.4%)	9%	(5.7%)

Movement in deficit during they year

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

Notes to the Consolidated Financial Statements (continued)

8. Board members and executive officers

None of the senior officers receive remuneration from The Calico Group Limited. The Calico Group Board members are paid an allowance. The total of this for the period to 31 March 2017 was £69,000 (2016: £67,000).

	Group 2017 £'000	Group 2016 £'000
The aggregate emoluments paid to or receivable by non-executive Directors	69	67
The aggregate emoluments paid to or receivable by executive officers	836	836
The aggregate compensation paid to or receivable by executive officers	16	-
The emoluments paid to the highest paid executive officer (excluding pension)	121	122
The aggregate pension costs for executive officers	63	59
Total key management personnel remuneration	921	903

9. Taxation on ordinary activities

Most subsidiaries in the group hold charitable status and therefore their activities are deemed to be non-taxable. The exceptions to this are outright property sales in Calico Homes Limited and any profits made by Hobstones Homes Limited, Calico JV Limited, Delphi Medical Limited and Delphi Medical Consultants Limited. Tax liabilities arising in Ring Stones Maintenance and Construction LLP are the responsibility of the members. Consequently taxation on their activities is accounted for in these financial statements through Calico JV Limited.

	2017 £'000	2016 £'000
UK corporation tax charge for the year	-	13
Adjustment in respect of prior years	-	12
	-	25

	2017 £'000	2016 £'000
Surplus on ordinary activities before tax at standard rate of corporation tax	1,156	244
Surplus on ordinary activities before tax at standard rate of corporation tax of 20% (2016: 20%)	231	49
Effect of charitable income and expenditure not subject to tax	(385)	(40)
Minority interest LLP	-	(29)
Adjustment for short term timing differences	154	33
Adjustment in respect of prior years	-	12
Tax charge for period	-	25

Notes to the Consolidated Financial Statements (continued)

10. Tangible fixed assets

	Social housing properties	Freehold property	Leasehold property	Furniture, fixtures & fittings	Computers & Office Equipment	Plant	Motors	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2016	100,944	1,659	6,015	1,317	610	55	51	**110,651**
Additions	10,180	-	202	98	44	1	-	**10,525**
Acquisition of subsidiary undertaking	-	-	-	45	-	-	-	**45**
Disposals	(855)	-	-	(239)	-	-	-	**(1,094)**
At 31 March 2017	110,269	1,659	6,217	1,221	654	56	51	**120,127**
Depreciation and impairment								
At 1 April 2016	18,232	220	1,108	1,042	457	51	43	**21,153**
Charged in year	2,592	22	91	77	60	4	4	**2,850**
Acquisition of subsidiary undertaking	-	-	-	20	-	-	-	**20**
Disposals	(352)	-	-	(216)	-	-	-	**(568)**
At 31 March 2017	20,472	242	1,199	923	517	55	47	**23,455**
Net book value at 31 March 2017	**89,797**	**1,417**	**5,018**	**298**	**137**	**1**	**4**	**96,672**
Net book value at 31 March 2016	82,712	1,439	4,907	275	153	4	8	**89,499**

Notes to the Consolidated Financial Statements (continued)

10. Tangible fixed assets (continued)

Housing properties comprise:

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

11. Intangible Fixed Assets

	Goodwill £'000	Software & Licences £'000	Group Total £'000
Cost			
At 1 April 2016	660	1,123	1,783
Additions (including Goodwill see note 25)	251	153	404
At 31 March 2017	911	1,276	2,187
Amortisation			
At 1 April 2016	136	972	1,108
Charge for the year	157	133	290
At 31 March 2017	293	1,105	1,398
Net Book Value at 31 March 2017	**618**	**171**	**789**
Net Book Value at 31 March 2016	524	151	675

Notes to the Consolidated Financial Statements (continued)

12. Properties for sale

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

13. Debtors

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	1,566	1,351	-	-
Less: Provision for bad and doubtful debts	(847)	(596)	-	-
	719	755	-	-
Other debtors	2,552	2,855	83	46
Less: Provision for bad and doubtful debts	(292)	(290)	-	-
Prepayments and accrued income	789	1,219	-	-
	3,768	4,539	83	46

14. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Debt	75	75	-	-
Trade creditors	932	1,244	-	-
Rent and service charges received in advance	376	398	-	-
Other creditors	909	252	78	84
Accruals and deferred income	4,291	3,058	4	5
Other taxation and social security	127	141	-	-
Pension liability – SHPS (Note 7)	63	55	-	-
Deferred capital grant (Note 17)	163	160	-	-
Disposal proceeds fund (Note 18)	187	295	-	-
	7,123	5,678	82	89

Notes to the Consolidated Financial Statements (continued)

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

	Group 2017 £'000	Restated* Group 2016 £'000
Debt	90,497	88,566
Deferred Capital Grant (Note 17)	11,495	11,034
Disposal Proceeds Fund (Note 18)	725	745
Pension Liability – SHPS (Note 7)	399	445
Other Creditors	45	33
	103,161	100,823

16. Debt analysis

	Group 2017 £'000	Group 2016 £'000
Bank loans		
Within one year	75	75
Between two to five years	10,231	2,928
After five years	80,266	85,638
	90,572	88,641

The Group currently borrows from the Royal Bank of Scotland and Nationwide for Calico Homes Limited ("Homes") and from Barclays Bank for Acorn Recovery Projects ("Acorn").

The Royal Bank of Scotland and Nationwide loans are, at both fixed and floating rates of interest. Currently 64.44% (2016: 71.4%) of Homes borrowings is at fixed rates.

The fixed rates of interest range from 4.80% to 6.38% (2016: 4.29% to 7.10%) and the weighted average rate of interest on all loans is 5.87% (2016: 6.18%). Variable rate loans have their rate linked to LIBOR.

Break costs

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

16. Debt analysis (continued)

At 31 March 2017, Homes had un-drawn loan facilities of £24.5m (2016: £27.3m) of its total loan facility of £115m.

The Acorn loans from Barclays Bank plc totalling £0.4m (2016: £0.5m) are secured by legal charges over specific assets held by Acorn (Elliot House and Rosemary Court), which at 31 March 2017 had a net book value of £0.7m (2016: £0.7m).

17. Deferred capital grant

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

18. Disposal proceeds fund

	Group 2017 £'000	Group 2016 £'000
At start of year	1,040	825
Net PRTB receipts	223	360
HCA Grant received	54	81
Allocation of funds – New build	(408)	(229)
Interest accrued	3	3
At the end of the year	912	1,040
Amount due to be released < 1 year	188	295
Amount due to be released > 1 year	725	745
	913	1,040
Amounts over 3 years where repayment may be required	-	-

Notes to the Consolidated Financial Statements (continued)

19. Financial commitments

Capital expenditure commitments were as follows:

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

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

20. Operating leases

The Group had commitments of future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £'000	Group 2016 £'000
Land and buildings, leases expiring:		
• Within one year	453	321
• Two to five years	277	221
	730	542
Other leases expiring:		
• Within one year	255	361
• Two to five years	876	187
	1,131	548

21. Provisions for liabilities

	2017 £'000	2016 £'000
LCPF – Lancashire County Pension Fund (Note 7)	11,848	8,200
Defined benefit schemes	11,848	8,200
Deferred taxation	5	-
	11,853	8,200

Notes to the Consolidated Financial Statements (continued)

22. Contingent liabilities

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

23. Related parties

Members of The Calico Group Board are also members of other group company boards: Peter Bevington (Calico Homes Limited), Lesley Burrows (Calico Homes Limited), John Inglesfield (Calico Homes Limited) and Grahame Elliott (Acorn Recovery Projects).

The Calico Group Limited is the Parent entity in the Group and ultimate controlling party. The Group has taken advantage of the exemption available under Section 33 FRS 102 not to disclose transactions with wholly owned subsidiary undertakings.

24. Investment in subsidiaries

As required by statute, the financial statements consolidate the results of:

- The Calico Group Limited, the ultimate parent undertaking
- Calico Homes Limited
- Calico Enterprise Limited
- SafeNet Domestic Abuse Service
- Hobstones Homes Limited
- Acorn Recovery Projects
- Calico JV Limited
- Ring Stones Maintenance & Construction LLP
- Delphi Medical Limited
- Delphi Medical Consultants Limited

The Calico Group Limited has 100% of the shares in Calico JV Limited and 100% of the shares in Hobstones Homes Limited. Calico Enterprise Limited is a charitable subsidiary formed to assist the delivery of a range of care and worklessness related services, SafeNet Domestic Abuse Service is a charitable subsidiary which protects victims of domestic violence and abuse and provides services to support victims. Acorn Recovery Projects is a charitable subsidiary formed to help the recovery of addicts. Calico JV Limited is a 99% share-holder and Hobstones Homes Limited is a 1% shareholder of Ring Stones Maintenance and Construction LLP which was created to realise savings on VAT to the group for development and major works, provide labour and apprenticeships in the local market.

During the year, Acorn Recovery Projects acquired 100% of the shares of Delphi Medical Limited and Delphi Medical Consultants Limited which provide medical treatment for addicts.

25. Acquisition of subsidiary undertaking

On 15 October 2016, the Group acquired 100% of the issued share capital of Delphi Medical Limited and Delphi Medical Consultants Limited for cash consideration.

	Total
	£'000
Tangible fixed assets	25
Debtors	399
Cash	83
Creditors	(415)
Provisions	(55)
Net assets	37
Goodwill (Note 11)	251
Satisfied by cash	288

Notes to the Consolidated Financial Statements (continued)

26. Reconciliation of Group operating surplus to net cash inflow from operating activities

	Note	2017 £'000	2016 £'000
Operating surplus		5,184	5,125
Pension adjustment		(82)	192
Depreciation	3 & 10	2,850	2,689
Loss on disposal of components	3	82	95
Loss on disposal of other tangible fixed assets	3	23	5
Amortisation of intangible fixed assets	11	290	223
Amortisation of government grants	3	(163)	(160)
Impairment losses		-	131
Members remuneration		-	(250)
		8,184	8,050
Tax paid		(60)	(12)
Working capital movements:			
Stock		15	13
Debtors		994	(1,544)
Creditors		1,328	(722)
		10,461	5,785

27. Financial instruments

	2017 £'000	2016 £'000
Financial assets that are debt instruments measured at amortised cost:		
• Cash at bank and in hand	1,741	2,011
• Rent and service charges receivable	719	755
• Other debtors	2,260	2,565
	4,720	5,331
Financial liabilities at amortised cost:		
• Bank loans	90,572	88,641
• Trade creditors	932	1,244
• Deferred capital grant	11,658	11,194
• Disposal proceeds fund	912	1,040
	104,074	102,119