COMPANY NUMBER: 08747100

THE CALICO GROUP LIMITED

Report and Consolidated Financial Statements

Year ended 31 March 2018

Contents

Board Members, Executive Officers, Advisors and Bankers

Board	Lesley Burrows (Chair) Councillor Simon Blackburn Peter Bevington Grahame Elliott CBE John Inglesfield (Co-optee) Martin King Paul Mayson Carmel McKeogh Sarah Parr Philip Watson *(appointed 1 April 2018)*
Executive Officers Chief Executive and Company Secretary	 Anthony Duerden *(resigned as Company Secretary 23 March 2018)*
Group Director of Finance and Company Secretary	Stephen Aggett *(appointed 1 October 2017 and appointed Company Secretary 23 March 2018)*
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 Purpose
The purpose 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 real difference to people's lives.

Strategic Aims
The purpose and values provides the strategic direction of the Group. The Group will achieve its purpose 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, the reduction in grant funding levels and local authority cuts 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 ("Homes") and other private customers. This produces VAT savings and provides a route to work for our apprentices.

During the prior year, the Group acquired Delphi Medical Limited and Delphi Medical Consultants Limited ("Delphi") which provides 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.

Acorn has responded to the challenges by continuing to adapt and review its services, growing in different geographical areas such as Cheshire West/East and Warrington and focusing on establishing new partnerships and strategic alliances.

Safenet Domestic Abuse and Support Services Ltd ("Safenet") continues to manage refuges, based in Preston, Lancaster, Burnley and a further refuge in Rochdale this year, that support people who have suffered domestic abuse. Safenet has been delivering community based Independent Domestic Violence Advisor ("IDVA") services in Blackpool.

During the year, the Group formed Syncora Limited to be a new "social enterprise" holding company with a common board for Safenet, Acorn and Calico Enterprise Limited ("Enterprise"), in order to provide strategy and direction to these entities of the group ensuring opportunities are seen with a whole Group perspective.

A challenge to Homes remains the Government required rent reduction of 1% per year over a four year period from 2016/17. It was identified that an efficiency saving of £1.8m cumulative was required to mitigate the reduction in rent levels. We have achieved our target of £1.2m efficiency savings to 2017/18. The business planning and budget setting process for 2018/19 is complete with a further £535k of identified savings. We are confident that Homes will be able to deliver these and the remaining efficiencies in the final year of the programme.

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

Homes continues to maintain high levels of income collection with an intensive and proactive approach to rental income management, along with a focus on tenancy sustainment, supporting its customers through Welfare Reform, in particular Universal Credit, in partnership with the Department of Work & Pensions and Job Centre Plus.

There were several developments underway at the end of March 2018:

- Melrose Avenue (Burnley), a 31 unit affordable rent scheme which completed in first quarter of 2018/19.
- Gateway project (an impressive architectural gateway into Burnley) a 30 unit communal space for homeless people which will open in August 2018.
- Barley View Care Home (Whitworth), a 28 bed facility to replace the existing facility at the end of 2018.
- Perserverance Mill (Padiham), a 56 unit affordable rent scheme to complete in 2018/19.

The new funding arrangement for Calico Homes was completed in July 2018, for an additional £27.5m, increasing the facility to £142.5m. We have a partnership with local authorities across Pennine Lancashire and Homes England securing grant subsidy for development schemes for the provision of affordable social housing for the next few years. Other Growth areas include 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 is 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 21 September 2018 and signed on its behalf by:

Lesley Burrows
Chair of the Board

Report of the Board

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

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, Syncora Limited, Calico Enterprise Limited, SafeNet Domestic Abuse and Support Services Ltd, Calico JV Limited (a 99% partner in Ring Stones Maintenance and Construction LLP (“Ring Stones”)), Hobstones Homes Limited (a 1% partner in Ring Stones) and Acorn Recovery Projects (the owner of 100% shareholding in 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. The Staff Panel which comprised staff representatives to discuss issues relevant to staff has been disbanded following a review. We are now recruiting Staff Champions from across the Group who will communicate with staff and gather feedback on any issues.

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 the Leaders in Diversity award.

In February 2018, Calico was recognised as the 36th (2017: 18th) Best Company to work for in the Sunday Times Best 100 Companies to Work For (not-for-profit category) and also received an award for recognition that we have been placed in the top 100 for the last decade. This 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 Group is Contractors Health and Safety Assessment Scheme (“CHAS”) accredited.

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 £9.2 million (2017: £2.8 million) to bring its total borrowings to £99.7 million (2017: £90.5 million) out of the facility of £115 million. The additional borrowing was used to support the development programme. The facility has increased to £142.5 million from July 2018 under a new funding arrangement.

Acorn has repayment mortgages totalling £0.3 million (2017: £0.4 million) at the year end. There were no additional borrowings undertaken in the year.

Report of the Board (continued)

Capital structure and treasury management (continued)

Homes borrows from the Royal Bank of Scotland and Nationwide at both fixed and floating rates of interest and currently has 64.4% (2017: 71.0%) of its borrowings at fixed rates. The loans are secured by fixed and floating charges on the property stock.

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.

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 income for the year £ 12,795,000 (2017: loss £2,231 ,000), which includes actuarial gain £1,937,000 (2017: loss £3,387,000) and pension settlement gain £9,226,000 (2017: £Nil), the Group reserves at the year end amounted to deficit £6,305,000 (2017: £19,100,000), which overall is in line with expectations.

The Board

The Board comprises ten (2017: nine) 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 Syncora Limited, a new 'Social Enterprise' holding company with a common board for each of the legal entities which are Enterprise, Acorn and Safenet. This holding company will sit between the legal entities and the Group Board. 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 2017 up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements on a regular basis during the year and considers at each meeting whether the risk map needs amending as a result of the meeting.

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

Report of the Board (continued)

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.

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 Committee. The arrangements include a rigorous procedure, monitored by the Group Audit 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.	• Assumptions in the business plan in respect of income collection agreed annually and built into the business plan to ensure financial viability is maintained (reviewed December 2017). • Income management policy in place. • Progress/information on Welfare Reform regularly included in board briefing packs. • Income collection & tenancy sustainment performance monitored. • Proactive Stress Testing (including RTB). • Efficiency action plan produced to make savings required following reduction in income levels resulting from rent reduction. Year one savings achieved. • Tenancy Sustainment Strategy and action plans being delivered focussing on tenancy sustainment and Universal Credit (replaced FI Strategy). • Development strategy approved including review of external funding streams. • Partnership contracting with Ring Stones to ensure VfM and value engineer policies and procedures – design development and standards. • Development team expanded to include a dedicated sales and marketing officer to take forward schemes for homeowner products. • Amended Business plans to reflect the new rent policy post 2020 (CPI +1%). • Disposals policy approved in response to the de-regulation agenda.	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.

<table>
<tr><th>Key risk element</th><th>Status</th><th>Impact on strategic objectives</th></tr>
<tr><td>Loss of key staff and decline in staff morale limits ability to perform.</td><td>
People strategy in place focussing on Realising People’s Potential (“RPP”).
Employee relations policy, RPP Policy, Wellbeing Policy, Health and Safety Policy, Pay and Reward policy.
HR & payroll systems.
Review of the performance management framework.
Training.
Induction process.
Exit interviews.
Surveys/feedback.
Cultural values assessment.
Analysis of Best Companies results and actions in place to improve.
Leadership Approach – Repairs Service.
Continued embedding of the company values.
HR indicator report reviewed annually at Group Board.
Salary benchmarking completed across the Group.
</td><td rowspan="4">These risks impact across all our strategic aims as, without the right people performing well and delivering the services to an appropriate or better standard than expected, and a quality asset base which stimulates demand or retention of customers, we will not be able to grow, retain business and enhance our reputation.</td></tr>
<tr><td>Operational performance not delivered to levels required and deteriorates due to changes in external operating environment.

Performance information reported to Boards is inaccurate.</td><td>
Regular performance report produced on a balanced scorecard basis, reviewed by teams, senior management team and executive team monthly.
Universal Credit & tenancy sustainment action plans in place.
Business plan assumes cessation of supporting people income in mid 2018.
Internal audit function able to validate the information being presented to Boards as part of their review of controls.
External environment being monitored for changes in Government policy and action plans developed to manage.
Calico Enterprise has revised performance report developed in consultation with our Board and based on revised operating model.
Charitable companies financial plans are linked to operational performance. Monthly review meetings in place to ensure targets are achieved.
On-going focus on Voids performance and delivery of the voids action plan. Regular reporting to Board and focus at operational level.
Project management in place to oversee delivery of new schemes (Gateway & Barley View).
</td></tr>
<tr><td>Ineffective Boards due to their composition /skill set/ experience leading to poor governance.</td><td>
Board development plan in place.
Board member appraisals undertaken.
Code of Governance.
Terms of Reference.
Annual strategic weekend.
Annual skills matrix review.
New role Head of Governance & Compliance.
Board induction reviewed.
G1 rating maintained (confirmed November 2017).
Annual review of Key Decision Items against the Regulatory Standards and Calico’s Strategic Aims.
Financial training for all Boards.
Development of Board Governance Framework.
Board effectiveness review.
</td></tr>
<tr><td>Loan financing to develop / expand the property base</td><td>
Annual treasury strategy in place.
Annual business plan prepared in conjunction with Growth strategy.
Updates on market availability of funds regularly received by Group Director of Finance.
Funding Options Review was undertaken and following approval by Homes and Group Boards, a new financing arrangement was put in place in July 2018.
Homes and Group Board updated regularly on funding position.
Refinancing risk mitigated with new funding deal.
Stress testing for multiple scenarios undertaken.
</td></tr>
</table>

Key risk element	Status	Impact on strategic objectives
Development activity not delivered as planned (completion and sales) and allocations in next bidding round not sufficient to provide workload for Ringstones operatives. Non financially viable schemes. Reputational impact.	• Current development programme monitored by Development Panel on a monthly basis. Regular work shop and feedback sessions to ensure potential schemes are relevant and required to promote growth for each group company where appropriate. • Sales progress report produced regularly (where sales exist). • Financial position monitored through management accounts. • Monthly meetings between finance and development staff to review cashflow forecasts. • Fortnightly meetings between Homes and Ring Stones, also Partnership working with Ring Stones to value engineer policies and procedures – design development and standards. Scheme allocation to compliment resource capability in Ring Stones programme. • Regular Board updates at Homes Board meetings. • Development bulletin produced monthly. • All new schemes are financially appraised and approved at Homes Board. • Internal audit. • KPIs included in company performance report. • Continue to present scheme approvals to Board. • KPIs now agreed and reported at board level and at project level. • New business opportunities being considered for new funding streams. • Review role of development panel/asset management panel to increase knowledge of stock and Placemaking opportunities. • Committed expenditure monitoring formally undertaken.	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.
Non development related (e.g. supporting people contracts) growth opportunities not identified or pursued. New acquisitions / work streams do not perform in line with pre-acquisition approved parameters.	• Growth Strategy in place. • Strategic Growth group meets monthly to identify opportunities to be pursued. • Board reporting KPIs. • Development strategy complete, approved. • Development team expanded to include a dedicated sales and marketing officer. • Research and development appraisals specifically tailored to open market products. • Involvement of Boards in establishing strategic priorities and informing growth plans.	
Communication with customers, service users and tenants is poor or ineffective and does not meet the required standard.	• Regular reporting of variety of customer insight. Action taken to address causes of dissatisfaction. • Annual report to customers using a "You said we did" format. • Embedding of Mary Gober customer service principles. • Revised co-regulation framework incorporating informal engagement with customers. • Channel shift project team established focussing on increasing amount of digital communication with customers. • Calico Group complaints policy. • Launched new customer strategy & action plan. • New telephony system. • "What Our Customers Are Saying" report which enables us to use customer insight to inform service improvements. • Revised approach to STAR and introduce more quality checks. • Calico group Customer Contacts Policy – focus on treating feedback as gold and doing the right thing.	
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. • New Group Executive and Leadership Team in place. • Board Strategic sessions. • Strategic review of leadership, governance and company structures.	

Key risk element	Status	Impact on strategic objectives
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.	Homes Board • Efficiency project team in place. • Areas of efficiency savings identified (Years 1 and 2 delivered, Year 3 identified). • Board and Leadership Team monitoring efficiency programme. • Stress testing undertaken and mitigating actions identified where possible. • Management accounts reviewed monthly and forecasts made. • Annual budget setting process. Other Boards • Individual finance reports. • Restructures at Acorn, SafeNet, Enterprise and Delphi. • Projects/actions plans to review financial performance. • Establishment of new Holding Company (Syncora Limited).	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 assets due to disaster and impact on people.	• Business Continuity Plan. • Property MOTs. • Insurance arrangements in place. • Property maintenance processes in place, e.g. fire risk assessments, property services risk map, smoke/CO2 detection. • 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.

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.

So far as each Director is aware there is not relevant information of which the company's auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of the information.

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 21 September 2018 and signed on its behalf by:

Lesley Burrows
Chair of the Board
21 September 2018

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

Opinion

We have audited the financial statements of The Calico Group Limited "the parent company" and its subsidiaries ("the group") for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Statement of Financial Position (company), Consolidated Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies [Note 1]. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of our report
This report is made solely to the 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.

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: 21 September 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	2	44,649	36,994
Operating costs	2	(39,105)	(31,728)*
Gain/(loss) on disposal of fixed assets	4	753	(71)*
Operating surplus		6,297	5,195
Interest receivable and similar income		3	7
Interest payable and financing costs	5	(4,684)	(4,046)
Surplus before tax		1,616	1,156
Taxation	9	13	-
Surplus for the year after tax		1,629	1,156
Actuarial gain/(loss) in respect of pension schemes	7	1,937	(3,387)
Gain on pension scheme settlement	7	9,226	-
Total comprehensive income/(loss) for the year		12,792	(2,231)

The results relate wholly to continuing activities and the notes on pages 17 to 38 form an integral part of these financial statements.

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

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible fixed assets	10	110,624	96,672
Intangible assets and goodwill	11	710	789
Investments		27	27
		111,361	97,488
Current assets			
Stock		68	40
Trade and other debtors	12	3,232	3,768
Cash and cash equivalents		2,279	1,741
		5,579	5,549
Creditors: Amounts falling due within one year	13	(6,853)	(7,123)
Net current assets		(1,274)	(1,574)
Total assets less current liabilities		110,087	95,914
Creditors: Amounts falling due after more than one year	14	115,758	103,161
Provisions for liabilities	20	637	11,853
		116,395	115,014
Capital and reserves			
Income and expenditure reserve		(7,050)	(19,884)
Restricted reserve		742	784
Group reserves before minority interest		(6,308)	(19,100)
Minority interest		-	-
Total reserves		(6,308)	(19,100)
		110,087	95,914

The notes on pages 17 to 38 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 21 September 2018 and signed on its behalf by:

Lesley Burrows	Stephen Aggett	Sarah Parr
Chair of the Board	**Group Director of Finance**	**Chair of Audit Committee**

Statement of Financial Position – The Calico Group Limited

As at 31 March 2018

	Note	2018	2017
		£'000	£'000
Tangible fixed assets		-	-
Current assets			
Trade and other debtors	12	112	83
Cash and cash equivalents		1	1
		113	84
Creditors: Amounts falling due within one year	13	(109)	(82)
Net current assets		4	2
Total assets less current liabilities		4	2
Capital and reserves			
Income and expenditure reserve		4	2

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

The notes on pages 17 to 38 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 21 September 2018 and signed on its behalf by:

Lesley Burrows
Chair of the Board

Stephen Aggett
Group Director of Finance

Sarah Parr
Chair 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 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 as at 1 April 2017	(19,884)	784	(19,100)	-	**(19,100)**	784	(19,884)
Surplus from Statement of Comprehensive income	12,792	-	12,792	-	**12,792**	-	12,792
Transfer of restricted expenditure from unrestricted reserve	42	(42)	-	-	**-**	(42)	42
Balance at 31 March 2018	(7,050)	742	(6,308)	-	**(6,308)**	742	(7,050)

Consolidated Statement of Cash Flows
For the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities	24	8,612	10,461
Cash flow from investing activities			
Interest received		3	7
Purchase of housing properties and improvements		(16,945)	(9,955)
Grants received		3,800	540
Purchase of other tangible fixed assets		(257)	(345)
Purchase of intangible fixed assets	11	(291)	(404)
Sale of housing properties		1,166	1,232
Purchase of investments		-	(38)
Cash acquired		-	83
Net cash used in investing activities		(12,524)	(8,880)
Cash flow from financing activities			
Interest paid		(4,643)	(4,593)
New secured loans		9,200	2,800
Repayment of borrowings		(107)	(58)
Net cash from / (used in) financing activities		4,450	(1,851)
Net change in cash and cash equivalents		538	(270)
Cash and cash equivalents at beginning of the year		1,741	2,011
Cash and cash equivalents at end of the year		2,279	1,741

The notes on pages 17 to 38 form an integral part of these accounts

Notes to the Consolidated Financial Statements

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 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. The registered office is Centenary Court, Croft Street, Burnley, Lancashire, BB11 2ED.

1. Accounting policies

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, Syncora Limited, Calico Enterprise Limited, SafeNet Domestic Abuse and Support Services Ltd, 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 19. 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.
- **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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

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

  Following the assessment of impairment, the determined impairment losses were £Nil (2017: £Nil).

Other key sources of estimation and assumptions:

- **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.
- **Goodwill and intangible assets.** The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations.

Merger accounting
Where merger accounting is used, the investment is recorded at the nominal value of shares issued together with the fair value if any additional consideration paid. In the 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
During the prior year, Delphi Medical Limited and Delphi Medical Consultants Limited were included in the Group financial statements using the purchase method of accounting. Accordingly, the comparatives in the Group statement of comprehensive income and statement of cash flows included their results and cash flows for the period from acquisition on 14 October 2016. The purchase consideration was 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 represents rental income receivable, amortised capital grant, supporting people services contract income, revenue grants from local authorities and Homes England, income from the sale of shared ownership and other properties developed for outright sale and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements. Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Turnover is stated exclusive of Value Added Tax ("VAT") and a summary can be found in note 2 to the financial statements.

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

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

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

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.

Housing properties under construction are stated at cost and are not depreciated.

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.

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

Tangible fixed assets and depreciation (continued)

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.

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.

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

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

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

• Freehold property	75 years
• Leasehold properties	75 years or the term of the lease (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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

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.

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.

Social Housing and other government grants

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

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

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

Disposal Proceeds Fund

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

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

Holiday Pay accrual

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

Pensions

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

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

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.

Notes to the Consolidated Financial Statements (continued)

1. Accounting policies (continued)

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.

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

	2018 Turnover £'000	2018 Operating costs £'000	2018 Operating surplus/ (deficit) £'000	2017 Turnover £'000	2017 Operating Costs £'000	2017 Operating surplus/ (deficit) £'000
Social housing lettings	21,083	(14,347)	6,736	21,043	(14,514)*	6,529*
Support services	1,334	(281)	1,053	1,434	(282)	1,152
Non-social housing other	22,232	(24,477)	(2,245)	14,517	(16,932)	(2,415)
	44,649	(39,105)	5,544	36,994	(31,728)	5,266

3. Surplus on ordinary activities

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

	Note	2018 £'000	2017 £'000
Depreciation of tangible fixed assets	10	3,055	2,850
(Gain)/Loss on disposal of fixed assets (social housing)	4	(753)	71
Loss on disposal of other tangible fixed assets		7	23
Loss on disposal of intangible fixed assets		3	-
Amortisation of intangible fixed assets	11	367	290
Amortisation of government grants		(178)	(163)
Operating lease rentals – land and buildings		293	216
Operating lease rentals – other		542	491
Auditor's remuneration (excluding VAT):			
• for audit services		54	52
• for non-audit services		6	5

4. Gain on disposal of fixed assets (social housing)

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

** During the year, the Group made the decision to include gain/(loss) on disposal of social housing properties within operating surplus and the comparatives have been amended accordingly. This more accurately reflects the transaction, with these sales being part of the ordinary operating activities of a registered provider (Calico Homes Limited) and follows best practice guidance.*

Notes to the Consolidated Financial Statements (continued)

5. Interest payable and finance costs

	2018 £'000	2017 £'000
Loans and bank overdrafts	4,615	3,776
Net interest on pension deficit	282	305
Unwinding of SHPS pension liability discount	6	8
	4,903	4,089
Less: interest capitalised on housing properties under construction	(219)	(43)
	4,684	4,046

6. Employees

Average monthly number of employees

	2018 No.	2017 No.
Administration	112	106
Housing and community services	388	314
Non social-housing activity	217	233
Total	717	653
Full-time equivalents (36.25 hours/week)	608	591

Employee Costs	**£'000**	**£'000**
Wages and salaries (gross)	15,730	14,170
Social security costs	1,407	1,191
Other pension costs	1,544	964
Termination payments	2	38
Pension adjustment	(369)	(80)
Total	18,314	16,283

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

	2018 No.	2017 No.
£60,000 to £70,000	7	1
£70,000 to £80,000	2	1
£80,000 to £90,000	-	2
£90,000 to £100,000	3	2
£100,000 to £110,000	1	1
£110,000 to £120,000	1	-
£120,000 to £130,000	1	-
£130.000 to £140,000	-	-
£140,000 to £150,000	1	2

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 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Present value of provision	399	462	500

ASSUMPTIONS

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

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

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations (continued)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2018 £'000	2017 £'000
Provision at start of period	462	500
Unwinding of the discount factor (interest expense)	6	9
Deficit contribution paid	(63)	(60)
Remeasurements - impact of any change in assumptions	(6)	13
Provision at end of period	399	462
Amounts due less than one year (Note 13)	65	63
Amounts due after one year (Note 14)	334	399
	399	462

INCOME AND EXPENDITURE IMPACT

	2018 £'000	2017 £'000
Interest expense	6	9
Remeasurements – impact of any change in assumptions	(6)	13

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 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Year 1	65	63	61
Year 2	68	65	63
Year 3	59	68	65
Year 4	49	59	68
Year 5	51	49	59
Year 6	43	51	49
Year 7	33	43	51
Year 8	36	34	43
Year 9	18	36	34
Year 10	-	18	36
Year 11	-	-	18

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.

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

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

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of increase in salaries	3.6	3.8	3.5
Rate of increase in pensions in payment	2.2	2.3	2.0
Discount rate	2.6	2.5	3.6
Inflation assumption	2.1	2.3	2.0

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

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

	Fair value 31 March 2018 £'000	Fair value 31 March 2017 £'000	Fair value 31 March 2016 £'000	Fair value 31 March 2015 £'000
Equities	-	-	8,093	11,098
Government bond	-	551	471	698
Bonds other	-	440	471	315
Property	-	2,423	2,259	2,274
Cash/liquidity	-	303	800	1,081
Others	-	23,812	11,436	7,046

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

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

Analysis of the amount charged to operating costs

	2018 £'000	2017 £'000
Current service cost	(868)	(565)
Net charge	(868)	(565)

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations (continued)

Analysis of the amount charged to interest payable and similar charges

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

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

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

Amounts recognised in the Statement of Comprehensive Income (SOCI)

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

Reconciliation of defined benefit obligation

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

Notes to the Consolidated Financial Statements (continued)

7. Pension obligations (continued)

Reconciliation of fair value of employer's assets

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

History of experience gains and losses

	2018	2017	2016	2015
Difference between expected and actual return on share of scheme assets:				
Amount (£'000)	-	3,285	343	1,275
Percentage of share of scheme assets	-	11.9%	1.5%	5.7%
Experience of gains and losses on share of scheme liabilities:				
Amount (£'000)	(1,632)	6,672	(1,880)	4,674
Percentage of present value of share of scheme liabilities	-	16.8%.	(5.95%	14.4%
Total amount recognised in statement of changes in reserves:				
Amount (£'000)	-	(3,648)	2,223	(3,399)
Percentage of the present value of share of scheme liabilities	-	(9.3%)	(7%)	(10.4%)

Movement in deficit during they year

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

Notes to the 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 2018 was £68,000 (2017: £67,000).

	Group 2018 £'000	Group 2017 £'000
The aggregate emoluments paid to or receivable by non-executive Directors	74	69
The aggregate emoluments paid to or receivable by executive officers	709	836
The aggregate compensation paid to or receivable by executive officers	-	16
The emoluments paid to the highest paid executive officer (excluding pension)	123	121
The aggregate pension costs for executive officers	55	63
Total key management personnel remuneration	783	921

The key management personnel are the persons listed as executive officers on page 1 and of each group entity.

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, Delphi Medical Consultants Limited and Syncora 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.

	2018 £'000	2017 £'000
UK corporation tax charge for the year	-	-
Adjustment in respect of prior years	(13)	-
	(13)	-
Surplus on ordinary activities before tax at standard rate of corporation tax	1,616	1,156
Surplus on ordinary activities before tax at standard rate of corporation tax of 20% (2017: 20%)	323	231
Effect of charitable income and expenditure not subject to tax	(435)	(385)
Minority interest LLP	-	-
Adjustment for short term timing differences	112	154
Adjustment in respect of prior years	(13)	-
Tax charge for period	(13)	-

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 2017	110,269	1,659	6,217	1,221	654	56	51	**120,127**
Additions	17,389	-	-	163	77	-	17	**17,646**
Disposals	(690)	(249)	-	(48)	(48)	-	(14)	**(1,049)**
At 31 March 2018	126,968	1,410	6,217	1,336	683	56	54	**136,724**
Depreciation and impairment								
At 1 April 2017	20,472	242	1,199	923	517	55	47	**23,455**
Charged in year	2,786	16	91	93	64	1	4	**3,055**
Disposals	(283)	(24)	-	(41)	(48)	-	(14)	**(410)**
At 31 March 2018	22,975	234	1,290	975	533	56	37	**26,100**
Net book value at 31 March 2018	**103,993**	**1,176**	**4,927**	**361**	**150**	**-**	**17**	**110,624**
Net book value at 31 March 2017	89,797	1,417	5,018	298	137	1	4	**96,672**

Notes to the Consolidated Financial Statements (continued)

10. Tangible fixed assets (continued)

Housing properties comprise:

	2018 £'000	2017 £'000
Freehold land and buildings	101,589	87,372
Long leasehold land and buildings	2,404	2,425
	103,993	89,797
Major works to existing properties in the year:		
Works capitalised	3,083	3,531
Amounts charged to expenditure	683	1,140
	3,766	4,671
Aggregate amount of interest and finance costs included in additions to the cost of housing properties (note 5)	219	43
The net book value of secured assets (note 15)	90,848	84,197

11. Intangible Fixed Assets

	Goodwill £'000	Software & Licences £'000	Group Total £'000
Cost			
At 1 April 2017	911	1,276	2,187
Additions	-	291	291
Disposals	-	(3)	(3)
At 31 March 2018	911	1,564	2,475
Amortisation			
At 1 April 2017	293	1,105	1,398
Charge for the year	182	185	367
At 31 March 2018	475	1,290	1,765
Net Book Value at 31 March 2018	**436**	**274**	**710**
Net Book Value at 31 March 2017	618	171	789

Notes to the Consolidated Financial Statements (continued)

12. Debtors

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	1,472	1,566	-	-
Less: Provision for bad and doubtful debts	(885)	(847)	-	-
	587	719	-	-
Other debtors	2,276	2,552	112	83
Less: Provision for bad and doubtful debts	(315)	(292)	-	-
Prepayments and accrued income	684	789	-	-
	3,232	3,768	112	83

13. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Debt (Note 15)	35	75	-	-
Trade creditors	2,017	932	-	-
Rent and service charges received in advance	422	376	-	-
Other creditors	770	909	98	78
Accruals and deferred income	3,307	4,291	2	4
Other taxation and social security	27	127	9	-
Pension liability – SHPS (Note 7)	65	63	-	-
Deferred capital grant (Note 16)	210	163	-	-
Disposal proceeds fund (Note 17)	-	187	-	-
	6,853	7,123	109	82

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

	Group	Group
	2018	2017
	£'000	£'000
Debt (Note 15)	99,476	90,497
Deferred Capital Grant (Note 16)	15,645	11,495
Disposal Proceeds Fund (Note 17)	244	725
Pension Liability – SHPS (Note 7)	334	399
Other Creditors	59	45
	115,758	103,161

Notes to the Consolidated Financial Statements (continued)

15. Debt analysis

	Group 2018 £'000	Group 2017 £'000
Bank loans		
Within one year	35	75
Between two to five years	21,650	10,231
After five years	77,826	80,266
	99,511	90,572

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

The fixed rates of interest range from 3.77% to 7.09% (2017: 4.80% to 6.38%) and the weighted average rate of interest on all loans is 4.56% (2017: 4.78%). 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 31/03/18 %
13/10/2008	13/10/2038	RBS / Nationwide	LPI cap/collar	6,000	5.26

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. At 31 March 2018, the Homes secured assets had a net book value of £90.4m (2017: £83.7m).

At 31 March 2018, Homes had un-drawn loan facilities of £15.3m (2017: £24.5m) of its total loan facility of £115m.

The Acorn loans from Barclays Bank plc totalling £0.3m (2017: £0.4m) are secured by legal charges over specific assets held by Acorn (Rosemary Court), which at 31 March 2018 had a net book value of £0.5m (2017: £0.5m).

Notes to the Consolidated Financial Statements (continued)

16. Deferred capital grant

	Group 2018 £'000	Group 2017 £'000
At start of year	11,658	11,194
Grant received in the year	4,375	627
Released to income in the year	(178)	(163)
At the end of the year	15,855	11,658
Amount due to be released < 1year (Note 13)	210	163
Amount due to be released > 1 year (Note 14)	15,645	11,495
	15,855	11,658

17. Disposal proceeds fund

	Group 2018 £'000	Group 2017 £'000
At start of year	912	1040
Net PRTB receipts	-	223
HCA Grant received	-	54
Allocation of funds – New build	(671)	(408)
Interest accrued	3	3
At the end of the year	244	912
Amount due to be released < 1 year (Note 13)	-	187
Amount due to be released > 1 year (Note 14)	244	725
	244	912
Amounts over 3 years where repayment may be required	-	-

18. Financial commitments

Capital expenditure commitments were as follows:

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

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

Notes to the Consolidated Financial Statements (continued)

19. Operating leases

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

	Group 2018 £'000	Group 2017 £'000
Land and buildings, leases expiring:		
• Within one year	590	453
• Two to five years	83	277
	673	730
Other leases expiring:		
• Within one year	225	255
• Two to five years	796	876
	1,021	1,131

20. Provisions for liabilities

	2018 £'000	2017 £'000
LCPF – Lancashire County Pension Fund (Note 7)	631	11,848
Defined benefit schemes	631	11,848
Deferred taxation	6	5
	637	11,853

21. Contingent liabilities

There were no contingent liabilities at 31 March 2018 (2017: £Nil).

22. Related parties

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

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.

Notes to the Consolidated Financial Statements (continued)

23. 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
- Syncora Limited
- Calico Enterprise Limited
- SafeNet Domestic Abuse and Support Services Ltd
- 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 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, the Group formed Syncora Limited, a company limited by guarantee, to control the care and support entities. Calico Enterprise Limited is a charitable subsidiary formed to assist the delivery of a range of care and worklessness related services, SafeNet Domestic Abuse and Support Services Ltd 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.

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

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

	Note	2018 £'000	2017 £'000
Operating surplus		6,297	5,195
Pension adjustment		(369)	(82)
Depreciation	3 & 10	3,055	2,850
(Gain)/Loss on disposal of fixed assets (social housing)	3 & 4	(753)	71
Loss on disposal of other tangible fixed assets	3	7	23
Loss on disposal of intangible fixed assets	3	3	-
Amortisation of intangible fixed assets	11	367	290
Amortisation of government grants	3	(178)	(163)
		8,429	8,184
Tax received/(paid)		13	(60)
Working capital movements:			
Stock		(28)	15
Debtors		537	994
Creditors		(339)	1,328
		8,612	10,461

Notes to the Consolidated Financial Statements (continued)

25. Financial instruments

	2018	2017
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost:		
• Cash at bank and in hand	2,279	1,741
• Rent and service charges receivable	587	719
• Other debtors	1,961	2,260
	4,827	4,720
Financial liabilities at amortised cost:		
• Bank loans	99,511	90,572
• Trade creditors	2,017	932
• Deferred capital grant	15,855	11,658
• Disposal proceeds fund	244	912
	117,627	104,074

26. Post Balance Sheet Events

On the 18 July 2018, the Group successfully completed the new funding arrangement which has increased Calico Homes Limited ("Homes") total loan facility by £27.5m from £115m to £142.5m. This is a bi-lateral arrangement with Royal Bank of Scotland and Nationwide. This will support the continuation of the Group's ambitious growth strategy and continue the delivery of Homes property development programme.