catalyst

Report and Accounts

for the year ended 31 March 2020

Registered Society
Registered Number: 16561R

Regulator of Social Housing
Registered Number: L0699

Contents

Board members, committee members, executives and advisers

Board Members

Richard Brown, Chair

Pat Billingham Vice Chair (appointed 1 May 2019)

Terence Hartwell

Mike Jones

Alison Knocker

Anne Markey

Ian McDermott

Jack Stephen (appointed 1 May 2019)

Cary Wakefield (appointed 1 May 2019)

Andrew Wells

Simon Wilkinson (retired 13 September 2020)

Graham Woolfman

Executive Committee

Ian McDermott, Chief Executive

Judith Foss, Executive Director of People and Culture

Gary Goggins, Executive Director of Property (appointed 1 June 2019 resigned 20 July 2020)

Phil Jenkins, Group Development Director (appointed 1 July 2019)

Tim Jennings, Executive Director of Finance (appointed 1 May 2019)

Sarah Thomas, Chief Operating Officer (appointed 15 July 2019)

Ed Barnes, Interim Executive Director of Development (resigned 29 July 2019)

Joe Chambers, Interim Executive Director of Operations (resigned 15 July 2019)

Rachael Dennis, Chief Operating Officer (resigned 30 April 2019)

Austin Reid, Interim Executive Director of Integration (resigned 31 January 2020)

Audit and Risk Committee

Graham Woolfman, Chair

Richard Brown (non-voting)

Terence Hartwell

Mike Jones

Jack Stephen (appointed 1 May 2019)

Andrew Wells

Finance and Treasury Committee (Treasury Committee until 1 May 2019)

Mike Jones, Chair

Richard Brown

Brian Darling (appointed 1 May 2019)

Jack Stephen (appointed 1 May 2019)

Graham Woolfman

Remuneration and Succession Planning Committee (Governance and Remuneration Committee until 1 May 2019)

Pat Billingham, Chair (appointed 1 May 2019)

Gary Barrett (appointed 1 May 2019)

Alison Knocker (Chair Governance and Remuneration Committee until 1 May 2019)

Andrew Wells

Simon Wilkinson

Richard Brown

Customer Experience Committee

Alison Knocker, Chair

Phyllida Culpin (Independent Member)

John Kehoe (Resident Member)

Janet Sutherland (Independent Member)

Cary Wakefield (appointed 1 May 2019)

Simon Wilkinson

Lynn Smith (Resident Member) (resigned 31 March 2020)

Dawn Williams (Resident Member) (resigned 31 March 2020)

Development Committee

Terence Hartwell, Chair

Richard Brown

George Cronin (appointed 1 May 2019)

Mike Jones

Anne Markey

Andrew Wells

Integration Committee (established 1 May 2019 – dissolved 22 January 2020)

Pat Billingham, Chair (appointed 1 May 2019)

Sara Garnham (appointed 1 May 2019)

Owen Ingram (appointed 1 May 2019)

Mike Jones (appointed 1 May 2019)

Alison Knocker (appointed 1 May 2019)

Andrew Wells (appointed 1 May 2019)

Aldwyck Housing Group Limited Board

(On 2 December 2019 Aldwyck Housing Group Limited transferred into Catalyst Housing Limited by a Transfer of Engagements)

Pat Billingham, Chair

Jack Stephen, Vice Chair

Gary Barrett

Richard Brown (appointed 1 May 2019)

George Cronin (co-opted 23 April 2019, co-option terminated on 2 December 2019 at point of Transfer of Engagements)

Tom Dacey (resigned 21 January 2020)

Brian Darling

Terence Hartwell (appointed 1 May 2019)

Owen Ingram (resigned 31 March 2020)

Sara Garnham

Cary Wakefield

Andrew Wells (appointed 1 May 2019)

Stewart Davenport (resigned 23 April 2019)

Service Delivery Committee (Aldwyck until 2 December 2019, then transferred to Catalyst until 31 March 2020, when it was dissolved)

Cary Wakefield, Chair

Usma Collins

Tom Dacey (resigned 22 January 2020)

Sara Garnham

Gary Goggins (resigned 23 October 2019)

Owen Ingram

Alison Knocker (appointed 1 May 2019)

Sri Sudevi

Anne Tomkins

Auditor

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA

Bankers

National Westminster Bank plc
1 The Mall
London W5 2PL

Secretary and Registered Office

Sophie Atkinson
Ealing Gateway
26-30 Uxbridge Road
London W5 2AU

Chair's statement

It has been a very eventful and productive year for Catalyst. Our merger with Aldwyck Housing Group Limited went ahead as planned in May 2019, followed just seven months later by full Transfer of Engagements of Aldwyck's activities into Catalyst in December. With this transfer, Aldwyck ceased to operate as a separate venture and we created two new identities: Catalyst counties embracing all of our stock outside of London and based at Aldwyck's Houghton Hall Office; and Catalyst London covering all of our London stock and based at Ealing Gateway. Both divisions are headed up by Managing Directors to give them real focus and drive.

The whole merger process has gone remarkably smoothly, and I would like to pay tribute to Pat Billingham, Chair of Aldwyck and now our Vice Chair at Catalyst, and all of her colleagues from the Aldwyck Board, for the professional and pragmatic way they handled their half of the process. There has been a high degree of shared vision and objectives between the two organisations so that the merger has felt like an entirely natural and logical development.

Most importantly, I believe that the new Catalyst has been refreshed and greatly strengthened by the process. Three Aldwyck colleagues have joined us on the new Catalyst Board - Pat Billingham as Vice Chair, together with Jack Stephen and Cary Wakefield; and three other Aldwyck Board members, George Cronin, Brian Darling and Gary Barrett are bringing their experience to our Committees. All are adding real value.

Likewise, at executive level, the combination of the two management teams, strengthened by the arrival in the summer of Sarah Thomas as Chief Operating Officer and Phil Jenkins as Group Development Director, has produced a very strong leadership team. Sarah Thomas joined from The Guinness Partnership where she was Executive Director of Customer Services, and Phil Jenkins from Taylor Wimpey where he was Managing Director, Central London. Both bring wide experience of the housing world. With this new team, together with our refreshed Board, I believe we have laid very strong foundations for future success. What has been particularly encouraging has been the extent of shared values across the two organisations, leading to agreement on a simple but powerful statement of New Catalyst's purpose, vision and values.

Any merger process is always unsettling for the staff of the merging organisations and I would also like to thank all colleagues for their patience and professionalism during the process, in particular the staff representatives on Catalyst's Information and Consultation Committee and Aldwyck's Vocal Committee who engaged constructively throughout. It was therefore very encouraging that despite the inevitable concerns around the merger, Catalyst was named one of the '100 Best Not-for-Profit Organisations to work for', in the Sunday Times Best Companies Awards in February. The award is based on a detailed employee survey, in which a remarkably high proportion of staff - 85% - participated. Whilst Catalyst has entered in previous years, this was the first time that Aldwyck staff had participated.

We also continued to win an encouraging number of awards for the quality of our homes and services. St Bernard's Gate in Southall won the Evening Standard 'Best Affordable Homes' Award and Portobello Square won the 'Regeneration Accolade' at the RICS Awards in London. The judges of latter said, 'The sheer quality and attention to detail of this scheme has transformed a previously under-valued pocket of North Kensington, into a desirable neighbourhood of choice with a relocated and enhanced public park.'

We also won two silver awards at the WhatHouse? Awards for the Kite Meadows development in Princes Risborough and Southall Village - the regeneration of the Havelock Estate in Ealing. Finally, we were recognised as 'Employer of the Year' at the YMCA National Apprenticeship Awards. Congratulations to the many colleagues who contributed to winning these and other awards.

Whilst delivery activity has continued without a blink during the merger process, the future outlook for the sector has become increasingly challenging. We were already responding to a steadily widening set of Government requirements on fire safety, whilst also waiting to see the outcome of Brexit and what impact that might have on us or on our supply chain.

To add to this we have the immediate disruption from the coronavirus crisis, and the likelihood of a substantial economic recession as a consequence, which will undoubtedly have a negative impact on our residents, as well as on the housing market - all of which could impact the scale of new affordable homes we are able to deliver. We are also starting to plan for how we meet the Government's commitment to a zero-carbon world by 2050, which will undoubtedly require substantial investments in existing homes over the next couple of decades.

After 22 successive Advice Notes from the Department for Homes, Communities and Local Government on fire safety - many of which have extended or amended previous advice or introduced new issues – hopefully, the goalposts have now stopped moving. The level of investment necessary to implement the emerging standards is substantial and will only be very partially covered by government grant. We have reviewed our financial capacity to fund our new homes programme and have scaled this back somewhat over the next three or four years, to accommodate the much higher spend on fire safety modifications to existing buildings.

We have also dialled down the proportion of market sale homes in the programme, both to reduce our risk exposure in what is an uncertain market in the medium term, and to maximise the number of affordable homes. Clearly, safety takes absolute priority, but I am not clear government yet fully appreciates the potential costs or impact on the supply of new homes.

I write as we all wrestle with the consequences of the coronavirus epidemic, and as the full economic

and social ramifications are still only beginning to be seen. I have been hugely impressed and proud - but not surprised - of the way everyone at Catalyst has adapted and risen to the new challenge, and put the welfare and support of our residents centre stage in adjusting our activities and remaining fully operational, despite the lockdown. If anything, Catalyst has become an even stronger organisation as a result, showing new levels of flexibility and agility using the crisis as a spur to innovation and faster pace of implementation.

It truly reflects the values and commitment of everyone at Catalyst and the passion they have to provide homes that people love. I am confident that Catalyst is well placed to play a vital role in the recovery from the crisis, both helping the many residents who are particularly impacted, and contributing to the country's wider economic recovery by continuing to invest strongly in both new and existing homes. Our balance sheet continues to be a strong support to our plans and was further strengthened in June by a very successful 'Tap' of our listed bond, raising £177 million of additional long term funding at a historically low interest rate - giving us strong liquidity over the next year or two.

Finally, I thank all of my Board colleagues for their support and continuing commitment in what has been an unusually busy year, and all colleagues across the organisation for their flexibility and determination in adjusting to very different ways of working necessitated by the Covid-19 pandemic.

I also thank Ian McDermott, our CEO, who is now in his second full year in the role, for his excellent leadership. With the strong leadership team, he has put in place, a committed and experienced Board, strong balance sheet and clear vision and strategy. I believe Catalyst is well positioned to continue to make an important contribution to meeting the housing needs of the communities we work in.

Richard Brown
Chair

St Bernard's Gate, London

South Kilburn, London

Chief Executive's statement

This has been a year of integration and consolidation. Since Aldwyck joined Catalyst in May 2019 we have made a strong start in delivering on the promise, and promises, of a union between two like-minded and complementary organisations.

Improving customer experience was a crucial part of our merger plans. During the year we launched our new Customer Experience Strategy and designed a regional operating model to deliver local service and place customers front and centre of all we do. The early signs are good, and we have already seen increases in satisfaction both from customers who rent and our shared owners.

We built almost 800 new homes. We strengthened our development team, and we strengthened our partnerships, ready to leverage the opportunities for growth across our operating area. We sold more than 400 homes, providing important cross-subsidy for our affordable programme.

Ensuring that our homes are well maintained and safe remains an essential area of focus. We refreshed our approach to fire safety through a collaborative cross-departmental model, resulting in a considerable reduction in anticipated costs. We reviewed our strategic approach to asset management to make sure our homes are warm and safe, fit for purpose and maximise value. Catalyst currently holds an A-(stable) rating from Standard & Poor's and our viability rating of V1, reflecting our ability to withstand a number of stresses. Our liquidity levels remain high and our gearing continues to be one of the lowest in the sector at 42.3%, having successfully issued our retained bonds we further raised £177 million including premium by extending our public bond in June 2020. Our focus on value for money has resulted in savings across the new merged organisation and our underlying trading performance remains strong.

These achievements would not be possible without Catalyst's people. I know that mergers can be both unsettling and distracting, and so it is a great testament to everyone at Catalyst that we have achieved an enormous amount over the year and were recognised in the Sunday Times Top 100 Best Companies to Work For.

We exited the financial year in extraordinary and challenging times. The Covid-19 pandemic has changed our world immeasurably and I have been both inspired and humbled by the magnificent way in which the Catalyst team has responded. Key to our ability to adapt has been a renewed and powerful infrastructure. When we set an objective for the new organisation to revolutionise our IT and data, little did we know that equipping everyone to be able to work in any location would prove to be business critical. Our contact centres, along with many other teams, seamlessly switched from working in our offices to working at home, armed only with a laptop and headset.

Overnight we deployed our business continuity plans, redefined our processes and ways of working, and repurposed roles to provide extra support to those most in need. I would like to applaud those on Catalyst's frontline – Connect, our property maintenance subsidiary, Estate Services and Supported Housing – for the dedication they have shown in continuing to deliver services to our customers in the most difficult of circumstances. They are the embodiment of our new values – to deliver on promises, be accountable, give respect and, perhaps most apt for the current times, show kindness.

As well as responding to the immediacy of the crisis we have found ourselves in, we have captured the lessons and opportunities for the way that we do business in future. By harnessing these we can accelerate our plans and be a modern, agile, competitive and successful organisation.

In closing, I would like to pay tribute to the leadership of our Chair, Richard Brown, whose term in office will shortly come to an end. Recruitment for a successor is already well underway. Richard has led the organisation with clarity and purpose and leaves us a larger, stronger organisation.

We approach the year ahead and beyond with ambition and confidence.

Ian McDermott
Chief Executive

Catalyst's response to Covid-19

Catalyst's response to Covid-19

Our response focused on three main commitments:

- To protect the health, wellbeing and financial security of customers and colleagues
- To maintain essential customer services
- To play our part in alleviating an economic crisis.

Leading through the crisis

We instigated our 'gold incident response' business continuity arrangements in March. Our Executive and Leadership teams held daily meetings, and we agreed decision making principles at the start so we could remain agile and responsive as the crisis developed.

A daily performance dashboard allowed us to measure the impact on our business and our KPIs, and act accordingly. We included the risk from coronavirus and our mitigations in our risk register.

A focus on communication

Before the crisis, our communication with customers was traditional and largely paper-based. When lockdown came, we quickly and seamlessly switched to email, text, outbound telephone calls and video communications, combining factual and timely updates with our values of empathy and kindness.

The content of our communication was based on insight. Every week we analysed the reasons why customers were contacting us and tailored our messages to respond to what they needed.

We made simple, inclusive communication our priority and our '10 Steps to Stay Safe' Campaign explained clearly to customers what they needed to know about any visits to their home we needed to make.

Essential services maintained

Through lockdown, we continued to provide our emergency repairs service, estate services, compliance checks and essential lettings. We ensured a continues supply of PPE and adopted all government guidelines to keep colleagues and customers safe. We only paused our fire remediation work for two weeks and were then back on site.

Supporting our customers and communities

We set up a dedicated Wellbeing team to make welfare calls to customers. During lockdown, the team made over 6,000 calls and spoke to over 3,000 customers during. The team kept in touch with those who were feeling lonely and isolated, arranged emergency food supplies, collected prescriptions and helped with gas and electricity costs. Although lockdown has been eased, we continue to call customers to offer support and advice with their income and benefits, finding employment and mitigating the increased risk of poverty.

We launched a 'Covid-19 Emergency Support Fund' to help charities and voluntary sector organisations meet additional demand and adapt to new ways of delivering their vital services in our communities. Over the last few months, we have awarded 30 grants ranging from £400 to £2,000 to help organisations including food banks, befriending charities and employment and skills support.

We have moved many of our community projects online, including our summer programme which this year includes online drama, street dance and boxing workshops for young people.

We have also been delivering bicycle repair and maintenance workshops in our neighbourhoods throughout the summer to encourage our residents to cycle instead of taking public transport.

Supporting our colleagues

We provided daily news briefings for our colleagues including guidance and support on wellbeing, mental health and financial hardship. The Executive team hosted interactive online sessions and we held our first virtual annual summer conference which colleague feedback told us was a great success.

We repay all the furlough funds we claimed

We furloughed a small percentage of colleagues, and we recently announced that we will repay all furlough funds we received to pay colleagues during lockdown. As an ethical organisation we believe it is essential that we play our part as a responsible good corporate citizen and repay the money, and not put additional pressure on public resources and the economy.

Managing the financial impact

Catalyst is well-placed to manage the short and long-term financial impact of the coronavirus crisis. Our business plans are stress tested against various scenarios and demonstrate that we have a strong financial position and can withstand the economic downturn created by the pandemic.

Building back better

There is much to learn from our experience during the pandemic, and changes that we have made that we will keep, for example:

- A shift to digital communications with our customers, while retaining the personal touch for those who need it
- Telephone first complaints resolution
- Virtual property viewings
- New ways of working, with working from home offering for many colleagues increased productivity, wellbeing and work life balance.

Cross-business teams are now exploring the opportunities for positive change through our Build Back Better programme.

Strategic report
Principal activities and review of business

About Catalyst

We are one of the UK's leading housing associations – a member of the G15 group, with 34,000 homes and 65,000 customers in London and the home counties.

During 2019, and following our merger with Aldwyck Housing Group Limited, we worked closely with our customers, our stakeholders and our colleagues to define a new purpose, vision and values that represents Catalyst as a modern, successful and ambitious business.

Our purpose – homes people love. This is what drives us at Catalyst. We are not just about housing, we are about homes. Homes people love.

Our vision – to earn and keep your trust. We will only succeed as an organisation by earning and keeping the trust of our customers, colleagues and partners. Trust is never accidental. The continuous commitment and hard work needed to earn and keep trust will never stop.

Our values – underpin the way that we work, they are:

- Deliver on promises
- Give respect
- Be accountable
- Show kindness


Derwent Place, Bedford

Business model

As a regulated charitable housing association, our core activities are the provision of landlord services and homes for social and affordable rent, affordable home ownership and a range of independent living services.

As a developer we build homes, including homes for market sale. We use the surplus we generate from these market sales to subsidise the development of homes for those who need them the most. Our landlord services include housing and tenancy management, repairs and maintenance and income collection. We aim to generate a surplus on our core landlord activities and monitor this through our 'Social Housing Operating Margin', one of our key financial performance indicators.

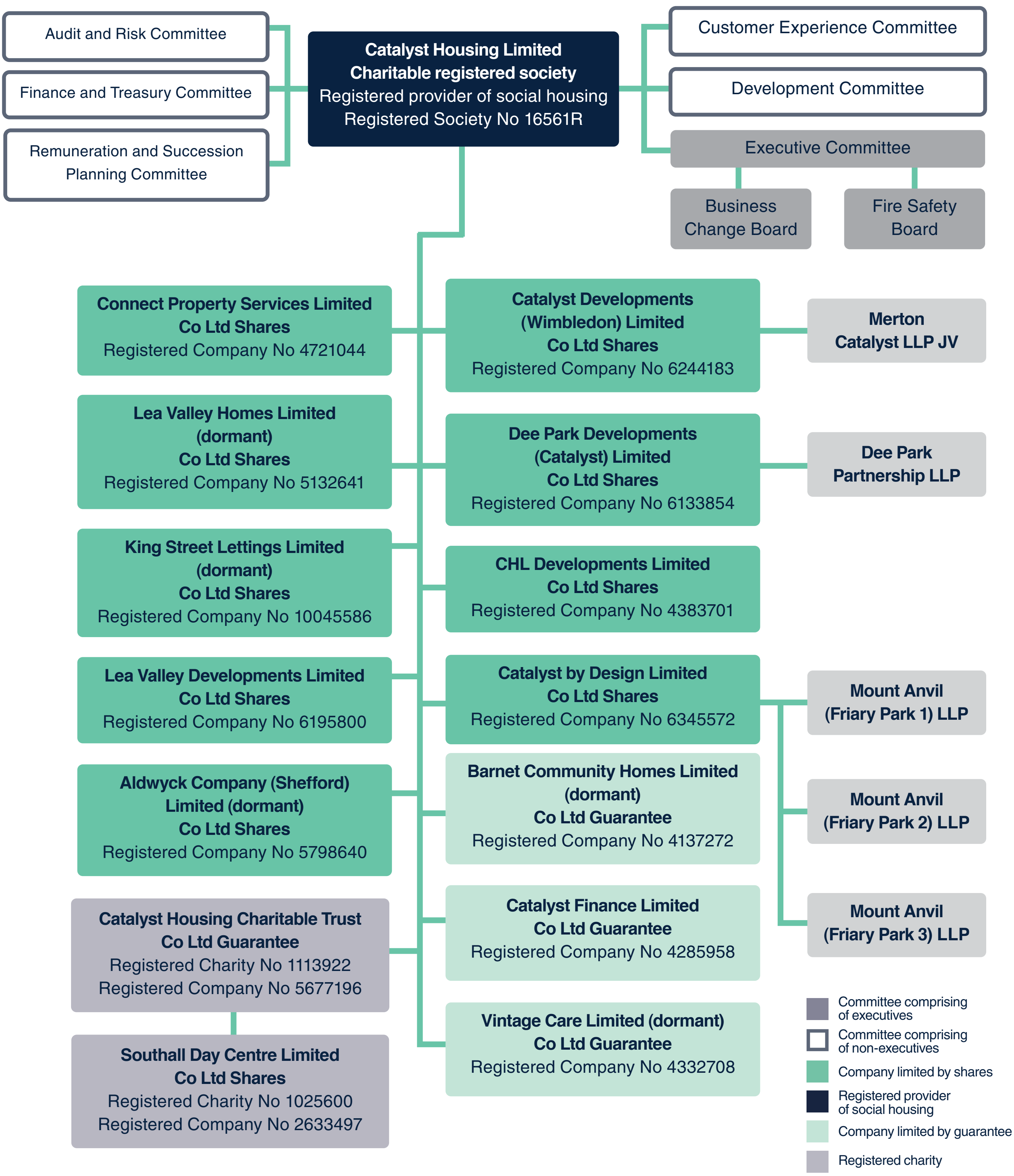
Where our services are subject to a separate service charge, we aim to break even. Any surplus we generate on landlord activities contributes to our development programme. We are committed to supporting our customers and our communities. Our operating model is focused on local services for those who need them while increasing the options for customers to engage with us through digital methods.

We work collaboratively with other associations, charities, clubs, schools, colleges and the government to support programmes to improve the life chances of adults and young people. These include help with finding jobs, furthering their education and skills and reducing anti-social behaviour. We provide comprehensive benefits advice to help customers maintain successful tenancies.

Strategic report
Principal activities and review of business (continued)

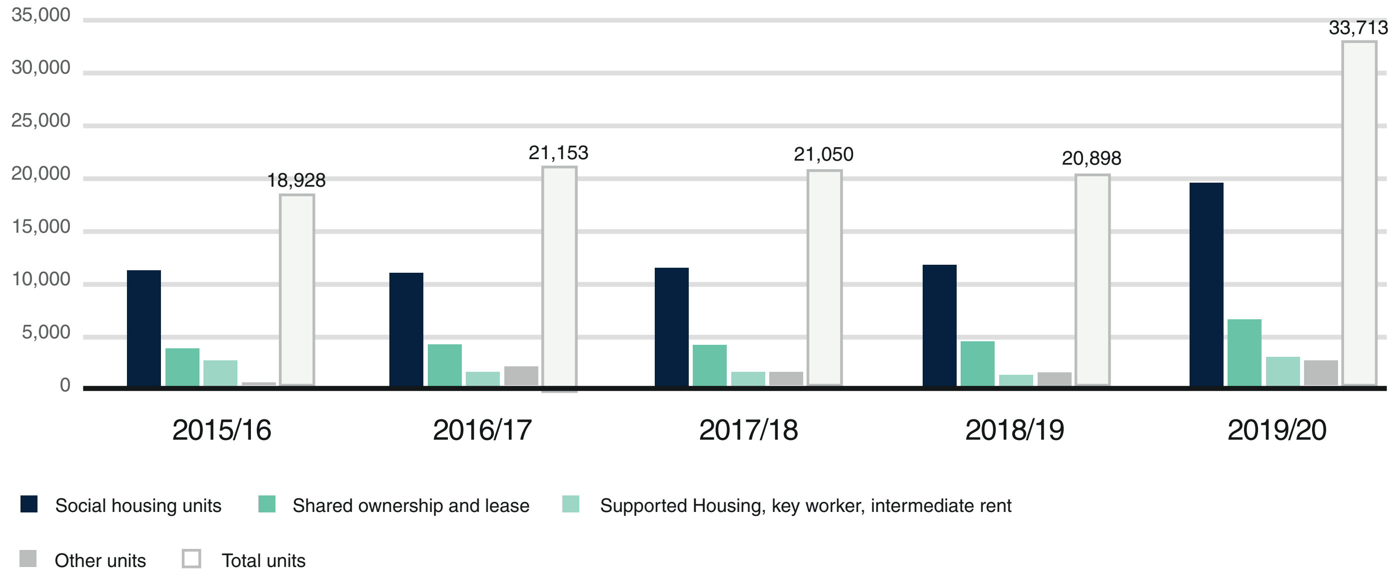
Group Structure

Our Group structure and operating companies are set out below:



Our properties and coverage

The chart below shows our property portfolio over the past five years:



Number of units managed

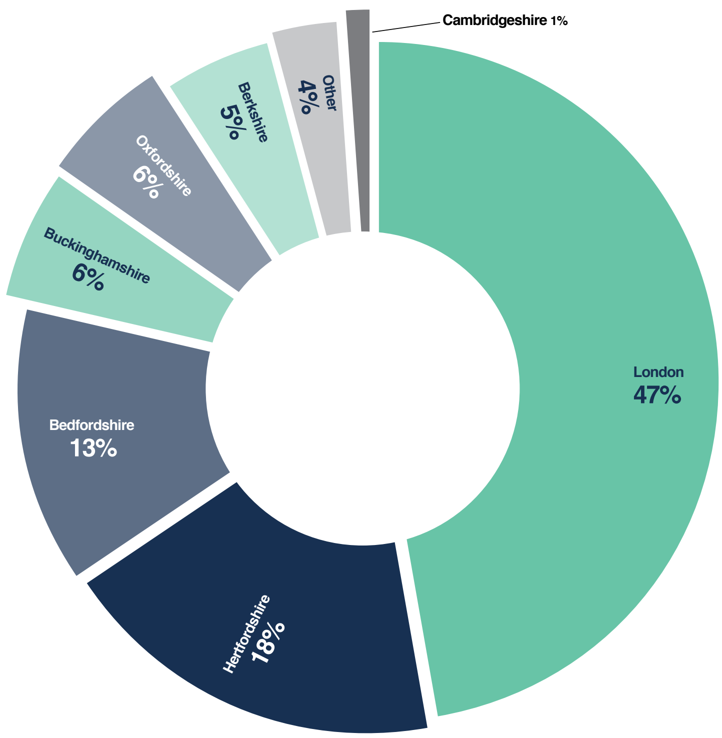
	2020	2019[1]
Social housing units	20,276	13,169
Shared ownership and lease	7,017	4,840
Supported Housing, key worker, intermediate rent	3,394	1,396
Other units[2]	3,026	1,493
Total units	33,713	20,898

[1]Numbers exclude Aldwyck Housing Group Limited as entity became a wholly owned subsidiary of Catalyst Housing on 1 May 2019.

[2] Other units include those homes that benefit from equity loans products.

Main area of operation

The chart below shows our property portfolio over the past five years:



Ian McDermott, Phil Jenkins and Tim Jennings at Catalyst merger celebrations

Over the year we developed a new strategy. The first stage of our merger was for Aldwyck to join as a subsidiary in May 2019, and for the two organisations to initially continue. In 2019/20 the organisations operated under their existing corporate policies and priorities, while keeping in mind their future as a single new organisation.

In developing a new strategy, the Board considered the challenges and opportunities of the operating environment and the ambition and objectives for merger. We have set out five objectives and corresponding priorities for the next three years.

1 Get closer to customers and deliver great services

Our commitment to putting customers and customer experience at the centre of what we do.

Our priorities are:

- Service delivery
- Service behaviours
- Customer insight
- Customer engagement.

2 Build more quality homes

To address the housing crisis and increase the proportion of affordable rented homes.

Our priorities are:

- How and where we grow
- More affordable homes
- Being famous for quality
- Great design.

3 Safe and sustainable

Ensuring our homes are safe, affordable to run and build and maintained on sustainable principles.

Our priorities are:

- Safe homes
- Developing our data and knowledge
- Setting standards
- Expertise and research.

4 Revolutionise our data and technology

We plan to use data and technology to improve our service delivery, make the way we work more efficient, reduce our costs and enhance our decision making and performance.

Our priorities are:

- Foundations for the future
- Data and digital culture
- Building Information Modelling
- Innovation technology for homes and services.

5 Invest in our people and define our culture

Our people are central to our success and we are developing an organisation where talented, engaged people aspire to work and grow.

Our priorities are:

- Thriving organisation, thriving individuals, thriving leaders
- Growth ready
- A recognised employer of choice and great place to work
- A culture that enables high performance, growth and opportunity for everyone.

They clearly contribute to our purpose and vision, and our values will guide how we approach everything that we do.

Our strategy, and our success are underpinned by:

- Financial capacity and resilience
- Value for money
- Equality, diversity and inclusion
- Excellence in governance and risk management
- Successful partnerships and reputation.

Strategic report
Catalyst Communities

In 2019/20, we launched a new Community Investment Strategy, 'Empowering Communities and Creating Belonging', based on extensive consultation with our customers and colleagues. The new strategy focuses on three key themes:

- **Community support**
- **Community investment**
- **Funding and partnerships**

Community support

We deliver a range of one-to-one support services to help our customers and communities with money issues, getting online, moving into training and employment, as well as getting support with mental and physical health issues.

The aim is to maximise our customers' incomes through securing sustainable employment to mitigate the risk of poverty. We group income maximisation outcomes into the categories described in the next section of the report.

The outcomes may assist a customer:

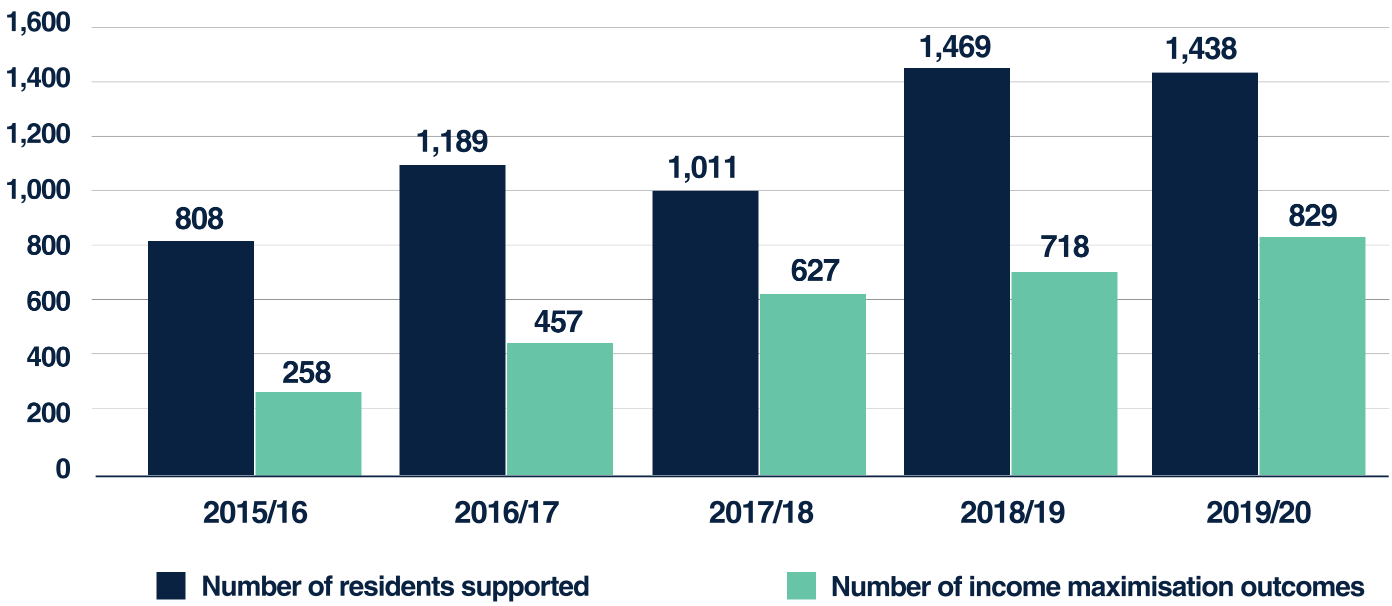
- Who was immediately prior to that assistance on government benefits to increase their benefit entitlement, and/or
- Who was immediately prior to that assistance unemployed into employed work (such employed work to include, but not be limited to, part-time work, paid apprenticeships, traineeships or self-employment), and/or
- Who was immediately prior to that assistance in part-time work to increase their contracted hours
- With improved employability prospects (including, but not limited to, through work placements, further education, training, employability training, vocational training and/or participation in a minimum of eight sessions of volunteering).

In 2019/20 we saw an increase in successful outcomes for our one-to-one support services. We achieved 829 successful outcomes in 2019/20 compared to 718 in 2018/19.

These have:

- Enhanced our customer income by a total of £2 million as a result of customers' improved salaries and securing welfare benefits
- Secured £0.25 million of income as a result of supporting customers to claim housing-related benefits
- Supported 88 customers to move into sustainable employment
- Generated £1.2 million of societal benefits as calculated by the Housing Association Charitable Trust (HACT) social impact measurement tool.

Community support – five year comparison

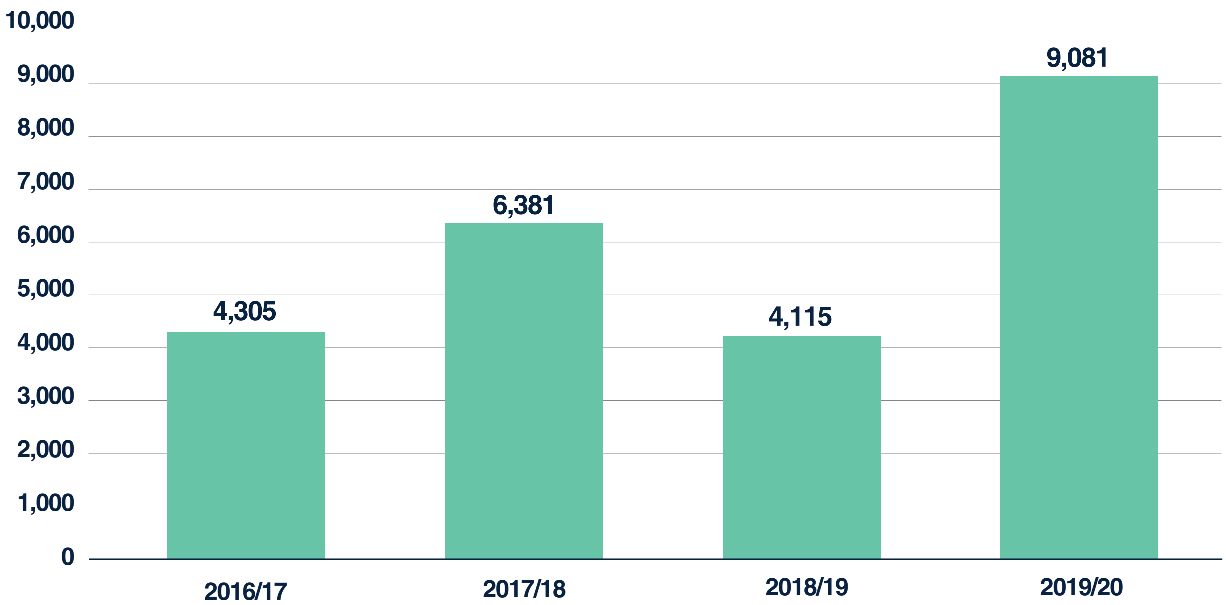


Community investment

We continue to work closely with our customers and communities to deliver projects and services that address local priorities. Over 9,000 people took part in over 200 community projects and events throughout the year. In 2019, we offered our biggest summer programme to date with over 500 young people participating in daily activities such as sports, music and dance.

The programme was facilitated by over 50 volunteers. Southall Day Centre continues to be an anchor for local social activities and provides a daily lunch service for older people in the district. In 2019/20, our community investment projects and events generated over £3.5 million of societal benefit as calculated by the HACT social impact measurement tool.

Number of participants engaging in community investment projects and events



Funding and partnerships

We have worked in partnership to secure funding for a range of exciting new projects. This includes £60,000 funding from Active Londoners for a new social prescribing project that enables doctors' surgeries to refer patients to take part in local community activities to help improve their health and wellbeing. Southall Day Centre also secured over £60,000 funding for the Carers Pathway Project, as well as £30,000 for the Southall Connect Project. Catalyst Housing Charitable Trust awarded over £90,000 grants to our customers in need of financial support or wanting to pursue training courses, as well as to community groups delivering projects within our neighbourhoods.

We granted the Felix Project £2,000 from our 'Coronavirus Voluntary Sector Support Fund' to buy 500 extra food crates to meet increased demand. Photo courtesy of The Felix Project ©Gary Hamill.

Awards and recognition

Awards and recognition

Our status as an award-winning developer, housing provider and landlord, combined with our expertise in transforming communities, makes us a strong partner of choice for local authorities, developers, residents and other stakeholders.

Catalyst, individual colleagues, teams and communities were recognised during the year with the following awards:

- Catalyst retained our SHIFT (Sustainable Homes Index for Tomorrow) Gold accreditation with an increased score
- Rutherford Fields in Leighton Buzzard, Bedfordshire, won Highly Commended at the First Time Buyers Awards
- The first phase of the Havelock Estate regeneration in Southall, Ealing was a finalist in the UK Housing Awards
- The regeneration of the Wornington Green Estate – also known as Portobello Square – won Best Regeneration at the RICS Awards
- The Wornington Green Community Group received Level 4 in the London in Bloom Royal Horticulture Society's 'It's Your Neighbourhood' Awards
- Our St Bernard's Gate development in Hanwell, Ealing won the Best Affordable Homes award in the Evening Standard New Homes Award
- Catalyst won two Silver awards at the WhatHouse? Awards for the Havelock Estate regeneration and for our newbuild development Kite Meadows in Princes Risborough, Buckinghamshire
- Catalyst won Best Housing Provider at the first Rainbow Honours Awards in recognition of our inclusive approach to the LGBTQI+ community's home buying journey
- Catalyst won Employer of the Year at the YMCA annual National Apprenticeship Awards
- We won 'Corporate Partner of the Year' at the EY Foundation Impact Awards in London for our work with young people on our first year's partnership with the EY Foundation's 'Our Future' work experience and employability programme
- Our new housing developments at Derwent Place, Bedford and Macintosh Court, Watford, were shortlisted in the Local Authority Building Control Awards. Derwent Place was shortlisted in two categories, 'Best High-Volume New Housing Development' and 'Best Social or Affordable New Housing Development'. Macintosh Court in Watford received a shortlisting in the 'Best Small New Housing Development' category
- Our Supported Housing team were 'Highly commended' in the Housing Heroes 'Frontline team of the year' for the support they provide to residents experiencing mental ill-health and physical and learning disabilities
- Julie Morrey, one of our Supported Housing Managers, was shortlisted for a St Albans Community Award in the 'Service to the Community' category for her work with residents experiencing mental ill-health and physical and learning disabilities
- At the Broxbourne Youth Awards, our youth volunteers Molly Evans and Maddy Duke were joint winners of the 'Young Volunteer of the Year Award,' and volunteer Lewis Hunt was shortlisted for 'Youth Worker of the Year'. Our youth club 'Boundary Park Next Generation' was also highly commended in the 'Youth Project of the Year' category
- One of our community youth volunteers, Emily McCabe won 'Young Volunteer of the Year' for her work at our Sandringham Drive Youth Hub in Houghton Regis.

Julie Morrey, one of our Supported Housing Managers (centre back), was shortlisted for a St Albans Community Award in the 'Service to the Community' category for her work with residents experiencing mental ill-health and physical and learning disabilities. Pictured here on a walk with some of the residents.

We won 'Corporate Partner of the Year' at the EY Foundation Impact Awards for our work with young people on our first year's partnership with the EY Foundation's 'Our Future' work experience and employability programme.

Macintosh Court, Watford was shortlisted in the Local Authority Building Control Awards in the 'Best Small New Housing Development' category.

Strategic report
Financial review

There has been a considerable impact on the surplus for the year resulting mainly from the merger of Catalyst Housing Limited and Aldwyck Housing Group Limited and restructure of funding, alongside the additional investment in fire safety to ensure our customers' homes remain safe.

The following table gives the surplus before tax adjusted for these items:

	2020 £000	2019 £000	Change £000
Surplus before tax	**82,438**	**30,018**	**52,420**
Adjust for:			
Net fire safety works	15,754	823	14,931
Accounting impact of loan restructure on interest cost	9,056	-	9,056
Derivative mark to market – ineffective	15,655	-	15,655
Gain arising from Gift of Net Assets	(83,387)	-	(83,387)
Adjusted surplus before tax	**39,516**	**30,841**	**8,675**
Summarised as follows:			
Social housing before fire safety costs	71,346	56,736	14,610
Non-social housing	5,947	302	5,645
Net interest	(38,236)	(24,586)	(13,650)
Movement in fair value of investment properties	459	(1,611)	2,070
	39,516	**30,841**	**8,675**
Adjusted operating margin	**21.2%**	**25.6%**	
Adjusted social housing operating margin	**31.5%**	**36.6%**	

Key points to note are:

The 2019/20 adjusted surplus increased by £8.7 million from the £30.8 million for 2018/19 to £39.5 million. This is after the 1% rent reduction on the social rented properties, the final year of the 4 year reduction, and from 2020/21 the social rents revert to CPI plus 1%.

The adjusted surplus from social housing activities increased by £14.6 million year on year.

The main driver being the addition of 11 months surplus from Aldwyck Housing Group Limited.

The adjusted net interest charge increased by £13.7 million, largely a result of the addition of £434.5 million of borrowings from Aldwyck Housing Group Limited and a further £51.5 million net borrowing in the year.

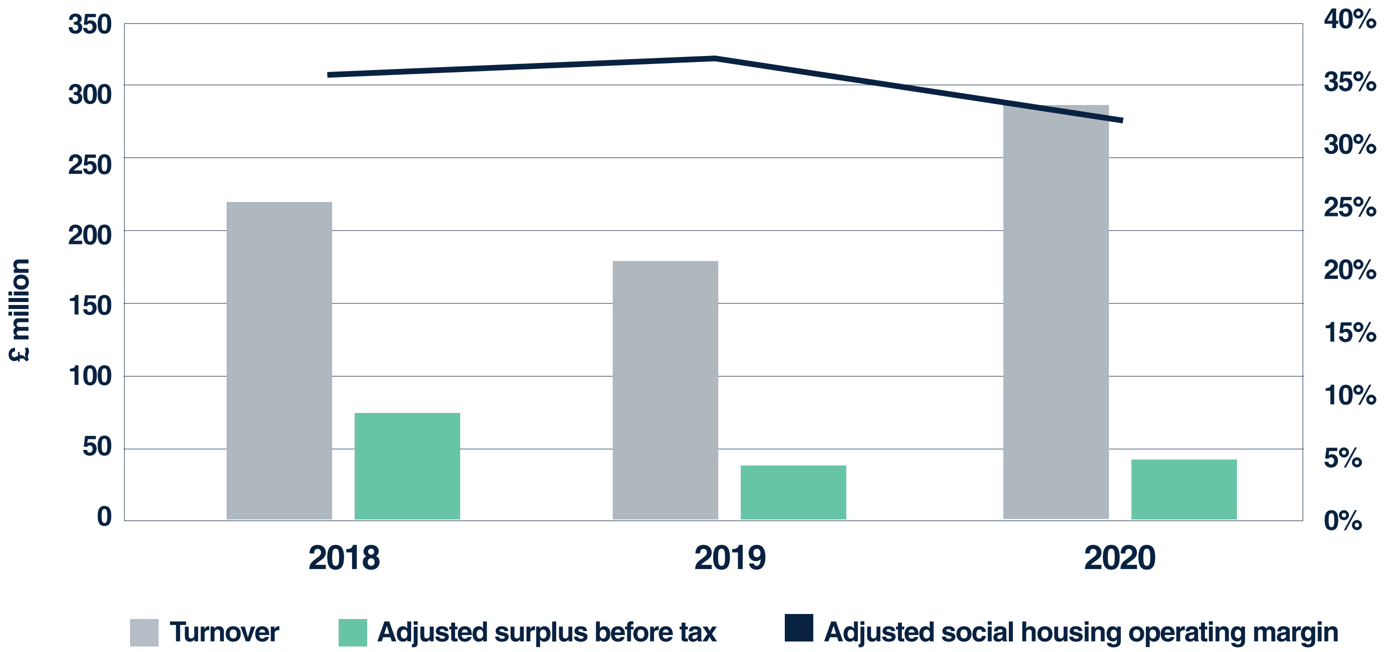
The adjusted operating margin reduced from 25.6% for 2018/19 to 21.2% for 2019/20, with development activity levels and the merger impacting performance.

The adjusted social housing operating margin reduced from 36.6% in 2018/19 to 31.5% for 2019/20, with the rent reductions and the merger impacting performance.

Consolidated statement of comprehensive income (extract):

£ million	2020	2019	2018
Turnover	**285.9**	**180.1**	**214.3**
Cost of sales	(84.4)	(41.8)	(60.1)
Operating costs	(156.7)	(92.9)	(91.2)
Operating surplus before disposals	**44.8**	**45.4**	**63.0**
Surplus on disposal of fixed assets	18.1	12.0	14.9
Operating surplus	**62.9**	**57.4**	**77.9**
Gain arising from Gift of Net Assets	83.4	-	-
Surplus on disposal of care home	-	-	2.8
Share of joint venture operating results	(1.3)	(1.2)	-
Net interest payable	(47.3)	(24.6)	(26.4)
Movement in fair value of investment properties (note 14)	0.5	(1.6)	0.4
Movement in fair value of derivative financial instruments	(15.7)	-	-
Surplus for the year	**82.5**	**30.0**	**54.7**
Taxation on surplus	0.5	(0.5)	(0.5)
Actuarial gain/(loss) on defined pension benefit	3.0	(0.2)	5.3
Movement in fair value of derivative financial instruments	(6.3)	-	-
Total comprehensive income for year	**79.7**	**29.3**	**59.5**
Operating margin % (before disposals)	**15.7%**	**25.2%**	**29.4%**
Social Housing Operating Margin %	**22.8%**	**36.0%**	**35.5%**

Turnover, adjusted surplus before tax and adjusted Social Housing Operating Margin



Cash flow and balance sheet (extract):

£ million	2020	2019	2018
Net book value of housing properties (note 11)	2,978	2,145	2,042
Total loans (note 27)	1,339	681	651
Cash and cash equivalent (note 21)	79	47	57
Gearing (gross) %	45.0%	31.7%	31.9%
Gearing (net of cash) %	42.3%	29.6%	29.1%

Despite the increase in borrowings following the merger, the Group's gearing remains low compared to the sector, with the average across the G15 being 46.4% in 2018/19.

The Group strengthened its financial position with total assets net of current liabilities increasing to £3,292 million (2019: £2,417 million). Our development pipeline added £128 million to housing properties sites under construction, whilst completed properties to the value of £140 million were made available for let in the year.

Greenfields, Leighton Buzzard, Bedfordshire

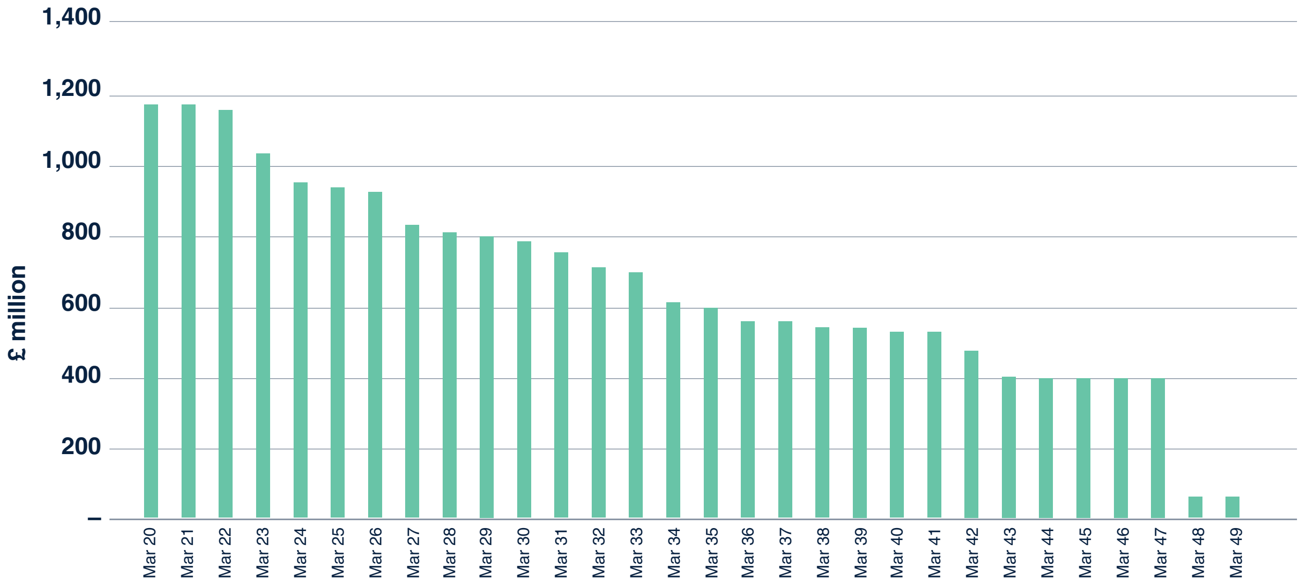
Strategic report
Treasury

Catalyst protects its financial resilience through strong treasury management. Treasury activities are managed by a centralised treasury function, whose primary responsibilities include managing the Group's liquidity, interest rate, counterparty and other treasury risks. Alongside the cash surpluses that Catalyst generates each year, additional financing comes from committed loan facilities, bonds listed on the debt capital markets, private placements and grant awarded by Homes England and the Greater London Authority and its predecessors. Debt is secured by way of mortgages on certain housing properties.

The Finance and Treasury Committee oversees treasury activities and makes recommendations to the Board in respect of the Treasury Strategy and relevant policies. For the year ended 31 March 2020, the Group had total committed loan facilities of £1,592.4 million with £1,180.2 million drawn down.

Approximately 91% (2019: 91%) of the loan portfolio is subject to fixed rate interest arrangements. Following our merger with Aldwyck Housing Group Limited, this now includes standalone interest rate swaps with a notional principal of £160.5 million.

This follows rationalisation that took place during the year, reducing the notional principal of swaps from £241 million. The net cost of rationalising these swaps was circa £1.6 million.



Cash flows

The principal cash outflows of the Group support the development and asset management activities, on which we spent £150 million in the year (2019: £129.5 million). The Group supported these activities by raising new finance of £198.7 million.

We issued £100 million retained bonds and arranged new facilities totalling £125 million, including our first Sustainability-Linked-Loan. After the year end on 10 June 2020 the Group took the opportunity to raise further funding by issuing through a £150 million tap issue of our 2047 3.125% bonds at a yield of 2.255%. Both the retained bonds and the tap issue achieved a premium. The retained bonds raised an additional £9 million in 2019/20 and the tap issue raised an additional £27 million.

Current liquidity

On the 31 March 2020, in addition to £412.2 million of undrawn loan facilities, the Group held deposits of £66.8 million. Remaining cash amounts were held as debt service reserves, sinking and leaseholder funds.

Unencumbered assets

On the 31 March 2020, 44% of the Group's stock remained unencumbered.

Going concern

The Board, with the Finance and Treasury Committee, keeps liquidity under constant review, a process that involves the consideration of short and medium-term cash flow projections, as well as long-term business plans, to identify possible funding needs and to inform treasury strategy as to the amounts and timing of any fundraising.

Key assumptions underpinning the projections are reviewed and are subject to stress testing and sensitivity analysis. We carried out tests on the financial plan to assess impact in certain scenarios.

This year, the Board felt it particularly important given the risks and uncertainty arising from the Covid-19 pandemic, and tailored stress testing and mitigating actions to address these risks. The key consideration included impact on income collection, bad debts and asset sales.

After making enquiries, the Board has a reasonable expectation that Catalyst has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the accounts. Catalyst has maintained the Regulator for Social Housing top rating for viability.

Strategic report
Value for Money

Corporate strategy

Our Value for Money (VfM) Strategy emphasises that VfM underpins the achievement of our corporate objectives and maintaining a long-term sustainable business.

What does VfM mean for Catalyst?

- VfM is the relationship between economy (minimising cost and resources – **Cost**),
- efficiency (doing in the most economical way – **Performance**),
- and effectiveness (doing the right thing for the service being provided – **Quality**).

Cost is the price paid for what goes into providing a service.

Performance is a measure of productivity; how much we get out in relation to what we put in.

Quality is a measure of the impact achieved, and the customer outcome.

We measure our performance against our corporate objectives in following way:

Monthly performance scorecard reports

We have a comprehensive set of Key Performance Indicators (KPIs) that measure operational performance, compliance, risk and satisfaction-based outcomes against annual targets agreed by the Board. The KPIs are included in detailed Performance Scorecard Reports that are presented to, and regularly reviewed by the Board and Executive Committee. This ensures a clear line of sight over our performance. The reports include RAG ratings, narrative on performance, trend analysis and sector insight.

Management accounts

Performance against the agreed budget is reported in the Management Accounts, with an emphasis on analysing performance below budget.

Customer surveys

On a monthly basis, we undertake customer surveys to obtain feedback on our performance. These surveys include questions on customers' views on whether their rent and service charges offer VfM.

Customer representation

Our Customer Experience Committee includes resident nominated members, helping to ensure that we receive valuable customer input. This committee also reviews complaints and customer satisfaction data.

Peer group comparison

On an annual basis, we undertake a formal review of our VfM metrics against a range of comparators: G15 members, housing associations of similar size, and all housing associations in the sector. The review indicates areas of relative strength, where we are above the median average, and areas with potential for improvement.

On a monthly basis, within the Performance Report we include an insight section, benchmarking our performance against the latest quarterly housing association data from the Regulator of Social Housing, and other industry performance data.

Covid-19

More recently we have had the additional challenge of managing the influence of Covid-19 whilst still focusing on the achievement of our corporate objectives.

We have measured this influence daily with a dashboard of over twenty-five operational KPIs, alerting the Executive and Board to the impact on underlying business performance.

Corporate objectives

This section of the report reviews performance against the Catalyst corporate objectives, which were in place prior to merger, and the objectives of the merger itself agreed by the Board.

We have launched new objectives for 2020/21 as set out on page 15 of this report. The impact of the merger has resulted in a number of one-off costs this year that mask the underlying financial performance of the Group. In addition, the Board recognises that the extra costs to replace cladding and other related fire remediation works have made it more difficult for readers of the accounts to understand the underlying financial performance.

The metrics in the VfM section below have therefore been calculated with, and without, the fire-related and the main merger-related impacts: £15.8 million for fire-related costs, £83.4 million gain arising from gift of net assets, and £9.1 million interest including mark to market of £15.7 million.

In the tables, these have been referred to as Actuals (adjusted)

Targets

We set targets to maintain or improve our performance, although we recognise that in some years there are external pressures or changing regulations which mean that we cannot achieve those targets.

So how did we perform against our corporate objectives?

Excellent customer experience every time

– we will achieve sector leading levels of customer service

Measure	2019/20 Actual	2019/20 Target	2020/21 Target
Customer satisfaction – rented	74%	77%	75%
Customer satisfaction – shared owners	60%	62%	62%
Customer satisfaction – repairs	81%	85%	88%
Customer satisfaction – new homes	84%	77%	87%
Calls answered	87%	90%	90%

Our customer satisfaction from new homes was better than target, although customer satisfaction from rental customers and shared owners fell slightly short of target.

We have targeted both to improve in the current year. Our repairs customer satisfaction has dipped as our three new contractors transition the service from our previous arrangements.

During the year we:

- Launched a new Customer Experience Strategy
- Started the implementation of our new customer engagement model based on a co-creation concept. This included six workshops (including a digital workshop) with 30 customers to co-create our future customer promises
- Developed our customer engagement database 'Catalyst Voice', which now has over 700 customers and we have improved the diversity of our involved customers.

We will continue to improve our services in the current year by:

- Understanding better who our customers are, and their expectations
- Improving our customer journeys to create a frictionless end-to-end experience
- Reviewing the services we offer, prioritising those with the lowest customer satisfaction
- Engaging and involving a diverse customers base in co-creating new services
- Creating a modern and inclusive scrutiny panel to challenge us on our performance
- Enhancing our digital offer including developing a self-service offer
- Increasing proactive communication with our customers using different channels.

Provision of more quality homes and great places to live

– we will increase our housing supply providing a range of tenures to meet differing customer needs

Measure	2019/20 Actual	2019/20 Target	2020/21 Target
Reinvestment %	5.4%	5.2%	7.3%
Homes developed – social	595	683	288
Homes developed – non-social	192	201	82

Our reinvestment of 5.4% (calculated as the cost of investment in new and existing homes as a percentage of the total value of properties) has exceeded target. This demonstrates our commitment to making our existing homes better, and safer, places to live.

Combined with an increase of 2.41% in homes developed, demonstrates Catalyst's commitment to providing more quality homes. We achieved an increase in homes developed compared with the previous year but just fell short of the annual target by 97.

In order to comply with government advice on building safety, we altered specifications for balcony materials during construction, directly impacting 165 homes and subsequently delaying the projected completions until the final quarter of the financial year.

The completions were then further impacted by lockdown restrictions. These affected one scheme of 76 homes that was certified as completed on 3 April 2020.

High business performance

– we will operate efficiently and effectively, meet all our operational performance targets and optimise our Social Housing Operating Margin

Measure	2019/20 Actual	2019/20 Actual (adjusted)	2019/20 Target
Gearing % (Sector scorecard VfM)	42.3%	42.5%	36.8%
EBITDA MRI interest cover %	79.2%	130.1%	98.4%
Social Housing Operating Margin %	22.8%	31.5%	37.6%
Operating Margin %	15.7%	21.2%	22.7%
Return on Capital Employed %	1.9%	2.4%	2.7%
Headline Social Housing Cost per Unit	£5,209	£4,117	£4,069
Rent collected %	100.3%	100.3%	98.0%

The Board utilises the regulatory VfM metrics and Sector Scorecard metrics in monitoring performance against our high business performance corporate objective. We continually challenge the delivery of value for money across all business activities and strive to reduce costs and free up more capacity to allow us to fulfil our corporate objectives.

The overall performance against this objective has been affected by the increasing need to invest in fire safety measures for our properties, an additional £4 million was spent above the amount originally budgeted. The Board recognises that the safety of our customers is paramount and also recognises the temporary impact the investments will have on the financial performance metrics. In the year, we took the decision to further invest in our property marketing activities, including commencing earlier in the development to generate higher pre-sales.

Strategic report
Value for Money (continued)

This has reduced the surpluses on our property sales activities as we increase our development programme.

We also incurred additional fire safety costs at two schemes (Wornington Green and Burnt Oak) following the new guidelines that delayed handover and sale. We continue to review our stock holding, considering our offer and competitiveness within the market place.

More specifically:

The **gearing metric** measures how much of our adjusted assets are made up of debt and the degree of dependence on debt finance. Our performance of 42.3% is higher than the target of 36.8% due to additional investment in our properties and the fair value adjustments in some of our loans. It still indicates scope for future capacity.

The **EBITDA MRI** metric is a measure of cash generation as a percentage of interest (net of amortised cost) and is a key indicator of liquidity and investment capacity. It seeks to measure the level of surplus generated compared to interest payable, avoiding any distortions stemming from the depreciation charge.

Our performance of 79.2% is below the target of 98.4% due to the impact of fire safety costs. The Board recognise that investment in fire safety measures will over the short-term reduce this measure below historic target levels.

Excluding these one-off costs, the metric improves to 130.1%.

The **Social Housing Operating Margin** measures the surplus that we generate from our core landlord services.

This reduced during the year due to the fire safety works and the target of 37.6% was not achieved. Future years will see a continued focus on tight budgetary control, targeted performance improvements and managing the impact of Covid-19.

The **Operating Margin** measures the surplus that we are generating from our social and non-social activities. This was lower than target due to increased asset management work from Fire Risk Assessments and lower margins on development sales. Fire safety costs and a challenging housing market will put pressure on our operating margins.

The **Return on Capital Employed** metric compares the Operating Surplus (including the disposal of Fixed Assets) to Total Assets (less Current Liabilities). Our performance of 1.9% was lower than the target of 2.7%. This is principally due to the lower margins and higher costs stated above.

Our headline **Social Housing Cost per Unit** metric measures total property costs (including capital expenditure) per property owned or managed.

We fell short of our target of £4,069 by £1,140 due to the reasons noted above; namely our investment in our properties, asset management spend, and service chargeable costs that will be recovered in future years.

A detailed breakdown of these costs is noted below:

Detail	2019/20 Actual	2019/20 Actual (adjusted)
Management cost per unit	£1,363	£804
Service charge cost per unit	£939	£939
Routine maintenance cost per unit	£973	£973
Planned maintenance cost per unit	£141	£141
Major repairs expenditure per unit	£202	£202
Capitalised major repairs per unit	£1,153	£620
Other costs per unit	£438	£438
Headline Social Housing Cost per Unit	**£5,209**	**£4,117**

Our performance against the objective of 'High Business Performance' also uses the Sector Scorecard metrics. The table below includes the Sector Scorecard metrics not covered above.

Measure	2019/20 Actual	2019/20 Target	2020/21 Target
Occupancy %	99.6%	99.8%	n/a
Ratio of responsive to planned repairs spend	0.65	0.4	0.37
Overheads as a % of turnover	11.6%	12.5%	13.2%
Community investment £'000	£2,283	£2,990	£3,084

Great people, great places to work

– we will attract and retain exceptional, motivated people who will help drive our organisational performance

Measure	2019/20 Actual	2019/20 Target	2020/21 Target
Stability index	82.3%	75%-85%	75%-85%
Sickness absence	3.7%	3.0%	3.0%
Voluntary turnover	13.0%	14.5%	14.5%

We have performed well against our KPI targets. The Stability Index measures the overall retention of colleagues with more than one year's service and our performance of 82.3% was in the range originally targeted of 75%-85%.

The voluntary turnover measure of 13% was within the target of 14.5%.

The absence due to sickness was above target, mainly due to higher instances of sickness in the first quarter. Since then, levels have performed on target due to more emphasis on the management of sickness.

More broadly there has been significant progress in developing great people and Catalyst as a great place to work.

Early in the year we established a new Executive team to lead Catalyst post-merger, and through the year we made a number of changes to strengthen the wider Leadership team.

Colleague engagement underpins a high-performing culture. Catalyst was placed in The Sunday Times Top 100 Not for Profit Best Companies to Work For in 2020. Completed in October, the survey showed that high levels of colleagues feel proud to work for Catalyst, with 77% saying that they love working for the business.

This has established the baseline engagement position and informed the development of both corporate and local plans.

Further engagement surveys will be carried out to regularly track progress and reassess these plans.

So how did we perform against our merger objectives?

Build more homes, ambition to deliver 1,300 a year following full integration, with the potential to build more

We developed 787 homes compared with a combined 667 in the previous year. A further 76 properties were certified on 3 April, with the delay due to Covid-19.

Improve our customers' experiences and services, combining the ambitions of both Catalyst and Aldwyck to build a strong customer centric-culture, allied with high quality service delivery

We launched a new Customer Experience Strategy and focused on higher levels of customer consultation. We also integrated our complaints handling, customer experience and community investment teams post-merger to provide group-wide services.

Foster a high-performing culture, attracting, retaining and developing the best talent, and foster a constructive customer focused culture

During the year we have made substantial progress in developing a high-performing culture. Many of these are noted above, including the achievement of our employee retention targets.

We established a new set of values for the combined organisation, along with a new purpose and vision, which provided a consistent set of expectations regarding culture and behaviour across Catalyst.

Further investment in leadership development for the senior leaders of the organisation has ensured a shared understanding of the culture that Catalyst wishes to promote.

Strengthen both organisations commitment to Supported Housing and supporting the most vulnerable in our society

Around 1,500 customers live in Catalyst's Supported Housing services spanning Hertfordshire, Bedfordshire and London boroughs. They offer wide-ranging, including younger peoples' services, housing for older people, floating support and housing for people who are experiencing mental ill-health, or have a learning or physical disability.

Our merger commitment is demonstrated by our successful bid to join the Hertfordshire County Council Framework Agreement for the Provision of Supported Living Services in June 2019. This provides the opportunity to invest and grow the service further through tender opportunities.

Realise long-term efficiencies from bringing the two organisations together

The initial phase of integration focused on combining the two organisations. We have created a new Performance Improvement team to drive performance across the business and identify potential synergies from the merger.

We are currently undertaking IT systems integration and this will be a key driver to achieving longer term efficiencies.

Benchmarking and peer Group review

Measure	2018/19 Actual	2019/20 Actual	2019/20 Actual (adjusted)	2019/20 Target	2018/19 G15 median	2018/19 Sector median
EBITDA MRI interest cover %	153.7%	79.2%	130.1%	98.4%	119.0%	184.0%
Gearing %	29.6%	42.3%	42.5%	36.8%	48.9%	43.4%
Social Housing Operating Margin %	36.0%	22.8%	31.5%	37.6%	31.7%	29.2%
Operating Margin %	25.2%	15.7%	21.2%	22.7%	25.8%	25.8%
Return on Capital Employed %	2.3%	1.9%	2.4%	2.7%	2.9%	3.8%
Headline Social Housing Cost per Unit £	£4,518	£5,209	£4,117	£4,069	£4,950	£3,690
Reinvestment %	6.2%	5.4%	4.9%	5.2%	6.0%	6.2%
Social homes developed as % of homes owned	2.5%	2.4%	2.4%	2.3%	1.9%	1.5%
Non-social homes developed as % of homes owned	0.7%	0.7%	0.7%	0.6%	0.6%	0%

As part of our target setting process, we benchmark our financial performance annually against peers in the G15.

The G15 is a good comparator given the location of their stock and as they have headquarters based in London. We also undertake a comparison against the weighted average in the sector.

Figures for the year 2019/20 are not available yet and so the 2018/19 year has been used.

The analysis shows that in relation to the G15 our performance was very strong. We were above the median for five of the nine KPIs.

Orchard Park, Cambridge

Strategic report
Sustainability and energy reporting

Catalyst is fully committed to improving our sustainability performance and this is reflected in one of our corporate objectives 'Safe and sustainable'. In February 2020, we retained our SHIFT (Sustainable Homes Index for Tomorrow) Gold accreditation with an increased score.

Our sustainability approach focuses on three key areas:

- **Our homes** – to create sustainable, resource-efficient, future-proofed homes that are warm and affordable for our customers
- **Our communities** – to build great places and strong communities where residents can lead happy, healthy and sustainable lives
- **Our business** – to become a more sustainable and resource-efficient business that minimises the impact of our operations on the environment.

Energy and carbon reporting is an important part of our performance monitoring. It helps us to understand the importance of implementing energy efficiency measures, identify cost reductions, improve environmental benefits and reduce carbon emissions.

We have adopted the principles and guidance of the government's Streamlined Energy and Carbon Reporting (SECR) and have chosen to report in line with the recommendations.

We have used fuel consumption data from our suppliers and partners and used DEFRA 2019 conversion factors to calculate the CO_2e emissions.

For our Scope 3 Homes we have used our CROHM data (Parity Projects) which is based on regulated emissions using SAP2012 and RdSAP994 methodology.

As required, we have used intensity ratios to demonstrate the amount of our Scope 1 and 2 carbon emissions in relation to the size of our business. We have used three criteria for this: the number of homes we manage, the number of employees and the organisation's financial turnover.

Energy Consumption

Energy Consumption used to calculate emissions (MWh)	Gas	30,705
	Electricity	12,311
	Transport fuel (diesel)	3,468
	Transport fuel (petrol)	101
Total		**46,585**

Carbon Emissions (Scope 1 & 2) : tCO_2e = tonnes of 'Carbon Dioxide equivalent' i.e. all greenhouse gases

Emissions from combustion of gas (tCO_2e)	Gas	5,645
Emissions from combustion of fuel for transport purposes and travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (tCO_2e)	Company, fleet cars, car club and business mileage	879
Emissions from purchased electricity (tCO_2e)	Electricity	3,147
Total		**9,671**

Carbon Intensity Ratios: Measures total gross carbon emissions as an intensity metric according to the following three criteria:

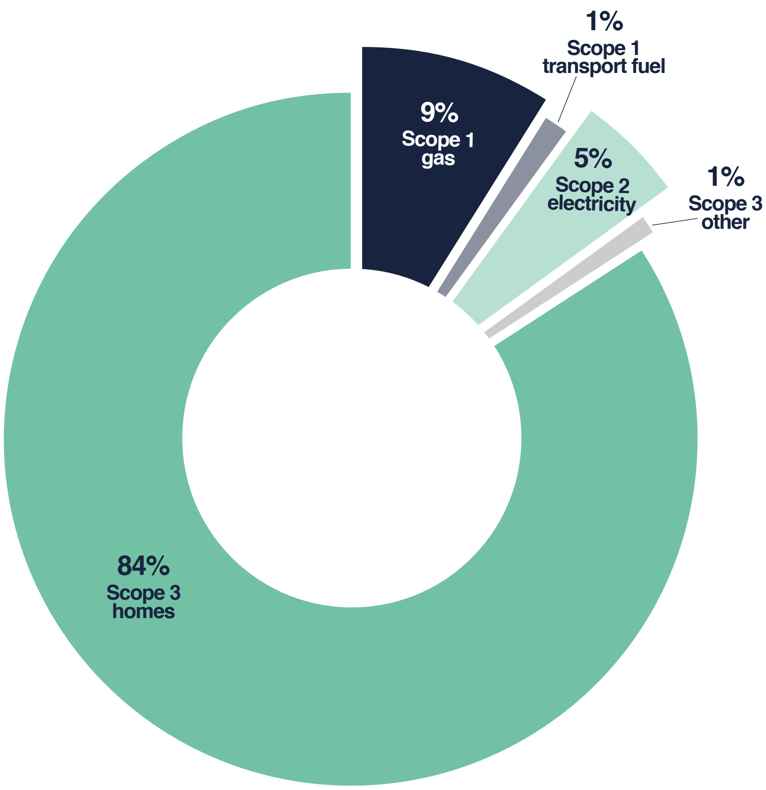
Catalyst homes managed (Social housing units including supported and intermediate)	22,485	0.43
Catalyst employees	1,075	9.0
Catalyst Housing Limited Turnover (£ million)	286.0	33.8

Carbon Emissions (Scope 3)

Emissions from generation of electricity that is consumed in a transmission and distribution system for which the company does not own or control (tCO_2e)	Electricity transmission and distribution losses	68
Emissions from leased assets, franchises, and outsourced activities (tCO_2e)	Regulated emissions from homes	52,097
	Head Office (leased property) emissions – gas, electricity, water	290
Total		**52,455**

Carbon Emissions (Scope 1 & 2)	**9,671**
Carbon Emissions (Scope 3)	**52,455**
Total Carbon Emissions (Scope 1, 2 & 3)	**62,126**

The breakdown of our carbon footprint is illustrated here. This clearly shows that most of our carbon footprint is made up from the carbon emissions of our homes (84%), followed by the emissions from our gas supplies for our offices, community centres, plant rooms and communal areas (9%).



Reducing our CO_2 emissions:

Scope 1 – Fuel and gas

Scope 1 relates to our direct emissions from the combustion of gas and transport fuel from sources that we own or control. This includes gas used for our offices, community centres, communal areas, energy centres and plant rooms. It also includes fuel used for our company and fleet cars and business transport through the car club and vehicle expense claims.

To help reduce our gas consumption we are rolling out the installation of smart meters across our portfolio. We are also improving heating performance by carrying out ongoing technical assessments and improvements on our communal heating sites which will be monitored to identify savings.

We have reduced fuel use through purchasing a pool of bicycles for our Estate Services Gardening team. We now have seven bicycles that have replaced seven diesel vehicles, saving a total of around 18,900 litres of diesel or seven tonnes of CO_2e each year, and we have plans to further increase the pool. Our Estate Services team also began trialling an electric vehicle in 2019 and this is estimated to have saved about 900 litres of diesel or 2.3 tCO_2e.

Scope 2 – Electricity from our stock

Scope 2 covers our indirect emissions from the generation of purchased electricity for our asset portfolio, including our offices, community centres, communal areas, energy centres and plant rooms. To help reduce our electricity consumption we are rolling out the installation of smart meters and have begun to replace our communal lighting with more efficient LED lights. In 2019/20 we replaced 381 light fittings saving 8,125 kWh or 2.1 tCO_2e. We are also using energy efficient Air Handling Units (AHUs) for cooling on some of our sites. Our Solar Photovoltaic panel installation programme has provided us with approximately 1,016 kWp of rooftop solar panels on an estimated 1,265 flats. This supplies part of our energy needs for our communal areas using renewable, zero carbon electricity. These panels have generated an estimated 812,000 kWh. Assuming 30% of this generation feeds the communal supply (not currently monitored), an estimated saving of 62 tCO_2e has been made.

Scope 3 – Indirect emissions

Scope 3 includes all other indirect emissions that occur in a company's value chain. For Catalyst, this relates to emissions from the homes that we manage and the energy and water consumption from our leased assets. With 22,226 social rented homes in our portfolio, this forms the largest part of our carbon footprint. To help improve the energy efficiency of our homes, during the past 12 months we have installed 708 new boilers, 222 double glazed windows and carried out cavity wall insulation on 150 homes and loft insulation on 256 homes. We have built 800 new homes with an average SAP of 85. These improvements and new builds have helped to increase our average SAP score of our homes from 70.5 in 2018 to 72.01 in 2019. These energy efficiency improvements have resulted in average carbon emissions from our homes reducing from 2.545 tCO_2e per home to 2.294 tCO_2e per home. This represents a saving of around 5,700 tCO_2e across our stock. In our head office, we have introduced measures to optimise plant room equipment through installing a building management system (BMS) for monitoring boilers and air handling units (AHUs).

This identified the opportunity to reduce the hours of operation of the central plant. In addition, boilers were controlled according to outside air temperature and faulty extract fans were identified and repaired, making the AHU more efficient. These measures are estimated to have saved 64,156 kWh of electricity and 114,400 kWh of gas or the equivalent of 37 tCO_2e.

We also provide energy saving advice to our residents, including home visits, telephone support and information in our customer magazine and on our website.

Wornington Green, London

Strategic report
Key risks and uncertanties

The Board has identified the following risks to the delivery of the Catalyst's corporate objectives:

Risk	Comments	Mitigation
New or increased pressures from changes in the operating environment.	Our business operations have been impacted by several significant changes to the operating environment, government policy, legislation and regulation. They include: • Covid-19 • UK's withdrawal for the EU • Welfare reform and Universal Credit • Evolving fire safety guidance • Zero carbon target by 2050.	We identify changes to the operating environment by completing regular horizon scanning activity. We risk assess and develop specific mitigation for each individual additional pressure. We hold cash reserves and have the ability to raise finance to safeguard against unexpected financial pressures. Our financial plan is stress tested and provides assurance on the level of new or increased financial pressure that can be not absorbed.
Decrease in property sales income and build completion.	The development of existing sites and acquisition of additional sites may be subject to economic and political conditions.	We have a Development Strategy that includes an appraisal of schemes prior to acquisition and requires an exit strategy in the event of adverse market conditions. Our stress testing models adverse economic and political conditions. It provides assurance on the level of financial pressure the development programme can withstand and the mitigation plans that would be activated in such circumstances.
Injury or loss of life.	The safety of our customers and colleagues is our priority.	We have programme of landlord health and safety inspections that includes gas and fire safety to fulfil our statutory responsibilities. We also complete regular maintenance and servicing. We have invested in a five-year programme to undertake fire safety remediation works, with the first year of this investment already completed. To protect colleagues, we adhere to health and safety guidance to provide a safe working environment.
Poor data integrity and governance.	We consider our data to be a key business asset.	We have a five-year Data Strategy that is support by a data governance framework and aligned to our IT Strategy. Accountability and responsibility for data is being established through data owners and stewards.
Incomplete or inaccurate integration of business-critical data.	The merger with Aldwyck Housing Group Limited has led to business-critical data being held in different systems.	We have a dedicated corporate project to integrate business critical data to target systems. Governance and project monitoring controls are in place.
Poor customer service delivery leads to a decrease in customer satisfaction and an increase in complaints.	Poor customer service delivery leads to a decrease in customer satisfaction and an increase in complaints.	We have a customer experience strategy which includes an engagement model. We monitor our customer satisfaction levels and introduce new measures where our service standards are below target. A dedicated complaints team is in place to handle and learn from customer complaints. During Covid-19 we introduced measures to support our customers, this included wellbeing calls and adopting Covid-19 secure operations to maintain essential services.
Large-scale retrofit energy performance solutions and remedial fire safety works adversely impact our ability to fund a growth strategy or make customer service improvements.	Our business is facing a number of financial challenges that have been further exacerbated due to Covid-19.	We have invested in a five-year programme to undertake fire safety remediation works, with the first year of this investment already completed. We have a five-year Sustainability Strategy that sets out our road map.

Strategic report
Governance Board and management

The Catalyst Housing Limited Board (the Board) determines and monitors the strategic direction of the Association and its subsidiaries, sets corporate targets, monitors performance against those targets and upholds Catalyst's values and behaviours.

It comprises a minimum of five and a maximum of twelve members. The composition reflects the skills requirements agreed by the Remuneration and Succession Planning Committee, which includes the skills necessary to chair committees. Board and Committee members are listed on pages 4-5.

Role of the Board

At 31 March 2020, the Board comprised eleven non-executive members and the Chief Executive. The Board meets at least six times a year and its composition is intended to ensure that it is enhanced by independent perspectives.

Standing Committees

As at 31 March 2020 the Board has seven committees:

1. Audit and Risk Committee

The role of the Audit and Risk Committee is to ensure that the Group maintains a sound system of internal controls, manages risk and provides appropriate scrutiny in respect of internal and external audit. It is also responsible for maintaining an appropriate relationship with the Group's internal and external auditors.

2. Customer Experience Committee and 3. Service Delivery Committee

During the financial year, Catalyst had two committees responsible for scrutinising service delivery to ensure that we provide good quality, value for money services to customers.

The Customer Experience Committee was a committee of the Catalyst Housing Limited Board and provided oversight of customer services at a Group level. Prior to the Transfer of Engagements on 2 December 2019, this focused on legacy Catalyst regions. The Service Delivery Committee was previously a committee of the Board of Aldwyck Housing Group Limited and became a committee of Catalyst Housing Limited on 2 December 2019 (at the point of Transfer of Engagements), becoming responsible for oversight of service delivery on the legacy Aldwyck regions.

On 1 April 2020, following an internal recruitment exercise, a single new Customer Experience Committee was established that is responsible for customer service delivery across the Group.

4. Development Committee

The role of the Development Committee is to oversee Catalyst's development activity including new provision of social and affordable rent, low cost home ownership products and housing for market sale.

It also scrutinises regeneration projects and any other commercial and residential development activities and ensures that any delegated decisions are made in line with the Group's Governance Framework.

5. Executive Committee

Executive Committee is responsible for delivering the strategic objectives set by the Board, and for the day-to-day running of the business. It ensures that the Group delivers good financial and operational performance to meet the needs of customers, regulators, and other stakeholders.

6. Finance and Treasury Committee

The role of the Finance and Treasury Committee is to provide oversight of funding and treasury matters, and to ensure that the Group adopts sound treasury management.

It also monitors performance against the financial plan and cash flow forecasts and ensures that the Group maintains adequate liquidity at all times. It carries out stress testing and is responsible for monitoring financial risks.

7. Remuneration and Succession Planning Committee

The role of the Remuneration and Succession Planning Committee is to oversee the Group's succession, nomination and remuneration functions in line with best practice and legal and regulatory requirements.

The committee monitors Board composition and succession, as well as the skills and experience of the Board, its subsidiaries and committees to ensure that they can govern the Group's operations effectively. It is also responsible for recommending the remuneration of the Chief Executive to the Board, and approving the remuneration ofthe other Executives.

8. Integration Committee (dissolved 22 January 2020)

The Integration Committee was established as a committee of the Board and was responsible for overseeing Catalyst's merger with Aldwyck Housing Group Limited. It was convened on 1 May 2019 and was dissolved on 22 January 2020.

Aldwyck Housing Group Limited Board

During the period 1 April 2019 to 2 December 2019, the Board of Aldwyck Housing Group Limited had responsibility for the strategic direction of the Association and its subsidiaries, which included setting corporate targets, monitoring performance against those targets and upholding Aldwyck's values and behaviours, as well as overseeing the transfer of the business to Catalyst. From 1 May 2019, this was within the parameters set out in the Intra-Group Agreement.

On 2 December 2019, Aldwyck transferred its engagements under sections 110-111 of the Co-operative and Community Benefit Societies Act 2014.

At this point all assets and liabilities transferred to Catalyst Housing Limited and Aldwyck Housing Group Limited ceased to trade.

Colleagues

Catalyst keeps colleagues informed and engaged through the intranet, The Hive, and carries out several colleague surveys each year to receive feedback and suggestions or understand any concerns, as well as how to improve our service and performance. Through 'Our Voice', our colleague representative group, Catalyst informs and consults colleagues on topics including strategy and priorities, proposed organisational change, and changes to terms and conditions of service.

We follow a fair recruitment and selection process where applicants are objectively assessed based on qualifications, skills and experience relevant to the role. We value all our colleagues and are committed to providing a great place to work in respect of career development, wellbeing and work-life balance.

Colleague Consultation

During the year, our employee representative groups were the 'Information and Consultation Committee' (Catalyst) and 'Vocal' (Aldwyck). These acted as a channel of communication between colleagues and the Executive team to ensure that colleagues' opinions were fed into decisions on key business matters. As part of the integration activities, these groups were merged to form Our Voice, the new employee forum.

Internal controls

The Board has overall responsibility for establishing and maintaining an appropriate system of internal control across the Group and for reviewing its effectiveness. The Audit and Risk Committee monitors these arrangements on behalf of the Board and provides it with regular reports throughout the year.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, not absolute, assurance against material misstatement or loss. The key elements of the Group's system of internal control includes:

- A governance framework that includes clear terms of reference and delegated authorities for the Board and its committees
- A corporate plan, strategies and business planning processes, with detailed financial budgets and targets
- A management structure with defined responsibilities and approved delegated authorities.
- A group-wide risk management framework that defines management responsibilities for the identification, evaluation and control of significant risks
- A business assurance framework that maps the main sources of assurance over the key business operations using the 'three lines of defence' methodology
- The Audit and Risk Committee meets regularly to set and review the outputs from the internal audit programme, to satisfy themselves that the system of internal control is operating effectively and that any weaknesses that are identified are corrected promptly. Minutes of all Audit and Risk Committee meetings are provided to all Board members
- Policies and procedures to recruit, retain, train and develop suitably qualified employees to manage and control operations
- The Treasury and Investment Strategy and key investment decisions are subject to Board review and approval
- Regular monitoring of loan covenants and requirements for new loan facilities via the Finance and Treasury Committee
- An approved whistleblowing policy for colleagues to raise concerns on a confidential basis. Procedures are in place to investigate concerns independently and in a timely manner
- A policy and procedure for anti-fraud, bribery and corruption that are provided to all colleagues. These cover the prevention, detection and reporting of fraud. Incidences of fraud are reported to the Audit and Risk Committee, which also reviews the Annual Fraud Report on behalf of the Board.

Compliance with the Governance and Financial Viability Standard

The Board has received assurance and is satisfied that all reasonable steps have been taken to ensure compliance with the requirements of the Governance and Financial Viability Standard under the Regulator of Social Housing Regulatory Framework during the financial year 2019/20.

Compliance with the NHF Code of Governance 2015

The Board is committed to integrity and accountability in the stewardship of Catalyst's affairs and has adopted the National Housing Federation's Code of Governance 2015.

A detailed self-assessment has been undertaken against the provisions of the Code during the year. Catalyst Housing Limited complies with the provisions of the Code.

As good practice, the Group expects its unregistered subsidiaries to adopt the same Code, recognising that not all provisions of the Code are relevant or will be fully met.

Strategic report
Governance Board and management (continued)

Auditors

BDO LLP were the auditors for the year and their independent report is included on pages 39–44.

Board members' responsibilities

The Board is responsible for preparing the report of the Board and the accounts in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board members to prepare accounts for each financial year. The Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Board must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Association and Group and of the surplus or deficit of the Association and Group for that period.

In preparing these accounts, the Board members are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Association and Group will continue in business.

The Board members are responsible for keeping adequate accounting records which are sufficient to show and explain the Association's and Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Association and Group and enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the Association and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018.

Accounts are published on Catalyst's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of accounts, which may vary from legislation in other jurisdictions. The maintenance and integrity of Catalyst's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the accounts contained therein.

By order of the Board

Richard Brown

Date: 10 September 2020

Independent Auditor's Report to the members of Catalyst Housing Limited

Opinion

We have audited the financial statements of Catalyst Housing Limited ("the Association") and its subsidiaries (together "the Group") for the year ended 31 March 2020, which comprise the consolidated and Association Statement of comprehensive income, the consolidated and Association Statement of changes in reserves, the consolidated and Association Statement of financial position, the consolidated Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 Association's affairs as at 31 March 2020 and of the Group's and the Association's surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 and Association 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 in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association'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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the members of Catalyst Housing Limited (continued)

Key audit matter	Our response to the key audit matter
Going Concern	
As disclosed in note 1, following the outbreak of Covid-19, and the resultant impact on the overall economy, management has considered the appropriateness of the going concern basis of preparation for the group as well as the parent entity. The directors' assessment of going concern involves a number of subjective judgements including the anticipated future levels of bad debts, voids, the rate of inflation, costs of borrowing and the level of property sales, which have been impacted by the current Covid-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved and to ensure the adequacy of the disclosure in the accounting policy in relation to the steps undertaken by the board to gain assurance that there is not a material uncertainty around the adoption of the going concern basis of preparing the financial statements. Therefore this area was identified as a Key Audit Matter.	Our audit response involved the following: • Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also have a high level understanding of the entity's market and strategy, and the potential impact that Covid-19 might have on these projections. • Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2022 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. • Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. • As referred to in note 1, management has modelled reasonably possible downside scenarios to incorporate the expected impact of the Covid-19 pandemic. Scenarios modelled by management include a reverse stress test to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. • We have considered the appropriateness of the downside scenarios in respect of the impact of Covid-19 and challenged management to confirm that they have suitably addressed the inputs which are most susceptible to change, including those in respect of revenue, margins and cost savings. • We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario. **Key observations:** Our key observations are set out in the conclusions related to going concern section of our audit report.
Net realisable value of property developed for sale	
As explained in the accounting policies, property developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £88,332,000. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis. Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end. The samples were chosen from the population of items that included (but was not limited to) developments for which impairment had already been identified by management. For a sample of completed properties that sold after 31 March 2020 we agreed the sales proceeds to completion statement and bank receipt to confirm that net realisable value was greater than cost. For a sample of completed properties that remained unsold and for schemes in development we obtained the latest third party valuations that support the anticipated proceeds. We identified the third party valuer and checked they were independent and that their experience and expertise is suitable for our purposes. For a sample of schemes in development we obtained details of the expected costs to complete from the updated scheme budget for that development and agreed the budgeted contract cost of the development to the actual contract and we compared the incurred expenditure to the budgeted amount to ensure that the budget reflects actual costs. We further scrutinised the assumptions used against 3rd party data such as property price trends and forecasts and carried out sensitivity analysis on these assumptions and underlying projects costs to complete to assess potential indicators of impairment. **Key observations:** Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

Key audit matter	Our response to the key audit matter
Business combination	
As explained in the accounting policies and note 1 to the financial statements, Catalyst Housing Limited Group combined with Aldwyck Housing Group Limited on 1 May 2019. The business combination established CHL as the group parent. On 2 December 2019 the assets, liabilities and activities of Aldwyck Housing Group Limited were transferred into Catalyst Housing Limited by a transfer of engagement. Management has assessed that acquisition accounting should be applied to the business combination on 1 May 2019 and therefore a fair value exercise of the assets and liabilities acquired was performed on Aldwyck Housing Association and its subsidiary entities at 1 May 2019. Due to the level of judgement and estimate involved in determining the fair values at acquisition we considered there to be a significant risk that these amounts are materially misstated and that the related disclosures are inadequate. On 2 December 2019, the assets, liabilities and activities of Aldwyck Housing Group Limited were transferred into Catalyst Housing Limited by a transfer of engagements, as allowed under the Co-operative and Community Benefit Societies Act 2014. This Transfer of Engagement was accounted for as a group reconstruction at cost and the balance sheet and results for the period need to be disclosed in the group financial statements. As this is not a routine transaction there is a risk with regards the preparation of the financial information and its presentation and disclosure in the financial statements. Due to the multiple business combination transactions in the year, preparation of the group results for the year is complex, with Catalyst's consolidated results for the year including 11 months of SOCI transactions for Aldwyck and its subsidiaries and associated fair value consolidation adjustments and the Catalyst parent results for the year including 4 months of Aldwyck's transactions. Due to this complexity there is therefore a risk that the Group and parent results are materially misstated.	Our work on the 1 May 2019 business combination included (but was not limited to) the following: • We reviewed the assumptions and estimates involved in determining fair values and agreed these adjustments to the underlying supporting documentation • Where third party valuations were used in assessing the fair value of housing properties and fixed rate loans, we identified the valuers and checked that they were independent and that their experience, expertise and work were suitable for our purposes • Where assets or liabilities were brought in at book value, that no fair value adjustments were required, and that these values were fairly stated at the acquisition date • We reviewed how management has aligned the accounting policies, estimation techniques and reconciled differences in approach to estimation and uncertainty and the effect this may have on key areas of the financial statements. With respect to the Transfer of Engagements on 2 December 2019, our work included (but was not limited to) the following: • We agreed the completeness and accuracy of the data used for the book values of the assets and liabilities of Aldwyck at 2 December 2019 back to the underlying financial records • We sample tested the material balances at 2 December 2019 to confirm the existence and accuracy of the underlying data. This included audit testing of the SOCI transactions from 1 May 2019 to 2 December 2019. We have reviewed the disclosures within the financial statements for both the business combination and the Transfer of Engagements to confirm that these are in line with the requirements of the accounting standards and reflect the underlying transactions. With respect to the consolidation, our work included (but was not limited to) the following: • We checked that the figures used in the consolidation schedule agreed to the underlying results of each group component • We checked that all appropriate consolidation entries had been applied, in particular with regards to eliminating intercompany transactions throughout the year, and • We checked that the consolidated results show 11 months of Aldwyck's activities and that the parent results show 4 months of Aldwyck's activities. **Key observations:** Based on the evidence obtained we did not identify any indications that: • The accounting adjustments made in respect to the business combination and the transfer of engagements are materially misstated • The disclosures made in the financial statements are inadequate or not in line with the requirements of the accounting standards, and • The consolidation is materially misstated through error or inappropriate consolidation adjustments.

Independent Auditor's Report to the members of Catalyst Housing Limited (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £47,545,000 (2019 - £37,350,000) which represents 1.4% of total assets (2019 – 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants.

This therefore involves adjusting operating profit for depreciation, grant amortisation and surplus on asset sales. The specific materiality level that we applied was £5,272,000 (2019 - £7,223,000) which is 7.5% of adjusted operating surplus (2019 - £7.5%).

We used gross assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £42,790,000 (2019 - £33,615,000) with a specific materiality set at £4,397,000 (2019 - £6,473,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality was set at 60% (2019 – 75%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Group Audit & Risk Committee that misstatements in excess of £951,000 (2019 - £747,000) for areas considered using financial statement materiality and £105,000 (2019 - £144,000) for areas considered using specific materiality which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities, including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud.

We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. Catalyst Housing Limited (parent entity), Catalyst by Design, CHL Developments, Catalyst Developments (Wimbledon) Limited and Lea Valley Developments Limited are considered to be significant components of the group.

Other information

The board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the statement of Board members' responsibilities set out on page 38, the board is 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 board members 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 board is responsible for assessing the Group and the Association'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 board either intend to liquidate the Group or the Association 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 website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the members of Catalyst Housing Limited (continued)

Other matters

Following the recommendation of the audit committee, we were first appointed by the board in 2006 to audit the financial statements for the year ending 31 March 2007 and reappointed for subsequent financial years. The period of total uninterrupted engagement is 14 years, covering the years ending 31 March 2007 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014.

Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

E. Kulczycki

Elizabeth Kulczycki,
Senior Statutory Auditor

For and on behalf of
BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 17 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income year ended 31 March

	Note	2020 £'000	2019 £'000
Turnover	2	285,924	180,086
Cost of sales	2	(84,486)	(41,837)
Operating costs	2	(156,641)	(92,934)
Surplus on disposal of fixed assets	7	18,068	12,048
Share of loss in joint venture	17	(1,326)	(1,148)
Operating surplus	**2,6**	**61,539**	**56,215**
Gain arising from Gift of Net Assets	38	83,387	-
Interest receivable and similar income	8	277	280
Interest payable and financing costs	9	(47,569)	(24,866)
Movement in fair value of investment properties	14	459	(1,611)
Movement in fair value of derivative financial instruments	28	(15,655)	-
Surplus before taxation		**82,438**	**30,018**
Taxation on surplus	10	536	(522)
Surplus for the financial year		**82,974**	**29,496**
Movement in fair value of derivative financial instruments	28	(6,278)	-
Actuarial gain/(loss) on defined benefit pension schemes	30	3,045	(182)
Total comprehensive income for year		**79,741**	**29,314**

The notes on pages 53-104 form part of these financial statements.

Association statement of comprehensive income year ended 31 March

	Note	2020 £'000	2019 £'000
Turnover	2	195,397	165,555
Cost of sales	2	(29,810)	(15,924)
Operating costs	2	(133,390)	(95,340)
Surplus on disposal of fixed assets	7	17,443	14,498
Operating surplus	**2,6**	**49,640**	**68,789**
Interest receivable and similar income	8	7,179	5,658
Interest payable and financing costs	9	(39,834)	(24,523)
Movement in fair value of investment properties	14	470	(1,611)
Movement in fair value of derivative financial instruments	28	(3,514)	-
Surplus before taxation		**13,941**	**48,313**
Taxation on surplus	10	(209)	(522)
Surplus for the financial year		**13,732**	**47,791**
Movement in fair value of derivative financial instruments	28	(8,009)	-
Actuarial gain/(loss) on defined benefit pension schemes	30	2,966	(182)
Total comprehensive income for year		**8,689**	**47,609**

The notes on page 53-104 form part of these financial statements.

Consolidated and Association statement of financial position as at 31 March

	Note	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Fixed assets					
Tangible fixed assets – housing properties	11	2,978,427	2,144,673	2,945,284	2,165,839
Tangible fixed assets – other	12	9,761	6,924	10,054	6,577
Intangible fixed assets	13	8,517	-	8,517	-
Investment properties	14	26,308	21,627	26,308	21,627
Investments – HomeBuy loans	15	87,555	78,727	87,555	78,727
Investments – subsidiaries	16	-	-	2	-
Investments – joint ventures	17	31,771	50,007	-	-
		3,142,339	2,301,958	3,077,720	2,272,770
Current assets					
Stocks	18	192,252	119,635	88,322	62,860
Debtors - receivable within one year	19	24,127	23,756	179,847	129,802
Investments	20	85	-	85	-
Cash and cash equivalents	21	78,816	47,427	58,197	32,631
		295,280	190,818	326,451	225,293
Pension asset	30	-	55	-	55
Creditors: amounts falling due within one year	22	(136,243)	(76,192)	(124,917)	(59,122)
Provisions for liabilities and charges	31	(9,048)	-	(9,048)	-
Net current assets		149,989	114,681	192,486	166,226
Total assets less current liabilities		3,292,328	2,416,639	3,270,206	2,438,996
Creditors: amounts falling due after more than one year	23	(1,620,034)	(934,434)	(1,486,003)	(930,603)
Derivative financial instruments	28	(103,105)	-	(103,105)	-
Net assets excluding pension liability		1,569,189	1,482,205	1,681,098	1,508,393
Pension liability	30	(7,243)	-	(7,243)	-
Net assets		1,561,946	1,482,205	1,673,855	1,508,393
Capital and reserves					
Called-up share capital	32	-	-	-	-
Income and expenditure reserve		1,062,254	1,084,761	1,294,977	1,115,650
Revaluation reserve		508,545	397,444	390,900	392,743
Cash flow hedging reserve		(8,853)	-	(12,022)	-
		1,561,946	1,482,205	1,673,855	1,508,393

The notes on pages 53-104 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 10 September 2020 and signed on their behalf by:

Richard Brown
Chair

Tim Jennings
Executive Director of Finance

Sophie Atkinson
Company Secretary

Consolidated statement of changes in reserves for the year ended 31 March 2020

	Income and expenditure reserve £'000	Revaluation reserve £'000	Cash flow hedging reserve £'000	Total £'000
Balance at 1 April 2019	1,084,761	397,444	-	1,482,205
Surplus for the year	(27,729)	113,278	(2,575)	82,974
Movement in fair value of derivative financial instruments	-	-	(6,278)	(6,278)
Actuarial gain on defined benefit pension schemes	3,045	-	-	3,045
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	2,177	(2,177)	-	-
Balance at 31 March 2020	1,062,254	508,545	(8,853)	1,561,946

Consolidated statement of changes in reserves for the year ended 31 March 2019

	Income and expenditure reserve £'000	Revaluation reserve £'000	Cash flow hedging reserve £'000	Total £'000
Balance at 1 April 2018	1,054,823	398,068	-	1,452,891
Surplus for the year	29,496	-	-	29,496
Actuarial loss on defined benefit pension scheme	(182)	-	-	(182)
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	624	(624)	-	-
Balance at 31 March 2019	1,084,761	397,444	-	1,482,205

The notes on pages 53-104 form part of these financial statements.

Association statement of changes in reserves for the year ended 31 March 2020

	Income and expenditure reserve £'000	Revaluation reserve £'000	Cash flow hedging reserve £'000	Total £'000
Balance at 1 April 2019	1,115,650	392,743	-	1,508,393
Surplus for the year	13,732	-	-	13,732
Movement in fair value of derivative financial instruments	-	-	(8,009)	(8,009)
Actuarial gain on defined benefit pension scheme	2,966	-	-	2,966
Transfer of Engagements from Aldwyck (note 38)	160,786	-	(4,013)	156,773
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	1,843	(1,843)	-	-
Balance at 31 March 2020	1,294,977	390,900	(12,022)	1,673,855

Association statement of changes in reserves for the year ended 31 March 2019

	Income and expenditure reserve £'000	Revaluation reserve £'000	Cash flow hedging reserve £'000	Total £'000
Balance at 1 April 2018	1,082,420	393,367	-	1,475,787
Surplus for the year	47,791	-	-	47,791
Actuarial loss on defined benefit pension scheme	(182)	-	-	(182)
Gift Aid adjustment	(15,003)	-	-	(15,003)
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	624	(624)	-	-
Balance at 31 March 2019	1,115,650	392,743	-	1,508,393

The notes on pages 53-104 form part of these financial statements

Consolidated statement of cash flows year ended 31 March

	Note	2020 £'000	2019 £'000
Cash flows from operating activities		160,144	109,227
Cash flow from investing activities			
Purchase of fixed assets – housing properties	11	(150,058)	(129,489)
Purchases of fixed assets – other	12	(2,634)	(669)
Purchases of intangible fixed assets	13	(3,067)	-
Purchase of investment properties	14	(192)	(280)
Investment in joint venture	17	(3,245)	(21,255)
HomeBuy loans issued	15	(1,100)	(620)
Received grant	24	8,490	40,040
Repaid grant	25	(87)	(1,200)
Interest received		277	280
Cash and cash equivalents arising on acquisition	38a	14,000	-
Net cash used in investing activities		(137,616)	(113,193)
Cash flows from investing activities			
Interest paid		(50,596)	(30,401)
Loan drawdowns	27	198,650	46,100
Other financing cashflows	27	9,289	-
Debt issue costs	27	(1,312)	(1,758)
Repayment of loans – bank	27	(147,170)	(14,029)
Net cash used in financing activities		**8,861**	(88)
Net increase/(decrease) in cash and cash equivalent		**31,389**	**(4,054)**
Cash and cash equivalents at beginning of the year	21	47,427	51,481
Cash and cash equivalents at end of the period	21	**78,816**	**47,427**

Reconciliation of movement in net borrowings	Cash £'000	Debt £'000	Net Debt £'000
Opening balance	47,427	(687,598)	(640,171)
Arising on acquisition	14,000	(434,498)	(420,498)
Fair value adjustment	-	(161,489)	(161,489)
	61,427	(1,283,585)	(1,222,158)
Movements in the year			
Net cash	17,389	-	17,389
Loan drawdowns	-	(198,650)	(198,650)
Loan repayments	-	147,170	147,170
Non cash movements	-	(4,614)	(4,614)
Closing Balance	78,816	(1,339,679)	(1,260,863)

The notes on page 53-104 form part of these financial statements.

Consolidated statement of cash flows year ended 31 March (continued)

Reconciliation of the surplus for the financial year to cash flow from operating activities	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Surplus for the financial year		82,974	29,496
Gain arising from Gift of Net Assets	38a	(83,387)	-
Depreciation of fixed assets – housing properties	11	29,680	22,085
Depreciation on replaced components	3	1,804	995
Depreciation of fixed assets – other	12	1,010	2,510
Amortisation of intangible fixed assets	13	1,923	-
Impairment movement – housing properties	11	1,321	-
Amortised grant	3	(1,277)	(3,059)
Share of loss in joint venture	17	1,326	1,148
Interest payable and finance costs	9	47,569	24,866
Interest received	8	(277)	(280)
Movement in fair value of investment properties	14	(459)	1,611
Provision against properties held for sale	6	-	(3,334)
Surplus on the sale of fixed assets – housing properties	7	(14,404)	(8,636)
Surplus on the sale of fixed assets – HomeBuy	7	(3,812)	(3,414)
Loss on the sale of fixed assets – other	7	232	2
Surplus on the sale of investment properties	7	(84)	-
Proceeds from sale of fixed assets net of selling cost – housing properties	7	32,632	24,000
Proceeds from sale of fixed assets net of selling cost – HomeBuy	7	11,765	9,905
Proceeds from sale of fixed assets net of selling cost – other	7	31	-
Proceeds from sale of investment properties	7	666	-
Difference in net pension expense and liability	30	(1,872)	(950)
Movement in ineffective derivative financial instruments	28	15,655	-
Non cash movement in financing activities		4,020	-
Movement in trade and other debtors		2,401	1,659
Movement in stock		9,237	10,681
Movement in trade and other creditors		21,587	444
Cash from operations		**160,261**	**109,729**
Taxation paid	10	(117)	(502)
Net cash generated from operating activities		**160,144**	**109,227**

The notes on page 53-104 form part of these financial statements.

Community programme, Havelock

Notes to the accounts
1. Accounting policies

1. Accounting policies

Aldwyck Housing Group Limited and Catalyst Housing Limited merged on the 1 May 2019. The merger was accounted for as an acquisition of Aldwyck Housing Group Limited by Catalyst Housing Limited. Fair values have been applied to the assets and liabilities of Aldwyck Housing Group Limited as at 1 May 2019, as required by section 19 of FRS 102. The adjustments to fair value are recognised on consolidation.

On the 2 of December 2019, under a Transfer of Engagements, the assets and liabilities of Aldwyck Housing Group Limited were transferred to Catalyst Housing Limited at their carrying value. The fair value adjustments continue to be recognised on consolidation.

A review of the accounting policies and estimates was undertaken to ensure uniformity and the classification of transactions across the new Group.

Any adjustments made as a result of the change in accounting policies or application of fair value are detailed in note 38d to the financial statements.

1.1 Statement of compliance

The following accounting policies have been applied consistently in dealing with items considered to be material in relation to the financial statements of Catalyst Housing Limited and Catalyst Group (the Group).

The financial statements have been prepared in accordance with applicable law and the requirements of United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102), the Statement of Recommended Practice for Registered Social Housing Providers 2018 (SORP), and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company.

1.2 Legal status

Catalyst Housing Limited is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. It qualifies as a public benefit entity.

The Group and Association are incorporated in England. These consolidated financial statements are presented in GBP, which is the Group and Association's functional currency.

Basis of preparation

The preparation of financial statements in compliance with FRS 102 requires management to exercise its judgement in applying the Group's accounting policies and the use of certain key accounting estimates. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are explained in the key accounting judgements and estimation uncertainty section below.

The following principal accounting policies have been applied.

1.3 Going concern

The Board, with the Finance and Treasury Committee, keeps liquidity under constant review, a process that involves the consideration of short and medium-term cash flow projections, as well as long-term business plans to identify possible funding needs and to inform treasury strategy as to amounts and timing of any fundraising. Key assumptions underpinning the projections are reviewed and are subject to stress testing and sensitivity analysis.

Following the outbreak of Covid-19 the Group stress tested a number of adverse scenarios and options for mitigations to ensure the business can continue in the short and long term. The Group prepared a revised budget, which was approved by the Board in July 2020.

After making enquiries, the Board has a reasonable expectation that Catalyst Housing Limited (Catalyst) has adequate resources to continue in operational existence for the foreseeable future. For this reason, Catalyst continues to adopt the going concern basis in the financial statements.

1.4 Basis of consolidation

The consolidated financial statements present the results of Catalyst Housing Limited and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are eliminated in full. A list of the Association's subsidiary undertakings is included in note 16 to these financial statements.

Joint ventures are those entities over which Catalyst exercises joint control through a contractual arrangement. Joint venture investments are accounted for using the equity method on consolidation. The Group's share of joint venture profit or loss for the year is included in the consolidated statement of comprehensive income. A list of joint venture investments is included in note 17 to these financial statements.

Business combinations

Where there is a business combination that is in substance a gift, any excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense. In accordance with the transitional exemption available in FRS 102, the Group chose not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102.

1.5 Turnover and income recognition

Turnover is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties)
- First tranche sales of shared ownership housing properties and properties developed for outright sale is recognised when the risks and rewards of ownership have passed to the buyer upon legal completion of the sales
- Service charges receivable (see 1.6)
- Income from HomeBuy activities (see 1.27)
- Amortisation of government grants and other grants receivable (see 1.15)
- Proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Rental income from shared ownership properties is recognised at the point of legal completion of the sale.

1.6 Service charges

The Group has both the fixed and variable methods for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated amounts chargeable.

1.7 Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

1.8 Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

1.9 Current and deferred taxation

Catalyst Housing Limited has charitable status and is not subject to corporation tax on surpluses in furtherance of its charitable objectives. The profits of trading subsidiaries are subject to corporation tax, however the subsidiaries can elect to distribute profits to the parent or other charitable group entities by way of Gift Aid under a deed of covenant.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income, or expense recognised as Other Comprehensive Income, or to an item recognised directly in equity, is also recognised in Other Comprehensive Income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated, but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed, if and when all conditions for retaining associated tax allowances have been met and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint venture and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.10 Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on costs to the extent that it is suffered by the Group and is not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at year end is included as a current liability or asset.

1.11 Finance costs

Finance costs are charged to statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Loan issue costs are charged to profit or loss over the term of the debt.

1.12 Qualifying charitable donations

Charitable donations distributed by subsidiary entities under a deed of covenant are shown in the financial statements at the value of the donation. Within the group such transactions are eliminated.

1.13 Employee benefits

Short-term employee benefits are recognised as an expense in the period to which they are incurred.

1.14 Pension costs

The Group's employees and past employees are members or pensioners of several pension schemes operated by the Group. The assets of each pension scheme are held separately from those of the Group. The defined benefit pension schemes include the Ealing Family Housing Association Pensions Scheme (EFH PS), and the Social Housing Pension Scheme (SHPS DB).

The Group currently contributes to a Scottish Widows Pension, SHPS defined contribution and Standard Life defined contribution pension schemes for certain employees. Contributions to the Group's defined contribution pension scheme are charged to the statement of comprehensive income in the year in which they become payable.

EFH PS

Contributions to the EFH PS defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Association and Group. The scheme was closed to new entrants with effect from 31 March 2007.

The difference between the fair value of the assets held in the EFH PS defined benefit pension scheme and the scheme's liabilities, measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus, either through reduced contributions in the future or through refunds from the scheme.

SHPS DB

The Group participates in a multi-employer defined benefit scheme, SHPS DB. The underlying share of individual participating employer's assets and liabilities can be separately identified.

The charge to the total comprehensive income statement represents re-measurements due to changes in assumptions and amendments to the employer contribution payable to the scheme for the accounting period.

The scheme is classified as a 'last man standing arrangement'. Therefore, the Group is potentially liable for other participating employer's obligations in the event that 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 following withdrawal from the scheme. The scheme is closed to new entrants.

1.15 Government grant

Grants received in relation to assets accounted for at deemed cost on transition to FRS 102 have been accounted for using the performance model. In applying this model, such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward reserves.

Government grants associated with housing properties acquired from the business combination with Aldwyck Housing Group Limited were included within the 'Gain arising from Gift of Net Assets' within the 'Consolidated statement of comprehensive income'. As these properties were included at fair value on acquisition, no grant is disclosed within creditors. In the event of the housing properties being disposed, the Group is responsible for the repayment or recycling of the grant.

Grant received since transition to FRS 102 in relation to newly acquired or existing housing properties is accounted for using the accrual model. Grant is carried as deferred income in the balance sheet and amortised to the statement of comprehensive income on a systematic basis over the useful economic lives of the housing property structure. For shared ownership properties, the useful economic life is the average length of time a property is held from being first brought into use until being fully staircased. Grant is not recognised against other components.

When a Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a Recycled Capital Grant Fund until it is reinvested in a replacement property or repaid. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to the revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate, once performance-related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

1.16 Donated land

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body, the amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant, and recognised in the statement of financial position as a liability. Where the donation is from a non-public source the value of the donation is included as income.

1.17 Stock of materials and properties held for sale

Stock represents materials held for use in repairs and maintenance work, construction work in progress and completed properties held for sale. These include housing properties developed for transfer to other registered providers, properties developed for outright sale, and shared ownership properties.

For shared ownership properties, the value held as stock is the estimated cost to be sold as a first tranche. Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development incremental costs. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

1.18 Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition. Subsequently they are carried at fair value determined annually by professionally qualified valuers, and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in income or expenditure.

1.19 Intangible fixed assets

Intangible assets represent computer software. Amortisation is provided evenly on the cost of intangible assets to write them down to their estimated residual values over their expected useful lives. The principle annual rate used for computer software is 25% except for the introduction of significant changes in software systems where the expected life and benefit is 14% (seven years).

1.20 Tangible fixed assets – housing properties

Housing property cost

Housing properties not held at deemed cost or constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost, less depreciation and impairment (where applicable).

At the date of acquisition of Aldwyck Housing Group Limited on 1 May 2019, all completed housing property units, along with the retained equity in shared ownership units acquired, were fair valued to their existing use value for social housing.

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition, which may include an appropriate amount for staff costs and other costs of managing development. Directly attributable costs of acquisition include capitalised interest calculated, on a proportional basis, using the weighted average finance costs on borrowing or the specific borrowing rate on loans drawn down to finance the construction or acquisition of an individual development scheme.

Specific expenditure on existing housing properties can be capitalised but it must fall into the following categories:

- Replacement of a component. Associated costs such as asbestos removal and surveys costs can also be capitalised when linked with a component replacement as these are treated as associated costs for the replacement of that component
- Expenditure incurred, including void works, enhancing the property and allowing for higher rent to be charged
- The expenditure ensures that future maintenance costs are reduced
- The expenditure extends the life of an existing component.

If expenditure does not fall into the above categories, it will be classed as minor works, and classified as expenditure in the statement of comprehensive income.

Costs are directly allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in tangible fixed assets at cost less any impairment and transferred to completed properties when ready for letting.

When housing properties are developed for transfer to another social landlord, the cost is carried in current assets under housing properties and stock for sale. Completed housing properties acquired from subsidiaries are recorded at cost.

Housing land and property other than shared ownership properties have been split between land, structure and other major components that are expected to require replacement over time.

Housing property depreciation

The cost of completed social rented housing property assets are depreciated over the useful economic lives of the components.

Land is not depreciated on account of its indefinite useful economic life. Shared ownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historic cost. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefit is expected to be consumed.

Completed housing properties and the costs of replacement or restoration of the components capitalised are depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure*	100
Kitchen	20
Bathroom	30
Roofs (pitched)	65
Roofs (flat)	15
Boiler	15
Electrics	30
External windows	30
Communal heating	30
Lifts	15
Windows restoration	10
Mechanical systems	15
Renewable energy plants	25

*Depreciation is charged on the structure for care properties over their expected useful live of 50 years and 25 years for the properties targeted for regeneration.

Leasehold properties are depreciated over the length of the lease, except where the expected useful economic life of properties is shorter than the lease. In these instances the lease and building elements are depreciated separately over their expected useful economic lives. The net book value of components replaced is accounted for as accelerated depreciation in the year of replacement.

Shared ownership properties

Under shared ownership arrangements, the Group disposes of a long lease on share ownership housing units for a share ranging between 25% and 75% of value. The buyer has the right to purchase further proportions, up to 75% and 100% depended on the scheme based on the market valuation of the property at the time each purchase transaction is completed.

Shared ownership properties in development are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classified as a current asset and subsequent related sales proceeds included in turnover. The remaining element is classified as tangible fixed assets and included within completed housing property at cost, less any provision for impairment. Sales of subsequent tranches (staircasing) are treated as a part disposal of tangible fixed assets. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited to the statement of comprehensive income in arriving at the surplus or deficit.

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the statement of comprehensive income.

Stock swaps and properties acquired from another social landlord

Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value.

Where there is government grant associated with housing properties acquired as part of the stock swap, the obligation to repay or recycle the grant transfers to the Group. The fair values of the properties are included within property, plant and equipment and accordingly no grant is disclosed within creditors. In the event of the housing properties being disposed, the Group is responsible for the recycling of the grant. Where there is government grant associated with housing properties disposed of as part of the stock swap, the obligation to repay or recycle transfers to the social landlord to whom they were transferred.

1.21 Deemed cost and revaluation reserve on transition to FRS 102

On transition to FRS 102 the Group took the option of carrying out a one-off valuation exercise of selected items of housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged independent valuation specialist Jones Lang LaSalle (JLL) Ltd to value housing properties on a EUV-SH basis. Housing properties have subsequently been measured at cost, less depreciation.

Any difference between historic cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve.

1.22 Tangible fixed assets – others

Other tangible fixed assets are stated at historic cost less accumulated depreciation and impairment losses. Historic cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated due to its indefinite useful economic life. Depreciation on other assets is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives are as follows:

Description	Economic useful life (years)
Freehold office premises	**100**
Leasehold office premises, other leased assets	**Lease term**
Freehold office improvements	
• Lift refurbishment	**15**
• Washroom and boiler refurbishment	**20**
• Kitchen refurbishment	**20**
Motor vehicles	**5**
Furniture and equipment	**4-5**
Computer software and equipment	**4**
Major business systems and equipment	**7**

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if there is an indication of a significant change since the last reporting date.

1.23 Impairment of fixed assets

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts.

An option appraisal is carried out to determine the option that produces the highest net realisable value. In line with the Group's objectives, social housing properties are held for their service potential and not purely for economic return. Therefore, the Group follows the guidelines of the SORP and uses the depreciated replacement cost of the property as a reasonable estimate of the recoverable amount. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

The Group defines a cash-generating unit as a scheme, except where schemes are not sufficiently large enough in size or where it is geographically sensible to Group schemes into larger cash-generating units.

Where the recoverable amount of an asset or cash-generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

Other fixed assets are assessed for impairment where there are indicators of impairment.

1.24 Recycled Capital Grand Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England or the GLA can direct the Association to recycle capital grants or to make repayments of the recoverable amount.

The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three-year period, or other agreed basis, it will be repayable to Homes England or the GLA with interest.

Any unused recycled capital grant held within the Recycled Capital Grant Fund, which it is anticipated will not be used within one year, is disclosed in the balance sheet under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

1.25 Disposal Proceeds Fund

Sales receipts less eligible expenses from Right to Acquire (RTA) sales made prior to 6 April 2017 are required to be retained in a ring-fenced fund which can only be used for providing replacement housing. Under regulatory guidelines the fund will cease to exist from 31 March 2020, any unutilised balance at that date has to be repaid to Homes England or the GLA.

1.26 Concessionary loans

Concessionary loans are those loans made or received by the Group that are made:

- To further its public benefit objectives,
- At a rate of interest that is below the prevailing market rate of interest,
- Not repayable on demand.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

The Group has a number of arrangements that are considered to be concessionary loans:

i. HomeBuy

Under the HomeBuy scheme and the Key Worker Living initiative, the Group received Social Housing Grant (SHG) representing a percentage of the open market purchase price of a property in order to advance interest-free loans to a HomeBuyer.

ii. MyChoice HomeBuy

Under the MyChoice HomeBuy scheme, the Group has issued interest-bearing loans representing a percentage of the open market purchase price of the properties. A percentage of this loan (either 50% or 25%) has been funded from the Group's own resources and the balance funded by SHG.

In the event that the property is sold, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent the proceeds permit.

The Group is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the value of the property. If there is a fall in the value of the property the shortfall of proceeds is offset against the grant. In the case of open market HomeBuy, the Group can suffer no capital loss whereas in the case of MyChoice HomeBuy, the Group could incur a loss if the shortfall exceeds the abated grant.

Grant relating to HomeBuy equity is recognised as a liability in full until the loan is redeemed and the grant is transferred to the Recycled Capital Grant Fund.

iii. Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

1.27 Financial instruments

The Group has elected to recognise and measure its financial assets and liabilities in accordance with the Measurement and Disclosure requirements of sections 11 and 12 of FRS 102 Financial Instruments.

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.

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Interest rate swap financial instruments and hedging activities

The Group's activities expose it to the financial risks associated with interest rates. The Group has entered into a variety of derivative financial instruments to manage its exposure. The Group does not use derivative financial instruments for speculative purposes. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group designates certain hedging instruments, which include derivatives, as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument (interest rate swap) and the hedged item (variable rate loan), along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group also documents whether the hedging instruments that are used in hedging transactions are effective and that there continues to be an economic relationship between the hedged item and the hedging instrument and that the effect of credit risk does not dominate the value changes that result from that economic relationship. Any ineffective element of a hedge is recognised immediately in the statement of total comprehensive income.

1.28 Financial assets

The Group classifies its financial assets into one of the following categories depending on the purpose for which the asset was acquired.

Cash and cash equivalents

Cash and cash equivalents in the Group's consolidated balance sheet consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less.

Investment and short-term deposits

All investments and short-term deposits held by the Group are classified as basic financial instruments as they meet the criteria set out in FRS 102. These instruments are initially recorded at the transaction price, less any transaction costs (historic). Basic financial instruments are subsequently measured at amortised cost when the adjustment is considered material, using the effective interest rate method so that the amount recognised is at a constant on the carrying amount.

If the adjustment is not material the financial instruments are stated on the balance sheet at historic cost with finance costs spread over the loan term. Investments that are payable or receivable within one year are not discounted.

Rental debtors

Rental debtors are stated gross of amounts paid in advance and overpayments, which are shown in other creditors.

1.29 Financial liabilities

The Group classifies its financial liabilities into one of the following categories depending on the purpose for which the liability was acquired. Other than financial liabilities in a hedging relationship, the Group's accounting policy is as follows.

Loans

All loans held by the Group are classified as basic financial instruments as they meet the criteria set out in FRS 102. These instruments are initially recorded at the transaction price, less any transaction costs (historic). Basic financial instruments are subsequently measured at amortised cost when the adjustment is considered material, using the effective interest rate method so that the amount recognised is at a constant on the carrying amount.

Notes to the accounts
1. Accounting policies (continued)

If the adjustment is not material the financial instruments are stated on the balance sheet at historic cost with finance costs spread over the loan term. Loans that are payable or receivable within one year are not discounted.

Trade creditors

Trade creditors and other short-term monetary liabilities are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

1.30 Leased assets: lessee

All leases held by the Group are classified as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease. Lease reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 April 2014) to continue to be charged over the period to the first market rent.

1.31 Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

1.32 Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds.

The revaluation reserve was created from the surplus on asset revaluation arising on the adoption of deemed cost valuation for some classes of housing properties on transition to FRS 102.

The cash flow hedge reserve represents the net gains or losses, net of tax, on effective cash flow hedging derivative financial instruments that will be recycled to the income statement when the hedged transaction affects comprehensive income.

1.33 Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation that could result in an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant of repayment which is dependent on the disposal of related property.

1.34 Key accounting judgements in applying accounting policies and key sources of estimation

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting judgements

In preparing these financial statements, key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on depreciated replacement cost. Construction costs are calculated using current standard build costs used in appraising projects. The depreciation applied to the costs takes into account the physical deterioration of the asset and any obsolescence of the original design. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- The anticipated costs to complete on a development scheme and the expected sales value of the properties upon completion. There is judgement involved in assessing the cost to complete based on the anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, members then determine the recoverable amount of the properties developed for outright sale and/or land held for sale. This judgement is based on third party valuations for the estimated sales values based on economic conditions within the area of development and is re-assessed on a regular basis.
- The key underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- Whether leases entered into by the Group, either as a lessor or a lessee, are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments. If the cost is not identifiable to a specific tenure, an allocation of costs is made based on proportion of floor area.
- The allocation of costs relating to shared ownership between current

and fixed assets. The allocation is calculated based on the average first tranche sales percentage for the year. There are separate calculations for properties held within London and outside the London region. An adjustment is made upon sale of the property with a transfer made between fixed asset and current assets.

- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- What constitutes a cash-generating unit when indicators of impairment require there to be an impairment review. The Group defines cash-generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to Group schemes into larger cash-generating units.
- A provision is recognised only where probable that there is a legal or constructive obligation to transfer economic benefits. The provision is recognised at the best estimate of the amount required
- No fair value uplift has been recognised in relation to Homebuy loans on the acquisition of the Aldwyck Housing Group Limited. The Homebuy Loans was recognised at book value on the basis that there is no active market due to nature of the product.

Key sources of estimation uncertainty

- Tangible fixed assets (see notes 11 and 12 to the financial statements), other than investment properties, 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. In re-assessing asset lives, factors such as condition of the asset and future use of the asset are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

  For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.
- Investment properties (see note 14 to the financial statements) are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuations were:
  - Rental and other trade receivables (debtors)
  - JLL inflationary factor
  - Location and condition of the property
  - Redevelopment opportunities.

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Other areas of estimation uncertainty include:

- At the date of acquisition on 1 May 2019, all Aldwyck Housing Group Limited completed housing property units, along with the retained equity in shared ownership units acquired, were fair valued to their existing use value for social housing. Jones Lang LaSalle (JLL), carried out valuation using a discounted cash flow model on the entire housing portfolio. The key inputs into the valuations were the passing rent and the relevant cost bases associated, the discount rate, rent and expenditure growth rates
- The Aldwyck Housing Group Limited, fixed rate loans were measured using a fair value method at acquisition 1 May 2019. The specialist treasury firm, Centrus carried out the valuation using underlying assumptions based on market price where available or based on recent transactions using similar financial instruments.
- Apportionment of costs on a property basis for disposal of properties. The allocation of costs not assigned to a specific property are based on proportion of floor area of the property.
- Development overhead costs are capitalised to the extent they are directly attributable to bringing schemes into working condition for their intended use. Such expenditure consists of in-house development, architect and surveyor costs (including the cost of our own employees), and a proportion of the cost of colleagues in other departments who work on development activities. Decisions on whether to capitalise costs include whether income will be generated or increase, and if the life of the assets is extended.
- When a project becomes unfeasible. Feasibility of a project is reviewed on a regular basis with reference to hurdle tests (using net present value and profit margin calculations) at a tenure and location level.
- The estimates for variable forward interest rates used for the amortised cost calculations of basic financial instruments are benchmarked with our treasury advisors.

Notes to the accounts

2. Turnover, cost of sales, operating costs and operating surplus

Consolidated	2020 Turnover £'000	2020 Cost of sales £'000	2020 Operating costs £'000	2020 Surplus/ (deficit) disposal of assets £'000	2020 Surplus/ (deficit) joint venture £'000	2020 Operating surplus/ (deficit) £'000
Social housing income and expenditure from lettings (note 3)	179,516	-	(136,656)	-	-	40,860
Other social housing activities						
Community investments	70	-	(2,283)	-	-	(2,213)
Supported people contract income	1,562	-	(1,562)	-	-	-
HomeBuy fees	332	-	(332)	-	-	-
Shared ownership first tranche sales	35,069	(33,702)	-	-	-	1,367
Staircasing activity on shared ownership	-	-	-	7,092	-	7,092
Interest and fees on MyChoice HomeBuy	1,103	-	(651)	-	-	452
Surplus on disposal of fixed assets	-	-	-	10,892	-	10,892
Other	-	-	(2,858)			(2,858)
	217,652	(33,702)	(146,342)	17,984	-	55,592
Non-social housing activities						
Nursing care	-	-	-	-	-	-
Lettings	1,062	-	(601)	-	-	461
Market sales	58,810	(49,501)	(809)	-	-	8,500
Investment property sales	-	-	-	84	-	84
Other[1]	8,400	(1,283)	(8,889)	-	-	(1,772)
Share of loss in joint venture	-	-	-	-	(1,326)	(1,326)
Total	285,924	(84,486)	(156,641)	18,068	(1,326)	61,539

Consolidated	2019 Turnover £'000	2019 Cost of sales £'000	2019 Operating costs £'000	2019 Surplus/ (deficit) disposal of assets £'000	2019 Surplus/ (deficit) joint venture £'000	2019 Operating surplus/ (deficit) £'000
Social housing income and expenditure from lettings (note 3)	123,875	-	(79,303)	-	-	44,572
Other social housing activities						
Community investments	239	-	(2,990)	-	-	(2,751)
Supported people contract income	-	-	-	-	-	-
HomeBuy fees	322	-	(863)	-	-	(541)
Shared ownership first tranche sales	17,943	(15,924)	-	-	-	2,019
Staircasing activity on shared ownership	-	-	-	6,606	-	6,606
Interest and fees on MyChoice HomeBuy	985	-	(419)	-	-	566
Surplus on disposal of fixed assets	-	-	-	5,442	-	5,442
Other	-	-	-	-	-	-
	143,364	(15,924)	(83,575)	12,048	-	55,913
Non-social housing activities						
Nursing care	-	-	(5)	-	-	(5)
Lettings	-	-	-	-	-	-
Market sales	32,691	(25,913)	(356)	-	-	6,422
Investment property sales	-	-	-	-	-	-
Other[1]	4,031	-	(8,998)	-	-	(4,967)
Share of loss in joint venture	-	-	-	-	(1,148)	(1,148)
Total	180,086	(41,837)	(92,934)	12,048	(1,148)	56,215

[1] Other non-social category represents the following activities: Help to Buy, commercial portfolio, development activities.

Association	2020 Turnover	2020 Cost of sales	2020 Operating costs	2020 Surplus/ (deficit) disposal of assets	2020 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	146,602	-	(117,013)	-	29,589
Other social housing activities					
Qualifying charitable donations	6,009	-	-	-	6,009
Community investments	70	-	(2,262)	-	(2,192)
Supported people contract income	501	-	(501)	-	-
HomeBuy fees	257	-	(257)	-	-
Shared ownership first tranche sales	29,715	(28,916)	-	-	799
Staircasing activity on shared ownership	-	-	-	6,955	6,955
Interest and fees on MyChoice HomeBuy	991	-	(638)	-	353
Surplus on disposal of fixed assets	-	-	-	10,427	10,427
Other	-	-	(2,499)	-	(2,499)
	184,145	(28,916)	(123,170)	17,382	49,441
Non-social housing activities					
Lettings	441	-	(244)	-	197
Market sales	1,930	(894)	-	-	1,036
Investment property sales	-	-	-	61	61
Other[1]	8,881	-	(9,976)	-	(1,095)
Total	195,397	(29,810)	(133,390)	17,443	49,640

Association	2019 Turnover	2019 Cost of sales	2019 Operating costs	2019 Surplus/ (deficit) disposal of assets	2019 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	123,875	-	(79,238)	-	44,637
Other social housing activities					
Qualifying charitable donations	15,003	-	-	-	15,003
Community investments	239	-	(2,990)	-	(2,751)
Supported people contract income	-	-	-	-	-
HomeBuy fees	322	-	(863)	-	(541)
Shared ownership first tranche sales	17,943	(15,924)	-	-	2,019
Staircasing activity on shared ownership	-	-	-	6,606	6,606
Interest and fees on MyChoice HomeBuy	985	-	(419)	-	566
Surplus on disposal of fixed assets	-	-	-	7,892	7,892
Other	-	-	-	-	-
	158,367	(15,924)	(83,510)	14,498	73,431
Non-social housing activities					
Lettings	-	-	-	-	-
Market sales	-	-	-	-	-
Investment property sales	-	-	-	-	-
Other[1]	7,188	-	(11,830)	-	(4,642)
Total	165,555	(15,924)	(95,340)	14,498	68,789

[1] Other non-social category represents the following activities: commercial portfolio, development activities.

Notes to the accounts
3. Income and expenditure from social housing lettings

Consolidated	General needs	Key workers	Shared ownership	Supported and housing for older people	Other	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings							
Rents net of identifiable service charges	123,028	3,584	23,270	7,116	126	157,124	108,930
Service charge income	8,850	195	4,631	3,613	43	17,332	9,136
Amortised government grants	590	-	678	9	-	1,277	3,059
Net rents receivable	132,468	3,779	28,579	10,738	169	175,733	121,125
Management fee income	568	-	802	282	18	1,670	990
Other income	71	-	1,325	205	512	2,113	1,760
Income from social housing lettings	133,107	3,779	30,706	11,225	699	179,516	123,875
Expenditure on lettings							
Management	(22,958)	(585)	(12,826)	(1,824)	(205)	(38,398)	(16,437)
Service charge costs	(15,045)	(1,143)	(5,370)	(4,821)	(59)	(26,438)	(15,330)
Routine maintenance	(23,139)	(231)	(2,188)	(1,824)	(19)	(27,401)	(17,236)
Major repairs	(4,957)	(55)	(299)	(380)	(15)	(5,706)	-
Planned maintenance	(2,719)	(48)	(850)	(350)	(2)	(3,969)	(3,949)
Rent losses from bad debts	(690)	(28)	(242)	(129)	-	(1,089)	(667)
Depreciation housing properties	(26,699)	(483)	(438)	(1,774)	(203)	(29,597)	(22,085)
Depreciation on replaced components	(1,804)	-	-	-	-	(1,804)	(995)
Depreciation on other fixed assets	(684)	(28)	(252)	(36)	(10)	(1,010)	(2,510)
Amortisation of intangible fixed assets	(1,305)	(53)	(480)	(69)	(16)	(1,923)	-
Impairment	-	-	(1,321)	-	-	(1,321)	-
Other costs	-	-	-	-	-	-	(94)
Operating costs for social housing lettings	(100,000)	(2,654)	(24,266)	(11,207)	(529)	(138,656)	(79,303)
Operating surplus on social housing letting activities	**33,108**	**1,125**	**6,439**	**18**	**170**	**40,860**	**44,572**
Rent losses from voids	(1,007)	(150)	(115)	(494)	(1)	(1,767)	(1,215)

Association	General needs	Key workers	Shared ownership	Supported and housing for older people	Other	Total 2020	Total 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings							
Rents net of identifiable service charges	99,362	3,584	20,308	4,909	126	128,289	108,930
Service charge income	7,694	195	3,438	2,594	43	13,964	9,136
Amortised government grants	603	-	711	18	-	1,332	3,059
Net rents receivable	107,659	3,779	24,457	7,521	169	143,585	121,125
Management fee income	139	-	802	269	18	1,228	990
Other income	29	-	1,052	196	512	1,789	1,760
Income from social housing lettings	107,827	3,779	26,311	7,986	699	146,602	123,875
Expenditure on lettings							
Management	(18,340)	(585)	(12,178)	(713)	(205)	(32,021)	(16,437)
Service charge costs	(13,171)	(1,143)	(5,198)	(3,928)	(59)	(23,499)	(15,330)
Routine maintenance	(18,819)	(231)	(1,662)	(918)	(19)	(21,649)	(17,236)
Major repairs	(4,957)	(55)	(299)	(380)	(15)	(5,706)	-
Planned maintenance	(1,782)	(48)	(776)	(178)	(2)	(2,786)	(3,949)
Rent losses from bad debts	(699)	(28)	(228)	(100)	-	(1,055)	(667)
Depreciation housing properties	(23,056)	(483)	(295)	(1,497)	(203)	(25,534)	(22,119)
Depreciation on replaced components	(1,769)	-	-	-	-	(1,769)	(995)
Depreciation on other fixed assets	(499)	(28)	(187)	(27)	(10)	(751)	(2,505)
Amortisation of intangible fixed assets	(1,030)	(53)	(383)	(55)	(16)	(1,537)	-
Impairment	-	-	(706)	-	-	(706)	-
Operating costs for social housing lettings	(84,122)	(2,654)	(21,912)	(7,796)	(529)	(117,013)	(79,238)
Operating surplus on social housing letting activities	**23,705**	**1,125**	**4,399**	**190**	**170**	**29,589**	**44,367**
Rent losses from voids	(556)	(150)	(47)	(334)	(55)	(1,142)	(1,215)

Notes to the accounts
4. Directors' emoluments and expenses

The key management personnel are defined as the members of the Board, the Chief Executive of Catalyst Housing Limited and members of the Executive Committee as disclosed on page 4 and 5.

	Consolidated		Association	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Aggregate emoluments payable to the directors (including pension contributions and benefits in kind)	1,440	923	1,440	923
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	238	191	238	191
Payments to directors as a compensation for loss of office	-	90	-	90
Total expenses reimbursed to the directors not chargeable to income tax	8	4	8	4

Remuneration payable to the Group Board members for the year were:	Salaries	Total 2020	Total 2019
	£'000	£'000	£'000
Andrew Wells	9	9	8
Anne Markey	9	9	9
Alison Knocker	13	13	10
Cary Wakefield	11	11	-
Graham Woolfman	13	13	10
Heide Baumann	-	-	2
Heneage Stevenson	-	-	7
Jack Stephen	11	11	-
Mike Jones	13	13	11
Pat Billingham	16	16	-
Richard Brown	21	21	20
Terry Hartwell	13	13	10
Simon Wilkinson	9	9	8
	138	138	95

The Board received £2,781 (2019: £4,788) for expenses during the year.

Gross salary paid to the Chief Executive divided by total number of homes owned and managed at the year end was £7.66 (2019: £10.49).

Remuneration payable to the Executive Committee for the year were:	Salaries	Pension costs	Bonus	Total 2020	Total 2019
	£	£	£	£	£
Ian McDermott	219,999	20,559	17,600	258,158	60,140
Rod Cahill	-	-	-	-	162,007
Austen Reid	173,107	6,068	11,900	191,075	-
Ed Barnes	82,350	-	-	82,350	125,820
Gary Goggins	137,500	12,724	-	150,224	-
Joe Chambers	47,200	-	-	47,200	26,950
Judith Foss	153,750	16,907	-	170,657	148,983
Phil Jenkins	150,000	14,017	31,600	195,617	-
Rachael Dennis	16,250	1,462	-	17,712	209,123
Sarah Thomas	128,859	12,041	-	140,900	-
Tim Jennings	170,500	15,933	-	186,433	-
Tom Titherington	-	-	-	-	190,135
	1,279,515	99,711	61,100	1,440,326	923,158

5. Employee information

	Consolidated		Association	
	2020 Number	2019 Number	2020 Number	2019 Number
The average monthly number of persons expressed in full-time equivalents during the year was:				
Office employees	817	475	779	459
Wardens, caretakers, cleaners and technical services employees	258	133	149	133
	1,075	608	928	592

Full-time equivalents are calculated based on a standard working week of 35 hours.

	Consolidated		Association	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Employee costs (for the above persons)				
Wages and salaries	42,173	25,604	31,423	25,140
Social security costs	4,282	2,524	3,098	2,484
Costs of pension schemes	3,019	1,957	2,421	1,926
	49,474	30,085	36,942	29,550

Gross salary of the lowest earner compared to gross salary of the highest earner for the year was 1:11 (2019: 1:12).

5. Employee information (continued)

Salaries payable (including bonuses and excluding pensions) to employees earning £60,000 or more (excluding group directors) were:

Range £'000	2020 Number	2019 Number
60–69	42	33
70–79	38	19
80–89	12	11
90–99	8	3
100–109	2	4
110–119	2	1
120–129	7	5
130–139	2	2
140–149	5	3
150–159	3	-
160–169	-	-
170–179	1	-

6. Operating surplus

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Is stated after charging/(crediting):				
Depreciation – housing properties (note 11)	29,680	22,085	25,562	22,119
Depreciation – on replaced components (note 3)	1,804	995	1,769	995
Depreciation – other fixed assets (note 12)	1,010	2,510	751	2,506
Amortisation – intangible fixed assets (note 13)	1,923	-	1,537	-
Auditors' remuneration (excluding VAT):				
- in their capacity as auditors	225	82	128	64
- in respect of other services	7	7	7	7
Operating lease charges for land and buildings	2,636	2,497	2,636	2,497
Operating lease charges for motor vehicles	62	-	-	-
Operating lease income	(662)	(682)	(662)	(682)
Impairment – housing properties (note 11)	1,321	-	706	-
Defined contribution pension cost	3,019	1,957	2,421	1,926

The remuneration paid to BDO auditors in respect of non-audit services comprises: covenant compliance of £7,500 (2019: £7,500).

7. Surplus on disposal of fixed assets

Consolidated	**Shared ownership 2020 £'000**	**Other housing properties 2020 £'000**	**Investments (HomeBuy) 2020 £'000**	**Total 2020 £'000**	**Total 2019 £'000**
Disposal proceeds	18,815	13,996	11,882	44,693	33,905
Cost of disposals	(8,566)	(5,549)	(7,929)	(22,044)	(15,660)
Selling costs	(270)	91	(117)	(296)	(3,458)
Grants recycled	(2,887)	(1,250)	-	(4,137)	(2,737)
Surplus on disposal of housing assets	7,092	7,288	3,836	18,216	12,050
Loss on disposal of other tangible fixed assets	-	-	-	(232)	(2)
Surplus on disposal of investment properties	-	-	-	84	-
Total	-	-	-	18,068	12,048

Association	**Shared ownership 2020 £'000**	**Other housing properties 2020 £'000**	**Investments (HomeBuy) 2020 £'000**	**Total 2020 £'000**	**Total 2019 £'000**
Disposal proceeds	17,337	13,687	11,079	42,103	36,355
Cost of disposals	(7,747)	(5,461)	(7,422)	(20,630)	(15,660)
Selling costs	(129)	91	(119)	(157)	(3,458)
Grants recycled	(2,506)	(1,197)	-	(3,703)	(2,737)
Surplus on disposal of housing assets	6,955	7,120	3,538	17,613	14,500
Loss on disposal of other tangible fixed assets	-	-	-	(231)	(2)
Surplus on disposal of investment properties	-	-	-	61	-
Total	-	-	-	17,443	14,498

8. Interest receivable and similar income

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Interest receivable from group members	-	-	7,032	5,404
External interest receivable	277	280	147	254
	277	280	7,179	5,658

9. Interest payable and financing costs

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
On loans	46,450	30,949	35,997	30,402
Amortised cost*	9,056	(2,311)	9,056	(2,311)
On indexed linked loans and deferred interest loans:				
Interest paid	19	11	19	11
Interest deferred	-	257	-	257
Sundry loan costs	1,590	1,664	1,350	1,706
	57,115	30,570	46,422	30,065
Less:				
Capitalised in housing properties (note 11)	(5,165)	(3,296)	(4,367)	(3,296)
Capitalised in first tranche sales properties (note 11)	(3,066)	(2,391)	(2,628)	(2,391)
Capitalised in properties developed for sale	(1,979)	(162)	-	-
Add:				
Transfer to Recycled Capital Grant Fund (note 25)	402	132	316	132
Transfer to Disposal Proceeds Fund (note 26)	8	2	8	2
Net interest on net defined benefit liability (note 30)	254	11	83	11
	47,569	24,866	39,834	24,523

*Interest expense on liabilities at amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

Notes to the accounts
10. Tax on surplus on ordinary activities

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
The charge is based on the assessable results for the year and comprises:				
UK corporation tax:				
Current tax on surplus for the year	(536)	522	209	522
Adjustments in respect of prior years	(752)	502	209	502

Factors affecting tax charge for the current year

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Surplus on ordinary activities before taxation	82,438	30,018	13,941	48,313
Current tax at 19% (2019: 19%)	15,663	5,703	2,649	9,179
Effects of:				
Adjustments in respect of prior years	(752)	-	-	-
Surplus subject to charitable exemption	(15,447)	(5,181)	(2,440)	(8,657)
Total tax charge (see above)	(536)	522	209	522

Non-charitable Group members that were liable for corporation tax during the year ended March 2020 and 2019 included Barnet Community Homes Limited, Catalyst Finance Limited, Vintage Care Limited, CHL Developments Limited, Dee Park Developments (Catalyst) Limited, Catalyst by Design Limited, Catalyst Developments (Wimbledon) Limited, Connect Property Services Limited and Lea Valley Developments Limited.

Any surplus made by non-charitable members has been offset by capital allowances, non-taxable income and the balance donated to their parent company.

Notes to the accounts
11. Tangible fixed assets – housing properties

Consolidated	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Non-social housing properties for letting - completed	Key worker accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2019	1,781,846	110,656	345,954	63,419	-	36,285	2,338,160
Additions:							
– construction costs	-	88,079	-	40,299	-	-	128,378
– existing properties	29,975	-	77	-	3	2,413	32,468
Acquired on acquisition of Aldwyck	606,564	8,596	104,309	18,836	11,959	-	750,264
Completed schemes	104,901	(104,901)	34,719	(34,719)	-	-	-
Transfer (to)/from properties held for sale	-	-	952	(6,050)	-	-	(5,098)
Disposals:							
– staircasing sales	-	-	(8,566)	-	-	-	(8,566)
– replaced components	(5,027)	-	(2)	-	-	-	(5,029)
– other	(6,224)	-	-	-	-	-	(6,224)
At 31 March 2020	2,512,035	102,430	477,443	81,785	11,962	38,698	3,224,353
Depreciation							
At 1 April 2019	(183,535)	-	(2,367)	-	-	(3,137)	(189,039)
Charge for the year	(28,676)	-	(438)	-	(83)	(483)	(29,680)
Acquired on acquisition of Aldwyck	(24,514)	-	(1,125)	-	(405)	-	(26,044)
Eliminated on disposals:							
– replaced components	3,225	-	-	-	-	-	3,225
– other	675	-	-	-	-	-	675
At 31 March 2020	(232,825)	-	(3,930)	-	(488)	(3,620)	(240,863)
Impairment							
At 1 April 2019	(1,519)	(700)	(1,477)	(752)	-	-	(4,448)
Acquired on acquisition of Aldwyck	-	-	-	(800)	-	-	(800)
Charge in the year	-	-	-	(1,321)	-	-	(1,321)
Transfer to properties held for sale	-	-	-	1,506	-	-	1,506
At 31 March 2020	(1,519)	(700)	(1,477)	(1,367)	-	-	(5,063)
Net book value at 31 March 2020	2,277,691	101,730	472,036	80,418	11,474	35,078	2,978,427
Net book value at 31 March 2019	1,596,792	109,956	342,110	62,667	-	33,148	2,144,673

On the acquisition of Aldwyck Housing Group Limited, Catalyst Housing Limited carried out a valuation on the completed housing properties portfolio acquired, using that amount as the fair value. Catalyst engaged JLL Valuers Limited to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis. As a result of the acquisition, £24,963,000 of grant was transferred to reserves and becomes a contingent liability. When the property the grant relates to has been disposed of or ceases to be used for social housing purposes, the contingent liability is transferred to the Recycled Capital Grant Fund as a liability and a cost of disposal in the Statement of Comprehensive Income. The figures for the properties resulted from the acquisition of Aldwyck Housing Group Limited have been disclosed separately under the headings for cost, depreciation and impairment as we consider this provides a clearer picture to the users of accounts.

Association	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Non-social housing properties for letting - completed	Key worker accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2019	1,796,787	112,945	347,771	65,613	-	36,285	2,359,401
Additions:							
– construction costs	-	84,802	-	34,521	-	-	119,323
– existing properties	25,818	-	51	-	3	2,413	28,285
Transfer of Engagements from Aldwyck	555,647	11,145	109,919	15,628	11,206	-	703,545
Completed schemes	103,156	(103,156)	30,676	(30,676)	-	-	-
Transfer (to)/from properties held for sale	-	-	936	(205)	-	-	731
Disposals:							
– staircasing sales	-	-	(7,747)	-	-	-	(7,747)
– replaced components	(4,968)	-	-	-	-	-	(4,968)
– other	(6,131)	-	-	-	-	-	(6,131)
At 31 March 2020	2,470,309	105,736	481,606	84,881	11,209	38,698	3,192,439
Depreciation							
At 1 April 2019	(183,610)	-	(2,367)	-	-	(3,137)	(189,114)
Charge for the year	(24,756)	-	(295)	-	(28)	(483)	(25,562)
Transfer of Engagements from Aldwyck	(29,539)	-	(1,286)	-	(460)	-	(31,285)
Eliminated on disposals:							
– replaced components	3,199	-	-	-	-	-	3,199
– other	670	-	-	-	-	-	670
At 31 March 2020	(234,036)	-	(3,948)	-	(488)	(3,620)	(242,092)
Impairment							
At 1 April 2019	(1,519)	(700)	(1,477)	(752)	-	-	(4,448)
Transfer of Engagements from Aldwyck	-	-	-	(1,415)	-	-	(1,415)
Charge in the year	-	-	-	(706)	-	-	(706)
Transfer to properties held for sale	-	-	-	1,506	-	-	1,506
At 31 March 2020	(1,519)	(700)	(1,477)	(1,367)	-	-	(5,063)
Net book value at 31 March 2020	2,234,754	105,036	476,181	83,514	10,721	35,078	2,945,284
Net book value at 31 March 2019	1,611,658	112,245	343,927	64,861	-	33,148	2,165,839

On the Transfer of Engagements of the Aldwyck Housing Group Limited into the Association, the housing properties were recognised at book value.

Notes to the accounts

11. Tangible fixed assets – housing properties (continued)

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Housing property net book value comprises				
– freeholds	2,507,228	1,735,891	2,490,130	1,757,049
– long leaseholds	471,199	408,782	455,154	408,790
	2,978,427	2,144,673	2,945,284	2,165,839
Additions to housing properties includes capitalised interest of:	8,231	5,687	6,995	5,687
The capitalisation rate used was	4.2%	4.1%	4.2%	4.1%
Cumulative capitalised interest was	67,419	59,188	66,183	59,188
Improvements to existing properties capitalised during the year were	32,468	20,930	28,285	20,930
The total cost charged to the income and expenditure account for planned maintenance in the year was (note 3)	3,969	3,949	2,786	3,949

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
If housing property had been accounted for under the historic cost (not adjusted by any subsequent valuations), the properties would have been measured as follows:				
Historic cost	3,185,851	2,254,912	3,159,943	2,280,820
Accumulated depreciation	(309,036)	(239,185)	(309,044)	(239,177)
Impairment	(5,063)	(4,448)	(5,063)	(4,448)
	2,871,752	2,011,279	2,845,836	2,037,195
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – housing properties (note 24)	202,295	173,191	226,036	173,191
Capital grant – HomeBuy investments (note 24)	67,290	60,822	67,290	60,822
Recycled Capital Grant Fund (note 25)	50,560	30,908	50,560	30,908
Disposals Proceeds Fund (note 26)	188	1,126	188	1,126
Revenue grant – I&E	1,087,215	851,441	1,063,474	851,441
	1,407,548	1,117,488	1,407,548	1,117,488

Impairment

The Group considers a scheme to represent separate cash-generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2018. This has been determined based on an assessment of how schemes are appraised for development purposes, how decisions are made about assets and how results are reported.

During the current year, the Group and Association have recognised an impairment loss of £1,321,000 and £706,000 respectively (2019: £nil) for shared ownership housing stock.

Properties held for security

Catalyst Housing Limited had property with a net book value of £1,438,300,481 pledged as security at 31 March 2020 (2019: £817,385,324).

Valuation

On transition to FRS 102, Catalyst Housing Limited and Aldwyck Housing Group Limited took the option of carrying out a one-off valuation on a number of its housing properties and using that amount as deemed cost.

To determine the deemed cost at 1 April 2014, Catalyst engaged JLL Valuers Limited and Aldwyck engaged Savills (UK) Limited, to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis. Shared ownership properties were measured at historic cost.

Housing properties will subsequently be measured at cost, other than those valued under acquisition accounting.

Both valuations were carried out as a desktop exercise on a EUV-SH basis using discounted cashflows.

The property portfolio was grouped by a number of key parameters to determine the valuation including:

- Location
- Age
- Tenure type
- Spread
- Construction
- Usage categories
- Property type
- Rental streams less key deductions (expected maintenance and management costs).

The resultant cash flow was calculated over 50 years with the net income in the final year capitalised into perpetuity with an assumption of 0.5% to 1% real rent increase per annum, with a discount rate of 5% to 6.5% depending on usage of the property.

Notes to the accounts

12. Tangible fixed assets – other

Consolidated	Freehold office premises £'000	Leasehold office premises £'000	Leasehold other £'000	Motor vehicles £'000	Furniture and computer equipment £'000	Total £'000
Cost						
At 1 April 2019	2,006	2,552	110	255	18,706	23,629
Additions in year	794	47	-	-	1,793	2,634
Acquired on acquisition of Aldwyck	3,721	545	-	-	2,085	6,351
Disposals	-	-	-	(173)	(2)	(175)
Reclassification (note 13)	-	-	-	-	(12,060)	(12,060)
At 31 March 2020	6,521	3,144	110	82	10,522	20,379
Depreciation						
At 1 April 2019	(279)	(1,889)	(24)	(255)	(14,258)	(16,705)
Charge for year (note 6)	(70)	(168)	(2)	-	(770)	(1,010)
Acquired on acquisition of Aldwyck	-	(20)	-	-	(1,150)	(1,170)
Disposals	-	-	-	173	2	175
Reclassification (note 13)	-	-	-	-	8,092	8,092
At 31 March 2020	(349)	(2,077)	(26)	(82)	(8,084)	(10,618)
Net book value						
At 31 March 2020	6,172	1,067	84	-	2,438	9,761
At 31 March 2019	1,727	663	86	-	4,448	6,924

On the acquisition of Aldwyck Housing Group Limited, Catalyst Housing Limited carried out a valuation on the freehold office premises acquired using that amount as the fair value. Catalyst engaged JLL Valuers Limited to value on a market value basis. The remaining other fixed assets were acquired at book value which was deemed as the fair value. The figures for the tangible fixed assets on the acquisition have been disclosed separately under the headings for cost, depreciation as we consider this provides a clearer picture to the users of accounts.

Association	Freehold office premises £'000	Leasehold office premises £'000	Leasehold other £'000	Motor vehicles £'000	Furniture and computer equipment £'000	Total £'000
Cost						
At 1 April 2019	1,614	2,552	110	255	18,697	23,228
Additions in year	787	47	-	-	1,768	2,602
Transfer of Engagements from Aldwyck	5,327	545	-	-	2,110	7,982
Disposals	-	-	-	(173)	(3)	(176)
Reclassification (note 13)	-	-	-	-	(12,060)	(12,060)
At 31 March 2020	7,728	3,144	110	82	10,512	21,576
Depreciation						
At 1 April 2019	(234)	(1,888)	(24)	(255)	(14,250)	(16,651)
Charge for year (note 6)	(39)	(158)	(2)	-	(552)	(751)
Transfer of Engagements from Aldwyck	(989)	(31)	-	-	(1,368)	(2,388)
Disposals	-	-	-	173	3	176
Reclassification (note 13)	-	-	-	-	8,092	8,092
At 31 March 2020	(1,262)	(2,077)	(26)	(82)	(8,075)	(11,522)
Net book value						
At 31 March 2020	6,466	1,067	84	-	2,437	10,054
At 31 March 2019	1,380	664	86	-	4,447	6,577

On the Transfer of Engagements of Aldwyck Housing Group Limited into the Association, the transfer of other fixed assets of Aldwyck Housing Group Limited was recognised at book value.

Notes to the accounts
13. Intangible fixed assets

Consolidated	IT software £'000
Cost	
At 1 April 2019	-
Additions in year	3,067
Acquired on acquisition of Aldwyck	4,289
Disposals	(822)
Reclassification (note 12)	12,060
At 31 March 2020	18,594
Amortisation	
At 1 April 2019	-
Charge for year (note 6)	(1,923)
Acquired on acquisition of Aldwyck	(622)
Disposals	560
Reclassification (note 12)	(8,092)
At 31 March 2020	(10,077)
Net book value	
At 31 March 2020	8,517
At 31 March 2019	-

On the acquisition of Aldwyck Housing Group Limited into the Group, the transfer of intangible fixed assets of Aldwyck Housing Group Limited was recognised at book value which was deemed as the fair value.

Association	IT software £'000
Cost	
At 1 April 2019	-
Additions in year	3,025
Transfer of Engagements from Aldwyck	4,331
Disposals	(822)
Reclassification (note 12)	12,060
At 31 March 2020	18,594
Amortisation	
At 1 April 2019	-
Charge for year (note 6)	(1,537)
Transfer of Engagements from Aldwyck	(1,008)
Disposals	560
Reclassification (note 12)	(8,092)
At 31 March 2020	(10,077)
Net book value	
At 31 March 2020	8,517
At 31 March 2019	-

On the Transfer of Engagements of Aldwyck Housing Group Limited into the Association, the transfer of intangible fixed assets of Aldwyck Housing Group Limited was recognised at book value.

During the year IT software held by Catalyst Housing Limited was transferred from 'Other fixed assets' to 'Intangible fixed assets' and this is shown as a reclassification in this note and note 12.

14. Investment properties

Commercial and market rented properties	Consolidated	Association
	£'000	£'000
At 1 April 2019	21,627	21,627
Additions	192	192
Acquired on acquisition of Aldwyck	4,613	-
Transfer of Engagements from Aldwyck	-	4,312
Disposals	(583)	(293)
Revaluations	459	470
At 31 March 2020	26,308	26,308

On the acquisition of Aldwyck Housing Group Limited, Catalyst Housing Limited carried out a valuation of the investment properties acquired using that amount as the fair value. Catalyst engaged JLL Valuers Limited to value on a market value basis. On the Transfer of Engagements of Aldwyck Housing Group Limited into the Association, the transfer of investment properties of Aldwyck Housing Group Limited was recognised at carrying value at the date of transfer. The Group's investment properties are valued annually on 31 March at fair value, determined by independent valuation specialist TH3 Surveyors Ltd.

The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' appraisal and valuation manual. In valuing investment properties, a discounted cash flow methodology was adopted. Details on the assumptions made and the key sources of estimation uncertainty are given in the accounting policies.

The surplus on revaluation of investment property arising of £459,391 Group and £469,620 Association (2019: £1,611,410 loss Group and Association) has been recognised in the statement of comprehensive income for the year.

15. Investments – HomeBuy loans

	Consolidated	Consolidated	Association	Association
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	78,727	84,507	78,727	84,507
New loans issued	1,100	620	1,100	620
Acquired on acquisition of Aldwyck	15,657	-	-	-
Transfer of Engagements from Aldwyck	-	-	15,150	-
Loans redeemed (note 7)	(7,929)	(6,400)	(7,422)	(6,400)
At 31 March	87,555	78,727	87,555	78,727

On the Transfer of Engagements of Aldwyck Housing Group Limited into the Association and the acquisition of Aldwyck into the Group, the transfer of investments in HomeBuy loans of Aldwyck Housing Group Limited was recognised at book value.

Investments in HomeBuy loans represent an equity stake in third party properties purchased under the HomeBuy scheme which are regarded as public benefit entity concessionary loans and are held in the statement of financial position. Interest rates charged on the HomeBuy loans range from 0% to 2.5% (2019: 0% to 2.5% with increases for RPI).

Security for the loans is based on the assets the loans relate to. Terms of repayment for all loans are over a 25-year period or an unlimited time depending on the type of loan.

Notes to the accounts

16. Investments in subsidiaries

Association	2020	2019
	£	£
Cost		
At 1 April	203	203
Transfer of Engagements from Aldwyck	2,005	-
At 31 March	2,208	203

The following are the wholly owned subsidiaries of the Association at the year end. The majority voting rights for all subsidiary undertakings are held within the Group. All the undertakings are incorporated under Companies Act legislation and registered in England and share the same registered address as Catalyst Housing Limited.

Subsidiary undertakings	Type of entity	Interest %	Main activity
Directly held			
CHL Developments Limited	Company limited by shares	100%	Design and build services
Barnet Community Homes Limited	Company limited by guarantee	100%	Property management
Catalyst Developments (Wimbledon) Limited	Company limited by shares	100%	Property development
Catalyst Housing Charitable Trust	Company limited by guarantee	100%	Community development
Catalyst Finance Limited	Company limited by guarantee	100%	Group borrowing vehicle
Dee Park Developments (Catalyst) Limited	Company limited by shares	100%	Property development
Catalyst by Design Limited	Company limited by shares	100%	Property development
Connect Property Services Limited	Company limited by shares	100%	Residential property maintenance
Lea Valley Developments Limited	Company limited by shares	100%	Property development
Indirectly held			
Southall Day Centre Limited[1]	Company limited by shares	100%	Day centre

[1]Wholly owned subsidiary of Catalyst Housing Charitable Trust

Notes to the accounts

17. Investments – joint ventures

Consolidated	Dee Park Partnership LLP	Merton Catalyst LLP	Capital Way Brentford Partnership	Friary Park LLP	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Share of profits/(loss) from joint ventures	-	(2,024)	698	-	(1,326)	(1,148)
Share of:						
Current assets	2,904	74,145	-	3,316	80,365	62,676
Liabilities due within one year	(2,869)	(76,754)	-	(3,316)	(82,939)	(63,924)
Net assets	35	(2,609)	-	-	(2,574)	(1,248)

Consolidated	2020 £'000	2019 £'000
Opening investments	50,007	29,900
Additions	3,245	21,390
Disposals	(2,024)	(1,283)
Reclassification	(19,457)	-
Closing investments	31,771	50,007

Catalyst Housing Limited holds the following joint venture investments. In the subsidiary holding the direct interest, the joint ventures are accounted for as a jointly controlled entity held at cost less any impairment, and in the Group, they are held using the equity method of accounting.

Dee Park Partnership LLP

Dee Park Developments (Catalyst) Limited was incorporated as a subsidiary of Catalyst Housing Limited on 1 March 2007 to enter into a 50:50 joint venture agreement with Inspace Partnerships (Willmott Dixon Holdings Limited) to undertake a regeneration project on the Dee Park estate, Reading, using the special purpose vehicle Dee Park Partnership.

Dee Park Developments (Catalyst) Limited became a subsidiary of Catalyst Housing Group Limited in December 2007 and, following the restructure, became a subsidiary of Catalyst Housing Limited from September 2011. The contract was signed and funding agreed in 2010 and the joint venture is proceeding with the regeneration project. The joint venture has made a profit of £nil (2019: £34,063) during the year, of which a 50% share is recognised within Dee Park Developments (Catalyst) Limited and the consolidated income and expenditure account.

Merton Catalyst LLP

Catalyst Development (Brent) Limited changed its name on 8 January 2018 to Catalyst Development (Wimbledon) Limited. The entity has entered into a 50:50 joint venture agreement with Galliard Group to deliver 604 new homes and commercial space.

The development is being delivered through Merton Catalyst LLP and Catalyst Housing Limited had made an initial investment of £30,000,000 into Merton Catalyst LLP. At the year end, Merton Catalyst LLP has incurred expenditure of £4,049,042 (2019: £932,666), 50% of which has been recognised within the Group consolidated statement of comprehensive income.

Capital Way Brentford Partnership

Catalyst By Design Limited entered into a 50:50 partnership agreement with Redrow Homes Limited to deliver 446 new homes. The joint venture had been accounted using the entity method.

Following a review, the joint venture is now being accounted as a jointly controlled operation and the opening investment has been reclassified to current assets and current liabilities. The share of the 2019 loss of £698,000 has been reversed in the current year 'share of (deficit)/profits from joint ventures'.

Friary Park LLP

Catalyst By Design Limited has entered into a 50:50 joint venture limited liability partnership with Mount Anvil. The Mount Anvil (Friary Park) LLP is further separated into three individual LLPs. This to reflect the long-term nature of the regeneration of Catalyst's Friary Park estate in Acton, delivering around 900 new homes. Catalyst By Design Limited had made an initial investment of £3,315,597 into Friary Park LLP.

Notes to the accounts

18. Stock

Consolidated	First tranche shared ownership 2020 £'000	Market sales 2020 £'000	Other 2020 £'000	Total 2020 £'000	Total 2019 £'000
Work in progress	62,487	48,797	9,042	120,326	84,845
Completed properties	16,633	55,293	-	71,926	34,790
Properties at cost	79,120	104,090	9,042	192,252	119,635

Capitalised interest included in the year end balance was £3,066,000 (2019: £2,391,000).

Association	First tranche shared ownership 2020 £'000	Other 2020 £'000	Total 2020 £'000	Total 2019 £'000
Work in progress	62,893	8,796	71,689	44,099
Completed properties	16,633	-	16,633	18,761
Properties at cost	79,526	8,796	88,322	62,860

Capitalised interest included in the year end balance was £2,628,000 (2019: £2,391,000).

19. Debtors

Amounts receivable within one year	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Gross rent and service charge arrears	10,044	6,907	10,044	6,907
Less: provision for bad and doubtful debts	(4,072)	(2,539)	(4,072)	(2,539)
	5,972	4,368	5,972	4,368
Prepayments and accrued income	9,983	13,054	4,092	8,828
Other debtors	8,172	6,334	5,220	5,631
Amounts due from Group members	-	-	164,563	110,975
	24,127	23,756	179,847	129,802

20. Investments

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Bank deposits	85	-	85	-
	85	-	85	-

Investments comprise of monies held in money market or other interest bearing accounts where the notice period exceeds three months.

21. Cash and cash equivalents

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Cash and cash equivalents	78,816	47,427	58,197	32,631
	78,816	47,427	58,197	32,631

All cash balances mature within three months. The balances include £3,046,721 of bank accounts which are restricted in their use.

22. Creditors

Amounts falling due within one year	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Housing loans (note 27):				
– secured against group properties	20,086	7,277	20,086	466
– amounts due to group members	-	-	-	5,013
	20,086	7,277	20,086	5,479
Trade creditors	9,597	4,267	7,162	3,615
Amount held on behalf of leaseholders	9,201	4,994	9,201	4,994
Capital creditors housing properties	20,927	9,907	17,890	7,784
Capital retentions	6,643	5,958	2,230	1,994
Other creditors and accruals	49,424	36,941	44,041	27,068
Other taxes and social security costs	939	441	917	701
Amounts due to Group members	-	-	3,239	1,080
Deferred capital grant (note 24)	3,199	2,883	3,924	2,883
Recycled Capital Grant Fund (note 25)	16,039	2,398	16,039	2,398
Disposal Proceeds Fund (note 26)	188	1,126	188	1,126
	136,243	76,192	124,917	59,122

23. Creditors

Amounts falling due after more than one year	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Hillingdon sinking fund	-	242	-	242
Deferred income	-	447	-	447
Deferred capital grant (note 24)	266,386	231,130	289,402	231,130
Recycled Capital Grant Fund (note 25)	34,521	28,510	34,521	28,510
Loans due to Group members (note 27)	-	-	-	223,037
Housing loans (note 27):				
– secured against Group properties	1,318,939	679,806	1,161,892	452,938
– loan issue costs	(6,130)	(5,701)	(6,130)	(5,701)
– bond issuance surplus to be amortised	6,318	-	6,318	-
	1,620,034	934,434	1,486,003	930,603

Notes to the accounts
24. Deferred capital grant

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
At 1 April	234,013	166,328	234,013	166,328
Grants received during the year	8,490	40,040	8,426	40,040
Acquired on acquisition of Aldwyck	22,981	-	-	-
Transfer of Engagements from Aldwyck	-	-	46,526	-
Transfers from the Recycled Capital Grant Fund (note 25)	12,515	36,206	12,515	36,206
HomeBuy redemptions	(5,850)	(4,288)	(4,956)	(4,288)
Transfer from the Disposal Proceeds Fund (note 26)	946	238	946	238
Released to income during the year (note 3)	(1,277)	(3,059)	(1,332)	(3,059)
Released on disposal during the year	(2,233)	(1,452)	(2,812)	(1,452)
At 31 March	269,585	234,013	293,326	234,013

Deferred capital grants are government grants received from the Homes England and Greater London Authority with interests.

25. Recycled Capital Grant Fund

Consolidated

Funds pertaining to activities within areas covered by	Homes England 2020 £'000	GLA 2020 £'000	Total 2020 £'000	Homes England 2019 £'000	GLA 2019 £'000	Total 2019 £'000
At 1 April	20,942	9,966	30,908	37,317	22,802	60,119
Inputs to fund:						
– grants recycled	6,053	6,407	12,460	1,758	6,305	8,063
– interest accrued	297	105	402	89	43	132
Acquired on acquisition of Aldwyck	19,207	185	19,392	-	-	-
Recycling of grant:						
– new build	(12,515)	-	(12,515)	(17,022)	(19,184)	(36,206)
Repayment of grant to Homes England/GLA	-	(87)	(87)	(1,200)	-	(1,200)
At 31 March	33,984	16,576	50,560	20,942	9,966	30,908
Amounts three years or older where repayment may be required	11,643	640	12,283	2,398	-	2,398

Notes to the accounts

25. Recycled Capital Grant Fund (continued)

Association

Funds pertaining to activities within areas covered by	Homes England 2020 £'000	GLA 2020 £'000	Total 2020 £'000	Homes England 2019 £'000	GLA 2019 £'000	Total 2019 £'000
At 1 April	20,942	9,966	30,908	37,317	22,802	60,119
Inputs to fund:						
– grants recycled	5,305	6,407	11,712	1,758	6,305	8,063
– interest accrued	211	105	316	89	43	132
Transfer of Engagements from Aldwyck	20,041	185	20,226	-	-	-
Recycling of grant:						
– new build	(12,515)	-	(12,515)	(17,022)	(19,184)	(36,206)
Repayment of grant to Homes England/GLA	-	(87)	(87)	(1,200)	-	(1,200)
At 31 March	33,984	16,576	50,560	20,942	9,966	30,908
Amounts three years or older where repayment may be required	11,643	640	12,283	2,398	-	2,398

Withdrawals from the Recycled Capital Grant Fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

26. Disposal Proceeds Fund

Consolidaton and Association

Funds pertaining to activities within areas covered by	Homes England 2020 £'000	GLA 2020 £'000	Total 2020 £'000	Homes England 2019 £'000	GLA 2019 £'000	Total 2019 £'000
At 1 April	175	951	1,126	175	1,187	1,362
Inputs to fund:						
– Interest accrued	1	7	8	-	2	2
Recycling of grant:						
– Utilised on purchased properties	-	(946)	(946)	-	(238)	(238)
Repayment of grant to Homes England/GLA	-	-	-	-	-	-
At 31 March	176	12	188	175	951	1,126
Amounts three years or older where repayment may be required	176	12	188	172	941	1,113

Withdrawals from the Disposal Proceeds Fund were used for approved works to existing properties.

Notes to the accounts
27. Loans

Aldwyck Housing Group Limited loans were revalued at fair value as defined by section 11 of FRS 102 as at the date of acquisition, 1 May 2019. The fair value adjustment impacts Group only.

Housing loans from local authorities, banks and other financial institutions secured by specific charges on the Group's housing properties and repayable at varying rates of interest are due as follows:

Housing loans repayable by instalments	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Between one and two years	11,852	8,125	11,852	5,474
Between two and five years	99,745	32,306	99,746	33,108
In five or more years	315,517	238,674	304,682	236,692
Total (note 23)	427,114	279,105	416,280	275,274
Within one year (note 22)	20,086	7,277	20,086	5,479
	447,200	286,382	436,366	280,753

Housing loans not repayable by instalments	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Between one and two years	-	-	-	-
Between two and five years	130,800	70,000	130,800	70,000
In five or more years	761,213	325,000	615,000	325,000
Total (note 23)	892,013	395,000	745,800	395,000

	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Total loans	1,339,213	681,382	1,182,166	675,753

The Group has total committed loan facilities of £1,592.4 million (£1,180.2 million draw down) raised through the debt and capital markets, together with loans provided by various banks and building societies. All loans are secured by way of first fixed charges on specified properties.

The loans bear interest at fixed rates ranging from 0.67% to 14.4% or at a margin above the London Interbank Offered Rate. At 31 March 2020 the Group had undrawn loan facilities of £412.2 million (2019: £414.1 million). Of the total loan facilities of £1,592.4 million; £1,073.9 million was at fixed rates at 31 March 2020. The weighted average interest rate is the aggregate rate of interest paid for the year on Group borrowings which is 4.2% (2019: 4.1%).

28. Derivative non-basic financial instruments

Held at fair value	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
At 1 April	-	-	-	-
Acquired on acquisition of Aldwyck	81,172	-	-	-
Transfer of Engagements from Aldwyck	-	-	91,582	-
Change in fair value recognised in the surplus for the year	15,655	-	3,514	-
Change in fair value charged to cash flow hedging reserve	6,278	-	8,009	-
At 31 March	103,105	-	103,105	-

On the acquisition and Transfer of Engagement of Aldwyck, derivative financial instruments were transferred into the Group at fair value. On the Transfer of Engagement, derivative financial instruments were transferred into the Association at carrying value. Interest rate swap contracts entered into have a weighted average interest rate of 4.0% (2019: nil) over 16 years (2019: nil). The notional balance at 31 March 2020 was £160.5 million, (2019: £241.0 million), with £150.5 million in designated hedge relationships.

Catalyst did not have any standalone financial instruments prior to the merger, and therefore there are no comparatives. For information, the reported information in Aldwyck's financial statements for the year ended 31 March 2019 was £85.7 million.

29. Financial instruments

The Group's and Association financial instruments may be analysed as follows:	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Financial assets				
Concessionary loans (note 1 section 1.26)	87,555	78,727	87,555	78,727
Financial assets measured at historic cost:				
–Trade receivables (note 19)	5,972	4,368	5,972	4,368
– Other receivables (note 19)	18,155	19,388	173,875	125,434
– Investments (note 20)	85	-	85	-
– Cash and cash equivalents (note 21)	78,816	47,427	58,197	32,631
Total financial assets	190,583	149,910	325,684	241,160
Financial liabilities				
Financial liabilities measured at amortised cost or fair value:				
– Loans payable (note 27)	(1,339,213)	(681,382)	(1,182,166)	(675,753)
Financial liabilities measured at historical cost:				
– Trade creditors	(9,597)	(4,267)	(7,162)	(3,615)
– Other creditors	(407,467)	(324,977)	(421,592)	(310,357)
Financial liabilities measured at fair value				
Derivatives non-basic financial instruments (note 28)	(103,105)	-	(103,105)	-
Total financial liabilities	(1,859,382)	(1,010,626)	(1,714,025)	(989,725)

Notes to the accounts
29. Financial instruments (continued)

Financial assets comprise cash at bank and in hand, investments and for the Association amounts owed to the parent undertaking.

Financial liabilities comprise accruals and deferredincome and amounts owed by parent undertaking.

Financial assets and liabilities measured at amortised cost are the housing loans and the related amounts included within amounts owed to the parent undertaking. Cash, investments and accrued income are measured at transaction value. Financial liabilities measured at fair value are the derivative financial instruments.

Risks arising on financial instruments

The main risk arising from the Group's financial instruments are counterparty risk, liquidity risk, interest rate risk and refinancing risk. Following our merger with Aldwyck Housing Group Limited, Catalyst now holds a standalone derivative portfolio, which is covered under interest rate risk.

Counterparty risk

There is a risk that the counterparty is unable to deliver on undrawn facilities when required. Counterparties are required to meet minimum credit rating criteria when arrangements are entered into. Ratings are monitored and funds may be drawn ahead of need to protect headroom if required.

Liquidity risk

Liquidity risk is managed in accordance with the Group's treasury policy. The Group has a policy to maintain sufficient liquidity in cash and undrawn lending facilities to cover at least 18 months of net cash flow and meet all contracted commitments over the coming three years.

At the year end 90% of the Group's borrowings were due to mature in more than five years. Funds are drawn as determined by the Group's borrowing requirements. To date all loan payments have been made on time.

Interest rate risk

Interest rate risk is managed in accordance with the Group's treasury policy. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and variable debt at an acceptable level of risk and cost. Covenant compliance and sensitivity analysis of interest rates are monitored on a regular basis.

During the financial year Catalyst merged with Aldwyck Housing Group Limited and through this merger holds a standalone derivative portfolio, this seeing mark to market exposure and therefore the risk of collateral calls.

Mark to market positions are monitored daily and sufficient collateral is in place to support movements across the yield curve of circa 100bps.

Refinancing risk

The Group's treasury management function is responsible for developing and implementing an appropriate funding strategy to ensure the Group has the required level of liquidity to fund the capital investment programme and day to day activities of the business without being unduly exposed to refinancing risk.

The maturity profile of the debt reflects the long-term nature of the Group's assets and reduces refinancing risk by ensuring that refinancing requirements are spread.

Notes to the accounts
30. Pension costs

The Group participates in two funded schemes: one with the Ealing Family Housing Association Pension Scheme (EFHAPS) and one with the Social Housing Pension Scheme (SHPS). Under defined benefits accounting, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in Other Comprehensive Income.

Estimates related to the defined benefit schemes are based on a number of critical underlying assumptions, such as standard rates of inflation, mortality, discount rate and anticipation of future salaries. Variation in these assumptions may significantly impact the defined benefit obligation and annual expenses as shown in this note. These assumptions and calculations are prepared by an independent actuary.

Consolidated	**EFHAPS £'000**	**SHPS £'000**	**Total £'000**
At 1 April 2019	55	-	55
Acquired on acquisition of Aldwyck	-	(11,961)	(11,961)
Movement recognised in statement of comprehensive income	13	(304)	(291)
Movement recognised in Other Comprehensive Income	(3,103)	6,148	3,045
Contributions by employer	950	959	1,909
At 31 March 2020	(2,085)	(5,158)	(7,243)

On the acquisition of Aldwyck Housing Group Limited into the Group, the transfer of the SHPS of Aldwyck Housing Group Limited was recognised at valuation.

Association	**EFHAPS £'000**	**SHPS £'000**	**Total £'000**
At 1 April 2019	55	-	55
Transfer of Engagements from Aldwyck	-	(11,438)	(11,438)
Movement recognised in statement of comprehensive income	13	(109)	(96)
Movement recognised in Other Comprehensive Income	(3,103)	6,069	2,966
Contributions by employer	950	320	1,270
At 31 March 2020	(2,085)	(5,158)	(7,243)

a) Ealing Family Housing Association pension scheme

The pension scheme was closed to future members with effect from 31 March 2007. In respect of the shortfall in funding Catalyst Housing Limited agreed to pay £950,000 per annum.

The 30 September 2018 valuation shows that the market value of the scheme's assets was £40,449,411. This excludes assets in relation to deferred members' AVCs and insured pensions. At 31 March 2020, the scheme had a total membership of 310 (2019: 310).

During the year, Catalyst paid £950,000 (2019: £950,000) into the pension scheme in accordance with the recovery plan agreed with the trustees of the scheme. The scheme is closed and no contributions are payable.

The scheme has a small number of insured policies relating to pensioners previously secured through annuities. These policies are excluded from the pension provision as there is no net impact on the balance sheet, statement of comprehensive income, and statement of changes in reserves.

A valuation for the purposes of FRS 102 was prepared as at 31 March 2020 by a qualified actuary. The major assumptions used in this valuation were:

	2020	2019	2018	2017
LPI pension increase	2.8%	3.2%	3.1%	3.2%
Discount rate	2.3%	2.5%	2.6%	2.6%
Inflation assumption	2.9%	3.4%	3.3%	3.4%

Mortality assumption used in accordance with the standard table S2NxA on a year of birth basis, with CMI_2019 future improvements factors and subject to a long-term annual rate of the future improvement of 1.25% per annum (2019: S2NAxA. CMA_2017 1.25%).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term (and may be subject to significant change before they are realised), and the present value of the scheme's liabilities – derived from cash flow projections over long periods and thus inherently uncertain – were:

Amounts recognised in balance sheet	At 31 March 2020 £'000	At 31 March 2019 £'000
Present value of funded obligations	(56,983)	(56,563)
Fair value of scheme assets	54,898	56,618
Pension (liability)/asset	(2,085)	55

No allowance for deficit-related deferred tax asset has been made in the above figures.

Notes to the accounts
30. Pension costs (continued)

Analysis of amount recognised in Other Comprehensive Income	2020 £'000	2019 £'000
Actual return less expected return on scheme assets	(2,618)	2,052
Experience gains and losses arising on scheme liabilities	-	(421)
Changes in assumptions underlying the present value of scheme liabilities	(485)	(1,313)
Actuarial (loss)/gain recognised in Other Comprehensive Income	(3,103)	318

Amounts recognised in income and expenditure account	At 31 March 2020 £'000	At 31 March 2019 £'000
Interest on obligation	1,396	1,407
Expected return on scheme assets	(1,409)	(1,396)
Total	(13)	11

Changes in the present value of defined benefit obligation	At 31 March 2020 £'000	At 31 March 2019 £'000
Opening defined benefit obligation	56,563	54,922
Interest cost	1,396	1,407
Actuarial loss	485	1,734
Loss on plan changes	-	500
Benefits paid	(1,461)	(2,000)
Closing defined benefit obligation	56,983	56,563
The actuarial gains and losses can be split into:		
Actuarial loss due to assumptions change	485	1,734

Changes in the fair value of scheme assets during the year	At 31 March 2020 £'000	At 31 March 2019 £'000
Opening fair value of scheme assets	56,618	54,220
Expected return on scheme assets	1,409	1,396
Actuarial (loss)/gain	(2,618)	2,052
Contributions by employer	950	950
Benefits paid	(1,461)	(2,000)
Closing fair value of scheme assets	54,898	56,618

b) Social Housing pension scheme

The SHPS obligations of Aldwyck Housing Group Limited were transferred to Catalyst Housing Limited as a result of the business combination during the year. The Group acquired the scheme from 1 May 2019 and the scheme was transferred to the Association on 2 December 2019. No comparative figures have been included within this note, as Catalyst Housing Limited was not responsible for this scheme until the current year.

The SHPS multi-employer defined benefit pension scheme is closed to future members and the Group and Association only operates a multi-employer defined contribution scheme with SHPS.

In respect of the shortfall in funding Catalyst Housing Limited agreed to pay £1,260,564 per annum in accordance with the recovery plan agreed with the trustees of the pension scheme.

The accounting information is based on the present value as at 31 March 2020 provided by the Pension Trust.

The major assumptions used in this valuation were:	**2020 (% per annum)**
Discount rate	2.37%
Inflation (RPI)	2.60%
Inflation (CPI)	1.60%
Salary growth	2.60%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

The mortality assumptions adopted imply the following life expectancies were:	**2020 (years)**
Males retiring in 2020	21.5
Females retiring in 2020	23.3
Males retiring in 2040	22.9
Females retiring in 2040	24.5

	Consolidated	**Association**
Amounts recognised in balance sheet	**2020 £'000**	**2020 £'000**
Present value of funded obligations	(43,693)	(43,693)
Fair value of scheme assets	38,535	38,535
Pension liability	(5,158)	(5,158)

Notes to the accounts
30. Pension costs (continued)

Analysis of amount recognised in Other Comprehensive Income	Consolidated 2020 £'000	Association 2020 £'000
Actual return less expected return on scheme assets	547	(1,505)
Experience gains and losses arising on scheme liabilities	213	221
Changes in demographic assumptions underlying the present value of scheme liabilities	442	442
Changes in financial assumptions underlying the present value of scheme liabilities	4,946	6,911
Actuarial gain recognised in Other Comprehensive Income	6,148	6,069

Amounts recognised in income and expenditure account	Consolidated 2020 £'000	Association 2020 £'000
Current service cost	(11)	(4)
Expenses	(26)	(9)
Interest on obligation	(1,071)	(390)
Expected return on scheme assets	804	294
Total	(304)	(109)

Changes in the present value of defined benefit obligation	Consolidated 2020 £'000	Association 2020 £'000
Opening defined benefit obligation	48,913	51,121
Current service costs	11	4
Expenses	26	9
Interest cost	1,071	390
Contributions by plan participants	3	1
Experience gains and losses arising on scheme liabilities	(213)	(221)
Changes in demographic assumptions underlying the present value of scheme liabilities	(442)	(442)
Changes in financial assumptions underlying the present value of scheme liabilities	(4,946)	(6,911)
Benefits paid	(730)	(258)
Closing defined benefit obligation	43,693	43,693

	Consolidated 2020 £'000	Association 2020 £'000
The actuarial gains and losses can be split into:		
Actuarial gain due to assumption change	6,069	6,148

Changes in the fair value of scheme assets during the year	Consolidated 2020 £'000	Association 2020 £'000
Opening fair value of scheme assets	36,952	39,683
Expected return on scheme assets	804	294
Actuarial gain/(loss)	547	(1,505)
Contributions by employer	959	320
Contributions by plan participants	3	1
Benefits paid	(730)	(258)
Closing fair value of scheme assets	38,535	38,535

Assets analysis	Consolidated 2020 £'000	Association 2020 £'000
Global Equity	5,636	5,636
Absolute Return	2,009	2,009
Distressed Opportunities	742	742
Credit Relative Value	1,057	1,057
Alternative Risk Premia	2,694	2,694
Fund of Hedge Funds	22	22
Emerging Markets Debt	1,167	1,167
Risk Sharing	1,301	1,301
Insurance-Linked Securities	1,184	1,184
Property	849	849
Infrastructure	2,868	2,868
Private Debt	777	777
Opportunistic Liquid Debt	933	933
Corporate Bond Fund	2,197	2,197
Liquid Credit	16	16
Long Lease Property	667	667
Secured Income	1,462	1,462
Liability Driven Investments	12,789	12,789
Net Current Assets	165	165
Total assets	38,535	38,535

c) Other pension schemes

The Group also participates in defined contributions schemes. With defined contribution pension schemes the Group does not have further future obligations other than those disclosed in the statement of financial position within 'Creditors falling due within one year', which are paid within a month following deductions on each payroll processing. Contributions to the Group's defined contribution pension scheme are charged to the statement of comprehensive income in the year in which they become payable.

The Group operates a stakeholder pension scheme administered by Standard Life. The employer's contributions are 9% of pensionable salary and amount to £2,175,734 (2019: £1,955,680). At 31 March 2020, outstanding payments due to the scheme were £131 (2019: £nil).

The Group also operates a defined contribution scheme administered by The Equitable Life Assurance Society, which was closed during 2007. During the year there were no contributions or employees participating in this scheme.

Following the business combination with Aldwyck Housing Group Limited during the year, the Association contributes to the SHPS defined contribution scheme, in addition to this the Group also contributes to a defined contribution scheme administered by Scottish Widows.

For the 11 months since Aldwyck Housing Group Limited joined the Group, the Group employers contribution of £641,605 has been paid into the SHPS defined contribution pension scheme. The Association employer contribution, for the 4 months post transfer of engagements, was £262,165. The contribution rate for the Group and Association was up to 9% for employer contributions and 5% for employee contributions. At 31 March 2020 outstanding payments due to the scheme were £99,513, of which £62,107 are employer contributions.

For the Scottish Widows scheme, the employer's contributions for the 11 months amounted to £166,835 for the Group. The contribution rate for the Group was up to 5% for employer contributions and 5% for employee contributions. At 31 March 2020, outstanding payments due to the scheme were £26,819, of which £14,788 are employer contributions.

31. Provisions for liabilities and charges

Consolidated and Association	£'000
At 1 April 2019	-
Additions	9,048
At 31 March 2020	9,048

The Group and Association closely monitors Government guidance relating to combustible materials, fire risk and protection and regulatory compliance, to determine the nature and extent of any remedial work required to its housing properties. At the year end, remediation work was ongoing for certain housing properties. There are a number of complexities involved in determining the remedial work required and the associated costs. As such, this provision represents the Group and Association's best estimate of these costs at the year-end.

32. Share capital

Association	2020 £	2019 £
Shares of £1 each issued and fully paid:		
At beginning of year	39	53
Issued during year	3	-
Surrendered during the year	(11)	(14)
At end of year	31	39

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred.

When a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests; there are no equity interests in the Association.

33. Commitments

Capital commitments	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Capital expenditure contracted, which has not been provided for in the accounts	211,157	146,678	159,880	139,721
Capital expenditure which has been authorised by the Board but has not yet been contracted for	609,190	614,001	547,869	614,085
	820,347	760,679	707,749	753,806

Capital commitments for the Group and Association will be funded by £200,219,676 (2019: £139,644,535) of Social Housing Grant and £620,127,368 (2019: £621,033,831) from draw-down of existing, or new loan facilities or by internal resources.

Capital expenditure contracted by joint venture entities; Friary Park LLP £118 million, Merton Catalyst LLP £ 167 million, Capital Way Brentford Partnership £165 million.

Capital commitments divided by tangible fixed assets at year-end was 28% (2019: 35%).

Financial commitments	Consolidated 2020 £'000	Consolidated 2019 £'000
Properties developed for sale, expenditure contracted or authorised, which has not been provided for in the accounts	8,622	10,130
	8,622	10,130

34. Operating lease commitments

The Group and the Association had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as lessee	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Not later than one year	2,698	2,454	2,636	2,454
Later than one year and not later than five years	9,755	9,833	9,735	9,833
Later than five years	2,126	4,752	2,126	4,752
Total	14,579	17,039	14,497	17,039

Amount payable as a lessee reflects the rental cost of the Ealing Gateway office, photocopiers and motor vehicles.

Amounts receivable as lessor	Consolidated 2020 £'000	Consolidated 2019 £'000	Association 2020 £'000	Association 2019 £'000
Not later than one year	652	621	652	621
Later than one year and not later than five years	2,767	2,620	2,767	2,620
Later than five years	5,523	7,844	5,523	7,844
Total	8,942	11,085	8,942	11,085

Amounts receivable as lessor reflects income due from Supporting Housing and other local authority income.

Notes to the accounts
35. Number of units

Consolidated	As at 31 March 2019	Units developed or newly build units acquired	Units sold/ demolished	Transfer and acquisition (to)/from other RP's	Other	As at 31 March 2020
Social housing:						
General needs	11,803	157	(127)	6,039	-	17,872
Affordable	1,366	181	-	857	-	2,404
Shared ownership units	3,530	290	(108)	1,122	2	4,836
Supported and housing for older people	694	4	(2)	862	264	1,822
Intermediate rent	151	-	(1)	251	(5)	396
Leasehold	1,310	81	(30)	822	(2)	2,181
Total owned	18,854	713	(268)	9,953	259	29,511
Accommodation managed for others	-	-	-	536	-	536
Total social housing units	18,854	713	(268)	10,489	259	30,047
Other shared equity units	1,493	9	(154)	306	-	1,654
Student accommodation	-	-	-	150	-	150
Market rent	-	-	-	22	-	22
Leasehold	-	32	-	404	764	1,200
Total non-social housing units	1,493	41	(154)	882	764	3,026
Bed spaces used by care provider	14	-	-	89	-	103
Keyworker bed spaces	537	-	-	-	-	537
Total bed spaces	551	-	-	89	-	640
Total units	**20,898**	**754**	**(422)**	**11,460**	**1,023**	**33,713**

	Consolidated 2020 Number	Consolidated 2019 Number	Association 2020 Number	Association 2019 Number
Total units managed by other organisations on behalf of Catalyst	690	510	690	510
Housing units under development	1,150	1,092	1,058	933

Notes to the accounts
35. Number of units (continued)

Association	As at 31 March 2019	Units Developed or newly build units acquired	Units sold/ demolished	Transfer and acquisition (to)/from other RP's	Other	As at 31 March 2020
Social housing:						
General needs	11,803	157	(124)	6,036	-	17,872
Affordable	1,366	174	-	864	-	2,404
Shared ownership units	3,530	239	(108)	1,173	2	4,836
Supported and housing for older people	694	4	(2)	862	264	1,822
Intermediate rent	151	-	(1)	251	(5)	396
Leasehold	1,310	81	(30)	822	(2)	2,181
Total owned	18,854	655	(265)	10,008	259	29,511
Accommodation managed for others	-	-	-	536	-	536
Total social housing units	18,854	655	(265)	10,544	259	30,047
Other shared equity units	1,493	9	(140)	292	-	1,654
Student accommodation	-	-	-	150	-	150
Market rent	-	-	-	22	-	22
Leasehold	-	32	-	404	764	1,200
Total non-social housing units	1,493	41	(140)	868	764	3,026
Bed spaces used by care provider	14	-	-	89	-	103
Keyworker bed spaces	537	-	-	-	-	537
Total bed spaces	551	-	-	89	-	640
Total units	**20,898**	**696**	**(405)**	**11,501**	**1,023**	**33,713**

In addition to the normal yearly movements, the Association and Group has seen an increase in housing stock numbers following the business combination with Aldwyck Housing Group Limited.

Notes to the accounts
36. Related party disclosures

The Board includes one shared ownership tenant member who holds a tenancy agreement on normal terms and does not participate in any Board decisions that could result in a conflict of interest. The rent received from the Board member in the year was £4,863.36 (2019: £4,685.28). The rent arrears of the tenant and leaseholder Board members as at 31 March 2020 was £nil (2019: £nil). The rent arrears are subject to the same bad debt provision and debt recovery process as all other rent arrears.

The Group has a joint venture, Dee Park Partnership LLP, used to carry out construction works and the balance receivable at 31 March 2020 is £nil (2019: £nil). Interest payable during the year by Dee Park Partnership LLP is shown in Catalyst Housing Limited £nil (2019: £nil) on borrowings specifically to finance the development programme. Interest receivable in Dee Park Partnership LLP relating to the facility agreement between Dee Park Developments (Catalyst) Limited and Dee Park Partnership LLP during the year was £nil (2019: £nil).

A Group joint venture, Merton Catalyst LLP, used to carry out construction works and the balance receivable at 31 March 2020 is £31,029,181 (2019: £30,000,000).

A Group joint venture, Friary Park LLP, used to carry out construction works and the balance receivable at 31 March 2020 is £3,315,597 (2019: £1,100,000).

Intra-group transactions

Catalyst Housing Limited provides management services, other services and loans to its subsidiaries. The basis and quantum of the charges made for each of these is set out below.

	Management fees		Other charges		Interest charges	
Payable to Catalyst Housing Limited by:	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
CHL Developments Limited	904	898	774	997	-	-
Catalyst Housing Charitable Trust	10	10	-	59	-	-
Southall Day Centre Limited	21	21	-	-	-	-
Dee Park Developments (Catalyst) Limited	47	47	-	-	-	-
Catalyst Development (Wimbledon) Limited	-	-	-	-	1,836	1,536
Catalyst by Design Limited	1,431	1,453	1,548	1,532	4,464	3,021
Catalyst Finance Limited	-	7	-	-	-	-
Connect Property Services Limited [1]	196	-	-	-	15	-
Lea Valley Developments Limited [2]	120	-	2,492	-	635	-
	2,729	2,436	4,814	2,588	6,950	4,557

1 Connect Property Services Limited joined the Group as part of the merger with Aldwyck Housing Group Limited.
2 Lea Valley Development Limited joined the Group as part of the merger with Aldwyck Housing Group Limited.

36. Related party disclosures (continued)

Intra-group management fees

Intra-group management fees are receivable by Catalyst Housing Limited from subsidiaries to cover the running costs the entity incurs on behalf of managing its subsidiaries. The management fee is calculated on a department basis, with different methods of allocation for each department. These costs are apportioned as follows:

Department	By reference to
Finance	Headcount
Human resources	Headcount
Facilities	Floor space
Executive	Employee time
Business systems	Number of computers
Health and safety	Headcount

Other intra-group charges

Other intra-group charges are payable to Catalyst Housing Limited from subsidiaries and relate to employee recharges.

Intra-group interest

Intra-group interest is charged by Catalyst Housing Limited to its subsidiaries to cover the commitment fees and interest charged on the cash loaned by Catalyst Housing Limited to its subsidiaries, and is charged based on weight average cost of capital.

The subsidiaries also receive charges from Catalyst Housing Limited and the basis and quantum of these charges are set out below:

	Management fees		Other charges		Interest charges	
Payable by Catalyst Housing Limited to:	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**
Catalyst Housing Charitable Trust	-	-	10	10	-	-
Catalyst Finance Limited	-	13	-	-	1,290	8,279
Southall Day Centre Limited	-	-	382	382	-	-
	-	13	392	392	1,290	8,279

Intra-group interest is payable by Catalyst Housing Limited to Catalyst Finance Limited to cover the interest charged on the cash loaned by Catalyst Finance Limited to Catalyst Housing Limited and is charged based on current interest rates incurred. The loan was repaid during the year.

Connect Property Services Limited provides Catalyst Housing Limited with property maintenance services, which are charged at cost plus a margin. Total intercompany property services in the year from Connect Property Services Limited totaled £19,450,000 (2019:£nil).

There are intercompany property sales within the subsidiaries in respect of schemes developed on behalf of Catalyst Housing Limited, which are charged at cost plus a margin. Total intercompany property sales in the year from Lea Valley Developments Limited totalled £16,582,000 (2019: £nil) and CHL Developments Limited totalled £47,608,000 (2019: £59,762,000).

Intra-group loans

Entity granting loan	Entity receiving loan	Opening balance £'000	Movement during the year £'000	Closing balance £'000
Catalyst Housing Limited[1]	Catalyst by Design Limited	83,500	(2,980)	80,520
Catalyst Housing Limited[1]	Catalyst Development (Wimbledon) Limited	32,010	3,509	35,519
Catalyst Finance Limited	Catalyst Housing Limited	233,679	(233,679)	-
Catalyst Housing Limited[1]	Connect Property Services Limited	-	1,000	1,000
Catalyst Housing Limited[1]	Lea Valley Developments Limited	-	40,000	40,000

Key	Terms of repayment	Details of any guarantees
1	On demand.	Secured by floating charge.

Investments in joint ventures

Entity granting funds	Entity receiving funds	Opening balance £'000	Movement during the year £'000	Closing balance £'000
Dee Park Developments (Catalyst) Limited[1]	Dee Park Partnership LLP	35	-	35
Catalyst Development (Wimbledon) Limited[1]	Merton Catalyst LLP	30,000	1,029	31,029
Catalyst By Design Limited	Friary Park LLP	1,100	2,216	3,316

Key	Terms of repayment	Details of any guarantees
1	Investment by Member Loan.	None.

37. Contingent liabilities

The Group receives grants from Homes England and from the Greater London Authority, which are used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2020, the value of grant received in respect of these properties that had not been disposed of was £1,087,215,000 (2019: £851,441,032). As the timing of any future disposal is uncertain, no provision has been recognised in the financial information.

Government grants of £24,963,000 associated with housing properties acquired from the business combination with Aldwyck Housing Group Limited were included within the Gain arising from Gift of Net Assets within the Consolidated statement of comprehensive income. As these properties were included at fair value on acquisition, no grant is disclosed within creditors. In the event of the housing properties being disposed, the Group is responsible for the repayment or recycling of the grant.

38. Business combination

a) Group

On 1 May 2019 Catalyst Housing Group combined with Aldwyck Housing Group Limited. The business combination established Catalyst Housing Limited as the Group parent. Acquisition accounting has been applied to the business combination and a fair value assessment was completed for the assets, liabilities and activities of Aldwyck Housing Group Limited. The key areas impacted by the fair valuation were housing properties (and the release of the associated grants to reserves), investment properties, other fixed assets, fixed rate loans, the SHPS pension and derivative financial instruments.

Acquisition accounting requires that we recognise the fixed rate loans with an embedded derivative as variable rate loans and standalone derivatives, with the effective market value of the embedded derivatives at market value. This increased the loan value recognised in the books by £161 million, but does not affect the cash payments required to repay the loan.

The business was transferred to Catalyst Housing Limited as a gift to the value of £83.4 million, being the fair value less any associated costs of the business combination (see section d of this note). This is shown as a Gain arising from Gift of Net Assets within the Consolidated Statement of Comprehensive Income.

Balance Sheet as at 1 May 2019	Fair Value £'000	Book Value £'000	Fair Value adjustment £'000
Fixed assets			
Tangible fixed assets – housing properties	723,420	665,314	58,106
Tangible fixed assets – other	5,181	5,817	(636)
Investment properties	4,613	4,601	12
Investments – HomeBuy loans	15,657	15,657	-
Investments – subsidiaries	-	-	-
Intangible fixed assets	3,667	3,667	-
	752,538	695,056	57,482
Current assets			
Stocks	65,391	65,391	-
Debtors	4,651	4,651	-
Investments	85	85	-
Cash and cash equivalents	14,000	14,000	-
	84,127	84,127	-
Creditors: amounts falling due within one year	(54,231)	(49,691)	(4,540)
Net current assets	29,896	34,436	(4,540)
Total assets less current liabilities	782,434	729,492	52,942
Creditors: amounts falling due after more than one year	(605,914)	(468,655)	(137,259)
Derivative financial instruments	(81,172)	(82,168)	996
Pension provision	(11,961)	(13,007)	1,046
Net assets	**83,387**	**165,662**	**(82,275)**
Capital and reserves			
Share capital	-	-	-
Income and expenditure reserve	(27,316)	168,306	(195,622)
Cash flow hedging reserve	(2,575)	(2,644)	69
Revaluation reserve	113,278	-	113,278
	83,387	**165,662**	**(82,275)**

As a result of the business combination, the Consolidated Statement of Comprehensive Income includes the activity of Aldwyck Housing Group Limited from 1 May 2019 to 31 March 2020.

b) Association

On 2 December 2019 the assets, liabilities and activities of Aldwyck Housing Group Limited were transferred into Catalyst Housing Limited by a Transfer of Engagement. The transfer of Aldwyck Housing Group Limited into Catalyst has been accounted in line with FRS 102 as a group reconstruction at cost, using the book value of assets and liabilities on the date of transfer. The excess of assets over liabilities, less any associated costs of the business combination (see section d of this note) of £156.8 million, has been recognised as a movement in reserves. This is shown as a 'Transfer of Engagements from Aldwyck' within the Association Statement of Changes in Equity.

Balance Sheet as at 2 December 2019	**Book Value £'000**
Fixed assets	
Tangible fixed assets – housing properties	670,845
Tangible fixed assets – other	5,594
Investment properties	4,312
Investments – HomeBuy loans	15,150
Investments – subsidiaries	2
Intangible fixed assets	3,323
	699,226
Current assets	
Stocks	18,808
Debtors – amount due within one year	5,859
Debtors – amount due after one year	42,454
Investments	85
Cash and cash equivalents	20,041
	87,247
Creditors: amount falling due within one year	(106,681)
Net current liabilities	(19,434)
Total assets less current liabilities	679,792
Creditors: amount falling due after more than one year	(419,999)
Derivative financial instruments	(91,582)
Pension provision	(11,438)
Net assets	**156,773**
Capital and reserves	
Share capital	-
Income and expenditure reserve	160,786
Cash flow hedging reserve	(4,013)
Revaluation reserve	-
	156,773

As a result of the business combination, the Association Statement of Comprehensive Income includes the activity of Aldwyck Housing Group Limited from 2 December 2019 to 31 March 2020.

c) Alignment of accounting policies

Due to the similar nature of Catalyst and Aldwyck's business activities and the harmonising influence of the Regulator resulting from its reporting requirements, the pre-acquisition accounting policies and estimation methodologies were closely aligned; therefore, there was not a significant amount of further harmonisation required for the new combined entity.

The areas that required alignment of accounting policies or estimation methodologies are as follows:

Fixed Asset Component Types and Useful Lives

The housing property component categories were aligned as well as the useful economic life of the components. The impact of the alignment has been to reduce the reported surplus by £0.2 million for the financial year 2019/20.

Government Grants Useful Lives

The economic life for the grants attributable to shared ownership properties has been reviewed and aligned. The Group now amortises these over 33 years. The impact of the alignment has been to reduce the reported surplus by £0.9 million for the financial year 2019/20.

Other

The other areas aligned to ensure uniformity were:

- The useful economic life of other fixed assets – the impact of alignment has been to reduce the reported surplus by £0.4 million
- Policy for the capitalisation of development costs – the impact of alignment was not material
- Bad debt provision policy – the impact of alignment was not material.

Both Catalyst and Aldwyck accounted for financial instruments in line with the requirements of FRS 102 sections 11 and 12 instead of IFRS 9 or IAS 39 so there were negligible changes to the accounting policy, accounting judgements relating to these and accounting estimation methodology.

d) Non-recurring costs

Aldwyck and Catalyst incurred one-off costs associated with the business combination between the Aldwyck and Catalyst groups. They include the costs of undertaking the due diligence exercise and ensuring that there was a smooth transition to the newly formed entity coming into existence. The one-off costs were exceptional and will not recur going forward as they were incurred to ensure the consummation of this business combination. The costs are comprised of avoidable costs which the Group and Association would not have incurred had the business combination between Catalyst and Aldwyck not been pursued.

At a Group level, these costs have been offset against the Gain arising from Gift of Net Assets recognised in the Consolidated Statement of Comprehensive Income. Below is an analysis of the one-off costs:

	Group and Association £'000
Legal and Due Diligence	5,487
Staff costs	117
Office costs and other overheads	44
Total	5,648

39. Events after the end of the reporting period

On the 3 August 2020, we announced that we are in early talks with Rosebery Housing Association to enter into a partnership to work across London and the south east.

Rosebery's objectives in seeking a partner were to continue to create more homes in well-designed neighbourhoods in its expanded geography in partnership with local communities, and to work with a partner with a proven track record in estate regeneration which Catalyst has a long and successful history of delivering.

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Registered Society
Registered Number: 16561R

Homes and Communities Agency
Registered Number: L0699

A charitable housing association

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