catalyst

Report and Accounts

Year ended 31 March 2018

Trinity Square, Finchley

Table of Contents

Board members, executives and advisers

Board Members

Richard Brown, Chair
Rod Cahill – Co-optee
Terence Hartwell
Alison Knocker
Anne Markey
Heneage Stevenson
Mike Jones (appointed 13/09/17)
Andrew Wells (appointed 13/09/17)
Simon Wilkinson (appointed 13/09/17)
Graham Woolfman (appointed 13/09/17)
Heide Baumann (resigned 07/07/18)
Nici Audhlam-Gardiner (resigned 13/09/17)
Paul Evans, Vice Chair (resigned 13/09/17)
John Sheldrick (resigned 13/09/17)

Leadership Team

Rod Cahill	Chief Executive
Rachael Dennis	Chief Operating Officer
Judith Foss	Executive Director of People & Culture
Tom Titherington	Executive Director of Property & Growth

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

Principal Solicitors

Winckworth Sherwood
Minerva House, 5 Montague Close
London SE1 9BB

Secretary and Registered Office

Sophie Atkinson (appointed 15/01/18)
Catherine Hardysmith (appointed 02/10/17, resigned 15/01/18)
Sue McBride (resigned 02/10/17)

Ealing Gateway
26-30 Uxbridge Road
London, W5 2AU

Audit and Risk Committee

Graham Woolfman, Chair (appointed 13/09/17)
John Sheldrick, Chair (resigned 13/09/17)
Richard Brown
Terence Hartwell (appointed 07/06/17)
Mike Jones (appointed 13/09/17)
Andrew Wells (appointed 13/09/17)
Nici Audhlam-Gardiner (resigned 13/09/17)

Governance and Remuneration Committee

Alison Knocker, Chair (appointed 13/09/17)
Richard Brown
Andrew Wells (appointed 13/09/17)
Heide Baumann (resigned 07/07/18)
Nici Audhlam-Gardiner, (resigned 13/09/17)
Paul Evans, Chair (resigned 13/09/17)
John Sheldrick (resigned 13/09/17)

Treasury Committee

Mike Jones, Chair (appointed 13/09/17)
Richard Brown
Heneage Stevenson
Graham Woolfman (appointed 13/09/17)
Nici Audhlam-Gardiner, Chair (resigned 13/09/17)
John Sheldrick (resigned 13/09/17)

Customer Experience Committee

Alison Knocker, Chair (appointed 13/09/17)
Paul Evans, Chair (resigned 13/09/17)
Irene Bannon
John Kehoe
Karina Skinner
Lynn Smith
Paul Vincent
Dawn Williams
Simon Wilkinson (appointed 13/09/17)
Heide Baumann (resigned 07/07/18)

Development Committee

Terence Hartwell, Chair (appointed 13/09/17)
Richard Brown (appointed 13/09/17)
Mike Jones (appointed 13/09/17)
Anne Markey (appointed 13/09/17)
Heneage Stevenson (appointed 13/09/17)
Andrew Wells (appointed 13/09/17)

5
Board members, executives and advisers

Catalyst resident

Chair's statement

This has been a year of quiet but solid progress at Catalyst. The hard work put in last year to address the shortcomings in our sales and marketing activity, and ensure that wider lessons were learnt, has paid off and gives us a much stronger foundation on which to build. We now have an impressive and capable senior team of operational directors and there is a real momentum of improvement across the organisation.

It is impressive that we further improved our Social Housing Operating Margin to 35.5%, despite the further 1% reduction in rents in cash terms (relative to inflation a reduction in real terms of nearer 4%). Our overall surplus for the year was a healthy £54.2 million, which is reinvested in building new homes and improvements to our existing stock such as new bathrooms and kitchens. Alongside a drawdown of funds from our existing financing arrangements this allowed us to invest a total of £161 million in new and improved homes in the financial year.

We completed 566 new homes, a significant increase on last year although slightly short of our internal target. More importantly, we made good progress in growing our future pipeline of new homes which is now 4,500. We were particularly pleased to agree two new joint venture developments: with Swan Housing to build 330 shared ownership homes on the Webbs Industrial site in Waltham Forest; and with Galliard Homes to build 604 new homes on the site of the old Wimbledon greyhound stadium.

In support of our development ambitions we were delighted to have successfully launched our first public bond of £250 million at a coupon rate of 3.125% over a 30 year term. In support of this we also obtained our first public credit rating of A+ from Standard and Poor's.

Fire safety has been a very important focus during the year following the Grenfell Tower tragedy. We have reviewed the construction and fire risk assessments on all of our properties, starting with our taller buildings, as well as checking the detail of fire safety measures such as fire stopping, fire doors and the management of communal areas. We are fortunate to have only two buildings with similar cladding to Grenfell Tower. In both we have provided twenty four hour fire wardens until we are able to identify and install appropriately safe replacement cladding. Neither building is a tower and both have multiple exits available. It is of concern that the authorities are not moving more quickly to reform building control arrangements and clarify processes to ensure the safety of cladding and other building components. In the absence of greater clarity it is very difficult to make robust decisions on replacement components.

Organisationally we were very pleased to be again rated as a top 100 Best Company in the Sunday Times awards, coming 83rd out of 798 applicants in the not-for-profit category, reflecting the hard work and commitment right across the organisation. We were also pleased to receive two awards in the Ealing Apprenticeship Network Awards, for Large Employer of the Year and Apprentice of the Year. These latter awards are reflective of the continuing great work by our Catalyst Gateway teams, with 450 successful outcomes recorded for young people and other residents with a social value attributed of £3.8 million. Gateway's work was also recognised as a national ASB finalist in the RESOLVE awards.

2017/18 was a year of rebuilding foundations in Customer Services following a disrupted previous year. The Board therefore welcomed the implementation of the Customer Experience Strategy and the uptick in customer satisfaction in the final months of the year. This will continue to be a priority area for attention for the Board and Leadership Team in 2018/19 when we will implement the four programmes mentioned in the Chief Executive’s statement, to build upon the progress in 2017/18.

On the Governance front we were gratified to have our G1 rating restored in July by our Regulator. We have welcomed a number of new Board members during the year, all of whom are already making a strong contribution to our governance processes. I thank them and all of my Board colleagues for their support and commitment again this year. Most importantly, I thank Rod Cahill and his leadership team and all colleagues right across the organisation for their hard work, passion and commitment to moving Catalyst forward and for the good progress made during the year.

Richard Brown, Chair, Catalyst Housing Limited

St. Bernards Gate, Southall

Chief Executive's statement

2016/17 was a year of major organisational change, merging five departments into three - led by Rachael Dennis, Chief Operating Officer; Tom Titherington, Executive Director of Property and Growth; and Judith Foss, Executive Director of People and Culture; introducing new structures and many new colleagues. This equips us to achieve our 2020 ambitions - excellent customer experience, increased delivery of new homes, improved business performance and making Catalyst a recognised organisation for attracting and retaining top talent. 2017/18 has been a year of stabilising the organisation after the 2016/17 changes and of setting strong foundations for the future. A key achievement to this end has been the recruitment of a new tier of 14 Directors to support our small top team. I am delighted by the calibre of people whom we have been able to promote and attract - this is a highly capable and mature group of professionals who set a high standard, and who will continue to raise our game across the business.

With so much change and so many new people joining Catalyst from different backgrounds, it was vital that we mobilised everyone around our core purpose and values. Therefore, we conducted an extensive exercise across the business where colleagues defined our core purpose – to make a purposeful difference; and the core values which we expect everyone to uphold – integrity, and being open, caring and inclusive. From this has emerged our new visual identity, which we will promulgate this year. This exercise was part of a wider engagement programme recognising, as we do, the relationship between productivity and engagement, the latter being something which the Sunday Times Best Companies award measures. We were delighted to be in the top 100, but even more so that we achieved an exceptionally high 84% response rate from colleagues.

There has been a remarkable change for the better in the political environment in which we operate since 2016, with the emergence of the current policies of the May Government and the new London Mayor Sadiq Khan. Government now sees housing associations as key partners in tackling the housing problems of the capital and the country, and it has adopted a more balanced set of tenure priorities, with social rent or its equivalents back on the agenda. More funding to support affordable housing came through in 2017/18, and this will enable us to rebalance our forward programme in favour of rent and shared ownership. We welcome the emergence of Homes England as a driving force for increased supply, to match the GLA in London. All of this, however, brings responsibility to deliver more new homes - especially affordable ones. I am delighted that we increased our new homes completions from 228 in 2016/17 to 566 in 2017/18, and that we are laying the foundations, through the joint venture projects mentioned by the Chairman, to achieve our target of 1,000 homes per annum by 2020.

Our other key priority is improving customer experience. Although we did not make as much progress as we hoped for in customer satisfaction levels in 2017/18, we laid the foundations for future improvement through developing our Customer Experience Strategy. We have established four programmes to impact the things, which we know from our contact with customers have the biggest impact on satisfaction levels: procurement of new repairs contracts; improved service provision and charging; better tenancy and neighbourhood management; and creating a customer-focused culture in all parts of the business. These programmes will make a difference over time rather than overnight, but will do so in a lasting way because they address root causes of dissatisfaction.

If 2017/18 was a year for building strong foundations, the accent in 2018/19 is on delivery and performance and this will be my priority and that of my leadership team colleagues until I retire at the end of the calendar year. I would like to take this opportunity to thank our Chairman, Richard Brown, and all Board members, past and present, for providing me with such wonderful support and guidance over the past 22 years.

Similar thanks to Judith, Rachael and Tom for being such terrific leadership team colleagues and to all of the great people who make working in, and leading, Catalyst such a privilege and pleasure. I am sure that they will enable Catalyst to do even better in the future on the things which matter most – building more homes, providing an excellent customer experience, nurturing good places to live and helping people to realise opportunities to improve their lives.

Rod Cahill, Chief Executive, Catalyst Housing Limited

St. Bernards Gate, Southall

Strategic Report
Principal activities and review of business

About Catalyst

As one of the leading housing associations in London and the South East, Catalyst provides homes and landlord services to more than 21,000 households, benefitting over 40,000 customers.

We see it as our fundamental purpose to use our wealth, assets and talent to provide housing solutions and opportunities for those who cannot afford a home without our help. In doing so, we aim to create successful places through great design and management, and to help people to live well together.

Business Model

Our business model has been established to undertake development and landlord services in a way that supports our social purpose. As a developer, we build homes for sub-market rent, low cost home ownership and market sale. The surplus that we generate from market sale properties is used to subsidise the development of sub-market rent and low cost home ownership properties to promote our core social purpose.

As a landlord, we deliver a number of services including housing and tenancy management, repairs and maintenance, and income collection. All of these services are underpinned by our ambition to deliver exceptional customer service. We aim to generate a surplus on our core landlord activities and monitor this through our 'Social Housing Operating Margin', which we consider as one of our key financial performance indicators. Where our services are subject to a separate service charge, we aim to break even. Any surplus generated on landlord activities contributes towards the development of affordable homes.

In addition to these core activities, we are committed to addressing wider social issues across our neighbourhoods. Catalyst Gateway, our community investment arm, works collaboratively with individuals, other associations, clubs, schools, colleges and the government to support a number of programmes to improve the life chances of our customers including helping them find jobs, furthering their education and skills, and reducing anti-social behaviour. Support is also provided in respect of other challenges facing customers, such as the impact of welfare reform.

Strategic Report

Principal activities and review of business

Group structure

Our Group structure and operating companies are set out below:

catalyst

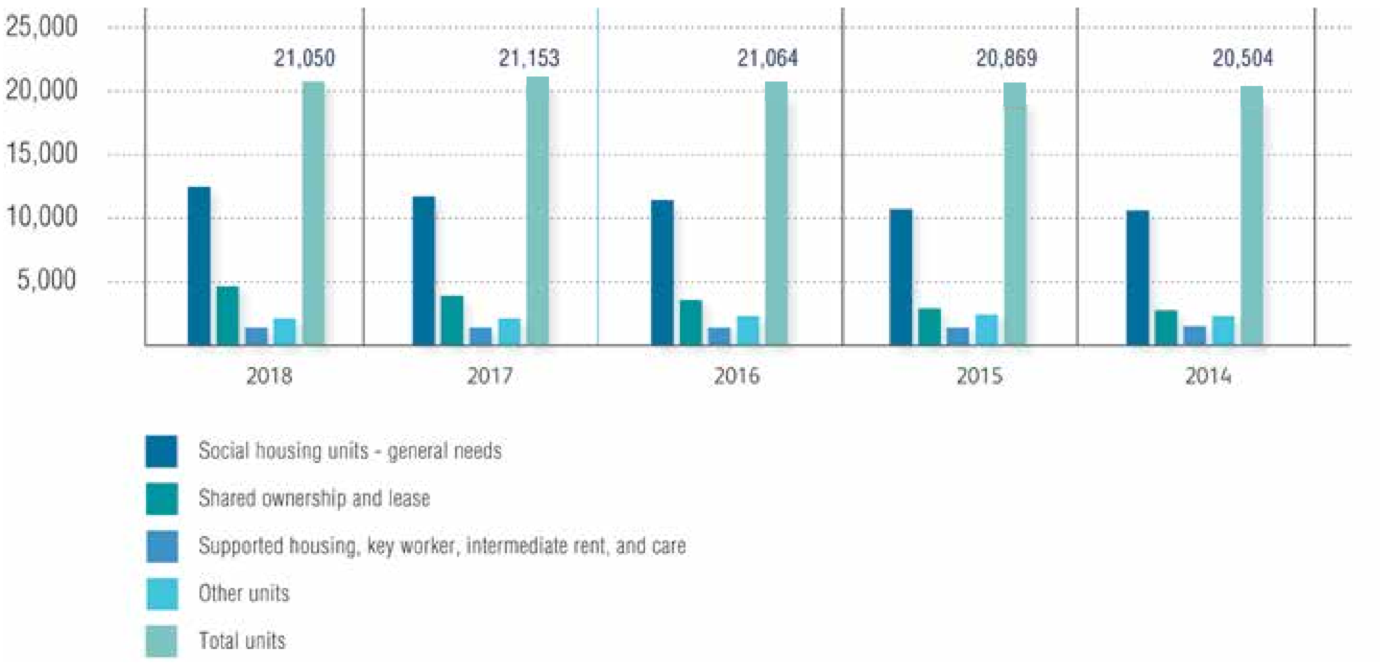
CATALYST HOUSING LTD
Charitable
Housing Association

- **VINTAGE CARE LTD**
  Non-charitable
  Provides care services to Acton Care Centre
- **CATALYST FINANCE LTD**
  Non-charitable
  Finance special purpose vehicle
- **CATALYST HOUSING CHARITABLE TRUST**
  Charitable
  Community development trust
  - **SOUTHALL DAY CENTRE LTD**
    Charitable
    Day centre
- **CATALYST DEVELOPMENTS (WIMBLEDON) LTD**
  Non-charitable
  Development company for Merton Catalyst
- **DEE PARK DEVELOPMENTS (CATALYST) LTD**
  Non-charitable
  Development company for Dee Park
- **CATALYST BY DESIGN LTD**
  Non-charitable
  Development company and market sale arm
- **CHL DEVELOPMENTS LTD**
  Non-charitable
  Design and build company
- **BARNET COMMUNITY HOMES LTD**
  Non-charitable
  Development company for care homes

Strategic Report
Principal activities and review of business

Our properties and coverage

The chart below shows our property portfolio over the past five years. The reduction in the number of units between 2017 and 2018 was primarily due to the redemption of equity loans.



Number of units managed

	2018	2017
Social housing units - general needs	12,862	12,906
Shared ownership and lease	4,898	4,767
Supported housing, key worker, intermediate rent, and care	1,675	1,491
	19,435	19,164
Other units[1]	1,615	1,989
Total units	21,050	21,153
Number of homes managed by a third party	497	493

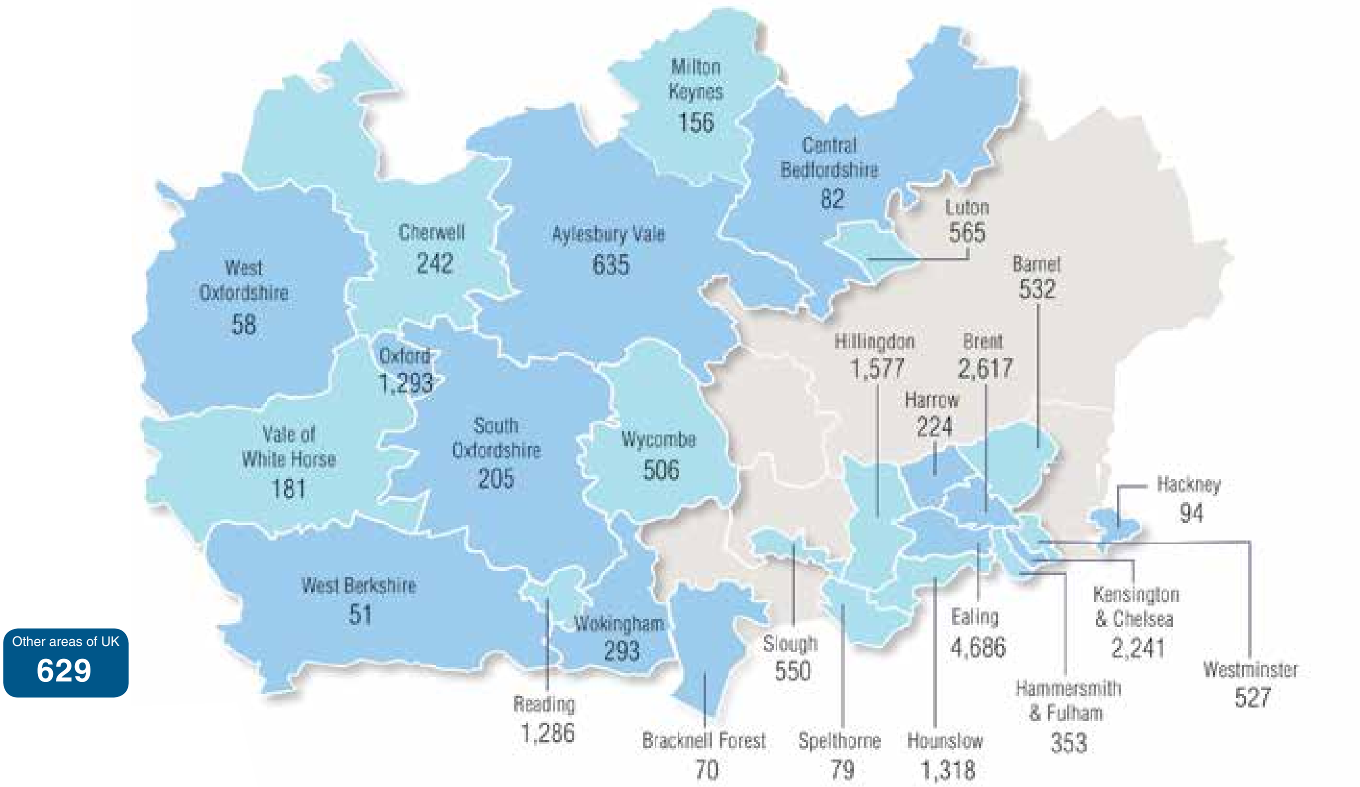
1. Other units include equity loan products.

Strategic Report

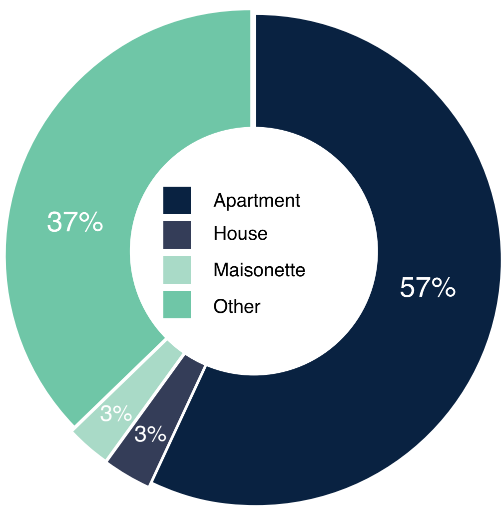
Principal activities and review of business

Main area of operations (including number of units)

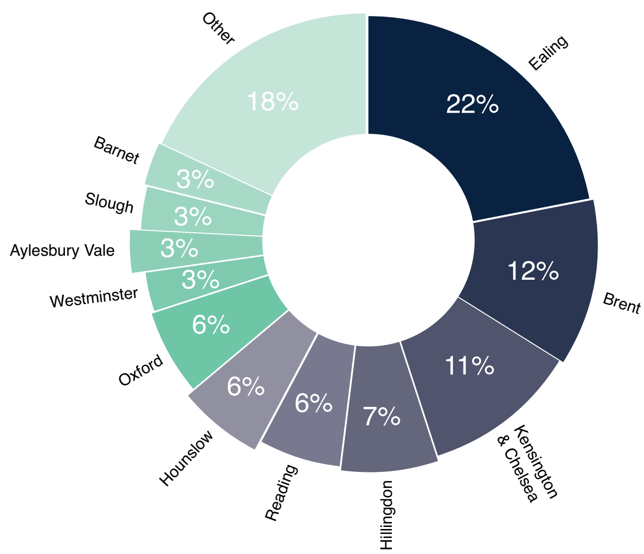
Total No. of Units
21,050



Home by type



Stock and operations



Patron and employee of Southall Day Centre

Strategic Report

Strategy and objectives - our ‘2020 goals’

Our strategic objectives, which we redefined in 2016, demonstrate that our customers are at the heart of everything we do. Our key focus is to build as many high quality homes as possible and to deliver an excellent customer experience every time. In order to achieve this we recognise that it is important to optimise our business performance, generating optimal surpluses to reinvest in our core offering, and cultivate an organisational culture that gets the very best out of our people.

Our 2020 goals are:

- **Excellent customer experience every time** - we will achieve sector leading levels of customer service, reaching customer satisfaction levels of at least 80%.
- **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. Our goal is to build 1,000 homes per annum by 2020.
- **High business performance** - we will operate efficiently and effectively, meet all of our operational performance targets and optimise our social housing operating margin.
- **Great people, great place to work** - we will attract and retain exceptional, motivated people who will help drive our organisational performance. Our goal is to be in the top 20 of the Sunday Times ‘Best Companies’ list.

More specifically, during the 2018/19 financial year we will be focused on delivering the following tangible improvements:

Excellent customer experience every time

- Delivering our Customer Experience Strategy, focusing on core areas of service delivery including repairs and maintenance, tenancy and neighbourhood services and service charges.
- Embedding our service style and customer service culture so that we are easier to do business with, are more reliable in delivering our promises and more empathetic to our customers’ needs.
- Mobilising our new repairs and maintenance contracts, optimising the service that we deliver to our customers.

Provision of more quality homes and great places to live

- Delivering our development programme for the 2018/19 financial year of 510 homes.
- Adding c2,500 homes to our development pipeline, creating a total pipeline of c7,000 homes.

High business performance

- Delivering our financial targets.
- Delivering our target core service KPIs.
- Finalising our project to ensure that our data is handled in accordance with new General Data Protection Regulation (GDPR) requirements.
- Maintaining compliance with all of our financial covenants and our regulatory and credit ratings.

Great people, great place to work

- Deliver our Great Place to Work Corporate Plans and Local Action Plans to enhance employee engagement across the organisation.
- Deliver Catalyst’s leadership development programme to our heads of service, providing them with the skills and tools to enhance the performance of their teams.

Strategic Report
Principal risks and uncertainties

Our principle risks and uncertainties in delivering our strategic objectives are set out below:

Excellent customer experience every time

Risks relating to the delivery of improved customer satisfaction

During the year, we approved our Customer Experience Strategy which sets out how we are going to enhance our customer experience from now until 2020. As detailed in the previous section, we are currently in the process of re-procuring - and will soon be mobilising - our repairs and maintenance contract, and we are undertaking projects to enhance our tenancy and neighbourhood management services and service charge processes.

In order to mitigate the risk of these activities not being delivered in the optimal way, all projects are being overseen by our newly established Project Management Office (PMO). The PMO framework and methodology will ensure that appropriate governance arrangements are put in place throughout the planning and delivery of these key projects.

Provision of more quality homes and great places to live

Risks relating to the delivery of new homes and sales, resulting in financial underperformance

All development schemes go through a comprehensive feasibility assessment, undertaken independently by our Financial Planning & Analysis Team. This process involves stress testing schemes and ensuring that tenure mix, and scheme viability, is optimised before presenting a case to our Risk and Opportunities Executive Board (ROEB) for approval and thereafter to our Development Committee and Board as appropriate.

Progress towards delivering our development programme is monitored closely by ROEB, our Development Committee and Board. Challenge and scrutiny around the development programme is rigorous, and action is taken to ensure that the programme remains on track.

Risks relating to the funding of our growth strategy

As outlined in the Chair's statement, this year we launched our first public bond, which raised £250 million towards our development ambitions. In addition to this, our Treasury Team, governed by our Treasury Committee, manage cash flow and financial headroom, and provide assurance that we have sufficient funds to deliver our Growth Strategy and meet all of our covenants.

High business performance

Risks relating to the necessary IT resilience and cyber security threats

We have taken measures to enhance our system security and have updated, and stress tested, our business continuity plans. This will provide assurance that we can continue to operate if our security is breached, or our systems are not functioning properly.

Great people, great place to work

Risks relating to the attraction and retention of high quality employees, and the impact on delivery of our strategic objectives

The competitive recruitment market and the location of our main offices outside of central London means that recruitment of the best people can be challenging. A number of measures have been taken to mitigate this risk, including a pay review aligning our employee's salaries to independently sourced external benchmarks.

In addition, we continue to take measures to ensure that Catalyst is a great place to work and that our people reach their full potential. We have designed corporate and local action plans to enhance employee engagement, which will be implemented over the coming months. We will be delivering a leadership development programme to our heads of service across the business, which will not only help us develop these employees, but also drive performance across the whole organisation.

Catalyst employee

Catalyst resident

Strategic Report
Performance highlights

Sustainability

Catalyst places sustainability at the heart of our business and embraces the need for change in order to meet the challenges of climate change and availability of resources. We have set key targets in reducing carbon emissions, implementing effective waste management strategies, engaging with our supply chain, increasing awareness and promoting sustainable behaviour change for both residents and staff.

Our Sustainability Strategy focuses on three key areas of work – our homes, our communities and our business.

Homes

Catalyst is committed to building and managing sustainable, low or zero energy homes. Our new homes incorporate technologies such as energy efficient and sustainable drainage systems, and achieve a minimum Energy Performance Certificate (EPC) ‘B’ rating. For our existing homes, we aim to achieve a minimum EPC ‘C’ rating through new heating systems, insulation and other technologies.

Communities

Catalyst aims to create sustainable communities where residents can lead happy, healthy and sustainable lifestyles. We support our residents through our energy advice services, cycle maintenance sessions and by growing food in our community gardens. We have developed new partnerships to improve our energy advice service, helping customers to reduce their energy bills by around £120 per household per year, totalling around £60,000 of annual energy savings.

Business

Catalyst aspires to be a truly sustainable business that is working towards a zero carbon footprint, and provides staff with a happy, healthy and sustainable workplace.
Catalyst currently holds Gold status in the Sustainable Homes Index for Tomorrow (SHIFT) Accreditation scheme for the housing sector, with the aim to achieve SHIFT Platinum by 2020.

Catalyst Gateway - enhancing our communities

Catalyst Gateway is the social investment arm of Catalyst Housing. There are three main strands of work undertaken by Catalyst Gateway:

- our ‘individual offer’, which involves one-to-one support for our customers;
- our ‘neighbourhood offer’, which involves working with local partners and residents in priority neighbourhoods to deliver community projects;
- our grant giving body, Catalyst Housing Charitable Trust, which gives individual grants to enable residents or community groups to experience new opportunities, learn a skill, or overcome hardship.

Total number of households advised on energy saving

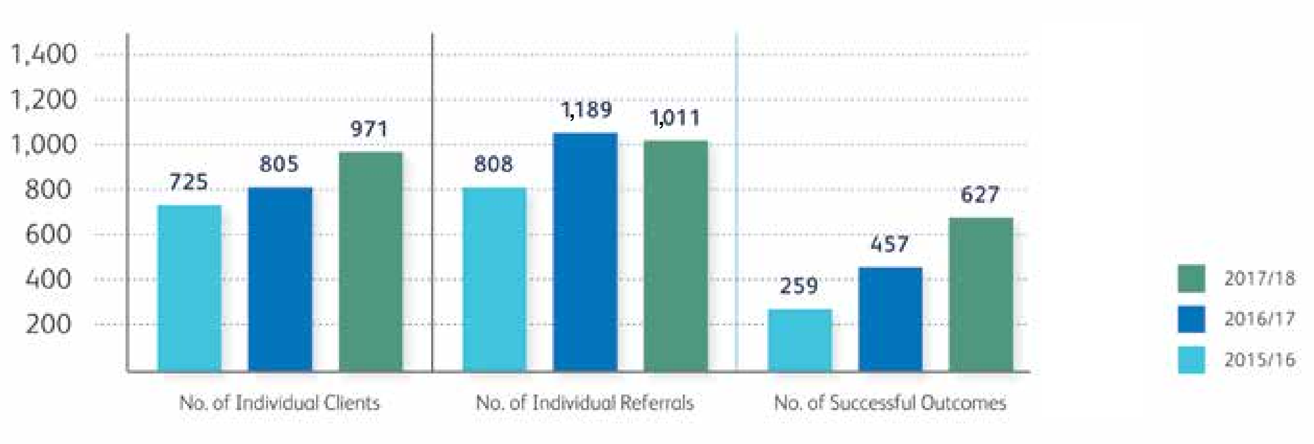
Strategic Report
Performance highlights

Our individual offer

The Catalyst Gateway 'individual offer' involves one-to-one support for our customers to help them succeed in their tenancies. Customers are helped to find jobs or access training, shown how to deal with household bills, given budgeting advice and are supported with lifestyle issues.

Over the past year, we have seen a 20% increase in the number of customers using Catalyst Gateway services. This means that we have managed to provide support to over 970 customers and achieved a positive outcome for 65% of them, which is an increase on last year. The graph below shows the uptake and successful outcomes achieved as part of the 'individual offer' during 2017/18.

Customer Interactions and Successful Outcomes

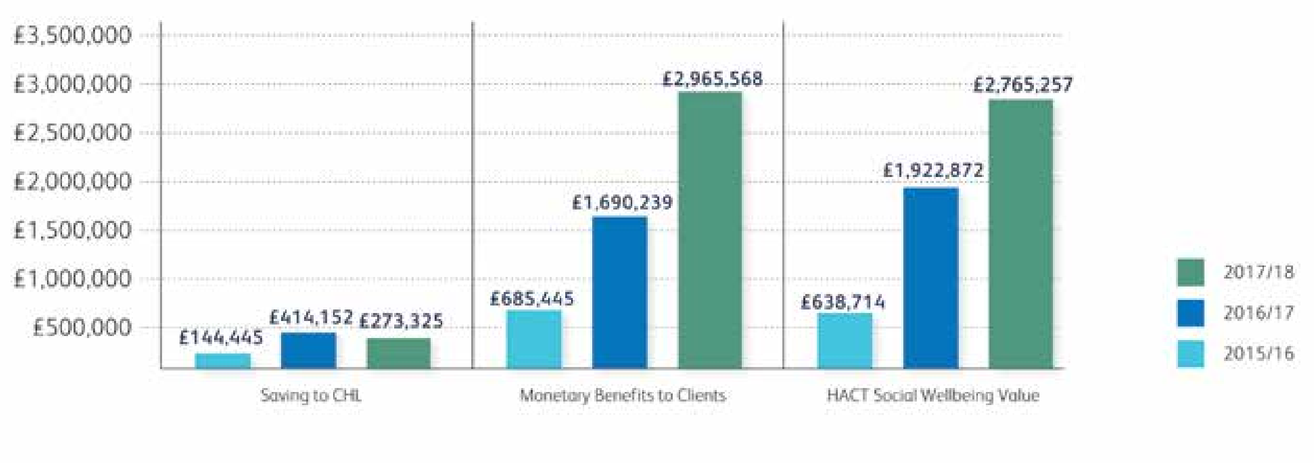


In terms of real outcomes, our 'individual offer' has:

- enhanced customers income by £2.9m by providing training, improving skills and helping to find jobs
- saved Catalyst £273,325 by supporting customers with their budgeting, reducing rent arrears and preventing evictions
- generated £2.7m in social value, as calculated by the Housing Association Charitable Trust (HACT) social impact measurement tool

A summary of the benefits delivered for Catalyst and its customers over the last three years is detailed below:

Benefits Delivered



Strategic Report

Performance highlights

Our neighbourhood offer

Catalyst Gateway works with a range of local partners and residents, to strengthen and support community projects. We aim to provide a flexible and innovative approach, offering project development advice and support as well as grant funding, access to community spaces and working with partners on external funding bids.

Over the past year, we delivered 81 community projects in our priority neighbourhoods. These projects cover a wide variety of initiatives and included school holiday programmes which over 1,300 children took part in, and a gym to reduce gang related issues.

These projects have generated further investment in our priority neighbourhoods of over £480,000 from external bodies.

Catalyst Housing Charitable Trust

Catalyst Gateway also helps support residents and community groups through its small grants programme. Grant awards are made to individuals who want to experience a new activity, learn a skill or overcome a hardship. Grants are also made to groups who undertake work to enhance the community or tackle a neighbourhood problem.

Over the last year, we awarded 153 grants totalling £97,000 and have helped:

- 134 residents to learn a new skill, take part in a new activity or overcome a personal hardship
- 12 community groups to do something positive for their neighbourhood
- 7 partnerships formed to tackle a neighbourhood problem

Recognition and awards

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

We were recognised during the year with the following awards:

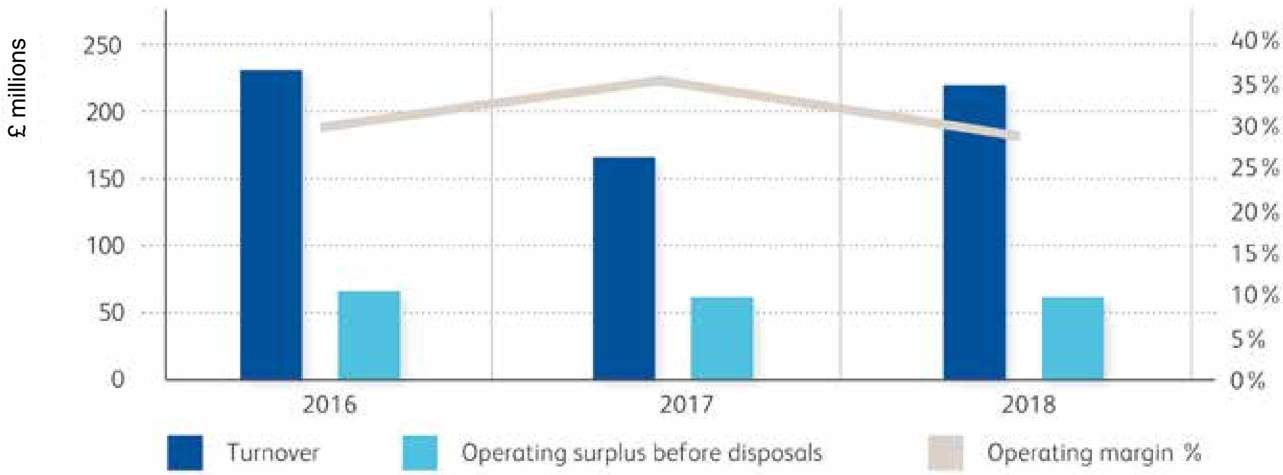
- Ealing Apprenticeship Network Awards – Winner in ‘Large Employer of the Year’ and Catalyst Gateway apprentice Narmeen Tahir won ‘Apprentice of the Year’
- 24Housing Top 50 Social Landlords – 10th
- UK Housing Awards: Portobello Square – Finalist in ‘Outstanding Approach to Regeneration’ category
- National Housing Awards: Coppetts Wood – Finalist in ‘Best Scheme in Planning’ category
- Inside Housing Development Awards: Portobello Square – Finalist in ‘Best Urban Regeneration Project’ and St Bernard’s Gate – Finalist in ‘Best Affordable Development’
- Place West London Awards: Havelock Estate Regeneration - Finalist in ‘Placemaking’ category
- Planning Awards: St Bernard’s Gate – Finalist in ‘Best Use of Brownfield Land in Placemaking’ category
- First Time Buyers Awards: Finalist in ‘Affordable Housing Provider of the Year’ category
- SHIFT Awards: Most Improved Ever SHIFT Landlord (Highly Commended); Best Sustainability Team (Finalist) and Sustainable Housing Provider of the Year (Finalist)

Strategic Report
Financial Review

Consolidated statement of comprehensive income (extract):

£ millions	**2018**	**2017**	**2016**
Turnover	**214.3**	**169.7**	**227.4**
Cost of sales	(60.1)	(15.0)	(61.4)
Operating costs	(91.2)	(94.3)	(96.6)
Operating surplus before disposals	**63.0**	**60.4**	**69.4**
Surplus on disposal of fixed assets	14.9	20.9	22.9
Operating surplus (note 2)	**77.9**	**81.3**	**92.3**
Surplus on disposal of care home (note 7)	2.8	-	-
Share of joint venture operating results	-	0.9	1.2
Net interest payable (note 8)	(26.4)	(16.5)	(20.9)
Movement in fair value of investment properties (note 12)	0.4	4.2	0.3
Surplus for the year (before taxation)	**54.7**	**69.9**	**72.9**
Discontinued operations	-	(0.1)	(2.1)
Taxation on surplus	(0.5)	-	-
Actuarial gain/(loss) on defined pension benefit	5.3	(2.6)	1.9
Total comprehensive income for year	**59.5**	**67.3**	**74.8**
Operating margin % (before disposals)	**29.4%**	**35.6%**	**30.5%**
Social Housing Operating Margin %	**35.5%**	**35.1%**	**32.9%**

Turnover, Operating surplus before disposals and Operating margin trend



Strategic Report

Financial Review

Turnover has risen by £44.6 million in the year as a result of an increase in revenue from the sale of market sale, first tranche shared ownership and fixed equity homes. Our operating surplus before disposals increased by £2.6 million, to £63 million, which represents the additional surpluses we generated from our development activities this year.

Our operating margin decreased from 35.6% in 2017 to 29.4% due to high value, high margin sales at Wornington Green last year that exceeded the margins achieved on development activities this year. Whilst our margins were lower in 2017/18, they were in line with expectations.

Our operating surplus is £3.4 million lower than last year, reflecting a lower surplus from the sale of fixed assets. Disposals of fixed assets were lower than anticipated this year as a result of fewer 'class-c' (poor performing) assets being identified for sale as part of our asset classification programme. Further details of this can be found in our Value for Money Statement on page 26.

The £15.2 million reduction in our net surplus is largely due to higher net interest payable, and a smaller increase in the fair value of our commercial properties than expected. This reflects a reduction in capitalised interest due to delayed development activity, an interest payable adjustment in accordance with FRS102 and the 'effective interest rate' method, as well as a small increase in financing costs due to our recent bond issue. The actual amount of interest paid during the year was £31.7 million (2017: £29.9 million). The weighted average interest rate, or the aggregate rate of interest paid on group borrowings for the year, was 4.4% (2017: 4.6%).

During the year, we sold Sancroft Hall, our residential care scheme in Harrow, adding £2.8m to our surplus for the year. This decision was predominantly made to ensure that our focus continues to be on delivering our core business activities.

Our total comprehensive income of £59.5 million has benefited from an actuarial gain on our defined pension benefit liability of £5.3 million. FRS 102 requires our net defined pension benefit liability to be valued at the reporting date (31st March 2018). This is calculated as the net total of the present value of obligations, under defined benefit plans and the fair value of the defined assets. The actuarial gain is as a result of changes to actuarial assumptions and values that reduce the present value of our plan liabilities.

Treasury

Catalyst is financed by a combination of cash reserves, committed loan facilities, listed bond, private placements and a Social Housing Grant awarded by the RSH (and its predecessors), together with other public subsidies to support our development activities. Debt is secured by way of mortgages on certain housing properties.

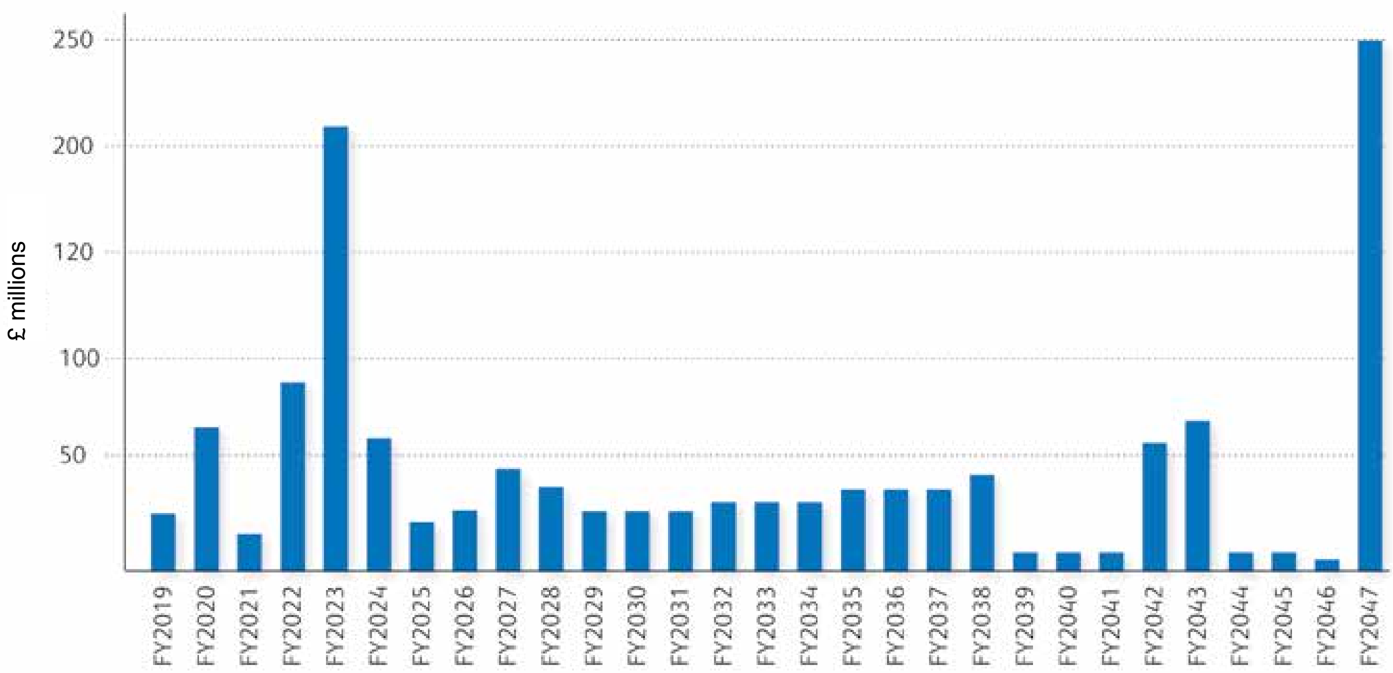
Treasury management for Catalyst is carried out by a centralised treasury function. Its primary responsibilities are to manage the Group's liquidity, interest rate, counterparty and other treasury risks.

The Treasury Committee oversees treasury activities and makes recommendations to the Board on debt financing.

For the year ended 31 March 2018, the Group had total committed loan facilities of £1,133.7 million with £664.8 million drawn down. Approximately 97% (2017: 85%) of the loan portfolio is subject to fixed rate interest arrangements.

Strategic Report
Financial Review

Facilities maturing



Cash flows

The principal cash outflows of the Group support development and asset management activities, on which it expended £128.1 million in the year, are £24.3 million higher than in the previous year. Overall, the Group net cash outflow amounted to £61 million.

Current liquidity

On the 31 March 2018, the Group held deposits of £49.8 million. Additionally, £7.3 million of other cash amounts were held as debt service reserves, sinking and leaseholder funds.

Going concern

The Board, with the Treasury Committee, keeps liquidity under constant review. This is a process that involves the consideration of short and medium-term cash flow projections, as well as long-term business plans, in order 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.

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 Homes and Communities Agency's top rating for viability.

Post balance sheet events

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in them.

Dickens Yard, Ealing

Value for Money

Introduction

The post-Brexit era coupled with the continued effect of the 1% rent reduction introduced in April 2016 has created both political and financial uncertainty for RPs. Despite this, our approach to delivering value for money has allowed us to achieve a strong financial performance in our social housing activities for the 2017/18 financial year, while building strong foundations for the achievement of our 2020 goals.

We define value for money as 'using our resources to deliver more of what our customers value'. We strive to build as many high quality homes as possible and to deliver an excellent customer experience every time.

The Regulator of Social Housing (RSH) introduced a new Value for Money Standard and Code from 1 April 2018, which applies to 2017/18 statutory accounts due for submission by 30 September 2018. We welcome the new Standard and Code and believe that the introduction of seven core value for money metrics will foster greater consistency and transparency in reporting across the sector.

In accordance with the new Standard and Code, our Value for Money Statement sets out our performance against our strategic objectives using our own value for money metrics, those we measure as part of our involvement in the sector scorecard working group and the seven core metrics defined by the RSH.

Excellent customer experience every time

	2018	2017	2016	2017 G15 average	2017 Sector scorecard
Customer satisfaction with service provided by landlord	71.6%	74.5%	76.1%	76%	86.6%

While we are disappointed that customer satisfaction has declined again this year, we have laid solid foundations in 2017/18 which will ensure we are well placed to deliver a comprehensive improvement programme in 2018/19.

We have:

- significantly strengthened the leadership and expertise of our Customer Services Team through the appointment of a Director of Customer Experience and a Director of Housing and Neighbourhoods;
- finalised strategies for Customer Experience and Neighbourhood Experience, which will deliver tangible improvements. These strategies spell out the future in terms of how we will interact and provide services to our customers, with the aim of being easier to do business with, more reliable delivering against our promises and empathetic with our customers. These are the things our customers have told us are most important to them;
- undertaken a significant piece of work to re-procure our repairs contracts with a view to ensuring that contracts are structured and run to provide better services for our customers.

There were encouraging signs of an uptick in customer satisfaction in the final months of the financial year which we are determined to sustain in 2018/19.

As detailed in the Strategic Report, our key focus in the coming year is around improving our service delivery particularly in respect of repairs and maintenance, tenancy and neighbourhood services and service charges.

Value for Money

Provision of more quality homes and great places to live

Development and investment in homes

	2018	2017	2016	2017 Sector scorecard
Units developed	566	228	613	40
Reinvestment %	7.8%	4.6%	6.2%	n/a
New supply delivered % (social housing units)	2.1%	0.9%	2.6%	n/a
New supply delivered % (non-social housing units)	0.7%	0.3%	0.6%	n/a
Gearing	29.1%	28.4%	27.0%	41.6%

We completed 566 homes during the financial year compared to 228 last financial year, demonstrating our commitment to build more quality homes and great places to live. We continue to strengthen our development pipeline by acquiring sites and establishing partnerships, including entering into joint venture arrangements. We are focused on creating a pipeline that can support our 2020 goal of developing 1,000 homes per year. During 2018/19, we anticipate that our pipeline will increase by another c2,500 units through a mix of short term and strategic additions.

Our reinvestment (calculated as the cost of investment in new and existing homes as a percentage of the total value of properties) has increased from 4.6% to 7.8%. This reflects the investment we have made in new homes and building our development pipeline, as well as our commitment to invest in the upkeep and long-term viability of our property portfolio, as part of our Asset Management Strategy. New supply delivered (calculated as the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end) has increased for both social and non-social units. Our business model and growth strategy relies on investing in, and selling, non-social units in order to generate the surplus to invest in more affordable homes.

As mentioned in the Chair’s Statement, we launched our first public bond during the financial year, a £250 million bond at a coupon rate of 3.125% over a 30 year term. This issuance will allow us to deliver enhanced value in the expansion of our development pipeline and achievement of our 2020 development ambitions.

Our gearing level (net debt and finance leases divided by the carrying value of housing properties x 100) is marginally higher than last financial year at 29.1% but remains well below the sector scorecard median, demonstrating our capacity to grow.

Effective Asset Management

	2018	2017	2016	2017 G15 average	2017 Sector scorecard
Return on capital employed	3.5%	3.8%	4.3%	3.9%	4.0%
Occupancy	100%	100%	100%	n/a	99.5%
Ratio of responsive repairs/planned maintenance	0.50	0.41	0.37	0.64	0.68

Value for Money

Our return on capital employed (ROCE) (calculated as operating surplus + surplus on disposal of fixed assets + share of surplus in joint ventures divided by capital employed x 100) has fallen marginally year on year and remains below the sector average. The main reason for this is uncertainty in the housing market, resulting in fewer sales than anticipated during the financial year and therefore more assets being held at year end.

In addition to this, we disposed of fewer properties than anticipated during the year due to void properties not meeting our ‘c-class’ (poor performing) asset classification. Instead of selling these assets, we made the decision to re-fit and re-let them, having identified that this would generate a more favourable long-term financial outcome.

Occupancy levels (calculated as the proportion of available general needs units that are let) have remained stable at 100%, indicating that our homes are desirable to our customers and that homes available to be let are let quickly, optimising our financial return. During the year, we reduced our void turnaround time by c67% as a result of the work undertaken by our dedicated Service Improvement Group.

Our responsive repairs to planned maintenance ratio increased from 41% to 50% this year as a result of additional fire safety precautionary measures being taken on our higher risk properties following the Grenfell tragedy. Our investment in major and planned works remains proportionally higher than our G15 peers and is in accordance with our Asset Management Strategy, which is focused on investing in the long-term viability of our property portfolio.

Investment in the community

£’000	2018	2017	2016
Invested in communities	2,525	2,229	2,033

As outlined in the Strategic Report, our social investment arm, Catalyst Gateway, delivers a range of services to enhance the life chances of our customers and improve our communities. Our funding of these services, which increased by c£300k this year, has enabled us to extend our reach to nearly 1,000 customers and has generated a social return of £2.7 million as calculated using the definition provided by the Housing Association Charitable Trust (HACT).

High business performance

	2018	2017	2016	2017 G15 average	2017 Sector scorecard
Operating margin (overall)	29.4%	35.6%	30.5%	33%	30.3%
Operating margin (social housing lettings)	35.5%	35.1%	32.9%	37%	31.6%
EBITDA MRI	187.6%	234.9%	221.2%	217%	227.6%

Our overall operating margin has fallen from 35.6% to 29.4%, predominantly as a result of our development activities not generating the operating surplus that we anticipated. High return schemes sold last financial year, delays in respect of construction and an uncertain housing market have all contributed to this undesirable outcome. In contrast, our operating margin for social housing lettings (operating surplus on social lettings divided by turnover from social housing lettings x 100) has continued to increase and reached 35.5% during the 2017/18 financial year. Our ongoing drive to increase the efficiency of our customer services and central services teams and the creation and embedding of a central procurement team has contributed towards cost savings in respect of our core landlord activities.

Value for Money

EBITDA MRI interest cover % (Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included as a % of interest payments) is used to measure our ability to pay the interest on the funds that we have borrowed to run our business.

Our EBITDA MRI % has reduced from 234.9% to 187.6% as a result of our lower than anticipated surplus on development activities and the additional financing costs related to our bond issue.

Operating efficiencies

	2018	2017	2016	2017 Sector scorecard
Headline social housing cost per unit (£)	4,287	4,638	4,728	3,306
Rent collected	99.5%	99.5%	100.1%	99.7%
Overheads % adjusted turnover	13.5%	16.5%	9.9%	12.3%

Our headline social housing cost per unit has fallen year on year to £4,287 and is below the G15 average of £4,398. Our overheads as a % of turnover have also fallen by 3% to 13.5%. We continually challenge the way we run our business and strive to deliver efficiencies that can contribute towards our social purpose.

Moving forward, we believe that there are more opportunities to reduce our social housing costs. We have embedded our new Procurement Team within the business and are in the process of finalising our 'procurement pipeline', which will set out how we intend to deliver savings across our procurement activities over the next two years. In addition to this, we are implementing more rigorous financial management practices, have redefined our budget-setting and reforecasting processes and are embedding a stronger finance business partnering capability to drive value across all parts of the organisation.

Rent collected remains high and has improved marginally compared to last year. Catalyst Gateway do a lot of work with our customers to support them with budgeting and managing their finances, which helps reduce rent arrears. We have also taken measures to enhance our internal rent collection processes.

Great people, great place to work

	2018	2017	2016
Employee engagement	656.6	642.9	n/a
Stability index	82%	68%	79%
% time lost to sickness	2.8%	4.4%	4.6%

We recognise that one of the keys to unlocking value for money is attracting and retaining the right people to our organisation. During the year, our employee engagement (the average score achieved on our Best Companies questionnaire), stability index (the % of people at year end with in excess of one year's service) and time lost to sickness (number of sick days/total number of working days available) all showed significant improvements, indicating that we are creating a positive working environment that encourages our people to perform to their potential. In addition to this, from a total of 798 applications, we were ranked number 83 in the Sunday Times Best Companies 100 in the not-for-profit category.


Friary Park Summer Programme

Governance
Board and management

Catalyst Housing Limited Board

The Catalyst Housing Limited Board determines and monitors the strategic direction of the association, sets corporate targets, monitors performance against those targets and upholds Catalyst's aims and values. It comprises a minimum of seven and a maximum of twelve members. These include a minimum of six independent members. The composition reflects the skill requirements agreed by the Governance Committee, which includes the skills necessary to chair committees. Board members are listed on page 4 of the report and accounts.

Role of the Board

On 31 March 2018, the Catalyst Housing Limited Board comprised ten non-executive members and one co-opted executive member. The Board meets at least six times a year and its composition is intended to ensure that it is informed by resident views, and enhanced by independent perspectives.

Standing committees

The Board has five standing committees:

Audit and Risk Committee

The role of the Audit and Risk Committee is to monitor the integrity of accounts, and review the effectiveness of internal control systems including management, operational and financial controls. As part of this work, the committee monitors the terms of appointment and work of both the internal and external auditors, and has a direct and regular line of communication with the auditors. The members are listed on page 4 of the report and accounts.

Treasury Committee

The role of the Treasury Committee is to develop a treasury risk management framework and provide oversight of treasury matters in Catalyst. In particular, it ensures that Catalyst adopts sound treasury management, investment policies and strategies. The members are listed on page 4 of the report and accounts.

Governance and Remuneration Committee

The role of the Governance Committee is to review the effectiveness of governance arrangements, board composition, and succession and remuneration including approving the pay award and senior employee pay. The members are listed on page 4 of the report and accounts.

Customer Experience Committee

The role of the Customer Experience Committee is to take responsibility for the oversight of all customer related policies, practice and service outcomes. They report back to the Board on issues of concern about the quality of the customer experience, and make recommendations for any future changes to strategy, policy or practice. The members are listed on page 4 of the report and accounts.

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. They also scrutinise regeneration projects, land banking activity and any other commercial development activities. The members are listed on page 4 of the report and accounts.

Leadership Team

The members of the Leadership Team are listed on page 4. They act as executives within the authority delegated by the Board, which includes detailed scrutiny of performance, the development of policy and procedures, and expenditure approvals within budget. The team meets formally at least twice a month.

The Board is responsible for determining the terms and conditions of (employment of) the Leadership Team, ensuring that they are fairly rewarded for their contribution to Catalyst's overall performance. The general terms and conditions of service of the Leadership Team are identical to those of all other employees, and they hold no interest in any of Catalyst's share capital.

Employees

Information on the costs and number of employees is provided in note 5 of the accounts.

Catalyst provides all employees with information on business performance, and the financial and economic factors affecting performance on a regular basis. Through the Information and

Governance
Board and management

Consultation Committee (ICC), representing employees across the organisation, 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 on the basis of qualifications, skills and experience relevant to the role. We value all our employees and are committed to providing a great place to work in respect of career development, wellbeing and work-life balance.

Information and Consultation Committee

The Information and Consultation Committee is a group of employee representatives who act as a channel of communication between employees and the Leadership Team. The Committee's purpose is to ensure that the opinions of our workforce are represented to the Leadership Team, and to enable full consultation and feedback on key business matters.

Internal controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control to all companies, including unregistered subsidiaries. The Board's responsibility extends over matters covering strategic, operational, financial, risk and compliance issues.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of Catalyst's assets and interests, as well as the prevention of fraud.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to Catalyst.

The Board has a current strategy and policy on fraud covering prevention, detection and reporting of fraud, and the recovery of assets. An anti-fraud and corruption policy, and a whistle-blowing policy are also in place, with regular training delivered to employees across the business.

Internal controls assurance

Board meetings are held regularly and there is a defined schedule of matters reserved for decision by the Board. The process adopted by the Board in reviewing the effectiveness of the systems of internal control, together with some of the key elements of the control framework, includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of Catalyst's activities. This process is co-ordinated through a reporting framework to the Board. The Leadership Team regularly considers reports on significant risks facing Catalyst, and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. In addition, the Audit and Risk Committee carries out a formal review of the risk map twice a year.

Monitoring and corrective action

A process of controls self-assessment and regular management reporting on control issues provides hierarchical assurance
to successive levels of management, and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the accounts.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework is subject to regular review by internal auditors who are responsible for providing independent assurance to the Board through the Audit and Risk Committee. The Audit and Risk Committee reviews reports received from internal auditors. A formal process exists for the reporting and correction of significant control weaknesses.

In addition to this, the organisation has introduced a system of internal controls self-assessment which is subject to peer review.

Havelock, Southall

Governance
Internal controls

The Board has received the internal auditor's annual report, has conducted its annual review of the effectiveness of the system of internal control, and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by Catalyst. This process has been in place throughout the year under review, up to the date of the annual report, and it is regularly reviewed by the Board. As part of this review, the Board examines the fraud register on a regular basis.

The Leadership Team, through its Fraud Response and Whistleblowing Group, has a duty to report to the Board all cases of fraud and attempted fraud, detailing the nature and extent of the fraud, and any implications for Catalyst's internal controls. The Group also coordinates Catalyst's response to whistleblowing allegations and carries out reviews of internal controls.

Compliance with Governance and Viability Standard

The Board is satisfied that it continues to comply with the requirements of the Social Housing Regulator's Governance and Viability Standard under the Regulatory Framework 2015, during the period under review.

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 Promoting Board Excellence for Housing Associations 2015. A detailed self-assessment has been undertaken against the provisions of the Code during the year. Catalyst complies with the provisions of the Code, with the exception of composition of subsidiary boards which are comprised of executives (B4). This is in line with provision B3 of the Code.

The Code of Governance is supported by a framework of policies and procedures, with which employees and Board members must comply. The framework includes the code of conduct which sets out Catalyst's expectations on the integrity, and conduct, of its employees and board members.

The Board has received assurance and is satisfied that all reasonable steps have been taken to ensure compliance with the requirements of the Governance & Financial Viability Standard under the Regulator of Social Housing Regulatory Framework, during the financial year 2017/18.

Auditors

BDO LLP were the auditors for the year and their independent report is included at pages 36 and 39.

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

Governance

Board members' responsibilities

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 2015. 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 Update 2014.

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, Chair, Catalyst Housing Limited

Date: 6 July 2018

Trinity Square, Finchley

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 ("the Group") for the year ended 31 March 2018, which comprise the Consolidated and Association statement of comprehensive income, the Consolidated and Association statement of financial position, the Consolidated and Association statement of changes in equity, the Consolidated cash flow statement 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 2018, 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 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Net realisable value of housing properties developed for sale

A number of housing properties developed for sale were either under construction at the year-end or completed and available for sale. For all housing properties developed for sale management, a review of their net realisable value has performed, making use of external valuations.

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

Due to the level of judgement involved in estimating recoverable amounts, whether through sale or use, and costs to complete partially built properties, we consider the recoverable amount of properties under development to be a significant risk and therefore a key audit matter.

Our response to the risks identified

We have obtained management's assessment of the recoverable amount of housing properties under development. This assessment sets out expected sales proceeds and expected costs to complete the properties, both of which involve judgement.

For a sample of the expected proceeds from the sale of such properties we have agreed the amounts involved to third party valuations or post year end sales. We have identified the third party valuer and checked that their expertise, and work, was suitable for our purposes.

For a sample of properties under development, we obtained details of the expected costs to complete from the 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.

The sample was chosen from the population of items that included (but was not limited to) developments for which impairment had already been identified by management.

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 £36,000,000 (2017 – £34,428,000) which represents 1.5% of total assets (2017 – 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, amortisation, impairment, gift aid receipts and the net profit/loss on non-outright sale properties. The specific materiality level that we applied was £7,511,000 (2017 – £2,702,000), which is 7.5 % of adjusted operating profit (2017 – 3.5%).

We used total 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 £36,000,000 (2017 – £34,211,000) with a specific materiality set at £6,122,000 (2017 – £2,218,000).

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 75% (2017 – 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 Audit and Risk Committee that misstatements in excess of £720,000 for areas considered using financial statement materiality, and £150,000 for areas

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

considered using specific materiality (2017 – £450,000/ £44,000), 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.

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. The only significant component for group purposes was the parent entity.

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 including the Strategic Report, the report on Value for Money, the report on Governance 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 Board members' responsibilities statement set out on page 34, 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

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

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.

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 12 years, covering the years ending 31 March 2007 to 31 March 2018.

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 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: 18/07/2018

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	Total 2018 £'000	Continued Operations 2017 £'000	Discontinued Operations 2017 £'000	Total 2017 £'000
Turnover	2	214,279	167,211	2,466	169,677
Cost of sales	2	(60,086)	(14,953)	-	(14,953)
Operating costs	2	(91,236)	(91,705)	(2,580)	(94,285)
Surplus on disposal of fixed assets	7	14,865	20,920	-	20,920
Operating surplus	**2,6**	**77,822**	**81,473**	**(114)**	**81,359**
Surplus/(loss) on disposal of care homes	7	2,841	(55)	-	(55)
Share of (loss)/surplus in joint venture	15	(108)	914	-	914
Other interest receivable and similar income		152	194	-	194
Interest and financing costs	8	(26,465)	(16,741)	-	(16,741)
Movement in fair value of investment properties	12	399	4,257	-	4,257
Surplus before taxation		**54,641**	**70,042**	**(114)**	**69,928**
Taxation on surplus	9	(474)	-	-	-
Surplus for the financial year		**54,167**	**70,042**	**(114)**	**69,928**
Actuarial gain/(loss) on defined benefit pension scheme	26	5,338	(2,643)	-	(2,643)
Total comprehensive income for year		**59,505**	**67,399**	**(114)**	**67,285**

The notes on page 46 to 88 form part of these financial statements.

Association statement of comprehensive income

Year ended 31 March

	Note	Total 2018 £'000	Continued Operations 2017 £'000	Discontinued Operations 2017 £'000	Total 2017 £'000
Turnover	2	173,793	160,747	2,657	163,404
Cost of sales	2	(21,756)	(6,456)	-	(6,456)
Operating costs	2	(92,273)	(92,390)	(2,777)	(95,167)
Surplus on disposal of fixed assets	7	16,730	21,579	-	21,579
Operating surplus	**2,6**	**76,494**	**83,480**	**(120)**	**83,360**
Surplus/(loss) on disposal of care homes	7	2,841	(55)	-	(55)
Other interest receivable and similar income		3,759	2,681	-	2,681
Interest and financing costs	8	(26,527)	(17,264)	-	(17,264)
Movement in fair value of investment properties	12	399	4,257	-	4,257
Surplus before taxation		**56,966**	**73,099**	**(120)**	**72,979**
Taxation on surplus	9	(474)	-	-	-
Surplus for the financial year		**56,492**	**73,099**	**(120)**	**72,979**
Actuarial gain/(loss) on defined benefit pension scheme	26	5,338	(2,643)	-	(2,643)
Total comprehensive income for year		**61,830**	**70,456**	**(120)**	**70,336**

The notes on page 46 to 88 form part of these financial statements.

Consolidated and Association balance sheets
as at 31 March

		Consolidated		Association	
	Note	2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets - housing properties	10	2,042,237	1,968,681	2,061,936	1,987,704
Tangible fixed assets – other	11	8,109	9,286	7,758	8,930
Investment properties	12	23,616	19,131	23,616	19,131
Investments – homebuy loans	13	84,507	93,119	84,507	93,119
Investments – other	14	-	-	-	-
Investments – joint ventures	15	29,900	109	-	-
		2,188,369	2,090,326	2,177,817	2,108,884
Current assets					
Stocks	16	127,568	120,747	78,671	55,447
Debtors - receivable within one year	17	25,415	26,293	108,577	98,371
Cash and cash equivalents	18	56,928	32,422	44,564	16,020
		209,911	179,462	231,812	169,838
Creditors: amounts falling due within one year	19	(104,504)	(118,184)	(93,473)	(106,632)
Net current assets		105,407	61,278	138,339	63,206
Total assets less current liabilities		2,293,776	2,151,604	2,316,156	2,172,090
Creditors: amounts falling due after more than one year	20	(840,183)	(750,257)	(839,667)	(750,172)
Net assets excluding pension liability		1,453,593	1,401,347	1,476,489	1,421,918
Pension liability	26	(702)	(7,961)	(702)	(7,961)
Net assets		1,452,891	1,393,386	1,475,787	1,413,957
Capital and reserves					
Called-up share capital	27	-	-	-	-
Income and expenditure reserve		1,054,823	995,142	1,082,420	1,020,498
Revaluation reserve		398,068	398,160	393,367	393,459
Restricted reserve		-	84	-	-
		1,452,891	1,393,386	1,475,787	1,413,957

The notes on page 46 to 88 form part of these financial statements.
The financial statements were approved by the Board and authorised for issue on 6 July 2018 and signed on their behalf by:

Richard Brown
Chairman

Rod Cahill
Co-optee

Sophie Atkinson
Company Secretary

Consolidated statement of changes in reserves

Year ended 31 March 2018

	Income and expenditure reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2017	995,142	398,160	84	1,393,386
Surplus/(deficit) for the year	54,251	-	(84)	54,167
Actuarial gain on defined benefit pension scheme	5,338	-	-	5,338
Taxation in respect of items of comprehensive income	-	-	-	-
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	92	(92)	-	-
Balance at 31 March 2018	1,054,823	398,068	-	1,452,891

Year ended 31 March 2017

	Income and expenditure reserve	Revaluation reserve	Restricted reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2016	927,613	398,404	84	1,326,101
Surplus for the year	69,928	-	-	69,928
Actuarial loss on defined benefit pension scheme	(2,643)	-	-	(2,643)
Taxation in respect of items of comprehensive income	-	-		-
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	244	(244)	-	-
Balance at 31 March 2017	995,142	398,160	84	1,393,386

The notes on page 46 to 88 form part of these financial statements.

Association statement of changes in reserves

Year ended 31 March 2018

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2017	1,020,498	393,459	-	1,413,957
Surplus/(deficit) for the year	56,492	-	-	56,492
Actuarial gain on defined benefit pension scheme	5,338	-	-	5,338
Taxation in respect of items of comprehensive income	-	-	-	-
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	92	(92)	-	-
Balance at 31 March 2018	1,082,420	393,367	-	1,475,787

Year ended 31 March 2017

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2016	949,918	393,703	-	1,343,621
Surplus for the year	72,979	-	-	72,979
Actuarial loss on defined benefit pension scheme	(2,643)	-	-	(2,643)
Taxation in respect of items of comprehensive income	-	-	-	-
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	244	(244)	-	-
Balance at 31 March 2017	1,020,498	393,459	-	1,413,957

The notes on page 46 to 88 form part of these financial statements.

Consolidated statement of cash flows

Year ended 31 March

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Surplus for the financial year		54,167	69,928
Adjustments for:			
Depreciation of fixed assets – housing properties	10	20,481	19,374
Depreciation on replaced components	3	2,222	1,568
Depreciation of fixed assets – other	11	2,561	2,303
Amortised grant	3	(4,363)	(5,632)
Share of loss/(surplus) in joint venture	15	108	(914)
Interest payable and finance costs	8	26,465	16,741
Interest received		(152)	(194)
Movement in fair value of investment properties	12	(399)	(4,257)
Impairment	10	-	1,452
Provision against properties held for sale	6	3,334	1,023
Surplus on the sale of fixed assets – housing properties	7	(12,614)	(14,577)
Surplus on the sale of fixed assets – homebuy	7	(5,092)	(6,288)
Proceeds from sale of fixed assets net of selling cost – housing properties	7	29,381	35,973
Proceeds from sale of fixed assets net of selling cost – homebuy	7	15,072	18,741
Difference in net pension expense and liability	26	(1,921)	(1,318)
Movement in trade and other debtors		(958)	(7,048)
Movement in stock		48,874	(10,535)
Movement in trade and other creditors		3,500	(9,421)
Cash from operations		180,666	106,919
Taxation paid	9	296	-
Net cash generated from operating activities		180,962	106,919
Cash flows from investing activities			
Purchase of fixed assets - housing properties	10	(161,446)	(117,076)
Purchases of fixed assets - other	11,12	(5,470)	(4,302)
Investment in joint venture		(30,000)	-
Homebuy loans issued	13	(1,459)	(519)
Received grant	21	10,730	729
Repaid grant	22	(667)	(3,305)
Interest received		152	194
Net cash used in investing activities		(188,160)	(124,279)
Cash flows from financing activities			
Interest paid		(31,673)	(29,871)
New loans – other	24	166,000	10,000
Debt issue costs	24	(3,510)	-
Repayment of loans – bank	24	(104,550)	(23,740)
Net cash received from/(used in) financing activities		26,267	(43,611)
Net increase/(decrease) in cash and cash equivalents		19,069	(60,971)
Cash and cash equivalents at beginning of year		32,412	93,383
Cash and cash equivalents at end of year		51,481	32,412

The notes on page 46 to 88 form part of these financial statements.

Notes to the accounts

Notes to the accounts

1. Accounting policies

The association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014, and is registered with the Homes and Communities Agency as a social housing provider. It is 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.

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice), which for Catalyst Housing Limited includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), FRS 102 'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, 'Accounting by Registered Social Housing Providers' 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the Group's accounting policies.

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.

The following principal accounting policies have been applied.

1.1 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 therefore eliminated in full. A list of subsidiary undertakings of the association is included in note 14.

In accordance with FRS 102, jointly controlled entities, which is the parent company's indirect investment in Dee Park Partnership LLP and Merton Catalyst LLP, is shown under investments in the balance sheet at cost less any accumulated impairment losses and using the equity method on consolidation. The Group's share of joint venture profit or loss for the year is included in the statement of comprehensive income.

Catalyst has made a strategic decision to withdraw from the care homes market and the financial results of this business have been included within discontinued operations. On 17 October 2016, Catalyst entered into a lease agreement with Gold Care Limited to dispose of Acton Care Centre. The disposal was recognised in 2016/17 accounts. The disposal of Sancroft Hall is recognised in 2017/18 accounts.

1.2 Business combinations

Where there is a business combination that is in substance a gift, any excess of fair value over the assets received over the fair value of the liabilities assumed is recognised as a gain in income and expenditure. 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 has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102.

1.3 Income

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 available for letting);

Notes to the accounts

1. Accounting policies (continued)

- first tranche sales of low-cost home ownership housing properties developed for sale;
- service charges receivable (see note 1.4);
- income from Homebuy activities (see note 1.28);
- amortisation of government grants and other grants receivable (see note 1.21);
- 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. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

1.4 Service charges

The Group adopts 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.

1.5 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.

1.6 Schemes managed by agents

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

1.7 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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
- 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.

1.8 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 to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income.

1.9 Finance costs

Finance costs are charged to profit or loss 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.

Notes to the accounts

1. Accounting policies (continued)

1.10 Qualifying charitable donations

Taxable profits transferred from subsidiaries to the association are recognised as income, when a subsidiary has made an irrevocable commitment to the association to pay the donation.

1.11 Pension costs

Contributions to the Group's 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 Group's 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.

1.12 Tangible fixed assets – housing properties

Housing properties 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).

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 includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is ongoing and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

The cost of mixed developments are split, with social housing held within property plant and equipment, and accounted for at cost, less depreciation, and commercial elements held as investment properties.

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 PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

When housing properties are developed for sale to another social landlord, the cost is dealt with in current assets under housing properties and stock for sale.

Completed housing properties acquired from subsidiaries are valued at cost.

1.13 Deemed cost and revaluation reserves 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 an EUV-SH basis. Housing properties will subsequently be 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.

1.14 Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Notes to the accounts

1. Accounting policies (continued)

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the expected annual depreciation charge for such assets is considered material, individually or in aggregate.

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.

The cost of all other housing property and components is depreciated over the useful economic lives of the assets on the following basis:

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life, as follows:

Description	Economic useful life (years)
Structure *	100
Kitchen	20
Bathroom	30
Roofs (pitched)	50
Roofs (flat)	15
Boiler	15
Electrics	30
External windows	30
Communal heating	30
Lifts	15
Windows restoration	10

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. Any difference between the historic annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred from the revaluation reserve for the asset concerned until that reserve is depleted.

1.15 Stock swaps

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.

1.16 Donated land and other assets

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 Shared ownership properties and staircasing

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

*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 the regeneration.

Notes to the accounts

1. Accounting policies (continued)

Low-cost homeownership properties 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 related sales proceeds included in turnover. The remaining element, (the 'staircasing element'), is classified as PPE and included in completed housing property at cost, and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated, and any abatement is credited in the sale account in arriving at the surplus or deficit.

Low-cost home 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.

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.

1.18 Allocation of costs for mixed tenure and shared ownership developments

Costs are 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.

1.19 Tangible fixed assets – other

Other tangible fixed assets, other than investment properties, 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.

The Group adds to the carrying amount of an item of fixed assets, the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1.20 Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range is as follows:

Description	Economic useful life (years)
Freehold office premises	50
Leasehold office premises, other leased assets	Lease term
Motor vehicles	5
Furniture and computer equipment	3-5
Major business systems	5

Depreciation is charged on the 'Diamond programme' which forms part of the overall information system and technology strategy on the straight-line basis, over an expected useful life of seven years.

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

1.21 Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. 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.

Notes to the accounts

1. Accounting policies (continued)

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet, and released to the income and expenditure account on a systematic basis, over the useful economic lives of the asset for which it was received.

In accordance with Housing SORP 2014, the useful economic life of the housing property structure has been selected (see table of useful economic lives above). For shared ownership properties, the useful economic life is considered to be the average length of time a property is held from being first brought into use, until being fully staircased. This has been calculated as an average of seven years.

Where 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. 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 income and expenditure account.

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

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

1.22 Recycled capital grant fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the RSH 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, it will be repayable to the RSH 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’.

1.23 Disposal proceeds fund

Receipts 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. The sales receipts less eligible expenses are credited to the disposal proceeds fund. Any sales receipts, less eligible expenses held within the disposal proceeds 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’.

1.24 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.

1.25 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. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment.

The recoverable amount is taken to be the higher of the fair value, less costs to sell or value, in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets, or cash generating units concerned, or the present value of future cash flows to be derived from them, appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

Notes to the accounts

1. Accounting policies (continued)

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. 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 income and expenditure.

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

1.26 Stock

Stock represents work in progress and completed properties, including 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 overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

1.27 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.

1.28 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 which 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 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.

Notes to the accounts
1. Accounting policies (continued)

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.

1.29 Loans, investments and short term deposits

All loans, 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 cost). 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. Loans and investments that are payable or receivable within one year are not discounted.

1.30 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

1.31 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.

1.32 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 review rather than the term of lease.

1.33 Leasehold sinking funds

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

1.34 Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists which could lead to 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 repayment which is dependent on the disposal of related property.

1.35 Reserves

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

The revaluation reserve is created from surpluses on asset revaluation.

1.36 Judgements in applying accounting policies and key sources of estimation

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 assets. Factors taken into consideration in reaching such a decision include, the economic viability and expected future financial

Notes to the accounts

1. Accounting policies (continued)

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 critical 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 or lease 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.
- Loans with compensation clauses being classified as basic. The Group have two loans that contain such a clause; the RBS £50 million facility (currently undrawn) and private placement £25 million.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 10 and 11), 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.

Notes to the accounts

1. Accounting policies (continued)

- Investment properties (see note 12) 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) (see note 17)
  - JLL inflationary factor (annual rate to September 2017 – 6.1% retail properties)
  - 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:

- 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
- basis of capitalisation for projects. Costs capitalised include direct staff costs and associated costs of development. Indirect central costs incurred are capitalised and estimated, based on the costs that would not have been incurred had there been no development. 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 monthly 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 were obtained from our Treasury Team

  If interest rates were higher by 1% in every period we are required to pay interest at variable rates in the future, the interest expense for the year would have been £5.2 million higher.

Notes to the accounts

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

Consolidated	2018 Turnover £'000	2018 Cost of sales £'000	2018 Operating costs £'000	2018 Surplus/deficit disposal of assets £'000	2018 Operating surplus/ (deficit) £'000
Social housing income and expenditure from lettings (note 3)	123,682	-	(79,751)	-	43,931
Other social housing activities					
Community investments	374	-	(2,525)	-	(2,151)
Marketing	421	-	(1,467)	-	(1,046)
Shared ownership first tranche sales	23,563	(15,813)	-	-	7,750
Staircasing activity on shared ownership	-	-	-	8,758	8,758
Interest and fees on MyChoice Homebuy	962	-	(498)	-	464
Impairment	-	-	-	-	-
Provision against properties held for sale	-	(3,334)	-	-	(3,334)
Surplus on disposal of fixed assets	-	-	-	6,107	6,107
	149,002	(19,147)	(84,241)	14,865	60,479
Non-social housing activities					
Nursing care	-	-	-	-	-
Outright market sales	60,369	(40,939)	(1,837)	-	17,593
Other	4,908	-	(5,158)	-	(250)
Total	214,279	(60,086)	(91,236)	14,865	77,822

Consolidated	2017 Turnover £'000	2017 Cost of sales £'000	2017 Operating costs £'000	2017 Surplus/deficit disposal of assets £'000	2017 Operating surplus/ (deficit) £'000
Social housing income and expenditure from lettings (note 3)	124,644	-	(80,880)	-	43,764
Other social housing activities					
Community investments	121	-	(2,229)	-	(2,108)
Marketing	176	-	(1,389)	-	(1,213)
Shared ownership first tranche sales	7,312	(4,919)	-	-	2,393
Staircasing activity on shared ownership	-	-	-	12,979	12,979
Interest and fees on MyChoice Homebuy	975	-	(315)	-	660
Impairment	-	-	(1,452)	-	(1,452)
Provision against properties held for sale	-	-	-	-	-
Surplus on disposal of fixed assets	-	-	-	7,941	7,941
	133,228	(4,919)	(86,265)	20,920	62,964
Non-social housing activities					
Nursing care	2,658	-	(2,753)	-	(95)
Outright market sales	29,012	(9,011)	(1,624)	-	18,377
Other	4,779	(1,023)	(3,643)	-	113
Total	169,677	(14,953)	(94,285)	20,920	81,359

Notes to the accounts

2. Turnover, cost of sales, operating costs and operating surplus (continued)

Association	2018 Turnover	2018 Cost of sales	2018 Operating costs	2018 Surplus/deficit disposal of assets	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	123,682	-	(79,731)	-	43,951
Other social housing activities					
Qualifying charitable donations	15,003	-	-	-	15,003
Community investments	374	-	(2,525)	-	(2,151)
Marketing	421	-	(1,467)	-	(1,046)
Shared ownership first tranche sales	23,563	(16,967)	-	-	6,596
Staircasing activity on shared ownership	-	-	-	8,624	8,624
Interest and fees on MyChoice Homebuy	962	-	(498)	-	464
Impairment	-	-	-	-	-
Provision against properties held for sale	-	(3,334)	-	-	(3,334)
Surplus on disposal of fixed assets	-	-	-	8,106	8,106
	164,005	(20,301)	(84,221)	16,730	76,213
Non-social housing activities					
Nursing care	-	-	-	-	-
Market sales	2,210	(1,455)	-	-	755
Other	7,578	-	(8,052)	-	(474)
Total	173,793	(21,756)	(92,273)	16,730	76,494

Association	2017 Turnover	2017 Cost of sales	2017 Operating costs	2017 Surplus/deficit disposal of assets	2017 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	124,644	-	(80,862)	-	43,782
Other social housing activities					
Qualifying charitable donations	19,781	-	-	-	19,781
Community investments	121	-	(2,229)	-	(2,108)
Marketing	176	-	(1,389)	-	(1,213)
Shared ownership first tranche sales	7,817	(5,433)	-	-	2,384
Staircasing activity on low cost homes	-	-	-	12,891	12,891
Interest and fees on MyChoice Homebuy	975	-	(315)	-	660
Impairment	-	-	(1,452)	-	(1,452)
Provision against properties held for sale	-	-	-	-	-
Surplus on disposal of fixed assets	-	-	-	8,688	8,688
	153,514	(5,433)	(86,247)	21,579	83,413
Non-social housing activities					
Nursing care	2,657	-	(2,758)	-	(101)
Market sales	-	-	-	-	-
Other	7,233	(1,023)	(6,162)	-	48
Total	163,404	(6,456)	(95,167)	21,579	83,360

Notes to the accounts

3. Income and expenditure from social housing lettings

Consolidated	General needs	Key workers	Shared ownership	Supported & housing for older people	Care	Other	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	84,634	2,377	16,259	4,218	296	208	107,992	106,986
Service charge income	5,409	773	50	2,227	-	21	8,480	8,944
Amortised government grants	526	-	3,828	9	-	-	4,363	5,632
Net rents receivable	90,569	3,150	20,137	6,454	296	229	120,835	121,562
Management fee and day care centre income	-	-	801	244	148	-	1,193	1,501
Other income	65	-	948	168	473	-	1,654	1,581
Income from social housing lettings	90,634	3,150	21,886	6,866	917	229	123,682	124,644
Expenditure on lettings								
Management	(11,860)	(625)	(4,479)	(854)	(555)	(257)	(18,630)	(20,758)*
Service charge costs	(9,926)	(794)	(1,648)	(2,511)	(10)	(51)	(14,940)	(12,795)
Routine maintenance	(12,341)	(358)	(925)	(458)	(66)	(5)	(14,153)	(13,941)
Planned maintenance	(5,080)	(83)	(444)	(496)	(4)	(24)	(6,131)	(9,813)
Rent losses from bad debts	(55)	(316)	(78)	(152)	-	-	(601)	(303)
Depreciation housing properties	(18,194)	(768)	(276)	(1,036)	(207)	-	(20,481)	(19,374)
Depreciation on replaced components	(2,033)	-	(155)	(34)	-	-	(2,222)	(1,568)
Depreciation on other fixed assets	(1,745)	(72)	(635)	(95)	(7)	-	(2,554)	(2,296)*
Other costs	(39)	-	-	-	-	-	(39)	(32)
Operating costs for social housing lettings	(61,273)	(3,016)	(8,640)	(5,636)	(849)	(337)	(79,751)	(80,880)
Operating surplus on social housing letting activities	29,361	134	13,246	1,230	68	(108)	43,931	43,764
Rent losses from voids	(528)	(569)	(21)	(111)	(11)	-	(1,240)	(1,481)

*The allocation of costs was reviewed and £2,039k has been moved from Management to Depreciation on other fixed assets line.

Notes to the accounts

3. Income and expenditure from social housing lettings (continued)

Association	General needs	Key workers	Shared ownership	Supported & housing for older people	Care	Other	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	84,634	2,377	16,259	4,218	296	208	107,992	106,986
Service charge income	5,409	773	50	2,227	-	21	8,480	8,944
Amortised government grants	526	-	3,828	9	-	-	4,363	5,632
Net rents receivable	90,569	3,150	20,137	6,454	296	229	120,835	121,562
Management fee and day care centre income	-	-	801	244	148	-	1,193	1,501
Other income	65	-	948	168	473	-	1,654	1,581
Income from social housing lettings	90,634	3,150	21,886	6,866	917	229	123,682	124,644
Expenditure on lettings								
Management	(11,860)	(625)	(4,479)	(854)	(555)	(257)	(18,630)	(20,758)*
Service charge costs	(9,926)	(794)	(1,648)	(2,511)	(10)	(51)	(14,940)	(12,795)
Routine maintenance	(12,341)	(358)	(925)	(458)	(66)	(5)	(14,153)	(13,941)
Planned maintenance	(5,080)	(83)	(444)	(496)	(4)	(24)	(6,131)	(9,813)
Rent losses from bad debts	(55)	(316)	(78)	(152)	-	-	(601)	(303)
Depreciation housing properties	(18,213)	(768)	(276)	(1,036)	(207)	-	(20,500)	(19,391)
Depreciation on replaced components	(2,033)	-	(155)	(34)	-	-	(2,222)	(1,568)
Depreciation on other fixed assets	(1,745)	(72)	(635)	(95)	(7)	-	(2,554)	(2,293)*
Operating costs for social housing lettings	(61,253)	(3,016)	(8,640)	(5,636)	(849)	(337)	(79,731)	(80,862)
Operating surplus on social housing letting activities	29,381	134	13,246	1,230	68	(108)	43,951	43,782
Rent losses from voids	(528)	(569)	(21)	(111)	-	(11)	(1,240)	(1,481)

*The allocation of costs was reviewed and £2,039k has been moved from Management to Depreciation on other fixed assets line.

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 Leadership Team as disclosed on page 4.

	Consolidated		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Aggregate emoluments payable to the directors (including pension contributions and benefits in kind)	737	1,008	737	1,008
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	209	211	209	211
Payments to directors as a compensation for loss of office	-	41	-	41
Total expenses reimbursed to the directors not chargeable to income tax	1	2	1	2

Remuneration payable to the group Board members for the year were:	Salaries	Pension costs	Bonus	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000
Anne Markey	6	-	-	6	6
Heneage Stevenson	7	-	-	7	9
John Sheldrick	4	-	-	4	9
Christina Tom-Johnson	-	-	-	-	3
Richard Brown	16	-	-	16	16
Nici Audhlam-Gardiner	4	-	-	4	9
Paul Evans	5	-	-	5	10
Alison Knocker	9	-	-	9	9
Susan Parsonage	-	-	-	-	2
Terence Hartwell	7	-	-	7	2
Heide Baumann	6	-	-	6	2
Mike Jones	5	-	-	5	-
Simon Wilkinson	3	-	-	3	-
Andrew Wells	3	-	-	3	-
Graham Woolfman	5	-	-	5	-
	80	-	-	80	77

The Board received £2,179 (2017: £nil) for expenses during the year.

Notes to the accounts

4. Directors' emoluments and expenses (continued)

Gross salary paid to the Chief Executive divided by total number of homes owned and managed at the year-end was £9.91 (2017: £9.74).

Remuneration payable to the group directors for the year were:	Salaries	Pension costs	Bonus	Total 2018	Total 2017
	£	£	£	£	£
Rod Cahill, Chief Executive	208,669	-	-	208,669	210,506
Rachael Dennis, Chief Operating Officer	189,664	17,717	-	207,381	176,000
Maria McCann, Executive Director of Customer Services (resigned 13/01/17)	-	-	-	-	165,266
Julia Moulder, Executive Director of Development (resigned 28/10/2016)	-	-	-	-	155,448
Judith Foss, Executive Director of People and Culture	133,927	13,005	-	146,932	142,093
Tom Titherington, Executive Director of Property and Growth	159,455	14,894	-	174,349	158,816
	691,715	45,616	-	737,331	1,008,129

5. Employee information

	Consolidated		Association	
	2018 Number	2017 Number	2018 Number	2017 Number
The average monthly number of persons expressed in full-time equivalents during the year was:				
Office employees	473	497	459	477
Wardens, caretakers, cleaners and care employee	121	205	121	126
	594	702	580	603

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

	Consolidated		Association	
.	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Employee costs (for the above persons)				
Wages and salaries	24,321	25,504	23,894	24,221
Social security costs	2,482	2,543	2,446	2,435
Costs of pension schemes	1,912	1,842	1,885	1,764
	28,715	29,889	28,225	28,420

The Group and association made non-contractual payments to employees of £78,500 in the year (2017: Group and association £313,087). Gross salary of the lowest earner compared to gross salary of the highest earner for the year was 1:11 (2017: 1:12).

Notes to the accounts

5. Employee information (continued)

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

Range £'000	2018 Number	2017 Number
60–69	31	29
70–79	22	20
80–89	11	11
90–99	2	4
100–109	5	3
110–119	3	2
120–129	3	1
130 - 139	1	-
140 – 149	2	-

6. Operating surplus

	Consolidated		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Is stated after charging/(crediting):				
Depreciation – housing properties (note 10)	20,481	19,374	20,500	19,391
Depreciation – on replaced components (note 3)	2,222	1,568	2,222	1,568
Depreciation – other fixed assets (note 11)	2,561	2,303	2,556	2,299
Auditors' remuneration (excluding VAT):				
- in their capacity as auditors	80	78	62	66
- in respect of other services	18	183	18	183
Operating lease charges for land and buildings	2,469	2,441	2,469	2,441
Operating lease income	569	2,377	569	2,377
Impairment of housing properties	-	(1,452)	-	(1,452)
Provision against properties held for sale	(3,334)	(1,023)	(3,334)	(1,023)
Defined contribution pension cost	(1,912)	(1,746)	(1,885)	(1,746)

The remuneration paid to BDO auditors in respect of non-audit services comprises: covenant compliance of £5,200 (2017: £7,000) and other services of £12,812 (2017: £176,000).

Notes to the accounts

7. Surplus on disposal of fixed assets

Consolidated	Shared ownership 2018 £'000	Other housing properties 2018 £'000	Investments (Homebuy) 2018 £'000	Total 2018 £'000	Total 2017 £'000
Disposal proceeds	20,549	4,172	15,072	39,793	55,457
Cost of disposals	(9,459)	(296)	(9,980)	(19,735)	(28,685)
Selling costs	(26)	(2,037)	-	(2,063)	(743)
Grants recycled	(2,306)	(824)	-	(3,130)	(5,089)
Surplus on disposal of housing assets	8,758	1,015	5,092	14,865	20,940
Loss on disposal of other tangible fixed assets	-	-	-	-	(20)
				14,865	20,920
Surplus/(loss) on disposal care homes				2,841	(55)
Total				17,706	20,865

Association	Shared ownership 2018 £'000	Other housing properties 2018 £'000	Investments (Homebuy) 2018 £'000	Total 2018 £'000	Total 2017 £'000
Disposal proceeds	20,549	7,499	15,072	43,120	65,761
Cost of disposals	(9,593)	(1,624)	(9,980)	(21,197)	(38,330)
Selling costs	(26)	(2,037)	-	(2,063)	(743)
Grants recycled	(2,306)	(824)	-	(3,130)	(5,089)
Surplus on disposal of housing assets	8,624	3,014	5,092	16,730	21,599
Loss on disposal of other tangible fixed assets	-	-	-	-	(20)
				16,730	21,579
Surplus/(loss) on disposal care homes				2,841	(55)
Total				19,571	21,524

Notes to the accounts

8. Interest and financing costs

	Consolidated		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
On loans	28,794	27,385	28,689	27,265
Amortised cost*	1,335	(6,483)	1,335	(6,483)
On indexed linked loans and deferred interest loans:				
Interest paid	18	53	18	53
Interest deferred	341	353	341	353
Sundry loan costs	1,502	989	1,502	631
	31,990	22,297	31,885	21,819
Less:				
Capitalised in housing properties (note 10)	(2,907)	(4,093)	(2,907)	(4,093)
Capitalised in first tranche sales properties (note 10)	(3,329)	(1,361)	(3,329)	(1,361)
Capitalised in properties developed for sale	(124)	(958)	-	-
Release of loan fair values on repayment and refinancing	(43)	(43)	-	-
Add:			-	-
Transfer to recycled capital grant fund (note 22)	178	227	178	227
Transfer to disposal proceeds fund (note 23)	4	8	4	8
Amortisation of loan issue costs	517	458	517	458
Net interest on net defined benefit liability (note 26)	179	206	179	206
	26,465	16,741	26,527	17,264

*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. In the financial year ending 31 March 2017, the loan repayment dates were reassessed resulting in a £6.5 million adjustment.

Notes to the accounts

9. Tax on surplus on ordinary activities

	Consolidated		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
The charge is based on the assessable results for the year and comprises:				
UK corporation tax:				
Current tax on surplus for the year	474	-	474	-
Adjustments in respect of prior years	296	-	296	-

Factors affecting tax charge for the current year	Consolidated		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Surplus on ordinary activities before taxation	54,641	69,928	56,903	72,979
Current tax at 19% (2017: 20%)	10,381	13,986	10,811	14,596
Effects of:				
Surplus subject to charitable exemption	(9,907)	(13,985)	(10,337)	(14,596)
Adjustment in respect of previous periods	-	(1)	-	-
Capital allowances in excess of depreciation	-	-	-	-
Total current tax charge (see above)	474	-	474	-

Non-charitable group members that were liable for corporation tax during the year ended March 2018 and 2017 included Barnet Community Homes Limited, Catalyst Finance Limited, Vintage Care Limited, CHL Developments Limited, Dee Park Developments (Catalyst) Limited, Catalyst by Design Limited and Catalyst Developments (Wimbledon) 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

10. Tangible fixed assets - housing properties

Consolidated	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Keyworker accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2017	1,642,150	91,082	294,687	64,472	36,351	2,128,742
Additions:						
– construction costs	-	68,009	-	22,156	-	90,165
– existing properties	22,004	-		-	436	22,440
Reclassification of properties	447	-	(11)	-	(311)	125
Completed schemes	42,941	(42,941)	40,717	(40,717)	-	-
Transfer (to)/from properties held for sale	-	(3,820)	988	-	-	(2,832)
Disposals						
– staircasing sales	-	-	(9,458)	-	-	(9,458)
– replaced components	(6,328)	-	-	-	-	(6,328)
– other	(4,994)	-	-	-	-	(4,994)
At 31 March 2018	1,696,220	112,330	326,923	45,911	36,476	2,217,860
Depreciation						
At 1 April 2017	(151,685)	-	(1,951)	-	(1,977)	(155,613)
Charge for the year	(19,439)	-	(275)	-	(767)	(20,481)
Eliminated on disposals:						
– replaced components	4,027	-	76	-	3	4,106
– other	813	-	-	-	-	813
At 31 March 2018	(166,284)	-	(2,150)	-	(2,741)	(171,175)
Impairment						
At 1 April 2017	-	(2,219)	-	(2,229)	-	(4,448)
Impairment charge for the year	-	-	-	-	-	-
At 31 March 2018	-	(2,219)	-	(2,229)	-	(4,448)
Net book value at 31 March 2018	1,529,936	110,111	324,773	43,682	33,735	2,042,237
Net book value at 31 March 2017	1,490,465	88,863	292,736	62,243	34,374	1,968,681

Notes to the accounts

10. Tangible fixed assets - housing properties (continued)

Association	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Keyworker accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2017	1,657,091	91,735	296,639	65,971	36,351	2,147,787
Additions:						
– construction costs	-	68,736	-	23,247	-	91,983
– existing properties	22,004	-		-	436	22,440
Reclassification of properties	447	-	(11)	-	(311)	125
Completed schemes	42,941	(42,941)	41,705	(41,705)	-	-
Transfer (to)/from properties held for sale	-	(3,820)		-	-	(3,820)
Disposals						
– staircasing sales	-	-	(9,593)	-	-	(9,593)
– on replaced components	(6,328)	-	-	-	-	(6,328)
– other	(4,994)	-	-	-	-	(4,994)
At 31 March 2018	1,711,161	113,710	328,740	47,513	36,476	2,237,600
Depreciation						
At 1 April 2017	(151,707)	-	(1,951)	-	(1,977)	(155,635)
Charge for the year	(19,458)	-	(275)	-	(767)	(20,500)
Eliminated on disposals:						
– replaced components	4,027	-	76	-	3	4,106
– other	813	-	-	-	-	813
At 31 March 2018	(166,325)	-	(2,150)	-	(2,741)	(171,216)
Impairment						
At 1 April 2017	-	(2,219)	-	(2,229)	-	(4,448)
Impairment charge for the year	-	-	-	-	-	-
At 31 March 2018	-	(2,219)	-	(2,229)	-	(4,448)
Net book value at 31 March 2018	1,544,836	111,491	326,590	45,284	33,735	2,061,936
Net book value at 31 March 2017	1,505,384	89,516	294,688	63,742	34,374	1,987,704

Notes to the accounts

10. Tangible fixed assets - housing properties (continued)

	Consolidated		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Housing property net book value comprises				
– freeholds	1,670,362	1,665,796	1,690,061	1,684,819
– long leaseholds	371,875	302,885	371,875	302,885
	2,042,237	1,968,681	2,061,936	1,987,704
Additions to housing properties includes capitalised interest of:	6,236	5,454	6,236	5,454
The capitalisation rate used was	4.4%	4.6%	4.4%	4.6%
Cumulative capitalised interest was	53,501	47,265	53,501	47,265
Improvements to existing properties capitalised during the year were	22,440	23,854	22,440	23,854
The total cost charged to the income and expenditure account for planned maintenance in the year was (note 3)	6,131	9,813	6,131	9,813

	Consolidated		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
If housing property had been accounted for under the historic cost account rules, the properties would have been measured as follows:				
Historic cost	2,134,270	2,046,004	2,158,684	2,069,722
Accumulated depreciation	(212,335)	(190,654)	(212,355)	(190,715)
Impairment	(4,448)	(4,448)	(4,448)	(4,448)
	1,917,487	1,850,902	1,941,881	1,874,559
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant - housing properties (note 21)	101,096	78,277	101,096	78,277
Capital grant - homebuy investments (note 21)	65,232	71,662	65,232	71,662
Recycled capital grant fund (note 22)	60,119	68,315	60,119	68,315
Disposals proceeds fund (note 23)	1,362	1,358	1,362	1,358
Revenue grant - Income & Expenditure	851,118	849,152	851,118	849,152
	1,078,927	1,068,764	1,078,927	1,068,764

Notes to the accounts

10. Tangible fixed assets - housing properties (continued)

Impairment

The Group considers a scheme to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2014. 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 £nil (2017 – £1,452,000) for general needs and shared ownership housing stock.

There were no units impacted by the impairment loss calculation.

Properties held for security

Catalyst Housing Limited had property with a net book value of £1,008,125,498 pledged as security at 31 March 2018 (2017: £886,004,409).

Valuation

On transition to FRS 102, Catalyst Housing 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, the Group engaged JLL Valuers 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.

This valuation was undertaken by JLL's affordable housing division, a 30-strong team established for over 15 years, and widely recognised as one of the leading teams of specialist valuers and property advisers in the social housing sector. They act for 120 registered providers, all existing lenders, lawyers and rating agencies in the sector (without exception), and have driven a high proportion of statutory accounts valuations (for commensurate G15 and national organisations), bond issuances (and their revaluations) and a cross section of land/consultancy projects.

The valuation was 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
- Rental streams less key deductions for expected maintenance and management costs
- Usage categories
- Property type

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

11. Tangible fixed assets - other

Consolidated	Freehold office premises	Leasehold office premises	Leasehold other	Motor vehicles	Furniture and computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2017	1,339	2,467	110	309	16,945	21,170
Additions in year	6	10	-	-	1,368	1,384
Disposals	-	-	-	(54)	(133)	(187)
At 31 March 2018	1,345	2,477	110	255	18,180	22,367
Depreciation						
At 1 April 2017	(222)	(1,608)	(19)	(283)	(9,752)	(11,884)
Charge for year (note 6)	(18)	(139)	(2)	(26)	(2,376)	(2,561)
Disposals	-	-	-	54	133	187
At 31 March 2018	(240)	(1,747)	(21)	(255)	(11,995)	(14,258)
Net book value						
At 31 March 2018	1,105	730	89	-	6,185	8,109
At 31 March 2017	1,117	859	91	26	7,193	9,286

Association	Freehold office premises	Leasehold office premises	Leasehold other	Motor vehicles	Furniture and computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2017	947	2,467	110	309	16,932	20,765
Additions in year	6	10	-	-	1,368	1,384
Disposals	-	-	-	(54)	(129)	(183)
At 31 March 2018	953	2,477	110	255	18,171	21,966
Depreciation						
At 1 April 2017	(185)	(1,608)	(19)	(283)	(9,740)	(11,835)
Charge for year (note 6)	(14)	(138)	(2)	(26)	(2,376)	(2,556)
Disposals	-			54	129	183
At 31 March 2018	(199)	(1,746)	(21)	(255)	(11,987)	(14,208)
Net book value						
At 31 March 2018	754	731	89	-	6,184	7,758
At 31 March 2017	762	859	91	26	7,192	8,930

Depreciation includes £nil (2017: £4,704) charge for the year relating to nursing care.

Notes to the accounts

12. Investment properties

Consolidation and Association

	Commercial
	£'000
At 1 April 2017	19,131
Additions	4,086
Revaluations	399
At 31 March 2018	23,616

The Group's investment properties are valued annually on 31 March at fair value, determined by independent valuation specialist TH3 Surveyors. 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 £398,558 Group and association (2017: £4,256,882) has been credited to the statement of comprehensive income for the year.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

Consolidation and Association

	2018	2017
	£'000	**£’000**
Historic cost	13,171	9,084
Accumulated depreciation	(2,012)	(1,812)
	11,159	7,272

13. Investments - Homebuy loans

Consolidation and Association

	2018 £’000	2017 £’000
At 1 April	93,119	114,375
New loans issued	1,459	519
Interest receivable	-	-
Loans redeemed (note 7)	(9,980)	(12,433)
Loans reclassified (note 21)	(91)	(9,342)
At 31 March	84,507	93,119

Notes to the accounts

13. Investments - Homebuy loans (continued)

The Homebuy loans reclassified above deferred capital grant, reflect marketing costs for equity loans and managing agent fees transfer from defer capital grant.

Investments in Homebuy loans represent an equity stake in third party properties purchased under the Homebuy scheme.

Interest rates charged on the Homebuy loans range from 0% to 2.5% (2017: 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.

14. Investments - other

Association

	£
Cost	
At 1 April 2017 and 31 March 2018	203

The following are the principal subsidiary undertakings 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.

Subsidiary undertakings	**Type of entity**	**Principal activity**
Directly held		
CHL Developments Limited	Company limited by shares	Design and build services
Barnet Community Homes Limited	Company limited by guarantee	Property management
Vintage Care Limited	Company limited by guarantee	Nursing home management
Catalyst Developments (Wimbledon) Limited	Company limited by shares	Property development
Catalyst Housing Charitable Trust	Company limited by guarantee	Community development
Catalyst Finance Limited	Company limited by guarantee	Group borrowing vehicle
Dee Park Developments (Catalyst) Limited	Company limited by shares	Property development
Catalyst by Design Limited	Company limited by shares	Property development
Indirectly held		
Southall Day Centre Limited[1]	Company limited by shares	Day centre

1. Wholly owned subsidiary of Catalyst Housing Charitable Trust

Notes to the accounts

15. Investments - joint ventures

Consolidated	Dee Park Partnership LLP	Merton Catalyst LLP	2018 Total	2017 Total
	£'000	£'000	£'000	£'000
Share of profits from joint ventures	10	(118)	(108)	914
Share of:				
Current Assets	2,955	34,220	37,175	897
Liabilities due within one year	(2,937)	(34,338)	(37,275)	(788)
Net Assets	18	(118)	(100)	109

Consolidated	2018 £'000	2017 £'000
Opening investments	109	2,085
Additions	30,010	914
Disposals	(219)	(2,890)
Closing investments	29,900	109

Dee Park Partnership LLP

Dee Park Developments (Catalyst) Limited was incorporated as a subsidiary of Catalyst Communities Housing Association on 1 March 2007, to enter into a 50:50 joint venture agreement with Inspace Partnerships 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. Dee Park Partnership is a Limited Liability Partnership with Inspace Homes (now named Prime Place).

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 £20,000 (2017: £1,827,192) during the year, of which a 50% share is recognised within Dee Park Developments (Catalyst) Limited and 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. Catalyst Housing Limited had made an initial investment of £30,000,000 into Merton Catalyst LLP. At the year end, the Merton Catalyst LLP has incurred expenditure of £236,801, 50% of which has been recognised within the Group consolidated statement of comprehensive income.

16. Stocks

Consolidated	First tranche shared ownership	Outright market sales	Other	Total	Total
	2018	2018	2018	2018	2017
	£'000	£'000	£'000	£'000	£'000
Work in progress	41,449	31,476	22,621	95,546	116,314
Completed properties	11,085	17,420	3,517	32,022	4,433
Properties at cost	52,534	48,896	26,138	127,568	120,747

Capitalised interest included in the year end balance was £2,265,000 (2017: £2,319,592). A provision was created against properties held for sale of £3,334,000.

Notes to the accounts

16. Stocks (continued)

Association	First tranche shared ownership 2018 £'000	Other 2018 £'000	Total 2018 £'000	Total 2017 £'000
Work in progress	41,449	22,620	64,069	51,014
Completed properties	11,085	3,517	14,602	4,433
Properties at cost	52,534	26,137	78,671	55,447

Capitalised interest included in the year end balance was £3,329,000 (2017: £1,360,590). A provision was created against properties held for sale of £3,334,000.

17. Debtors

	Consolidated		Association	
Amounts receivable within one year:	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Gross rent and service charge arrears	5,715	5,247	5,715	5,247
Less: provision for bad and doubtful debts	(1,937)	(1,355)	(1,937)	(1,355)
	3,778	3,892	3,778	3,892
Other debtors and prepayments	21,637	22,401	13,114	16,525
Amounts due from group members	-	-	91,685	77,954
	25,415	26,293	108,577	98,371

18. Cash

	Consolidated		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	56,928	32,422	44,564	16,020
	56,928	32,422	44,564	16,020

All cash balances mature within three months.

Notes to the accounts

19. Creditors

Amounts falling due within one year	Consolidated 2018 £'000	Consolidated 2017 £'000	Association 2018 £'000	Association 2017 £'000
Housing loans (note 24):				
– secured against group properties	14,127	34,638	7,227	27,717
– loan issue costs to be amortised	(504)	(398)	(504)	(398)
– amounts due to group members	-	-	7,377	6,921
	13,623	34,240	14,100	34,240
Trade creditors	1,145	1,249	818	1,047
Bank overdraft	5,447	10	5,447	10
Amount held on behalf of leaseholders	5,595	5,419	5,595	5,419
Recycled capital grant fund (note 22)	18,839	19,249	18,839	19,249
Capital creditors	10,073	7,120	10,059	7,120
Capital retentions	5,667	7,499	2,475	4,089
Other creditors and accruals	36,196	34,145	26,991	25,039
Other taxes and social security costs	739	645	737	645
Disposal proceeds fund (note 23)	1,362	1,279	1,362	1,279
Amounts due to group members	-	-	1,232	1,166
Deferred capital grant (note 21)	5,818	7,329	5,818	7,329
	104,504	118,184	93,473	106,632

20. Creditors

Amounts falling due after more than one year:	Consolidated 2018 £'000	Consolidated 2017 £'000	Association 2018 £'000	Association 2017 £'000
Hillingdon sinking fund	242	242	242	242
Deferred income	447	447	447	447
Recycled capital grant fund (note 22)	41,280	49,066	41,280	49,066
Disposal proceeds fund (note 23)	-	79	-	79
Loans due to group members (note 24)	-	-	207,702	217,360
Housing loans (note 24):				
– secured against group properties	643,753	560,481	435,535	343,036
– loan issue costs to be amortised	(6,049)	(2,668)	(6,049)	(2,668)
Deferred capital grant (note 21)	160,510	142,610	160,510	142,610
	840,183	750,257	839,667	750,172

Notes to the accounts

21. Deferred capital grant

	Consolidated		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	149,939	167,034	149,939	167,034
Grants received during the year	10,730	729	10,730	729
Transfers between the recycled capital grant fund (note 22)	17,355	5,855	17,355	5,855
Homebuy redemptions	(6,064)	(8,760)	(6,064)	(8,760)
Transfer between the disposal proceeds fund (note 23)	-	958	-	958
Released to income during the year (note 3)	(4,363)	(5,632)	(4,363)	(5,632)
Released on disposal during the year	(1,178)	(903)	(1,178)	(903)
Reclacification of Homebuy grant (note 13)	(91)	(9,342)	(91)	(9,342)
At 31 March	166,328	149,939	166,328	149,939

Deferred capital grants are government grants received from the HCA and local authorities.

22. Recycled capital grant fund

Consolidated and Association

Funds pertaining to activities within areas covered by	HCA 2018 £'000	GLA 2018 £'000	Total 2018 £'000	HCA 2017 £'000	GLA 2017 £'000	Total 2017 £'000
At 1 April	47,909	20,406	68,315	40,135	22,579	62,714
Inputs to fund:						
– Grants recycled	6,653	2,996	9,649	8,600	5,926	14,526
– Interest accrued	110	67	177	134	93	227
Recycling of grant:						
– New build	(17,355)	-	(17,355)	(960)	(4,895)	(5,855)
Repayment of grant to the HCA/GLA	-	(667)	(667)	-	(3,297)	(3,297)
At 31 March	37,317	22,802	60,119	47,909	20,406	68,315
Amounts three years or older where repayment may be required	10,551	7,088	17,639	17,742	666	18,408

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.

Notes to the accounts

23. Disposal proceeds fund

Consolidated and Association

Funds pertaining to activities within areas covered by	HCA 2018 £'000	GLA 2018 £'000	Total 2018 £'000	HCA 2017 £'000	GLA 2017 £'000	Total 2017 £'000
At 1 April	175	1,183	1,358	816	1,500	2,316
Inputs to fund:						
– Grants recycled	-	-	-	-	-	-
– Interest accrued	-	4	4	2	6	8
Use/allocation of funds						
– New build	-	-	-	-	-	-
– Major repairs and works to existing stock	-	-	-	-	-	-
– Other	-	-	-	(643)	(315)	(958)
Repayment of grant to the HCA/GLA	-	-	-	-	(8)	(8)
At 31 March	175	1,187	1,362	175	1,183	1,358
Amounts three years or older where repayment may be required	-	-	-	79	-	79

Withdrawals from the disposal proceeds fund were used for approved works to existing properties.

Notes to the accounts

24. Loans

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:

	Consolidated		Association	
Housing loans repayable by instalments	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Between one and two years	9,634	12,585	9,486	12,585
Between two and five years	34,494	31,656	34,385	31,656
In five or more years	223,575	241,072	223,317	240,987
Total (note 20)	267,703	285,313	267,188	285,228
Within one year (note 19)	11,124	6,665	11,600	6,665
	278,827	291,978	278,788	291,893

	Consolidated		Association	
Housing loans not repayable by instalments	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Between one and two years	-	2,500	-	2,500
Between two and five years	45,000	50,000	45,000	50,000
In five or more years	325,000	220,000	325,000	220,000
Total (note 20)	370,000	272,500	370,000	272,500
Within one year (note 19)	2,500	27,575	2,500	27,575
	372,500	300,075	372,500	300,075

	Consolidated		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Total loans measured at amortised cost	651,327	592,053	651,288	591,968

The Group has total committed loan facilities of £1,133,653,199 (£664,753,199 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 certain properties. The loans bear interest at fixed rates ranging from 2.4% to 10.9%, or at a margin above the London Interbank Offered Rate. At 31 March 2018, the Group had undrawn loan facilities of £468,900,000 (2017: £158,900,000). Of the total loan facilities of £1,133,653,199; £646,151,517 was at fixed rates at 31 March 2018. The weighted average interest rate is the aggregate rate of interest paid for the year on Group borrowings which is 4.4% (2017: 4.6%).

Notes to the accounts

25. Financial instruments

The Group's and association financial instruments may be analysed as follows:	Consolidated 2018 £'000	Consolidated 2017 £'000	Association 2018 £'000	Association 2017 £'000
Financial assets				
Concessionary loans (see note 1.28)	84,507	93,119	84,507	93,119
Financial assets measured at historic cost				
– Tenant receivables (note 17)	3,778	3,892	3,778	3,892
– Other receivables (note 17)	21,637	22,401	104,736	94,479
– Cash and cash equivalents	56,928	32,422	44,564	16,020
Total financial assets	166,850	151,834	237,585	207,510
Financial liabilities				
Financial liabilities measured at amortised cost				
– Loans payable (note 24)	(651,327)	(592,053)	(651,288)	(591,968)
Financial liabilities measured at historical cost				
– Trade creditors	(1,145)	(1,249)	(818)	(1,047)
– Other creditors	(292,215)	(275,139)	(281,034)	(263,789)
Total financial liabilities	(944,687)	(868,441)	(933,140)	(856,804)

Financial assets comprise cash at bank and in hand, and amounts owed by parent undertaking. Financial liabilities comprise accruals and deferred income, and amounts owed to parent undertaking.

Financial assets and liabilities measured at amortised cost are the housing loans, and the related amounts included within amounts owed by parent undertaking. Cash and accrued income are measured at transaction value.

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. There have been no changes since the previous period.

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. The Catalyst Housing Limited £250 million secured bond issued 24 October 2017 has a market value of £152.3 million (excluding £100 million of retained bonds).

At the year end, 80% of the Group's borrowings were due to mature in more than five years borrowings. Funds are drawn from this facility as determined by the Group's borrowing requirements. To date, all loans payments have been made on time.

Notes to the accounts

25. Financial instruments (continued)

Interest rate risk

The Group finances its development activity through a cash surpluses, public subsidies and loan borrowings. 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. A 1% increase in variable rates would lead to a £0.2 million increase in annual interest costs.

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.

26. Pension costs

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 £2,100,000 per annum in accordance with the recovery plan agreed with the trustees of the pension scheme. As of 1 October 2015, these payments were decreased to £950,000 per annum and increased to £2,100,000 from October 2016.

The 1 October 2014 valuation shows that the market value of the scheme's assets was £40,449,411, this excludes assets in relation to deferred members' AVC's, and insured pensions. At 31 March 2018, the scheme had a total membership of 313 (2017: 325).

During the year, Catalyst paid £2,100,000 (2017: £1,525,000) into the pension scheme in accordance with the recovery plan agreed with the trustees of the scheme. The contribution rate for the Group and association was nil (2017: nil) for employer contributions and nil (2017: nil) for employee contributions. At 31 March 2018, outstanding payments due to the scheme were £nil (2017: £nil).

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 2018 by a qualified actuary. The major assumptions used in this valuation were:

	2018	2017	2016
LPI pension increase	3.1%	3.2%	2.95%
Discount rate	2.6%	2.6%	3.5%
Inflation assumption	3.3%	3.4%	3.1%

Mortality assumption used in accordance with the standard table S2NxA on a year of birth basis, with CMI_2017 future improvements factors and subject to a long term annual rate of the future improvement of 1.25% per annum.

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.

Notes to the accounts

26. Pension costs (continued)

Scheme assets

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:

Consolidated	**At 31 March 2018**	**At 31 March 2017**
Amounts recognised in balance sheet	**£'000**	**£'000**
Present value of funded obligations	54,922	62,301
Fair value of scheme assets	(54,220)	(54,340)
Pension liability	702	7,961

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

	2018	**2017**
Analysis of amount recognised in other comprehensive income	**£000**	**£000**
Actual return less expected return on scheme assets	(251)	7,227
Experience gains and losses arising on scheme liabilities	2,303	-
Changes in assumptions underlying the present value of scheme liabilities	3,286	(9,870)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	5,338	(2,643)

	At 31 March 2018	**At 31 March 2017**
Amounts recognised in income and expenditure account	**£'000**	**£'000**
Interest on obligation	1,576	1,812
Expected return on scheme assets	(1,397)	(1,606)
Total	179	206

	At 31 March 2018	**At 31 March 2017**
Changes in the present value of defined benefit obligation	**£'000**	**£'000**
Opening defined benefit obligation	62,301	52,928
Interest cost	1,576	1,812
Actuarial (gain)/loss	(5,589)	9,870
Benefits paid	(3,366)	(2,309)
Closing defined benefit obligation	54,922	62,301
The actuarial gains and losses can be split into:		
Actuarial (gain)/loss due to assumptions change	(5,589)	9,870

Notes to the accounts

26. Pension costs (continued)

Changes in the fair value of scheme assets during the year	At 31 March 2018 £'000	At 31 March 2017 £'000
Opening fair value of scheme assets	54,340	46,291
Expected return on scheme assets	1,397	1,606
Actuarial (loss)/gain	(251)	7,227
Contributions by employer	2,100	1,525
Benefits paid	(3,366)	(2,309)
Closing fair value of scheme assets	54,220	54,340

Other pension schemes

The Group operates a stakeholder pension scheme administered by Standard Life. The employer's contributions are 9% of pensionable salary and amount to £1,911,954 (2017: £1,878,694). At 31 March 2018, outstanding payments due to the scheme were £nil (2017: £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.

27. Share capital

Association	2018 £	2017 £
Shares of £1 each issued and fully paid		
At beginning of year	64	64
Issued during year	4	2
Surrendered during the year	(15)	(2)
At end of year	53	64

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.

Notes to the accounts

28. Commitments

Capital commitments	Consolidated 2018 £'000	Consolidated 2017 £'000	Association 2018 £'000	Association 2017 £'000
Capital expenditure contracted, which has not been provided for in the accounts	106,504	59,656	106,504	59,656
Capital expenditure which has been authorised by the Board but has not yet been contracted for	226,573	65,362	226,573	65,362
	333,077	125,018	333,077	125,018

Capital commitments for the Group and association will be funded by £7,697,770 (2017: £12,556,905) of Social Housing Grant and £325,379,000 (2017: £112,461,553) from draw-down of existing or new loan facilities, or by internal resources. Capital commitments divided by tangible fixed assets at year-end was 16% (2017: 6%).

Financial commitments	Consolidated 2018 £'000	Consolidated 2017 £'000
Properties developed for sale, expenditure contracted or authorised, which has not been provided for in the accounts	24,019	63,566
	24,019	63,566

29. 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 2018 £'000	Consolidated 2017 £'000	Association 2018 £'000	Association 2017 £'000
Not later than one year	2,448	2,448	2,448	2,448
Later than one year and not later than five years	9,813	9,797	9,813	9,797
Later than five years	7,066	9,529	7,066	9,529
Total	19,327	21,774	19,327	21,774

Amount payable as a lessee reflects rental cost of Ealing Gateway office.

Amounts receivable as lessor	Consolidated 2018 £'000	Consolidated 2017 £'000	Association 2018 £'000	Association 2017 £'000
Not later than one year	589	589	589	589
Later than one year and not later than five years	2,488	2,513	2,488	2,513
Later than five years	8,296	9,176	8,296	9,176
Total	11,373	12,278	11,373	12,278

Amounts receivable as lessor reflects income due from Supporting Housing and Care Management.

Notes to the accounts

30. Number of units

	Consolidated		Association	
	2018 Number	2017 Number	2018 Number	2017 Number
Social housing:				
General needs	11,786	12,054	11,786	12,054
Affordable	1,076	852	1,076	852
Shared ownership units	4,898	4,767	4,898	4,767
Supported and housing for older people	959	714	959	714
Intermediate rent	165	187	165	187
Total social housing units	18,884	18,574	18,884	18,574
Other shared equity units	1,615	1,989	1,615	1,989
Total non-social housing units	1,615	1,989	1,615	1,989
Residential care home bed spaces	-	50	-	50
Nursing home bed spaces	14	-	14	-
Keyworker bed spaces	537	540	537	540
Total bed spaces	551	590	551	590
Total units	**21,050**	**21,153**	**21,050**	**21,153**

	Consolidated		Association	
	2018 Number	2017 Number	2018 Number	2017 Number
Total units managed by other organisations on behalf of Catalyst	497	493	497	493
Housing units under development	1,636	1,255	1,291	915

Notes to the accounts

31. Related party disclosures

The Group has a joint venture, Dee Park Partnership LLP, used to carry out construction works, and the balance receivable at 31 March 2018 is £nil (2017: £nil). Transactions made during the year consist of legal, professional and management fees incurred on the scheme to date. Interest payable during the year by Dee Park Partnership LLP is shown in Catalyst Housing Limited £nil (2017: £32,189) 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) Ltd and Dee Park Partnership LLP during the year was £nil (2017: £8,855).

The Group has a joint venture, Merton Catalyst LLP used to carry out construction works and the balance receivable at 31 March 2018 is £30,000,000 (2017: £nil).

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	
	2018	2017	2018	2017	2018	2017
Payable to Catalyst Housing Limited by:	£'000	£'000	£'000	£'000	£'000	£'000
CHL Developments Limited	899	1,123	2,916	2,867	-	3
Barnet Community Homes Limited	-	-	-	-	40	-
Vintage Care Limited	-	126	328	66	-	-
Catalyst Housing Charitable Trust	10	10	-	-	-	-
Southall Day Centre Limited	21	21	-	-	204	-
Dee Park Developments (Catalyst) Limited	56	47	-	839	-	32
Catalyst Development (Wimbledon) Limited	-	-	79	-	-	-
Catalyst by Design Limited	1,743	1,595	15,455	18,447	2,265	2,504
Catalyst Finance Limited	11	8	-	-	-	-
	2,740	2,930	18,778	22,219	2,509	2,539

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, commitment fees and gift aid payments.

Intra-group interest

Intra-group interest is charged by Catalyst Housing Limited to its subsidiaries to cover the interest charged on the cash loaned by Catalyst Housing Limited to its subsidiaries, and is charged based on current interest rates incurred.

The subsidiaries also receive charges from Catalyst Housing Limited and the basis, and quantum of these charges are set out on the next page:

Notes to the accounts

31. Related party disclosures (continued)

	Management fees		Other charges		Interest charges	
	2018	2017	2018	2017	2018	2017
Payable by Catalyst Housing Limited to:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Catalyst Housing Charitable Trust	-	-	10	10	-	-
Catalyst Finance Limited	13	10	-	-	10,122	6,339
Southall Day Centre Limited	-	-	341	246	-	-
	13	10	351	256	10,122	6,339

Intra-group interest

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.

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	55,580	(8,580)	47,000
Catalyst Housing Limited[2]	Dee Park Developments (Catalyst) Limited	-	-	-
Catalyst Housing Limited[3]	Catalyst Development (Wimbledon) Limited	-	30,000	30,000
Catalyst Finance Limited	Catalyst Housing Limited	224,281	(9,205)	215,076

Key	Terms of repayment	Details of any guarantees
1	On demand	Secured by floating charge
2	On demand	None
3	On demand	Secured by floating charge

Notes to the accounts

31. Related party disclosures (continued)

Investments in joint ventures

Entity granting loan	Entity receiving loan	Opening balance £'000	Movement during the year £'000	Closing balance £'000
Dee Park Developments (Catalyst) Limited[1]	Dee Park Partnership LLP	7	11	18
Catalyst Development (Wimbledon) Limited[2]	Merton Catalyst LLP	-	30,000	30,000

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

32. Contingent liabilities

The Group receives grants from the Homes and Communities Agency, and from the Greater London Authority, which are used to fund the acquisition and development of housing properties, and their components. Grants of £841,692,000 received in respect of housing properties held at 31 March 2014 were credited to reserves, in respect of adoption of 'deemed' cost. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2018, the value of grant received in respect of these properties that had not been disposed of was £851,118,447. As the timing of any future disposal is uncertain, no provision has been recognised in the financial information.

There is a £13,017,000 government grant associated with housing properties acquired, as part of a prior year stock swap. 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 repayment or recycling of the grant.

catalyst

Report and Accounts for the year ended 31 March 2018

Catalyst Housing Limited
Ealing Gateway
26-30 Uxbridge Road
London W5 2AU

0300 456 2099
www.chg.org.uk

Registered Society
Registered Number: 16561R

Homes and Communities Agency
Registered Number: L0699

A charitable housing association

Catalyst is one of the leading housing associations in London and the South East. Our vision is to create a self-sustaining business, which uses commercial disciplines and profits to provide affordable homes, improve neighbourhoods and change lives.

CAT900_Financial Annual Report 2018