Report and Accounts

for the year ended **31 March 2016**

Catalyst

Catalyst development Ely Court, South Kilburn

Contents

Cover image: *Catalyst development, Wornington Green*

Board members, executives and advisers

Board Members

Richard Brown – Chair
Paul Evans – Vice-chair
Nici Audhlam-Gardiner
Alison Knocker
Anne Markey
John Sheldrick
Heneage Stevenson
Christina Tom-Johnson
Rod Cahill – Co-optee

Susan Parsonage (resigned 08/06/16)

Leadership Team

Rod Cahill	Chief Executive
Rachael Dennis	Executive Director of Finance and IT
Judith Foss	Executive Director of People and Organisational Development
Maria McCann	Executive Director of Customer Services (appointed 04/01/16)
Julia Moulder	Executive Director of Property
Tom Titherington	Executive Director of Business Development and Market Intelligence
Paul Bridge	Interim Executive Director of Customer Services (appointed 02/09/15 and resigned 12/02/16)
John Foxall	Director of Customer Services (resigned 17/07/15)

Secretary and Registered Office

Sue McBride (appointed 15/07/16)
Maggie King (resigned 15/07/16)

Ealing Gateway
26–30 Uxbridge Road
London
W5 2AU

Audit and Treasury Committees

John Sheldrick – Chair (Audit)
Nici Audhlam-Gardiner – Chair (Treasury)
Richard Brown
Alison Knocker
Heneage Stevenson

Governance Committee

Paul Evans – Chair
Nici Audhlam-Gardiner
Richard Brown
Alison Knocker
John Sheldrick

Susan Parsonage (resigned 08/06/16)

Auditor

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

Principal Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London
SE1 9BB

Bankers

National Westminster Bank Plc
1 The Mall
London
W5 2PL

Catalyst development Burlington House, Ealing

Chairman's statement

Turbulent year leads to re-affirmed purpose

This has been a turbulent year for housing associations. The July 2015 budget statement included some unexpected shocks which caused much debate and consternation among our fellow housing association boards.

"In the financial year 2015/16 we invested £166 million to build 613 new homes."

Catalyst, like most housing associations, has had a period of soul-searching and debate about the way forward. For us, this debate has resulted in a reaffirmation of our fundamental purpose and the adoption of a clear statement unifying everything we do.

The Catalyst purpose is '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 to create successful places through great design and management; and to help people to live well together'.

In the financial year 2015/16 we invested £166 million to build 613 new homes. This is 2.3 times our current surplus of £73 million; only 19% funded by grants. Of the 613 homes, 134 are for social rent, 239 are for affordable rent, 119 for shared ownership and 121 for outright sale. The majority of these homes therefore fulfil our purpose to provide housing solutions for people who cannot afford a home without our help.

The 121 homes that we sold on the open market generated £23.1 million towards our overall surplus – money which we reinvested in improving our current homes and building more.

As well as investing in new and improved homes we work in other ways to provide opportunities and help people live well. We continue to invest in communities through Catalyst Gateway. Using a methodology especially developed to measure the social impact of housing associations on the communities where they work*, we estimate that the value of our work to residents last financial year was £638,000.
As well as this we have:

- Secured £824,000 for our residents in increased income through employment and welfare advice
- Saved Catalyst £195,000 by reducing rent arrears, preventing evictions and reducing maintenance costs

This totals £1.7 million of benefit. These figures do not appear in the financial statements but illustrate our commitment to our purpose as strongly as our investment in building new homes.

I continue to be struck by the commitment and passion that so many of our colleagues show in their work for Catalyst. It has been a particularly challenging and difficult year for everyone and I would like to say a sincere thank you to all of them for their hard work, and pay tribute to their continuing dedication.

I would also like to thank all of my Board colleagues for their support and wisdom in overseeing Catalyst's current performance and future development, with particular thanks to Susan Parsonage who is leaving London in order to take up an exciting new role as Chief Executive of Lancaster City Council.

Richard Brown
Chairman, Catalyst Housing Limited

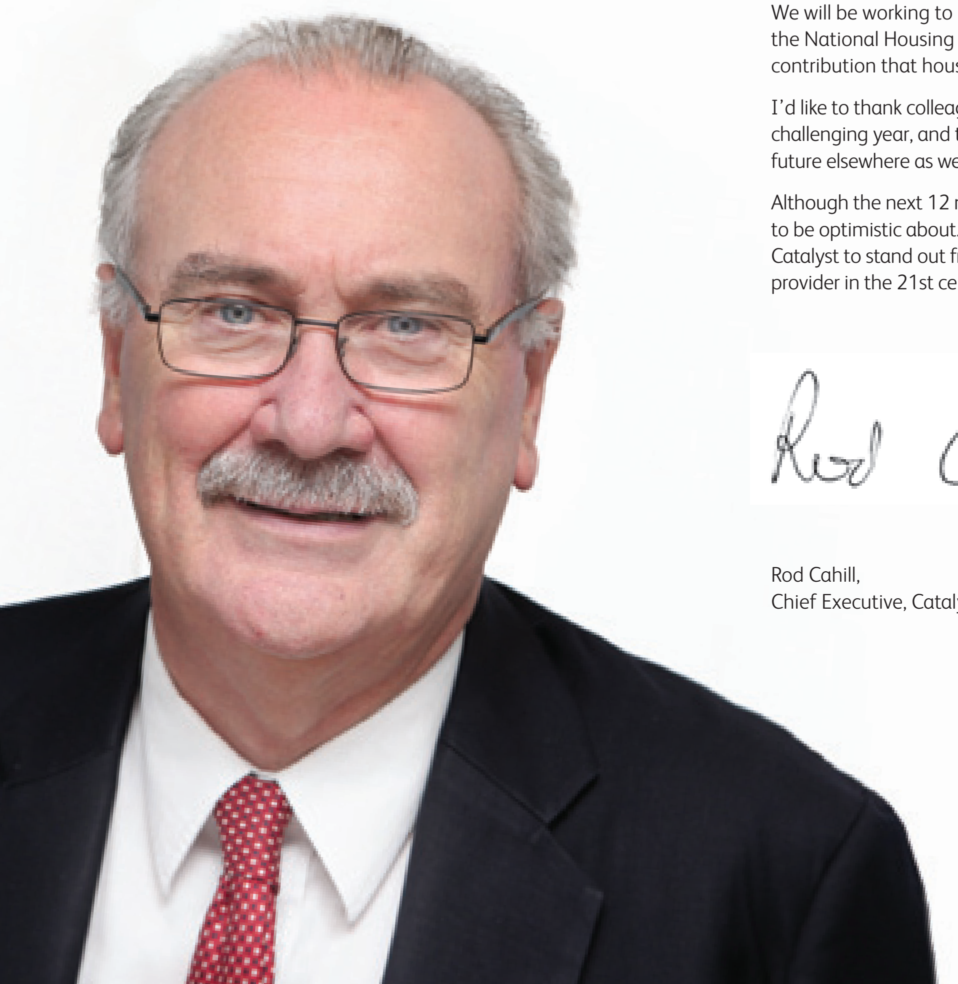
*HACT – A method used to define social value, by measuring and evidencing the extent to which housing associations are achieving the delivery of positive social impact.

Catalyst development First Central, Park Royal, Acton

Chief Executive's statement

A vision to thrive in a demanding environment

The need for housing is growing every day and Catalyst, like all housing associations, wants to help to meet this demand. However, we work in an increasingly challenging environment. The old model of public subsidy to support the provision of new affordable homes has all but disappeared, along with certainty over current and future income streams.



"Although the next 12 months are likely to be challenging, there is a lot to be optimistic about."

There is now virtually no grant available and the enforced rent reduction will leave us with approximately £14 million less per year. Our performance, delivery and value for money are under increasing scrutiny. Welfare reform, right to buy and 'pay to stay' could cause instability which could affect our capacity to raise funding.

The Board and Leadership Team have agreed a vision for working in this new world. It is 'to create a self-sustaining business, which uses commercial disciplines and profits to provide affordable homes, improve neighbourhoods and change lives'.

To deliver this vision we have an ambitious programme called our '2020 Vision'. As part of this we will:

- Build at least 1,000 new homes a year
- Offer a range of prices and tenures for a range of incomes
- Provide a brilliant multi-tenure management service
- Transform the way our customers interact with us so that 80% of interactions are online
- Integrate development and asset management into a combined property directorate.

We cannot do all of this alone. We will need to strengthen our relationships with councils and developers. I'm looking forward to working with the new London Mayor and the g15 to find creative ways to provide more homes that meet the needs of London and the South East. We will be working to raise our profile in the sector and participating in the National Housing Federation's campaign to raise awareness of the contribution that housing associations make.

I'd like to thank colleagues who have worked with us during this challenging year, and that includes those colleagues who are following a future elsewhere as well as those who have recently joined us.

Although the next 12 months are likely to be challenging, there is a lot to be optimistic about. We are well placed to grab this opportunity for Catalyst to stand out from the crowd. Our aim is to be the best housing provider in the 21st century.

Rod Cahill,
Chief Executive, Catalyst Housing Limited

Catalyst development First Central, Park Royal, Acton

Catalyst development Kingswood House, Kings Road

Strategic Report

Principal activities and review of business

Catalyst is one of the leading housing associations in London and the South East. We are a large social enterprise driven by a compelling social purpose, but working with commercial disciplines. As our name suggests, we are a catalyst for change and improvement wherever we work, pursuing better homes, better service, and a better future for our customers.

We provide more than 21,000 homes through a wide range of rental and homeownership opportunities to over 40,000 customers. But more importantly, we are passionate about building better neighbourhoods, creating solutions to complex housing issues, and delivering innovative ways to address the pressures on the affordable housing market.

Our social purpose is 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 to create successful places through great design and management; and to help people to live well together.

We are committed to helping address wider social issues among our residents and neighbourhoods, such as education and skills gaps, unemployment and anti-social behaviour. Alongside others – individuals, associations, clubs, schools, colleges and government – we help create successful and secure communities.

At the heart of our work are our customers. They are our best advocates and we want them to recommend us to prospective tenants and purchasers. We aim to create places and homes which sustain their value and utility over the long term, because this is the bedrock of customer satisfaction.

We strive for the highest standards of governance and, subject to appropriate commercial confidentiality, to being as open as possible about our activities, finances and performance.

We also aim to provide an average of 1,000 homes each year across a range of tenures. We offer a wide range of rental and homeownership opportunities to customers at every stage of life – single people, couples and families, young and old, and people with special needs.

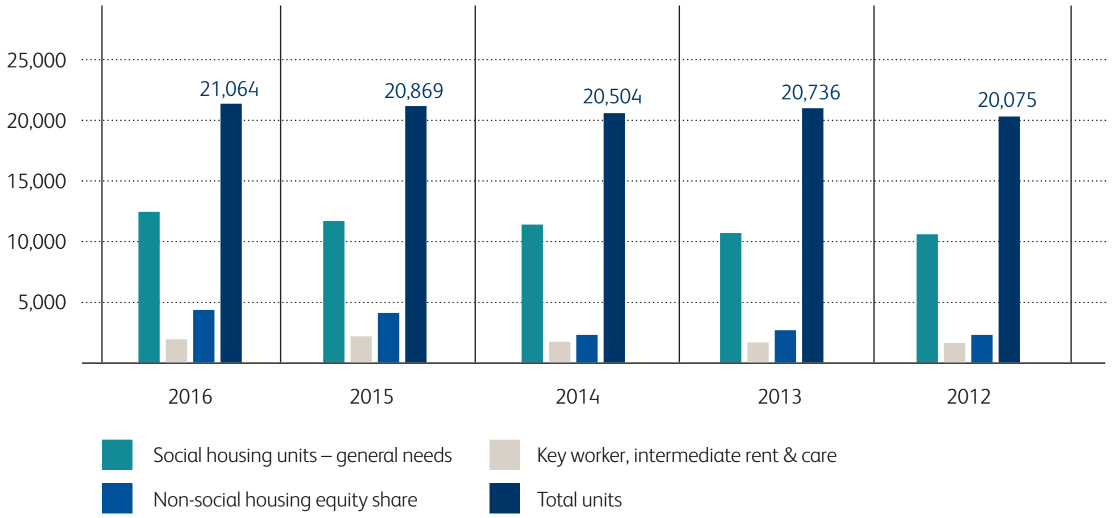
Some of our new homes are for private sale, developed by our development arm Catalyst by Design Limited. We use the profits from private sale to cross-subsidise our charitable work.

Strategic Report

Principal activities and review of business

Property portfolio

We have increased our property portfolio over the years and currently own and manage approximately 21,000 homes.



Number of units managed

	2016	2015
Social housing units – general needs	12,862	12,522
Shared ownership and lease	4,448	4,333
Supported housing, key worker, intermediate rent and care	1,618	1,673
	18,928	18,528
Other units[1]	2,136	2,341
Total units	**21,064**	**20,869**
Number of homes managed by a third party	442	480

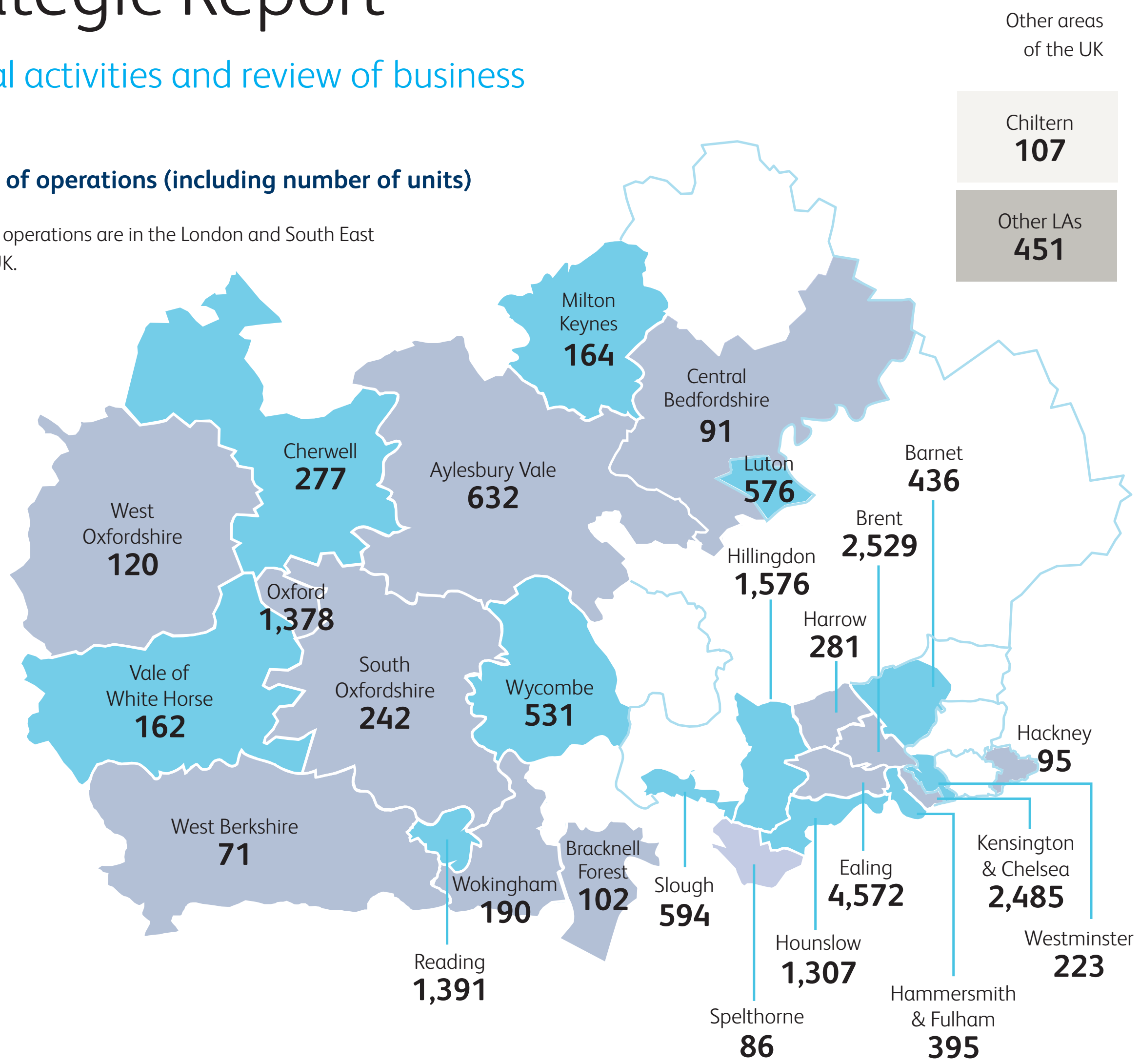
[1]Other units include right to buy, right to acquire and equity loan products.

Strategic Report

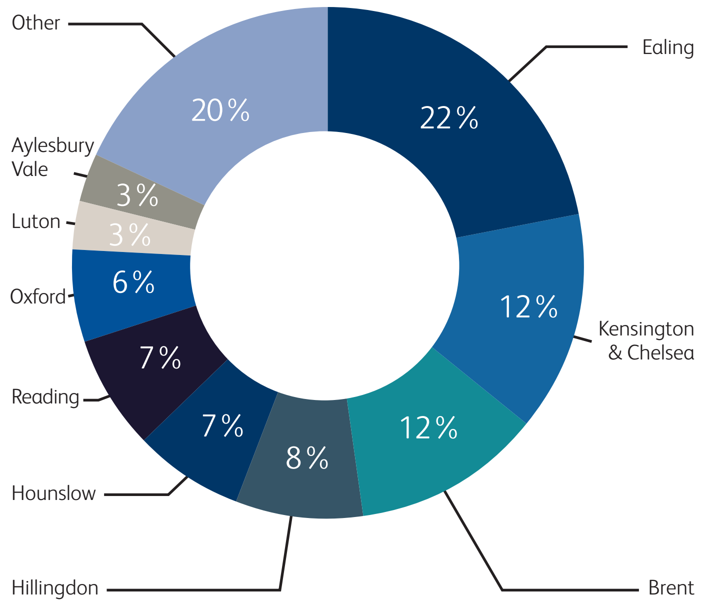
Principal activities and review of business

Main area of operations (including number of units)

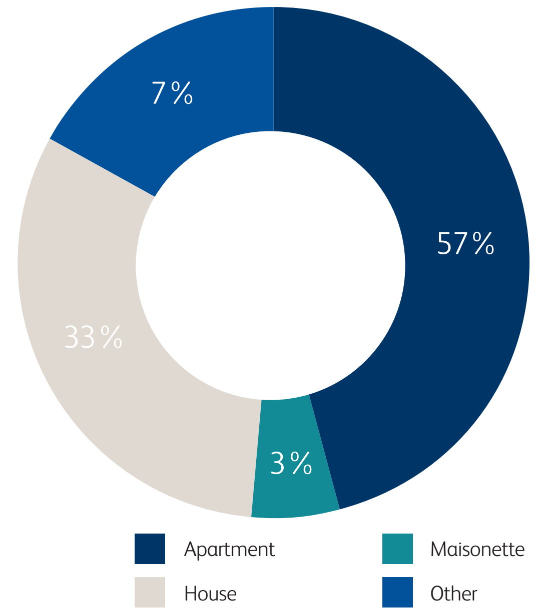
Our stock and operations are in the London and South East areas of the UK.



Stock and operations



Homes by type



Strategic Report

Principal activities and review of business

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:

- Mayor's Design Award at the 2015 Housing Design Awards
- Affordable Housing Provider of the Year
- Show Home and Best Urban Regeneration categories at the 2015 First Time Buyer Readers' Awards
- EROSH 2015 Innovation and Good Practice Award
- Southall Day Centre received a ROAR (Recognising Outstanding Achievements of Residents) Award 2015.

Community investment highlights

During the year we have completed a transition from focusing on contract delivery through Catalyst Gateway to enhancing the grant-giving charitable objectives with a neighbourhood and resident emphasis. The main actions have been:

- Amending the Terms of Reference for the Board
- Recruiting and inducting new Trustees who were appointed at the inaugural meeting on 7 October 2015
- Developing a new approach to grant giving, aligned with the Group vision for customer services focused on neighbourhoods and individuals
- Establishing budgets for grant giving in 2016-17
- Establishing the processes for managing and administering grant applications and awards.

We have engaged with over 700 customers during the year, and helped 69 of them into work. Our monetary advice service, DOSH (Debt, Overheads, Savings & Help), has supported 261 people. According to the HACT (Housing Associations Charitable Trust) Wellbeing Value, the impact of this work amounts to £638,000.

Charitable donations

During the year Catalyst made charitable donations totalling £25,950 (2015: £18,227).

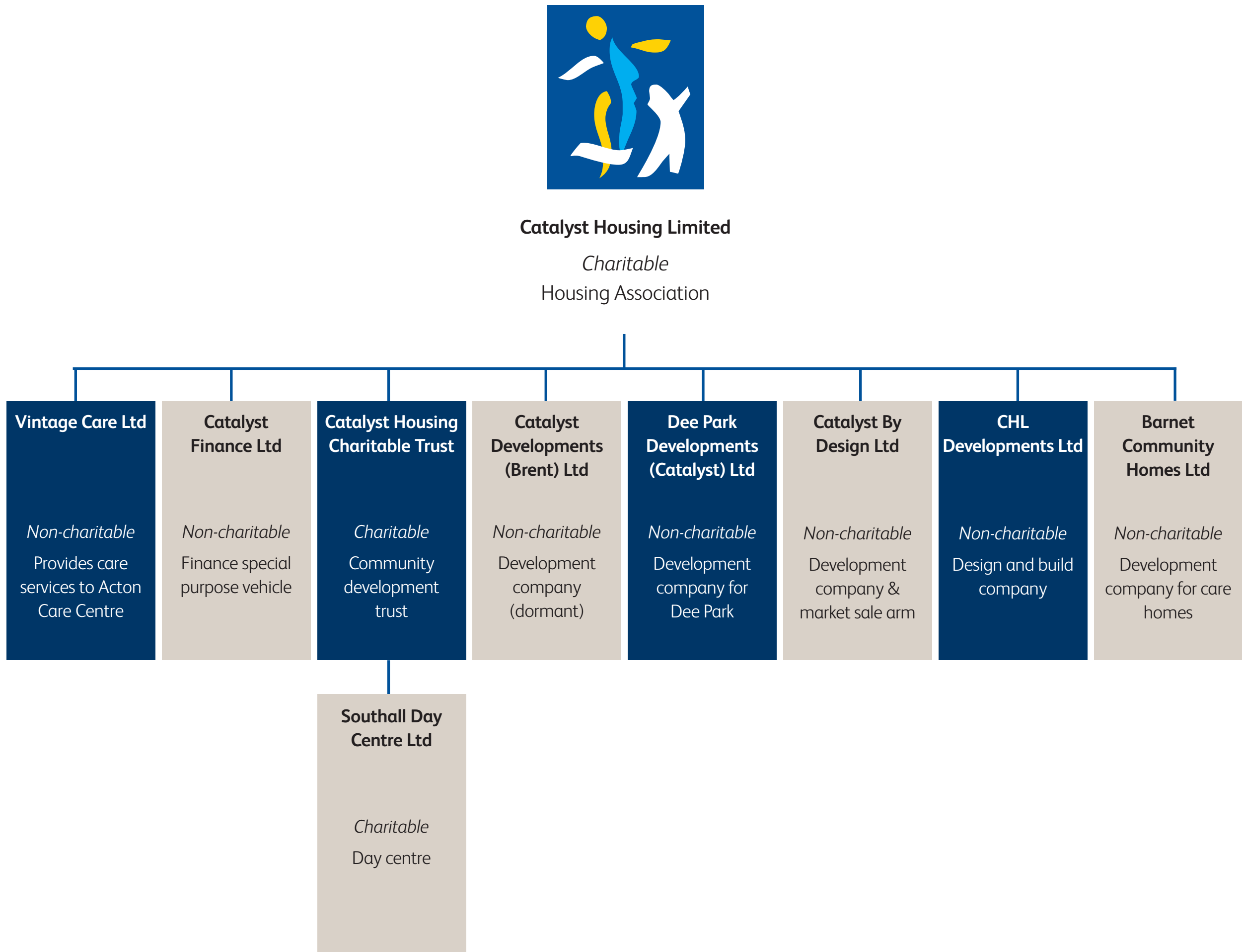
Catalyst development First Central, Park Royal, Acton

Strategic Report

Principal activities and review of business

Group structure

Our Group structure and operating companies are shown in the chart below:



Strategic Report

Principal activities and review of business

Business model

Catalyst comprises a combination of a development and a landlord business. As a developer, we build homes for sub-market rent, low cost home ownership and market sale. The first two of these fulfill Catalyst's social purpose, and the third contributes to it by generating profit (effectively replacing the government grants which we used to get in much larger quantities) and by helping to create balanced, mixed-income communities. The profit we generate from market sale subsidises sub-market rent, which only pays back over the long term and generates revenue deficits in the meantime. The main low cost home ownership product is shared ownership, which usually breaks even or generates small deficits in early years but then moves into profit as rent increases and staircasing kick in. We undertake development by entering into so called Section 106 agreements with housebuilders; by acquiring and developing land on the open market; by redeveloping existing assets; and by redeveloping estates transferred by local authorities. This gives us a balanced pipeline: some projects require up-front land payments and others do not; and some are short-term and others long-term. This is particularly helpful in managing our exposure to the ups and downs of the housing market.

As a landlord, we manage and maintain our properties through two main types of contract – tenancy and lease. Each has a distinct set of landlord responsibilities which we discharge through our neighbourhood, income, customer contact, repairs, asset management and environmental services teams. We aim to make a surplus (called the social housing operating margin) on these operations and to break even on those services which are subject to a separate service charge. We use the surplus we make to cover interest and relevant costs and apply any net profit towards the development of new affordable homes. We supplement our landlord role with community investment through Catalyst Gateway, which helps residents to cope with welfare reform and other challenges and which also promotes life opportunities such as finding a job, getting into further education, and getting support from a mentor. The payback to Catalyst is in the sustainment of tenancies, cost avoidance (e.g. the cost of eviction), and a decrease in anti-social behavior and other forms of nuisance.

Catalyst development Dickens Yard, Apsley House

Strategic Report

Business objectives and strategies

Our strategic plan

During the year we launched a new Strategic Plan, our '2020 Vision'. The plan sets out how we will deal with increasing operational pressures and continue to thrive in the period to 2020. This was our response to the government decision to require housing associations to reduce their rents by 1% per annum for four years with effect from April 2016, which will by 2020 reduce our business plan capacity by £14 million per annum. Like our peers we carried out a fundamental review of our purpose and redefined the vision for Catalyst going forward, which is to create a self-sustaining business, which uses commercial disciplines and profits to provide affordable homes, improve neighbourhoods and change lives. We concluded that we should aim to increase housing supply notwithstanding the rent cut and to pay for this by reorganising ourselves to deliver our objectives more effectively at lower cost. This includes significantly reducing our social housing operating costs and therefore increasing our operating margins. A key part of the strategy is moving more and more of what we do to digital platforms and enabling most of our customers to complete most transactions on-line, most of the time.

We have set ourselves some specific goals and these are set out below. These aspirations guide our business planning, budgeting and performance monitoring so that we expect to register progress in each year towards achieving them in a sustainable way, complying at all times with prudential financial parameters. In 2015-16, for example, we increased our social housing operating margin from 28% in the previous year to over 30% and we plan to keep improving this each year. We also acquired a number of sites and development opportunities which will contribute towards our goal of an annual output of 1,000 homes.

Our 2020 Goals

- **To be building at least 1,000 homes each year** – comprising a mix of rent, shared ownership and market sale. In response to the rent reduction we re-balanced our programme, reducing the assumed level of rented homes we build, and increasing shared ownership. However, we will keep this mix and our overall reliance on sales under review, particularly in the light of the EU referendum result.
- **Providing homes at a range of prices/tenures for a range of incomes.** We support the Government's drive for home ownership but we also want to keep providing rented solutions for those who cannot buy their own homes. We therefore aim to develop a range of rent and ownership products to suit.
- **Brilliant multi-tenure customer service** to renters, leaseholders and freeholders alike – measured against a mixture of industry and in-house indicators.
- **80% channel shift to self-service through digital transformation**, so that face to face service is for problem solving and support rather than routine transactions.
- **Recognised as a landlord of opportunity** (home, job, learning) using feedback from customers and social impact measures which we have developed.
- **Demonstrably leveraging the best use of our assets** through the delivery of an asset management strategy which will bring all of our homes up to a defined standard, funded inter alia by the disposal of assets which do not merit retention and, where appropriate, by densification and redevelopment of existing estates.
- **Renowned as a place-maker**, so that we are a partner of choice for local authorities and developers because of our proven ability to work with designers, builders and customers to create great places which (like Portobello Square) are recognised as such through awards.
- **Top quartile HA business performer** including operating margin and profitability as benchmarked against g15 or other appropriate comparators.
- **Top 20 (all sectors) employer**, reflected in relevant awards such as Sunday Times Best Company.
- **That we are bigger as well as better.** Our emphasis is on the latter but we do see the potential advantages of joining with other like-minded housing associations if as a result we can build more homes, have greater influence, provider better services, acquire new skills, and attract and retain even better talent. These will be the tests which we will apply to any opportunities.

Strategic Report

Business performance during the financial year and financial position at the year end

Building new homes – affordable and market sale

- We built 613 new homes – 492 of which were affordable (373 social or affordable rent, 119 shared ownership).
- We sold 121 new homes which realised a surplus of £23 million for us to invest in new affordable housing and our community development work.

Highlights of our development delivery this year are provided in the next section of this report.

Financial results and value for money

- We achieved a record surplus of £73 million for Catalyst and remain financially strong and robust, sustaining our low net gearing at 35%.
- Our operating margin increased to 30.5% for the year ended 31 March 2016 and is forecast to remain above 30% in future.
- We continued to develop our strategic asset planning and used our improved process to reduce total planned spend for 2017 by £10 million.
- In addition to £13 million on day-to-day maintenance, we spent £36 million on improvements and major works to keep our stock to a standard that meets the needs of modern customers – significantly exceeding the government's Decent Homes Standard.

Customer service – foundations for excellence

- We continued to embed 'Making it Easy', our customer service excellence programme, which underpins our strategy to be a leading customer service provider.
- We have begun to implement our digital strategy – with a target of 80% channel shift to self-service through digital transformation.
- For the second year our overall tenant satisfaction levels fell from the 80.6% high in 2014 to 75.3% in 2016. Despite the fact that our performance improved as the year progressed, we are aware of the impact that significant business change has had on customer satisfaction, which will have been exacerbated by the leadership changes in Customer Service. We are, however, delighted with the appointment of our new Executive Director of Customer Services, who started at Catalyst early in 2016 and is already having a positive impact on the service.

Development highlights

2015/16 was another successful year for development. We completed 613 new homes for rent, shared ownership and outright sale, with a further 391 forecast for 2016/17. We anticipate a higher completion rate beyond 2017 as result of an intense period of site acquisition in the year to March 2016.

In London our development programme continues to be a success, underpinned by strong market sale activity – we have forward sold 70 units at our St Bernards and Wornington Green schemes, securing over £46 million of revenue.

Future prospects

Our priorities over the next twelve months are to:

- Substantially reduce our operating costs
- Implement our new Customer Services Vision
- Implement our new Digital Strategy
- Embed our new approach to asset management, integrated with development activities in a combined property function
- Drive further improvements from our Value for Money Programme
- Deliver real culture change through our People Strategy.

Strategic Report

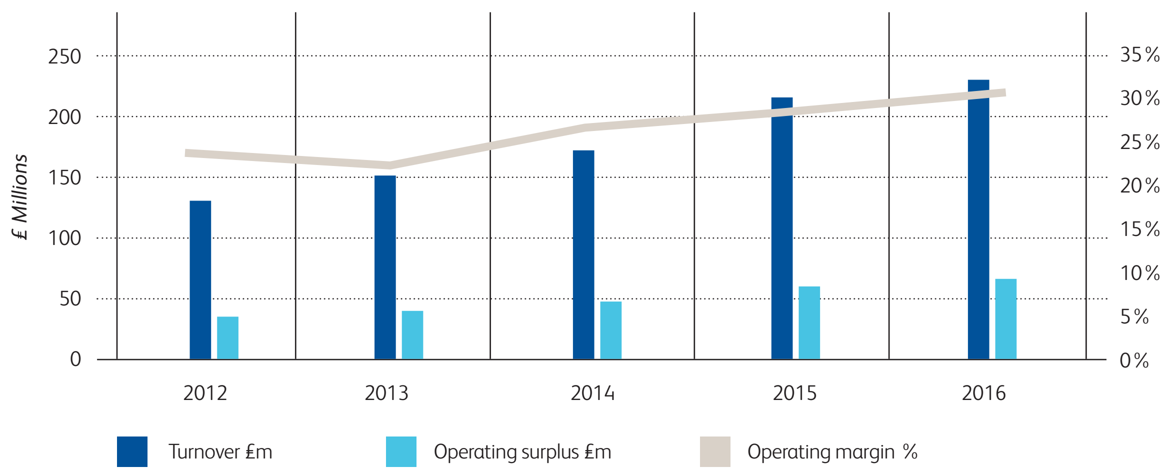
Financial Review

Turnover is up on last year by £10.5 million or 4.8% and our net surplus increased by £16.1 million from the previous year's surplus of £56.7 million. The operating surplus of £69.4 million (2015: £60.6 million) shows an improved operating margin of 30.5% (2015: 27.9%) due to improved results from social housing activities and market sales. Operating costs reduced by £1.4 million or 1.5%, reflecting our targeted cost reduction programme. The Group's adjusted cash generation from operations, shown in the treasury section below, demonstrates a robust, improving profile.

Consolidated income and expenditure account extract :

£ million	2016	2015 (restated)	2014	2013	2012
Turnover	227.4	216.9	172.2	150.2	139.4
Cost of sales	(61.4)	(58.3)	(33.7)	(24.8)	(28.7)
Operating costs	(96.6)	(98.0)	(92.4)	(91.4)	(77.5)
Operating surplus	**69.4**	**60.6**	**46.1**	**34.0**	**33.2**
Operating margin % *(Operating surplus over turnover)*	30.5%	27.9%	26.8%	22.6%	23.8%
Share of joint venture operating results	1.2	0.5	1.3	0.5	0.4
Surplus on disposals	22.9	15.1	16.1	5.5	21.9
Net interest payable	(20.9)	(20.9)	(23.1)	(21.6)	(14.8)
Surplus for year	**72.6**	**55.3**	**40.4**	**18.4**	**40.7**

Turnover, operating surplus and margin trend:



Digital Neighbourhood Services Centre

Strategic Report

Financial Review

Our operating surplus has more than doubled to £69.4 million from £33.2 million over the past five years and increased by 14.5% from the previous year. We achieved our targeted reductions in operating costs, and increased our surplus from market sales to £23 million which will be reinvested in new affordable homes and our community development work.

Following the achievement last year of more than doubling staircasing sales across our shared ownership portfolio to 149 units, we again exceeded our target by completing 234 sales during 2015/16. These sales generated proceeds of £31.5 million and a surplus of £11.2 million.

The Group has continued to benefit from historically low variable interest rates on a substantial portion of its debts, though to a lesser extent than previously. The treasury policy allows for variable debt in a pre-determined range as a percentage of total debt.

Consolidated balance sheet extracts:

£ million	2016	2015 (restated)	2014	2013	2012
Housing properties at cost	2,057.9	1,969.0	1,815.7	1,741.0	1,589.9
Social Housing Grant	(167.0)	(179.0)	(885.6)	(875.8)	(839.1)
Loans	(612.3)	(593.0)	(597.1)	(599.7)	(460.6)
Reserves	(1,326.1)	(1,251.3)	(282.9)	(240.5)	(227.8)
Interest cover – %*	317%	271%	223%	183%	356%
Gearing gross – %**	41%	42%	45%	47%	37%
Gearing net of cash – %	35%	37%	41%	40%	35%

*Interest cover is defined as operating surplus plus depreciation and interest receivable less interest capitalised in housing property divided by interest payable.

**Gearing gross is defined as total indebtedness divided by tangible net worth (reserves and all public grants).

The weighted average interest cost for the year on Group borrowings was 4.5% (2015: 4.6%). The weighted average total cost of variable debt in the year was 1.4% per annum (2015: 1.4%) with variable debt comprising 16% (2015: 21%) of total debt for the year ended 31 March 2016.

We have grown over the five-year period through development activity principally funded by reinvested surpluses and private finance. Despite higher debt our gearing ratio has remained consistently low through higher capital grants and reserves.

Strategic Report

Financial Review

Treasury

Catalyst is financed by a combination of non-distributable retained reserves, long and medium-term committed loan facilities from banks, building societies, other lending institutions, private placement loan notes and Social Housing Grant awarded by the HCA (and its predecessors), together with other public subsidies to support our development activities. Loans and bonds are wholly secured by way of mortgages on certain housing properties.

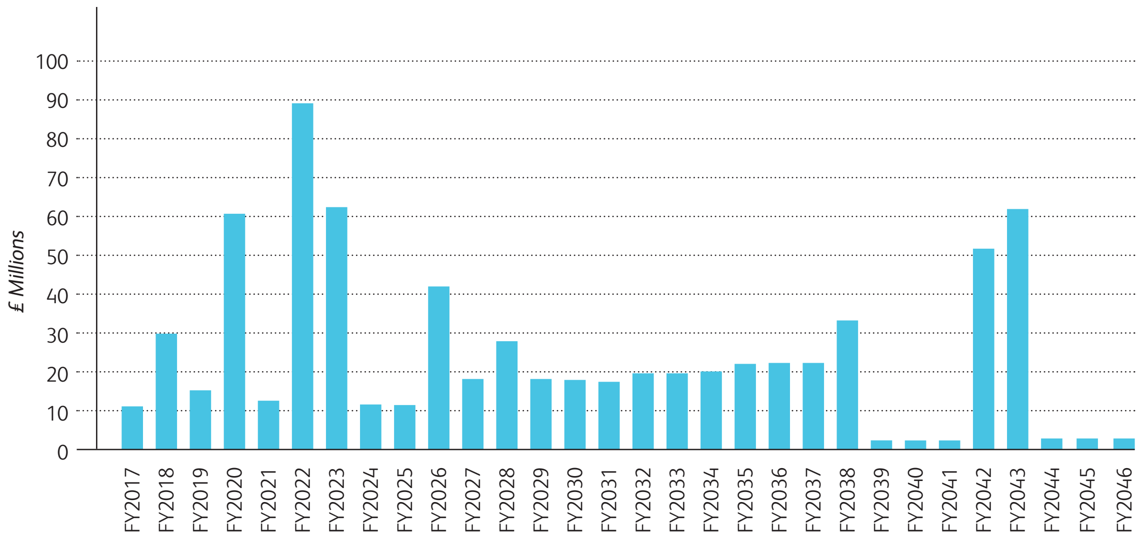
The treasury management for Catalyst is carried out by a centralised treasury function. Its primary responsibilities are to procure capital resources, to maintain an efficient capital structure, and to manage the Group's liquidity, interest rate, counterparty and other treasury risks.

The treasury team monitors covenant compliance on a regular basis and reports covenant compliance to the Group's lenders and borrowers on a quarterly basis. The Treasury Committee oversees treasury activities and makes recommendations to the Board on debt financing.

For the year ended 31 March 2016, the Group had total committed loan facilities of £742.8 million with £612.3 million drawn down, up £19.2 million from the previous year. The loan portfolio comprises of a mix of 67% loans; 30% private placement; 3% bonds. Approximately 84% (2015: 79%) of the loans have fixed rate interest arrangements.

The maturity profile of Catalyst debt is established to substantially reflect the long-term nature of the Group's assets and to reduce financing risk by staggering the repayment of principal. The maturity profile of facilities for the year ended 31 March 2016 is illustrated below:

Facilities maturity profile




Catalyst colleagues


Digital Neighbourhood Service Centre

Strategic Report

Financial Review

Cash flows

The principal cash outflows of the Group are on its development and asset management activities, on which it expended £103.8 million in the year, £10.0 million higher than in the previous year. Grants of £10.0 million were repaid in the year; the previous year grant receipts were £7.8 million. Overall the Group net cash outflow amounted to £35.4 million. This was financed by new loans of £50.0 million.

Current liquidity

For the year ended 31 March 2016 the Group held money market and other actively managed deposits of £37.9 million. Additionally, £57.8 million of other cash amounts were being held for operational purposes which included pre year-end sales receipts. The company had drawn £612.3 million (net of amortised issue costs) of its £742.8 million committed bank and bond facilities.

The main bank facility is syndicated and is arranged on a cross-collateralised basis. Throughout 2015/16, we have operated comfortably within all the covenants, including interest cover and gearing, set by lenders. Gross debt per housing unit (total loans divided by total number of units) for the year ended 31 March 2016 was £29,066 (2015: £28,417).

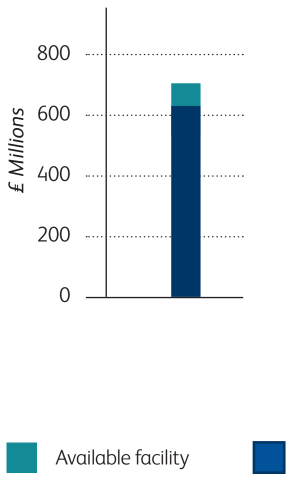
Facilities and usage for the year ended 31 March 2016

Catalyst facilities and usage – 31 March 2016

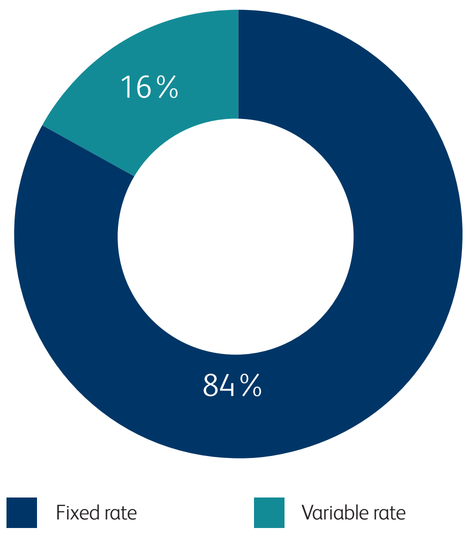
(£ million)	Facility	*Drawn	% Undrawn
Syndicated	290.0	239.1	18%
Bi-laterals	208.6	133.6	36%
Bonds	24.2	24.2	0%
Private Placement	220.0	220.0	0%
Total	**742.8**	**616.9**	**17%**

*Total drawn down facility is before the issue costs of £2.9 million

Loan facilities



Interest rate management



Strategic Report

Financial Review

Effects of material estimates and judgements upon performance

The financial statements include material estimates and judgements that affect the carrying value of fixed asset housing properties. As part of the first time adoption of FRS 102 the Board has elected to measure property plant and equipment (PPE) at its fair value at the date of transition and use that fair value as its deemed cost at that date. The full impact of the first time adoption of FRS 102 is included in note 33 to the financial statements.

Going concern

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

Principal risks and uncertainties

The governance structure within Catalyst ensures that risks across the business are managed in accordance with the overall risk appetite of the organisation. The Board, Audit Committee and Leadership Team consider the risks throughout the year. A formal review of the risk map is undertaken by the Board and the Audit Committee at least twice yearly.

As with all organisations within the housing sector Catalyst continues to face a number of inherent strategic risks which are likely to always be on our risk map. Some of these are linked to the risk of business interruption such as business continuity, information security, fraud and breach of loan covenants. Some are related to governance structures and inadequate resources. There are also the health, safety and safeguarding risks relevant to our business.

The specific risks which currently have higher scores are around the changing operational environment, organisational change, development, asset management and financial. These are discussed in more detail below.

Changing environment: The landscape for housing associations continues to shift as we respond to a challenging political and economic environment – we are assessing the impacts of Brexit, and have responded to changes in policy and the rent regime, as well as to the reclassification of housing associations as public bodies by the ONS and subsequent changes to the regulatory environment designed to reverse it. We are continuing to feel the effects of the government's welfare reform programme, and the economic pressures affecting the business and our customer base. We recognise the risks associated with this in relation to the potential of lost income and increase in bad debts together with the uncertainty this brings to all our stakeholders. We continue to manage these risks through:

- Involvement with other organisations especially g15 housing associations and National Housing Federation (NHF) to lobby for sensible change
- Business plan sensitivity testing
- Financial forecast stress testing and cashflow/liquidity testing
- Programmes of support, advice and guidance to affected residents
- Robust communication plans

We are always highly aware of the risk of volatility in the housing market, and this year it is no different – particularly in central London. Our exposure to this is limited to our Portobello Square project where we have a strong forward sale position on the remainder of its first phase. We will make a decision about progressing the next phase in 2017 and will take account of market conditions and predictions at that time. We have not experienced any adverse changes in our outer and out-of London market sale or shared ownership outlets but we are reviewing the situation closely following the EU referendum result which may lead to a cooling off in the housing market or even a larger scale correction.

Organisational change: Catalyst is working to embed an ambitious transformation programme driven by our Customer Service Vision. We recognise that such large changes and increases in workload may result in the failure to achieve all that we have set out to do. These risks are managed via strong governance arrangements, including regular communication with all relevant stakeholders.

Catalyst development Mill Farm, Harrow

Strategic Report

Financial Review

Principal risks and uncertainties

Development and Asset Management: We are merging our Development and Asset Management functions into a single Property Department so that we can take a holistic approach to the creation, maintenance and long term management of our properties. The development risks we face include being unable to deliver our development programme for homes of all tenures, and risks associated with market sales. Potential causes include having an insufficient land bank, unavailable suitable and affordable sites or a stagnation of the sales market. In order to manage these risks, we have:

- Strong governance
- Strong market intelligence
- Mature partnership relationships
- Effective contract monitoring
- Project evaluations and monitoring
- Robust procurement
- Specialist resources and succession planning
- Constant market monitoring and strong forward sales activity.

Asset management: We are taking significant steps to mitigate the risk that we don't make best use of our assets, or that we incur additional unplanned costs and experience financial loss as a result of hidden liabilities. We have carried out a review of our assets and are launching a new Asset Management Strategy, and utilising a new asset grading model which provides much needed insights into how our housing properties are performing, enabling us to make better decisions on what to do with different classes of property. We are working on improving our reporting ability and utilising new technologies to drive efficiencies and enhance forward planning, and will continue to procure services effectively and demand robust contract and performance management.

Financial: Our financial risks come from a number of areas such as lower than expected market sales revenue, reduced operating margins on core business and failure to ensure sufficient funding in place for future development. All of these risks are managed through our governance structure, robust reporting systems, cash flow and treasury management and scenario stress testing. In addition, we ensure an exit strategy in relation to market sales.

Value for Money

Introduction

At Catalyst our purpose is 'To use our wealth, assets and talent to provide housing solutions and opportunities for those who cannot afford a home without our help'. We aim to put VfM at the heart of everything we do. During a year that has brought new challenges to the housing sector we have redefined our corporate vision and set new goals for the business to achieve by 2020. Our vision is:

"To create a self-sustaining business, which uses commercial disciplines and profits to provide affordable homes, improve neighbourhoods and change lives".

We have identified that we need to improve in some areas to deliver real value for money from our services. In particular, we are transforming service provision to harness efficiencies from technology, and focussing asset management activities to maintain high standards while reducing total spend. In short, we aim to do more with less, and are relentlessly working towards improving our margins and increasing our surpluses to re-invest in building new homes. We are working to create an operating model that is efficient and generates positive outcomes for our customers while remaining resilient to emerging risks and agile enough to seize opportunities.

We define value for money as 'using our resources to deliver more of what our customers value'. That means spending our money wisely, using our corporate health to drive value through our supply chains, attracting great people to work for us and driving them to perform at the highest level. We are developing new housing solutions to meet the diverse needs of our current and future customers, and modernising service delivery in all areas of the business. The socio-economic changes and challenges in our operating area give us motivation to find better ways to meet the needs of our customers.

We have responded positively to the significant changes in our operating environment during 2015/16, and are continuing to develop our VfM strategy. Our VfM objectives during the year have focussed on three key areas:

- **Making best use of our assets and creating a dynamic asset management strategy**

We have completed the implementation of our new asset management system which provides visibility at a granular level of our asset data, and has significantly improved our ability to accurately forecast future improvement and planned maintenance works. In addition, we have assessed all our rented properties via our asset grading model. As a result, we have begun a series of options appraisals and are planning a self-funding programme combining selective disposals with improvement works.

- **Improving our operating margin by achieving significant savings in operating costs**

Our financial results for the year to March 2016 were our best ever. We have reduced our operating costs, achieving an operating margin on social lettings of 32.9% compared to 30.1% in 2014/15 and beating our target of 30%. We are not resting on our laurels: we have set a challenging budget for 2016/17 that seeks to continue this trend, whilst absorbing decreases in rents and undertaking a pan-organisational transformation programme.

- **Continuing to deliver better services for customers and increasing social return**

Whilst many of our service performance indicators recorded improvements, we recorded a fall in overall satisfaction among our customers for the second successive year. Our triage model for customer interventions continues to deliver excellent results, and we have achieved a great deal through our sustainability strategy. There is information on the work we are doing to improve customer satisfaction later in this report. In the immediate future we are looking to transform our approach to customer service, and have a target to shift 80% of service delivery to digital platforms by 2020. We will continue to respond to more complex issues via our newly created Neighbourhood Experience Management teams, ensuring scarce resources are focussed where they are most needed.

Our goals for 2020 include leveraging best use of our assets and becoming a top quartile performer for operating margin and profitability. We have undertaken a transformation programme to reposition the business, and transform the culture to promote high performance and innovation where we:

- Are creative
- Do more with less
- Don't tolerate waste
- Drive out mediocrity
- Live our Making It Easy culture
- Recruit people who will deliver the future
- Have a clear deal with our customers.

The key ingredients of our transformation programme include further reductions in our operating costs, implementing a digital strategy, and a new integrated approach to asset management. This VfM Report contains details of the work we have already completed to deliver enhanced VfM, along with the challenges we have set ourselves for the immediate future.

Value for Money

Financial outcomes

As financial pressures have continued to impact our business we have continued to target reductions in our operating costs and to raise our margin above 30%. Our March 2016 Financial Statements confirm an operating margin on social housing lettings for the year of 32.9%, and a net surplus before tax of £72.9 million. These are both record results for Catalyst.

We improved some, but not all, of our financial metrics shown in Table 1. The improvement in our operating margin and surplus reflects the work undertaken to reduce costs across the business. Most significantly we have reduced our management costs per unit over the last four years by £352 in absolute terms, and by £500 when adjusted for inflation. Our maintenance costs per unit have been volatile during the period, and we have implemented an improved approach to asset management which we are confident will deliver the lower 2017 budget costs. Later in this report we set out more detail on our enhanced asset management strategy and how it will deliver savings. The budget for total maintenance spend for 2016/17 is £8.6 million lower than that for 2015/16.

Table 1: Financial metrics

	2017 Budget	2016	2015 (restated)	2014	2013
Operating surplus – social housing lettings (£'000)	36,470	41,348	35,330	25,889	28,242
Operating margin – social housing lettings (%)	30.6	32.9	30.1	24.2	26.1
Operating surplus per unit – social housing (£)	1,910	2,199	1,920	1,448	1,580
Management costs per unit – social housing (£)	1,140	1,179	1,147	1,330	1,531
Maintenance costs (including capitalised costs) per unit – social housing (£)	2,154	2,664	2,363	2,821	2,369
Operating costs per unit[1] – social housing (£)	4,324	4,482	4,448	4,530	4,468

[1]Total operating costs include management and maintenance costs, plus service charge costs, depreciation, and losses from voids.

A Catalyst colleague providing support to a customer

Value for Money

Financial outcomes

Benchmarking our costs

We analyse our performance against the group of 15 large London providers of social housing (the g15), and against the sector average published in the HCA global accounts which is shown in Table 2. We have also considered our performance in light of the recent joint NHF/ HouseMark publication 'Housing association operational efficiency 2008/09 to 2014/15'.

Table 2: g15 and HCA global accounts benchmarked performance

Benchmarking our profitability	Catalyst 2016[1]	Catalyst 2015[2]	g15 2015 median	Catalyst g15 position	HCA 2015 global accounts
Operating margin – social housing	32.9%	27.1%	27.9%	3rd quartile	31.0%
Operating margin	30.5%	27.9%	Not published	Not published	28.3%
Net margin	32.1%	26.2%	Not published	Not published	18.5%
EBITDA MRI interest cover	146.1%	171.9%	171.9%	Median	28.7%
Debt per unit	£32,559	£32,064	£35,424	2nd quartile	£23,931

Benchmarking our costs	Catalyst 2016[1]	Catalyst 2015[2]	g15 2015 median	Catalyst g15 position	HCA 2015 global accounts
Management costs per unit	£626	£665	£589	3rd quartile	£1,034
Routine and planned maintenance per unit	£2,030	£1,991	£1,277	4th quartile	£1,240
Capitalised repairs per unit	£1,481	£1,465	£1,015	4th quartile	£705
Total maintenance and repairs per unit	£3,511	£3,456	£2,292	4th quartile	£1,945
Overheads as a percentage of turnover	9.8%	11.36%	11.91%	2nd quartile	19.9%
Rent loss from void properties	1.0%	0.7%	0.8%	7th	1.7%
Current tenant arrears	3.3%	3.4%	-	3rd	4.8%

[1]2016 numbers are estimated based upon our calculations using the HouseMark allocation process.
[2]Catalyst 2015 numbers are as included in 2014/15 g15 HouseMark report, prior to FRS 102 restatement.

Table 2 compares our latest 2016 results with the HouseMark 2015 g15 benchmarking report (the most recent available) on a like for like basis. The results show an improvement in our operating margin which has been below that of our peers in the g15 and the average from the HCA global accounts. We expect our improved operating margin for 2016 to compare more favourably when up to date benchmarking is completed, although we are aware that our peers have also sought to improve their performance.

A further area of attention for us is the spend per unit on repairs and maintenance, which has in recent years been much higher than our peers. Whilst we are confident that the quality of our stock has been enhanced by continued renewal and investment, we have also questioned whether we are spending wisely, often delivering standards which exceed our stated policy. Later in this report there are details of work completed to improve our asset management activities, and to improve our relative performance in this area. In the immediate future we have set a challenging maintenance budget for 2016/17, which demands savings of 25% over the prior year. This is based upon extensive analysis of the condition of our stock and restatement of the standards which we expect to achieve – no more, no less. We are therefore confident that this cost reduction is achievable without compromising Catalyst's letting standard.

Value for Money

Financial outcomes

Headline social housing costs per unit

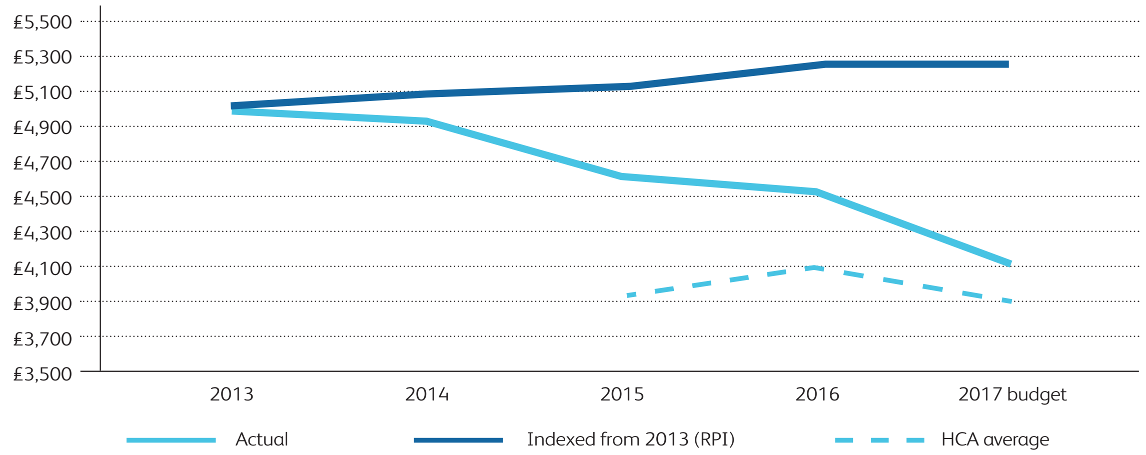
In June 2016 the HCA published their report 'Delivering better value for money: Understanding differences in unit costs'. Within it they define a 'headline social housing costs per unit' measure which aims to provide a robust and consistent measure of costs unaffected by individual providers' different approaches to accounting.

The new measure is made up of the main components of management, service charge costs, maintenance, major repairs and other social housing costs. It is a 'proxy cash' measure that excludes notional expenditure items – depreciation, impairment and bad debts – that are sensitive to different accounting policies and presentation of data within financial statements. It also excludes costs of sales and includes all major repairs, including those capitalised as well as expensed. All costs included in the measure are then divided by social housing units.

Within Chart 1 below we have used the HCA's definition to retrospectively calculate our headline social housing costs per unit over the last four years. We have also plotted the impact of RPI inflation from 2013 which shows our headline social housing costs per unit have decreased by over £1,100 in real terms over four years.

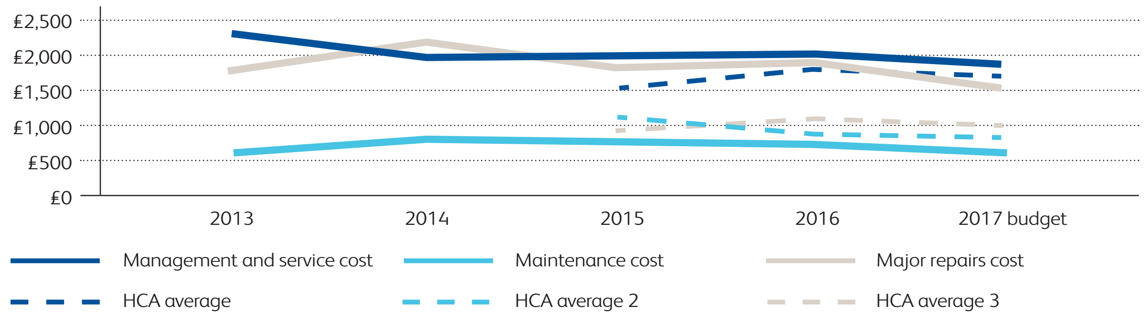
The HCA sector average headline social housing costs per unit for 2015, and forecasts compiled from regulatory returns for 2016, are also shown (as dashed lines) in the chart below. A comparison to our own results mirrors the findings from the benchmarking section above in that our costs are higher than our peers, and there is further work for us to do to reduce our costs. The fall in this measure in 2016 coupled with our continuing cost reduction strategy implemented within the 2017 budget demonstrates our commitment to ensuring that we improve our comparative position in future years.

Chart 1: Headline social housing costs per unit



In order to further analyse changes in headline social housing costs per unit we can disaggregate the component parts, as shown in Chart 2. The results show limited movement in each component over the four-year period. As above, the HCA sector average comparators for 2015 and forecasts compiled from regulatory returns for 2016 are also shown as dashed lines.

Chart 2: Disaggregated social housing costs per unit



The chart shows that for both management and service costs, and major repairs costs, our costs are above the sector average, but both are decreasing. Work is underway to reduce management costs through service transformation, and an improved asset management function will ensure the downward trend continues, as shown in the 2017 budget data.

Value for Money

Service performance indicators

Making it Easy

The 'Making it Easy' customer service programme introduced last year continued to build momentum during 2015/16. We achieved most of the targets set for our service performance indicators, shown below in Table 3. We were disappointed with the overall satisfaction rating from the 2015/16 STAR survey which fell for the second year running. However during this time we embarked on a transformation of Catalyst to improve our services to customers, including significant leadership change and implementing a new structure which affected most of the Customer Service teams. We have now appointed a new Executive Director of Customer Services and have an ambitious digital strategy; and we are confident we have the foundations to deliver a sustainably high quality service that will have a positive impact on the satisfaction of existing and future customers of Catalyst.

Table 3: Service performance indicators

	2017 Target	2016 Actual	2016 Target	2015 restated	2014 restated
Residents' satisfaction overall	80.0%	75.3%	80.0%	79.2%	80.6%
Bad debts – % of rental income	0.2%	0.3%	0.2%	0.2%	0.4%
Current arrears as a % of rent debit	3.0%	3.2%	4.5%	3.3%	5.9%
Rent loss due to voids	0.7%	1.0%	0.8%	1.3%	2.4%
Relet times (avg) – social housing	26 days	27 days	28 days	36 days	38 days
% of rent collection	101.0%	100.2%	101.0%	100.2%	101.2%
% of emergency repairs responded within target	99.0%	98.9%	98.0%	97.5%	99.4%
Gas safety compliance	100.0%	99.8%	100.0%	99.9%	99.5%

Triage neighbourhood service delivery model

We continued to embed our triage model for neighbourhood services and customer interventions. We completed 260 successful interventions during the year, which delivered £638,000 of benefit calculated in accordance with the HACT 'Wellbeing' value from an investment of £87,000.

Sustainability

We have achieved a number of improvements under our sustainability programme which deliver VfM by saving us money, and also deliver real savings to our customers. Highlights include:

- Maximising our income from energy feed in tariffs. Our income has grown to £14,000 per year and is still growing. We set aside one third of this for our Fuel Poverty and Sustainability Fund, which provides radiator panels, low energy bulbs and moisture traps for our most vulnerable residents. The remainder is passed on to residents through reduced service charges.
- We took part in the Big Energy Saving Network, a national project funded by the Department of Energy and Climate Change (DECC). We set a target to engage with 100 people, encouraging them to switch energy supplier, and trained 40 frontline employees in energy saving advice. In just four months we engaged with almost 300 residents about fuel poverty and energy saving, and identified potential savings of over £18,000 (as calculated by DECC).
- We apply the same sustainability principles to our facilities management, and have invested in LED lighting and other energy saving initiatives at our head office. We estimate that we've saved 37% on the cost of lighting our office. We've also transferred the provision of all our office energy to renewable energy tariffs and maintained the same unit price per kWh.
- We're continuing to encourage behavioural change among our employees, we're reducing our paper consumption, and have annual business mileage for the first time in five years.

Value for Money

Return on assets

We measure the financial return on assets using a return on capital employed calculation of operating surplus over net book value. This measurement enables us to compare the returns across a number of tenure groups. The 2016 results by tenure are shown in Table 4 below, along with the equivalent results for 2015 (the net book values shown in the table reflect the implementation of FRS 102 accounting rules). The total return on capital employed for social housing lettings has improved year on year from 2.1% to 2.3%, reflecting our improving margin.

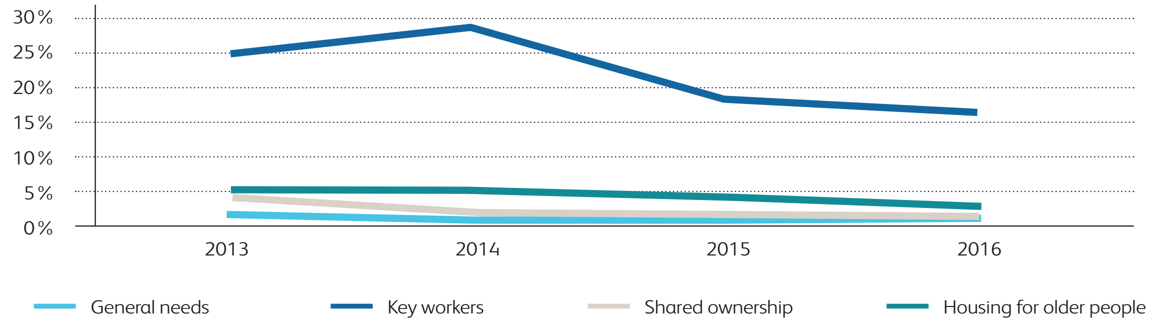
The fall in margin for older peoples' housing reflects an increase in planned maintenance works to a number of schemes during the year. We have completed a review of this area of our business and are considering a gradual withdrawal due to the low returns available from these assets, rising expectations and costs, downward pressure on fees and reputational risks. We will conduct our exit from these activities with care in order to protect the position of residents and employees as much as possible.

Table 4: Financial performance by tenure

	Turnover	Operating surplus	Operating margin	Net book value	Return on capital employed
	£million	£million		£million	
2016					
Social rented – general needs, care & other	93.2	25.3	27.1%	1,433.2	1.7%
Key worker schemes	3.2	0.2	7.7%	32.0	0.8%
Supported and housing for older people	6.7	0.2	3.6%	38.7	0.6%
Shared ownership	22.5	15.6	69.4%	297.8	5.2%
Social housing lettings total	125.6	41.3	32.9%	1,801.7	2.3%
2015 (restated)					
Social rented – general needs, care & other	87.5	23.5	26.9%	1,314.7	1.8%
Key worker schemes	3.2	-	0.9%	30.2	0.1%
Supported and housing for older people	6.3	1.0	16.4%	64.4	1.6%
Shared ownership	20.2	10.8	53.7%	302.3	3.5%
Social housing lettings total	117.2	35.3	30.1%	1,711.6	2.1%

As well as the return on capital employed, we have also analysed the utilisation of our properties by tenure. Chart 3 below shows the void rates for each tenure type over the last four years. The chart shows the trend of our void rates falling over the period, and the overall void rate of 1% (Table 2) compares well with both the g15 peer group (0.8%) and the HCA global accounts for the sector (1.7%).

Chart 3: Void rate by tenure



Catalyst customers Jolanta Boho and family at home in Luton

Value for Money

Asset management

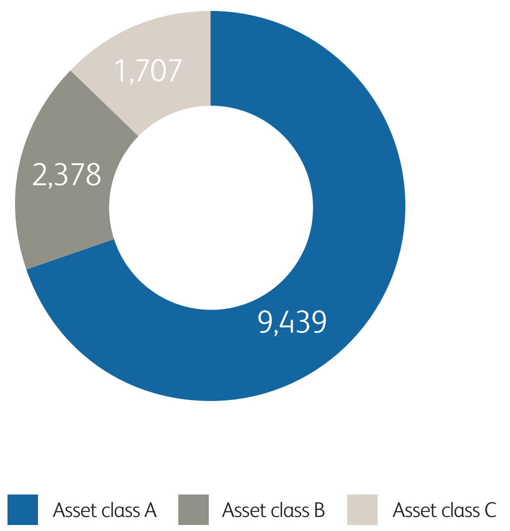
In our 2014/15 VfM report we set out our aim to improve our asset data. To enhance our understanding of our assets we have implemented a new asset management tool during the year, which will enable more accurate planning of periodic maintenance and improvement programmes. We have uploaded stock condition data to inform long term planning, and co-ordinated internal reviews of the data using both internal and external expertise. Savings from future programmes identified include:

- £10 million relating to external finishes and glazing that will not be required
- £10 million relating to assets that are poorly performing and falling into class C (see below)
- £3 million relating to assets where the responsibility for maintenance has transferred as a result of right to buy and other disposals.

During 2015/16 we have also completed work on our asset grading model for our social housing properties. The model grades assets using a number of tests based upon internal and external data sets, with class A being the highest performing; class B being higher performing, but requiring a higher level of investment; and class C being poorly performing and requiring significant investment, in some cases above a level which justifies continued retention. The classification methodology includes qualitative measures such as churn, ease of letting, ASB incidence, and quantitative measures such as actual income, historic costs and projected planned maintenance costs.

The outcomes form the initial grading process have been reviewed and are summarised in Chart 4 below.

Chart 4: Asset grading model outcomes



All the units within class C are either judged as not making a positive financial contribution to the business, or have failed further qualitative tests. There are a further 885 units within grade B which will fall at the lower end of the category. The next stage for these units is to carry out options appraisals for future use.

We expect to have completed options appraisals for these units during summer 2016, and will then form proposals into a combined programme of improvement works and selective disposals that ensures all of our properties reach a class A standard by 2020.

Value for Money

Looking ahead

Our budget for 2016/17 requires us to sustain the savings achieved to date, and to further improve the efficiency of our repairs and maintenance service. We have reduced the combined capital and revenue budget on maintenance by 25%, a challenging target but one that our enhanced asset management data allows us to be confident of delivering. Savings in the region of 15% have been required from all other areas of the business, and we are concluding a number of restructures to ensure that we have the right people in the right roles to deliver our 2020 Vision. We are also looking to exit marginal and loss making areas of the business where these do not fit with our future priorities.

We want to ensure we remain a provider of good quality, value-for-money services to our current and future customers and we recognise that we are accountable for this to regulators, partners, and, most importantly, to our customers. We have established a Customer Experience Committee, the purpose of which is to recognise these various interests, and bring them together to ensure that we are continually adapting and improving our service offer and methods of provision. It is a committee of the Catalyst Board and as such it will take responsibility for the oversight of all customer related policies, practice and service outcomes, reporting back to the Board on issues of concern about the quality of the customer experience and making recommendations for any future changes to strategy, policy or practice.

Looking further ahead we will look to continue to drive down our operating costs whilst simultaneously improving service standards and satisfaction, adopting new ways of working and transferring services to digital platforms, and continuing to use our financial capacity to deliver more new housing for rent and sale. We believe Catalyst is delivering value for money across all activities, but have set out above the areas where further improvements will be delivered to keep pace with the change and meet future challenges.

A Catalyst shared ownership customer

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 skills requirements agreed by the Governance Committee, which includes the skills necessary to chair committees. Board members are listed on page 4 of these accounts.

Role of the Board

At 31 March, the Catalyst Housing Limited Board comprised nine non-executive members and one executive member. The Board meets with the Leadership Team at least five times a year and its composition is intended to ensure that it is informed by resident views and enhanced by independent perspectives.

Sub-committees

The Board has three sub-committees:

Audit Committee

The role of the Audit Committee is to monitor the integrity of accounts, review the effectiveness of internal control systems including management, operational and financial controls and monitor Catalyst's risk management systems. 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 them. The members are listed on page 4 of these 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, borrowing and investment policies and strategies. The members are listed on page 4 of these accounts.

Governance Committee

The role of the Governance Committee is to review the effectiveness of governance arrangements, board composition, succession and remuneration, including approving the pay award and senior employee pay. The members are listed on page 4 of these 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 at least once a month.

The Board is responsible for determining the terms and conditions 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 to 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 Consultation Committee, representing employees across the organisation, Catalyst informs and consults employees on topics including strategy and priorities, proposed organisational change, and changes to terms and conditions of service.

As a matter of policy we consider all applicants for employment on the basis of ability. 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 between the Leadership Team and all employees. The group'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.

Governance

Internal controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control of all companies including unregistered subsidiaries, and for reviewing their effectiveness and their management of fraud. The Board's responsibility extends over matters covering strategic, operational, financial, 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.

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

The Board has a current strategy and policy on fraud covering prevention, detection and reporting of fraud and the recovery of assets. A separate fraud response plan and a whistle-blowing policy are also in place.

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 on-going 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.

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 and risk management process are subject to regular review by internal auditors who are responsible for providing independent assurance to the Board through the Audit Committee. The Audit Committee reviews reports received from internal auditors on the extent to which internal controls continue to take account of the major risks facing Catalyst. 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 subjected to peer review.

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 on-going 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 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.

Governance

Internal controls

Compliance with Governance and Viability Standard

The Board is satisfied that it has complied with the requirements of the Governance and Viability Standard published by the Regulator in April 2015.

The Board is committed to integrity and accountability in the stewardship of Catalyst's affairs and considers that the company has complied throughout the period under review with the provisions of the NHF's Code of Governance 2015. The Code of Governance is supported by a framework of policies and procedures with which employees and Board members must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection. The framework includes the code of conduct which sets out Catalyst's policies on the integrity and conduct of its employees and board members.

Auditors

BDO LLP were the auditors for the year and their independent report is included at page 40.

Board members' responsibilities

The Board members are 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 and social housing legislation require the Board members to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Board members 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: Accounting by Registered Social Housing Providers Update 2014 have been followed, subject to any material departures disclosed and explained in the accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the association and Group will continue in business.

The Board members are responsible for keeping adequate accounting records which are sufficient to show and explain the association's and Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the association and Group and enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 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 members. The Board members' responsibility also extends to the ongoing integrity of the accounts contained therein.

On behalf of the Board

Richard Brown

Chairman, Catalyst Housing Limited

Date 27 July 2016

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

We have audited the financial statements of Catalyst Housing Limited for the year ended 31 March 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom).

This report is made solely to the association members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

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

Scope of the audit of the accounts

A description of the scope of an audit of financial statements is provided on the FRC's website at:

www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 2016 and of the Group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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.

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 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.

BDO LLP

BDO LLP, statutory auditor
Gatwick, West Sussex, United Kingdom
Date 28 July 2016

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

Consolidated and association statement of comprehensive income

Year ended 31 March

		Consolidated		Association	
		2016	2015 (as restated note 34)	2016	2015 (as restated note 34)
	Note	£'000	£'000	£'000	£'000
Turnover	2	227,399	216,909	159,702	168,519
Cost of sales	2	(61,425)	(58,270)	(16,629)	(22,755)
Operating costs	2	(96,594)	(98,025)	(97,173)	(98,802)
Operating surplus	2, 6	69,380	60,614	45,900	46,962
Surplus on disposal of fixed assets	7	22,931	15,052	23,180	15,287
Share of surplus in joint ventures		1,287	539	-	-
Other interest receivable and similar income		336	143	3,039	2,676
Interest and financing costs	8	(21,284)	(21,019)	(22,754)	(22,405)
Movement in fair value of investment properties		288	1,419	288	1,419
Gift aid		-	-	24,435	13,836
Surplus before taxation		72,938	56,748	74,088	57,775
Taxation on surplus	9	(4)	-	-	-
Surplus for the financial year		72,934	56,748	74,088	57,775
Actuarial gain/(loss) on defined benefit pension scheme	26	1,905	(4,831)	1,905	(4,831)
Total comprehensive income for year		74,839	51,917	75,993	52,944

All amounts relate to continuing activities.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on page 46 to 86 form part of these financial statements.

Consolidated and association balance sheets

Year ended 31 March

	Note	Consolidated 2016	Consolidated 2015 (as restated note 34)	Association 2016	Association 2015 (as restated note 34)
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets – housing properties	10	1,914,353	1,842,063	1,931,908	1,859,048
Tangible fixed assets – other	11	9,362	8,955	9,003	8,591
Investment properties	12	12,818	12,530	12,818	12,530
Investments – Homebuy loans	13	114,375	127,639	114,375	127,639
Investments – other	14	-	-	-	-
Investments – joint ventures	15	2,085	886	-	-
		2,052,993	1,992,073	2,068,104	2,007,808
Current assets					
Stocks	16	76,497	80,468	31,972	41,394
Debtors – receivable within one year	17	16,355	24,395	30,995	25,824
Debtors – receivable after one year	17	-	-	34,659	48,716
Cash and cash equivalents	18	95,639	58,049	77,016	37,212
		188,491	162,912	174,642	153,146
Creditors: amounts falling due within one year	19	(110,880)	(100,689)	(94,750)	(90,462)
Net current assets		77,611	62,223	79,892	62,684
Total assets less current liabilities		2,130,604	2,054,296	2,147,996	2,070,492
Creditors: amounts falling due after more than one year	20	(797,866)	(793,264)	(797,738)	(793,094)
Net assets excluding pension liability		1,332,738	1,261,032	1,350,258	1,277,398
Pension liability	26	(6,637)	(9,770)	(6,637)	(9,770)
Net assets		1,326,101	1,251,262	1,343,621	1,267,628
Capital and reserves					
Called-up share capital	27	-	-	-	-
Income and expenditure reserve		927,613	851,884	949,918	873,052
Revaluation reserve		398,404	399,277	393,703	394,576
Restricted reserve		84	101	-	-
		1,326,101	1,251,262	1,343,621	1,267,628

The notes on page 46 to 86 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 27 July 2016.

Richard Brown
Chairman

John Sheldrick
Board Member

Rachael Dennis
Executive Director of Finance and IT

Consolidated statement of changes in reserves

Year ended 31 March 2016

Consolidated	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2015	851,884	101	399,277	1,251,262
Surplus for the year	72,938	-	-	72,938
Actuarial gains on defined benefit pension scheme	1,905	-	-	1,905
Taxation in respect of items of comprehensive income	(4)		-	(4)
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	873	-	(873)	-
Transfer from restricted reserve to income and expenditure reserve	17	(17)	-	-
Balance at 31 March 2016	927,613	84	398,404	1,326,101

Year ended 31 March 2015

Consolidated	Income and expenditure reserve (as restated note 34)	Restricted reserve	Revaluation reserve	Total (as restated note 34)
	£'000	£'000	£'000	£'000
Balance at 1 April 2014	800,041	27	399,277	1,199,345
Surplus for the year	56,748	-	-	56,748
Actuarial losses on defined benefit pension scheme	(4,831)	-	-	(4,831)
Taxation in respect of items of comprehensive income	-	-	-	-
Reserves transfers:				
Transfer from income and expenditure reserve to restricted reserve	(74)	74	-	-
Balance at 31 March 2015	851,884	101	399,277	1,251,262

The notes on page 46 to 86 form part of these financial statements.

Association statement of changes in reserves

Year ended 31 March 2016

	Association			
	Income and expenditure reserve (as restated note 34)	Restricted reserve	Revaluation reserve	Total (as restated note 34)
	£'000	£'000	£'000	£'000
Balance at 1 April 2015	873,052	-	394,576	1,267,628
Surplus for the year	74,088	-	-	74,088
Actuarial gains on defined benefit pension scheme	1,905	-	-	1,905
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	873	-	(873)	-
Balance at 31 March 2016	949,918	-	393,703	1,343,621

Year ended 31 March 2015

	Association			
	Income and expenditure reserve (as restated note 34)	Restricted reserve	Revaluation reserve	Total (as restated note 34)
	£'000	£'000	£'000	£'000
Balance at 1 April 2014	820,108	-	394,576	1,214,684
Surplus for the year	57,775	-	-	57,775
Actuarial losses on defined benefit pension scheme	(4,831)	-	-	(4,831)
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	-	-	-	-
Balance at 31 March 2015	873,052	-	394,576	1,267,628

The notes on page 46 to 86 form part of these financial statements.

Consolidated statement of cash flows

Year ended 31 March

	Note	2016	2015 (as restated note 34)
		£'000	£'000
Cash flows from operating activities			
Surplus for the financial year		72,938	56,748
Adjustments for:			
Depreciation of fixed assets – housing properties	10	18,416	16,443
Depreciation on replaced components	3	1,331	1,279
Depreciation of fixed assets – other	11	2,094	1,649
Amortised grant	3	(7,146)	(5,889)
Share of (surplus) in joint venture	15	(1,287)	(539)
Net fair value losses/(gains) recognised in profit or loss		-	-
Interest payable and finance costs	8	21,284	21,019
Interest received		(336)	(143)
Movement in fair value of investment properties	12	(288)	(1,419)
Impairment	10	-	2,996
Provision against properties held for sale		2,038	-
Surplus on the sale of fixed assets – housing properties	7	(17,469)	(15,052)
Surplus on the sale of fixed assets – other	7	(5,462)	-
Decrease/(increase) in trade and other debtors		8,124	(11,355)
(Increase)/decrease in stocks		(1,599)	8,000
Increase in trade and other creditors		962	5,912
Cash from operations		93,600	79,649
Taxation paid	9	(4)	-
Net cash generated from operating activities		93,596	79,649
Cash flows from investing activities			
Proceeds from sale of fixed assets net of selling cost – housing properties	7	43,892	24,619
Proceeds from sale of fixed assets net of selling cost – other	7	19,692	17,516
Purchase of fixed assets – housing properties	10	(103,850)	(93,781)
Purchases of fixed assets – other	11	(2,534)	(3,553)
Homebuy loans issued	13	(933)	(2,791)
Amount placed on deposit		(600)	-
Received grant	21	4,553	7,778
Repaid grant	22	(10,088)	-
Interest received		336	143
Net cash from investing activities		(49,532)	(50,069)
Cash flows from financing activities			
Interest paid	8	(27,932)	(28,059)
New loans – other	24	50,000	-
Repayment of loans – bank	24	(30,732)	(3,122)
Net cash used in financing activities		(8,664)	(31,181)
Net increase /(decrease) in cash and cash equivalents		35,400	(1,601)
Cash and cash equivalents at beginning of year		57,983	59,584
Cash and cash equivalents at end of year		93,383	57,983

The notes on page 46 to 86 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 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 the 'Accounting by Registered Social Housing Providers' 2014, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Information on the impact of first-time adoption of FRS 102 is given in note 33.

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, 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.

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)
- First tranche sales of low-cost home ownership housing properties developed for sale
- Service charges receivable
- Income from Homebuy activities
- Amortisation of government grants and other grants receivable
- 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 Supported housing activities

No Supporting People grants were received in the year ended 31 March 2016. The grants received in the prior years as well as costs incurred by the Group in the provision of support services, have been included in the statement of comprehensive income for that year. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

1.5 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.

1.6 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.

1.7 Schemes managed by agents

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

Notes to the accounts

1. Accounting policies

1.8 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 and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint venture and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

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

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

1.9 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.

1.10 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.

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 employee costs and other costs of managing development. Directly attributable costs of acquisition include 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 on-going 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.

Mixed developments are held within property plant and equipment and accounted for at cost, less depreciation. Commercial elements of mixed developments are 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.

Notes to the accounts

1. Accounting policies

1.13 Deemed cost 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 Ltd (JLL) to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost, less depreciation.

Any difference between historical 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.

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

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 historical annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred to 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 homeownership 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.

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 classed as a current asset and related sales proceeds included in turnover. The remaining element, 'staircasing element', is classed 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 homeownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

For shared ownership accommodation that the Group is responsible for, it is the Group's policy to maintain it 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.

Notes to the accounts

1. Accounting policies

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 historical cost less accumulated depreciation and impairment losses. Historical 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.

Grants 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 HCA 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 HCA 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 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, are disclosed in the balance sheet under ‘creditors due after more than one year’. The remainder are disclosed under ‘creditors due within one year’.

Notes to the accounts

1. Accounting policies

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 which 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.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large 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.

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.

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.

Notes to the accounts

1. Accounting policies

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 in accordance with FRS 102. These instruments are initially recorded at the transaction price, less any transaction costs (historical 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 historical cost. 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 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 based on 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 recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the members' best estimate of sales value based on economic conditions within the area of development.
- 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 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.
- The exemptions to be taken on transition to FRS 102.
- 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.
- Loans with compensation clauses being classified as basic.

Notes to the accounts

1. Accounting policies

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 10 and 11)

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as condition of the asset and future use of the asset are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

  For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- Investment properties (see note 12)

  Investment properties 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 2015 – 2.8% retail properties)
  - Location and condition of the property
  - Redevelopment opportunities

- Rental and other trade receivables (see note 17)

  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 employee 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 Advisors.

Notes to the accounts

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

Consolidated	2016 Turnover	2016 Cost of sales	2016 Operating costs	2016 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	125,622	-	(84,274)	41,348
Other social housing activities				
Community investments	103	-	(2,033)	(1,930)
Supporting People contract	-	-	-	-
Marketing	218	-	(939)	(721)
Shared ownership first tranche sales	22,175	(13,911)	-	8,264
Interest and fees on MyChoice Homebuy	678	-	(316)	362
Impairment	-	-	-	-
Provision against properties held for sale	-	(2,038)	-	(2,038)
	148,796	(15,949)	(87,562)	45,285
Non-social housing activities				
Nursing care	4,439	-	(4,866)	(427)
Outright market sales	69,819	(45,476)	(1,206)	23,137
Other	4,345	-	(2,960)	1,385
Total	227,399	(61,425)	(96,594)	69,380

Consolidated	2015 Turnover (as restated note 34)	2015 Cost of sales	2015 Operating costs	2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	117,186	-	(81,856)	35,330
Other social housing activities				
Community investments	450	-	(1,991)	(1,541)
Supporting People contract	-	-	(1,279)	(1,279)
Marketing	230	-	(2,734)	(2,504)
Shared ownership first tranche sales	40,208	(22,755)	-	17,453
Interest and fees on MyChoice HomeBuy	16	-	(436)	(420)
Impairment	-	-	(2,996)	(2,996)
Provision against properties held for sale	-	-	-	-
	158,090	(22,755)	(91,292)	44,043
Non-social housing activities				
Nursing care	4,164	-	(4,258)	(94)
Outright market sales	50,578	(35,515)	(966)	14,097
Other	4,077	-	(1,509)	2,568
Total	216,909	(58,270)	(98,025)	60,614

Notes to the accounts

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

Association	2016 Turnover	2016 Cost of sales	2016 Operating costs	2016 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	125,622	-	(84,251)	41,371
Other social housing activities				
Community investments	103	-	(2,033)	(1,930)
Supporting People contract	-	-	-	-
Marketing	218	-	(939)	(721)
Shared ownership first tranche sales	22,175	(14,016)	-	8,159
Interest and fees on MyChoice HomeBuy	678	-	(316)	362
Impairment	-	-	-	-
Provision against properties held for sale	-	(2,038)	-	(2,038)
	148,796	(16,054)	(87,539)	45,203
Non-social housing activities				
Nursing care	4,439	-	(4,866)	(427)
Other	6,467	(575)	(4,768)	1,124
Total	159,702	(16,629)	(97,173)	45,900

Association	2015 Turnover (as restated note 34)	2015 Cost of sales	2015 Operating costs	2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	117,186	-	(81,849)	35,337
Other social housing activities				
Community investments	450	-	(1,991)	(1,541)
Supporting People contract	-	-	(1,279)	(1,279)
Marketing	230	-	(2,734)	(2,504)
Shared ownership first tranche sales	40,208	(22,755)	-	17,453
Interest and fees on MyChoice HomeBuy	16	-	(436)	(420)
Impairment	-	-	(2,996)	(2,996)
Provision against properties held for sale	-	-	-	-
	158,090	(22,755)	(91,285)	44,050
Non-social housing activities				
Nursing care	4,164	-	(4,258)	(94)
Other	6,265	-	(3,259)	3,006
Total	168,519	(22,755)	(98,802)	46,962

Notes to the accounts

3. Income and expenditure from social housing lettings

	Consolidated							
	General needs	Key workers	Shared ownership	Supported and housing for older people	Care	Other	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	82,902	2,104	14,361	3,906	1,309	1,853	106,435	100,210
Service charge income	5,700	877	-	2,298	-	4	8,879	8,441
Amortised government grants	416	-	6,664	11	-	55	7,146	5,889
Net rents receivable	89,018	2,981	21,025	6,215	1,309	1,912	122,460	114,540
Management fee and day care centre income	20	220	703	246	545	-	1,734	1,514
Other income	61	2	758	203	404	-	1,428	1,132
Income from social housing lettings	89,099	3,203	22,486	6,664	2,258	1,912	125,622	117,186
Expenditure on lettings								
Management	(11,909)	(1,030)	(6,351)	(874)	(1,743)	(272)	(22,179)	(21,115)
Service charge costs	(9,842)	(897)	(245)	(2,028)	(9)	(66)	(13,087)	(11,305)
Routine maintenance	(12,553)	(254)	(94)	(503)	(134)	(87)	(13,625)	(13,469)
Planned maintenance	(12,427)	(410)	(158)	(2,108)	-	(108)	(15,211)	(17,720)
Rent losses from bad debts	(299)	(6)	(13)	(16)	-	3	(331)	(404)
Depreciation housing properties	(16,566)	(280)	-	(866)	(243)	(295)	(18,250)	(16,265)
Depreciation on replaced components	(1,200)	(78)	-	(26)	-	(27)	(1,331)	(1,279)
Depreciation on other fixed assets	(220)	-	(14)	(2)	-	-	(236)	(298)
Other costs	(24)	-	-	-	-	-	(24)	(1)
Operating costs for social housing lettings	(65,040)	(2,955)	(6,875)	(6,423)	(2,129)	(852)	(84,274)	(81,856)
Operating surplus on social housing letting activities	24,059	248	15,611	241	129	1,060	41,348	35,330
Rent losses from voids	(435)	(425)	(22)	(85)	(53)	(31)	(1,051)	(1,359)

Turnover from non-social housing lettings was £78,603,000 (2015: £58,819,000).

Notes to the accounts

3. Income and expenditure from social housing lettings

	Association							
	General needs	Key workers	Shared ownership	Supported and housing for older people	Care	Other	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	82,902	2,104	14,361	3,906	1,309	1,853	106,435	100,210
Service charge income	5,700	877	-	2,298	-	4	8,879	8,441
Amortised government grants	416	-	6,664	11	-	55	7,146	5,889
Net rents receivable	89,018	2,981	21,025	6,215	1,309	1,912	122,460	114,540
Management fee and day care centre income	20	220	703	246	545	-	1,734	1,514
Other income	61	2	758	203	404	-	1,428	1,132
Income from social housing lettings	89,099	3,203	22,486	6,664	2,258	1,912	125,622	117,186
Expenditure on lettings								
Management	(11,909)	(1,030)	(6,351)	(874)	(1,743)	(272)	(22,179)	(21,112)
Service charge costs	(9,842)	(897)	(245)	(2,028)	(9)	(66)	(13,087)	(11,305)
Routine maintenance	(12,553)	(254)	(94)	(503)	(134)	(87)	(13,625)	(13,469)
Planned maintenance	(12,427)	(410)	(158)	(2,108)	-	(108)	(15,211)	(17,720)
Rent losses from bad debts	(299)	(6)	(13)	(16)	-	3	(331)	(404)
Depreciation housing properties	(16,566)	(280)	-	(866)	(243)	(295)	(18,250)	(16,265)
Depreciation on replaced components	(1,200)	(78)	-	(26)	-	(27)	(1,331)	(1,279)
Depreciation on other fixed assets	(213)	-	(13)	(2)	-	-	(228)	(294)
Other costs	(9)	-	-	-	-	-	(9)	(1)
Operating costs for social housing lettings	(65,018)	(2,955)	(6,874)	(6,423)	(2,129)	(852)	(84,251)	(81,849)
Operating surplus on social housing letting activities	24,081	248	15,612	241	129	1,060	41,371	35,337
Rent losses from voids	(435)	(425)	(22)	(85)	(53)	(31)	(1,051)	(1,359)

Turnover from non-social housing lettings was £10,906,000 (2015: £10,429,000).

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	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Aggregate emoluments payable to the directors (including pension contributions and benefits in kind)	1,016	945	1,016	945
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	205	205	205	205
Payments to directors as a compensation for loss of office	163	-	163	-
Total expenses reimbursed to the directors not chargeable to income tax	7	6	7	5

Remuneration payable to the Group Board members for the year were:

	Salaries	Pension costs	Bonus	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000
Anne Markey	6	-	-	6	-
Heneage Stevenson	9	-	-	9	-
John Sheldrick	9	-	-	9	-
Christina Tom-Johnson	6	-	-	6	-
Richard Brown	16	-	-	16	-
Nici Audhlam-Gardiner	9	-	-	9	-
Paul Evans	10	-	-	10	-
Alison Knocker	8	-	-	8	-
Susan Parsonage	8	-	-	8	-
	81	-	-	81	-

The Board received £1,670 (2015: £1,113) for Board expenses during the year.

Notes to the accounts

4. Directors' emoluments and expenses

Gross salary paid to the Chief Executive divided by total number of homes owned and managed at the year-end was £10.54 (2015: £10.60).

Remuneration payable to the Group directors for the year were:	Salaries	Pension costs	Bonus	Total 2016	Total 2015
	£'000	£'000	£'000	£'000	£'000
Rod Cahill, Chief Executive	204	-	1	205	205
Rachael Dennis, Executive Director of Finance and IT	157	15	4	176	132
Tim Hodson, Finance Director (resigned 29/05/14)	-	-	-	-	16
Maria McCann, Executive Director of Customer Services (appointed 04/01/16)	36	-	-	36	-
Paul Bridge, Interim Executive Director of Customer Services (appointed 02/09/15 – resigned 12/02/16)	91	-	-	91	-
Julia Moulder, Executive Director of Property	140	13	-	153	155
John Foxall, Director of Customer Services (resigned 17/07/15)	43	10	-	53	148
Judith Foss, Executive Director of People and Organisational Development	126	12	3	141	134
Tom Titherington, Executive Director of Business Development and Market Intelligence	145	13	3	161	155
	942	63	11	1,016	945

5. Employee information

The average monthly number of persons expressed in full-time equivalents during the year was:	Consolidated		Association	
	2016	2015	2016	2015
	Number	Number	Number	Number
Office employees	533	530	513	510
Wardens, caretakers, cleaners and care employees	196	188	115	96
	729	718	628	606

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

Employee costs (for the above persons)	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Wages and salaries	27,647	26,446	25,520	24,100
Social security costs	2,727	2,665	2,562	2,480
Costs of pension schemes	2,062	1,998	1,935	1,876
	32,436	31,109	30,017	28,456

The Group and association made non-contractual payments to employees of £15,730 in the year (2015: Group and association £118,344). Gross salary of the lowest earner compared to gross salary of the highest earner for the year was 1:17 (2015: 1:17).

Notes to the accounts

5. Employee information

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

Range £'000	2016 Number	2015 Number
60–69	30	29
70–79	18	12
80–89	13	10
90–99	5	3
100–109	3	2
110–119	2	3
120–129	1	1

6. Operating surplus

	Consolidated		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Is stated after charging/(crediting):				
Depreciation – housing properties (note 10)	18,416	16,443	18,421	16,435
Depreciation – on replaced components (note 3)	1,331	1,279	1,331	1,279
Depreciation – other fixed assets (note 11)	2,094	1,649	2,089	1,645
Auditors' remuneration (excluding VAT):				
- in their capacity as auditors	65	65	53	53
- in respect of other services	79	147	79	147
Operating lease charges for land and buildings	2,448	2,388	2,448	2,388
Operating lease income	1,973	1,909	1,973	1,909
Impairment of housing properties	-	(2,996)	-	(2,996)
Provision against properties held for sale	(2,038)	-	(2,038)	-
Defined contribution pension cost	(1,935)	(1,998)	(1,935)	(1,876)

The remuneration paid to BDO auditors in respect of non-audit services: due diligence review for proposed merger of £65,000 (£2015: £119,000), taxation services of £nil (2015: £12,000), FRS 102 implementation of £5,000 (2015: £14,000), loan covenant compliance of £2,000 (2015: £2,000) and other services of £7,000 (2015: £nil).

Notes to the accounts

7. Surplus on disposal of fixed assets

Consolidated	Shared ownership 2016 £'000	Other housing properties 2016 £'000	Investments (Homebuy) 2016 £'000	Total 2016 £'000	Total 2015 £'000
Disposal proceeds	31,450	17,383	19,887	68,720	42,910
Cost of disposals	(15,083)	(5,401)	(14,197)	(34,681)	(26,969)
Selling costs	(176)	(4,765)	(195)	(5,136)	(972)
Grants recycled	(4,881)	(1,058)	-	(5,939)	332
Surplus on disposal of housing assets	11,310	6,159	5,495	22,964	15,301
Surplus on disposal of other tangible fixed assets				(33)	(249)
Total				22,931	15,052

Association	Shared ownership 2016 £'000	Other housing properties 2016 £'000	Investments (Homebuy) 2016 £'000	Total 2016 £'000	Total 2015 £'000
Disposal proceeds	31,450	24,691	19,887	76,028	47,056
Cost of disposals	(15,239)	(12,709)	(14,197)	(42,145)	(31,120)
Selling costs	(176)	(4,360)	(195)	(4,731)	(972)
Grants recycled	(4,881)	(1,058)	-	(5,939)	332
Surplus on disposal of housing assets	11,154	6,564	5,495	23,213	15,296
Surplus on disposal of other tangible fixed assets				(33)	(9)
Total				23,180	15,287

Notes to the accounts

8. Interest and financing costs

	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
On loans	26,917	26,947	26,739	26,754
On index linked loans and deferred interest loans:				
Interest paid	56	80	56	80
Interest deferred	375	392	375	392
Sundry loan costs	295	387	295	385
	27,643	27,806	27,465	27,611
Less:				
Capitalised in housing properties (note 10)	(3,993)	(4,732)	(3,993)	(4,732)
Capitalised in first tranche sales properties (note 10)	(1,672)	(1,279)	(1,672)	(1,279)
Capitalised in properties developed for sale	(1,606)	(1,538)	-	-
Release of loan fair values on repayment and refinancing	(42)	(43)	-	-
Add:				
Transfer to recycled capital grant fund (note 22)	313	247	313	247
Transfer to disposal proceeds fund (note 23)	11	9	11	9
Amortisation of loan issue costs	333	308	333	308
Net interest on net defined benefit liability (note 26)	297	241	297	241
	21,284	21,019	22,754	22,405

Notes to the accounts

9. Tax on surplus on ordinary activities

	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
The charge is based on the assessable results for the year and comprises:				
UK corporation tax:				
Current tax on surplus for the year	4	-	-	-

	Consolidated		Association	
Factors affecting tax charge for the current year	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation	72,938	56,748	74,088	57,775
Current tax at 20% (2015: 21%)	14,588	11,917	14,818	12,133
Effects of:				
Surplus subject to charitable exemption	(14,588)	(11,917)	(14,818)	(12,133)
Adjustment in respect of previous periods	4	-	-	-
Capital allowances in excess of depreciation	-	-	-	-
FRS 102 adjustment	-	-	-	-
Total current tax charge (see above)	4	-	-	-

Non-charitable Group members that were liable for corporation tax during the year ended March 2016 and 2015 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 (Brent) Limited.

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

Notes to the accounts

10. Tangible fixed assets – housing properties

Consolidated	General needs completed £'000	General needs under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Key worker accommodation completed £'000	Total £'000
Cost or valuation						
At 1 April 2015	1,500,277	103,997	303,718	29,487	31,524	1,969,003
Additions:						
- construction costs	-	72,603	-	25,227	-	97,830
- existing properties	17,611	-	673	-	2,966	21,250
Reclassification of properties	1,297	1,478	(1,297)	(1,478)	-	-
Completed schemes	94,991	(94,991)	11,623	(11,623)	-	-
Transfer (to)/from properties held for sale	47	(8,298)	265	(229)	1,668	(6,547)
Disposals:						
- staircasing sales	-	-	(15,083)	-	-	(15,083)
- on replaced components	(2,549)	-	(40)	-	(165)	(2,754)
- other	(2,432)	-	(339)	(537)	(2,466)	(5,774)
At 31 March 2016	1,609,242	74,789	299,520	40,847	33,527	2,057,925
Depreciation						
At 1 April 2015	(121,214)	-	(1,379)	-	(1,351)	(123,944)
Charge for the year	(17,823)	-	(314)	-	(279)	(18,416)
Transfer (to)/from properties held for sale	172	-	-	-	(183)	(11)
Eliminated on disposals:						
- replaced components	1,320	-	16	-	86	1,422
- other	171	-	-	-	202	373
At 31 March 2016	(137,374)	-	(1,677)	-	(1,525)	(140,576)
Impairment						
At 1 April 2015	-	(1,519)	-	(1,477)	-	(2,996)
At 31 March 2016	-	(1,519)	-	(1,477)	-	(2,996)
Net book value at 31 March 2016	1,471,868	73,270	297,843	39,370	32,002	1,914,353
Net book value at 31 March 2015	1,379,063	102,478	302,339	28,010	30,173	1,842,063

Notes to the accounts

10. Tangible fixed assets – housing properties

Association	General needs completed £'000	General needs under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Key worker accommodation completed £'000	Total £'000
Cost or valuation						
At 1 April 2015	1,513,375	105,551	305,671	29,867	31,524	1,985,988
Additions:						
- construction costs	-	73,160	-	25,713	-	98,873
- existing properties	17,611	-	673	-	2,966	21,250
Reclassification of properties	1,297	1,478	(1,297)	(1,478)	-	-
Completed schemes	96,881	(96,881)	12,131	(12,131)	-	-
Transfer (to)/from properties held for sale	-	(990)	-	(229)	1,668	449
Disposals:						
- staircasing sales	-	-	(15,239)	-	-	(15,239)
- on replaced components	(2,549)	-	(40)	-	(165)	(2,754)
- other	(2,432)	(7,308)	(339)	(537)	(2,466)	(13,082)
At 31 March 2016	1,624,183	75,010	301,560	41,205	33,527	2,075,485
Depreciation						
At 1 April 2015	(121,214)	-	(1,379)	-	(1,351)	(123,944)
Charge for the year	(17,828)	-	(314)	-	(279)	(18,421)
Transfer (to)/from properties held for sale	172	-	-	-	(183)	(11)
Eliminated on disposals:						
- replaced components	1,320	-	16	-	86	1,422
- other	171	-	-	-	202	373
At 31 March 2016	(137,379)	-	(1,677)	-	(1,525)	(140,581)
Impairment						
At 1 April 2015	-	(1,519)	-	(1,477)	-	(2,996)
At 31 March 2016	-	(1,519)	-	(1,477)	-	(2,996)
Net book value at 31 March 2016	1,486,804	73,491	299,883	39,728	32,002	1,931,908
Net book value at 31 March 2015	1,392,161	104,032	304,292	28,390	30,173	1,859,048

Notes to the accounts

10. Tangible fixed assets – housing properties

	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Housing property net book value comprises:				
Freeholds	1,673,482	1,606,106	1,691,037	1,623,091
Long leaseholds	240,871	235,957	240,871	235,957
	1,914,353	1,842,063	1,931,908	1,859,048
Additions to housing properties includes capitalised interest of:	5,665	6,011	5,665	6,011
The capitalisation rate used was	4.5%	4.6%	4.5%	4.6%
Cumulative capitalised interest was	41,811	36,146	41,811	36,146
Improvements to existing properties capitalised during the year were	21,250	15,964	21,250	15,964
The total cost charged to the income and expenditure account for planned maintenance in the year was	15,211	17,720	15,211	17,720

	Consolidated		Association	
If housing property had been accounted for under the historic cost account rules, the properties would have been measured as follows:	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Historic cost	1,975,071	1,878,424	1,997,306	1,906,855
Accumulated depreciation	(172,439)	(153,171)	(172,543)	(152,569)
Impairment	(2,996)	(2,996)	(2,996)	(2,996)
	1,799,636	1,722,257	1,821,767	1,751,290
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant – housing properties (note 21)	77,483	79,544	77,483	79,544
Capital grant – Homebuy investments (note 21)	89,551	99,499	89,551	99,499
Recycled capital grant fund (note 22)	62,714	56,811	62,714	56,811
Disposals proceeds fund (note 23)	2,316	1,562	2,316	1,562
Revenue grant – I&E	848,609	847,581	848,609	847,581
	1,080,673	1,084,997	1,080,673	1,084,997

Notes to the accounts

10. Tangible fixed assets – housing properties

Depreciation (consolidated and association) includes £172,000 (2015: £172,000) charge for the year relating to nursing care.

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 (2015 - £2,996,000) in respect of general needs and shared ownership housing stock.

On 8 July 2015, the summer budget included the announcement that the government will reduce rents in social housing in England by 1% a year for four years from April 2016. The government indicated this will result in a 12% reduction in average rents by 2020/21, compared to current forecasts. As such, this triggered an indicator of impairment and a full review was performed.

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 £859,183,013 pledged as security at 31 March 2016 (2015: £908,842,000).

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 has been 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 £'000	Leasehold office premises £'000	Leasehold other £'000	Motor vehicles £'000	Furniture and computer equipment £'000	Total £'000
Cost						
At 1 April 2015	1,214	2,284	110	321	13,199	17,128
Additions in year	3	178	-	-	2,353	2,534
Adjustments in the year	-	-	-	(12)	(379)	(391)
At 31 March 2016	1,217	2,462	110	309	15,173	19,271
Depreciation						
At 1 April 2015	(187)	(1,343)	(15)	(173)	(6,455)	(8,173)
Charge for year (note 6)	(17)	(127)	(2)	(60)	(1,888)	(2,094)
Adjustments in the year	-	-	-	9	349	358
At 31 March 2016	(204)	(1,470)	(17)	(224)	(7,994)	(9,909)
Net book value						
At 31 March 2016	1,013	992	93	85	7,179	9,362
At 31 March 2015	1,027	941	95	148	6,744	8,955

Association	Freehold office premises £'000	Leasehold office premises £'000	Leasehold other £'000	Motor vehicles £'000	Furniture and computer equipment £'000	Total £'000
Cost						
At 1 April 2015	823	2,284	110	321	13,186	16,724
Adjustments in the year	3	178	-	-	2,353	2,534
Disposals	-	-	-	(12)	(379)	(391)
At 31 March 2016	826	2,462	110	309	15,160	18,867
Depreciation						
At 1 April 2015	(159)	(1,343)	(15)	(173)	(6,443)	(8,133)
Charge for year (note 6)	(12)	(127)	(2)	(60)	(1,888)	(2,089)
Disposals	-	-	-	9	349	358
At 31 March 2016	(171)	(1,470)	(17)	(224)	(7,982)	(9,864)
Net book value						
At 31 March 2016	655	992	93	85	7,178	9,003
At 31 March 2015	664	941	95	148	6,743	8,591

Depreciation includes £8,190 (2015: £8,568) charge for the year relating to nursing care.

Notes to the accounts

12. Investment properties

Consolidated	Commercial £'000	Total £'000
At 1 April 2015	12,530	12,530
Revaluations	288	288
At 31 March 2016	12,818	12,818

Association	Commercial £'000	Total £'000
At 1 April 2015	12,530	12,530
Revaluations	288	288
At 31 March 2016	12,818	12,818

The Group's investment properties are valued annually on 31 March at fair value, determined by a professionally qualified valuer. 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 £287,624 (Group and association) 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:	Consolidated 2016 £'000	Consolidated 2015 £'000	Association 2016 £'000	Association 2015 £'000
Historic cost	7,027	7,027	7,027	7,027
Accumulated depreciation	(1,635)	(1,510)	(1,635)	(1,510)
	5,392	5,517	5,392	5,517

Notes to the accounts

13. Investments – Homebuy loans

	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
At 1 April	127,639	139,192	127,639	139,192
New loans issued	933	2,692	933	2,692
Interest receivable	-	-	-	-
Loans redeemed	(14,197)	(14,245)	(14,197)	(14,245)
At 31 March	114,375	127,639	114,375	127,639

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% (2015 – 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	2016	2015
Cost	£	£
At 1 April and 31 March	203	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 (Brent) Limited	Company limited by shares	Property development – dormant
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] Subsidiary of Catalyst Housing Charitable Trust

Notes to the accounts

15. Investments – joint ventures

Consolidated	2016	2015
	£'000	£'000
Share of joint venture	2,085	886

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 investment is made by way of a subordinated loan attracting interest at market rates. The payment of the interest is deferred until completion of the project.

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 £2,574,249 (2015: £1,078,368) during the year, of which a 50% share is recognised within Dee Park Developments (Catalyst) Limited and consolidated income and expenditure account.

16. Stocks

Consolidated	First tranche shared ownership	Outright market sales	Other	Total	Total
	2016	2016	2016	2016	2015
	£'000	£'000	£'000	£'000	£'000
Work in progress	24,174	44,837	-	69,011	60,856
Completed properties	77	-	7,409	7,486	19,612
Properties at cost	24,251	44,837	7,409	76,497	80,468

Capitalised interest included in the year end balance was £3,884,390 (2015: £3,844,748).

Association	First tranche shared ownership	Other	Total	Total
	2016	2016	2016	2015
	£'000	£'000	£'000	£'000
Work in progress	24,486	-	24,486	25,817
Completed properties	77	7,409	7,486	15,577
Properties at cost	24,563	7,409	31,972	41,394

Capitalised interest included in the year end balance was £1,275,390 (2015: £1,344,941).

Notes to the accounts

17. Debtors

	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts receivable within one year:				
Gross rent and service charge arrears	5,136	5,344	5,137	5,344
Less:				
Provision for bad and doubtful debts	(1,154)	(1,217)	(1,154)	(1,217)
	3,982	4,127	3,983	4,127
Other debtors and prepayments	12,373	20,268	10,476	7,271
Amounts due from Group members	-	-	16,536	14,426
	16,355	24,395	30,995	25,824
Amounts receivable after one year:				
Amounts due from Group members	-	-	34,659	48,716
	16,355	24,395	65,654	74,540

18. Cash

	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Short-term and money market deposits	37,880	26,680	37,280	26,680
Cash at bank and in hand	57,759	31,369	39,736	10,532
	95,639	58,049	77,016	37,212

Short-term and money market deposits include a balance of £600,000, which matures in November 2016. All remaining cash balances mature within three months.

Notes to the accounts

19. Creditors

	Consolidated		Association	
	2016	2015 (as restated note 34)	2016	2015 (as restated note 34)
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Housing loans (note 24):				
- secured against Group properties	10,799	4,207	2,643	3,325
- loan issue costs to be amortised	(205)	(308)	(205)	(308)
- amounts due to Group members	-	-	8,156	885
	10,594	3,899	10,594	3,902
Trade creditors	6,351	4,730	4,964	4,140
Bank overdraft	1,656	66	1,656	66
Amount held on behalf of leaseholders	4,700	3,869	4,700	3,869
Recycled capital grant fund (note 22)	27,397	23,617	27,397	23,617
Capital creditors	5,146	8,040	5,139	7,880
Capital retentions	5,235	4,847	3,117	3,328
Other creditors and accruals	39,622	40,534	25,816	31,484
Other taxes and social security costs	1,008	755	964	697
Disposal proceeds fund (note 23)	644	965	644	965
Amounts due to Group members	-	-	1,232	1,147
Deferred capital grant (note 21)	8,527	9,367	8,527	9,367
	110,880	100,689	94,750	90,462

20. Creditors

	Consolidated		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts falling due after more than one year:				
Hillingdon sinking fund	242	242	242	242
Deferred income	447	447	447	447
Recycled capital grant fund (note 22)	35,317	33,194	35,317	33,194
Disposal proceeds fund (note 23)	1,672	597	1,672	597
Loans due to Group members (note 24)	-	-	229,176	236,984
Housing loans (note 24):				
- secured against Group properties	604,419	591,347	375,115	354,193
- loan issue costs to be amortised	(2,738)	(2,239)	(2,738)	(2,239)
Deferred capital grant (note 21)	158,507	169,676	158,507	169,676
	797,866	793,264	797,738	793,094

Notes to the accounts

21. Deferred capital grant

	Consolidated 2016 £'000	Consolidated 2015 £'000	Association 2016 £'000	Association 2015 £'000
At 1 April	179,043	193,891	179,043	193,891
Grants received during the year	4,553	7,622	4,553	7,622
Transfers between the recycled capital grant fund	1,119	2,830	1,119	2,830
Homebuy redemptions	(9,978)	(10,192)	(9,978)	(10,192)
Transfer between the disposal proceeds fund	511	585	511	585
Released to income during the year (note 3)	(7,146)	(5,889)	(7,146)	(5,889)
Released on disposal during the year	(1,023)	(8,495)	(1,023)	(8,495)
Grant reclaimed	(45)	(1,309)	(45)	(1,309)
At 31 March	167,034	179,043	167,034	179,043

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

22. Recycled capital grant fund

Consolidated	HCA 2016 £'000	GLA 2016 £'000	HCA 2015 £'000	GLA 2015 £'000
Funds pertaining to activities within areas covered by:				
At 1 April	30,402	26,409	21,510	19,723
Inputs to fund:				
Grants recycled	10,252	6,545	10,962	7,199
Interest accrued	200	113	132	115
Recycling of grant:				
New build	(719)	(400)	(2,202)	(628)
Repayment of grant to the HCA/GLA	-	(10,088)	-	-
At 31 March	40,135	22,579	30,402	26,409
Amounts three years or older where repayment may be required	18,702	8,695	10,232	13,385

Association	HCA 2016 £'000	GLA 2016 £'000	HCA 2015 £'000	GLA 2015 £'000
Funds pertaining to activities within areas covered by:				
At 1 April	30,402	26,409	21,510	19,723
Inputs to fund:				
Grants recycled	10,252	6,545	10,962	7,199
Interest accrued	200	113	132	115
Recycling of grant:				
New build	(719)	(400)	(2,202)	(628)
Repayment of grant to the HCA/GLA	-	(10,088)	-	-
At 31 March	40,135	22,579	30,402	26,409
Amounts three years or older where repayment may be required	18,702	8,695	10,232	13,385

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	HCA 2016 £'000	GLA 2016 £'000	HCA 2015 £'000	GLA 2015 £'000
Funds pertaining to activities within areas covered by:				
At 1 April	812	750	717	1,007
Inputs to fund:				
Grants recycled	-	1,252	91	323
Interest accrued	4	9	4	5
Use/allocation of funds				
New build	-	-	-	(585)
Major repairs and works to existing stock	-	(200)	-	-
Other	-	(311)	-	-
At 31 March	816	1,500	812	750
Amounts three years or older where repayment may be required	644	-	546	419

Association	HCA 2016 £'000	GLA 2016 £'000	HCA 2015 £'000	GLA 2015 £'000
Funds pertaining to activities within areas covered by:				
At 1 April	812	750	717	1,007
Inputs to fund:				
Grants recycled	-	1,252	91	323
Interest accrued	4	9	4	5
Use/allocation of funds				
New build	-	-	-	(585)
Major repairs and works to existing stock	-	(200)	-	-
Other	-	(311)	-	-
At 31 March	816	1,500	812	750
Amounts three years or older where repayment may be required	644	-	546	419

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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Housing loans repayable by instalments				
Between one and two years	10,633	10,893	10,633	10,893
Between two and five years	36,620	33,791	36,620	33,791
In five or more years	264,353	250,268	264,225	250,098
Total (note 20)	311,606	294,952	311,478	294,782
Within one year (note 19)	10,594	3,569	10,594	3,569
	322,200	298,521	322,072	298,351

	Consolidated		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Housing loans not repayable by instalments				
Between one and two years	17,575	363	17,575	363
Between two and five years	52,500	71,125	52,500	71,125
In five or more years	220,000	222,668	220,000	222,668
Total (note 20)	290,075	294,156	290,075	294,156
Within one year (note 19)	-	330	-	333
	290,075	294,486	290,075	294,489

	Consolidated		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Total loans	612,275	593,007	612,147	592,840

The Group has total committed loan facilities of £742,759,594 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 Inter Bank Offer Rate. At 31 March 2016 the Group had undrawn loan facilities of £125,900,000 (2015: £125,900,000). Of the total loan facilities of £742,759,594, £517,073,590 was at fixed rates at 31 March 2016. The weighted average interest cost for the year on Group borrowings was 4.5% (2015: 4.6%).

Notes to the accounts

25. Financial instruments

	Consolidated		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
The Group's and association financial instruments may be analysed as follows:				
Financial assets				
Financial assets measured at historical cost:				
Tenant receivables	3,982	4,127	3,982	4,127
Other receivables	13,768	20,268	61,672	70,413
Cash and cash equivalents	95,639	58,049	77,016	37,212
Total financial assets	113,389	82,444	142,670	111,752
Financial liabilities				
Financial liabilities measured at amortised cost:				
Loans payable	(612,275)	(593,007)	(612,147)	(592,840)
Financial liabilities measured at historical cost:				
Trade creditors	(6,351)	(4,730)	(4,964)	(4,140)
Other creditors	(290,120)	(296,216)	(275,377)	(286,576)
Total financial liabilities	(908,746)	(893,953)	(892,488)	(883,556)

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 credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

The external syndicated bank facility is drawn as determined by the Group's borrowing requirements, with repayment of interest and principal on the loan to the funder made on a punctual basis. The Group monitors available resources on a regular basis, through a review of the monthly management accounts. It is considered that the parent has sufficient resources to cover these repayments and therefore the risk of the Group being unable to meet its obligations to the external lenders is considered to be low.

The housing loans are secured by specific charges on the Group's housing properties and repayable at varying rates of interest.

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 operational activities. The maturity profile of the debt has been established to reflect the long-term nature of the Group's assets and to reduce risk by staggering the repayment of the principle of the loan.

At the year end 79% of the Group's borrowings were due to mature in more than five years. Funds are drawn from this facility as determined by the Group's borrowing requirements. To date all payments have been made on time.

Interest rate risk

The Group finances its operations through a mixture of retained reserves, government grant, other public subsidies to support development activities, 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.

Market risk

The Group's treasury management function is responsible for developing and implementing an appropriate financial 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.

Close monitoring of market conditions and forecasts in relation to property/construction prices and updating of financial models to assess risk scenarios is completed on a regular basis.

Notes to the accounts

26. Pensions 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.

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' AVCs, and insured pensions. At 31 March 2016 the scheme had a total membership of 325 (2015: 325).

During the year, Catalyst paid £1,525,000 (2015: £2,100,000) 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 (2015: nil) for employer contributions and nil (2015: nil) for employee contributions. At 31 March 2016 outstanding payments due to the scheme were £nil (2015: £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 2016 by a qualified actuary. The major assumptions used in this valuation were:

Consolidated	2016	2015	2014
Rate of increase in salaries	n/a	n/a	n/a
LPI pension increase	2.95%	2.95%	3.0%
Discount rate	3.5%	3.3%	4.2%
Inflation assumption	3.1%	3.1%	3.2%

Mortality assumption used in accordance with the standard table S2NXA on a year of birth basis, with CMI_2013 future improvements factors and subject to a long term annual rate of the future improvement of 1¼% 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.

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	Assets at 31 March 2016 £'000	Expected return from 31 March 2016 %	Assets at 31 March 2015 £'000	Expected return from 31 March 2015 %
Equities	21,834		22,139	
Bonds	23,571		22,581	
Cash/other	102		108	
Insured annuities	784		809	
Total	46,291	3.5	45,637	3.3

Notes to the accounts

26. Pensions costs

Amounts recognised in balance sheet

Consolidated	At 31 March 2016 £'000	At 31 March 2015 £'000
Present value of funded obligations	52,928	55,407
Fair value of scheme assets	(46,291)	(45,637)
Pension liability	6,637	9,770

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

Analysis of amount recognised in other comprehensive income

Consolidated	2016 £'000	2015 £'000
Actual return less expected return on scheme assets	(1,235)	3,464
Experience gains and losses arising on scheme liabilities	647	773
Changes in assumptions underlying the present value of scheme liabilities	2,493	(9,068)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	1,905	(4,831)

Amounts recognised in income and expenditure account

Consolidated	At 31 March 2016 £'000	At 31 March 2015 £'000
Interest on obligation	1,809	1,914
Expected return on scheme assets	(1,512)	(1,673)
Total	297	241
Actual return on scheme assets	277	5,137

Notes to the accounts

26. Pensions costs

Changes in the present value of defined benefit obligation

Consolidated	At 31 March 2016 £'000	At 31 March 2015 £'000
Opening defined benefit obligation	55,407	45,935
Interest cost	1,809	1,914
Actuarial (gain)/loss	(3,140)	8,295
Benefits paid	(1,148)	(737)
Closing defined benefit obligation	52,928	55,407
The actuarial gains and losses can be split into:		
Actuarial (gain)/loss due to assumptions change	(3,140)	8,295

Changes in the fair value of scheme assets during the year

Consolidated	At 31 March 2016 £'000	At 31 March 2015 £'000
Opening fair value of scheme assets	45,637	39,137
Expected return on scheme assets	1,512	1,673
Actuarial (loss)/gain	(1,235)	3,464
Contributions by employer	1,525	2,100
Benefits paid	(1,148)	(737)
Closing fair value of scheme assets	46,291	45,637

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 £2,111,000 (2015: £2,039,000). At 31 March 2016 outstanding payments due to the scheme were £290,000 (2015: £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	2016 £	2015 £
Shares of £1 each issued and fully paid:		
At 1 April	61	63
Issued during year	5	-
Surrendered during the year	(2)	(2)
At 31 March	64	61

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 2016 £'000	Consolidated 2015 £'000	Association 2016 £'000	Association 2015 £'000
Capital expenditure contracted, which has not been provided for in the accounts	128,921	109,402	128,921	109,402
Capital expenditure which has been authorised by the Board but has not yet been contracted for	123,326	123,298	123,326	123,298
	252,247	232,700	252,247	232,700

Capital commitments for the Group and association will be funded by £14,070,251 (2015: £19,615,000) of Social Housing Grant and £238,176,837 (2015: £213,085,000) from draw-down of existing or new loan facilities, or by internal resources.

Capital commitments divided by tangible fixed assets at year-end was 13% (2015: 13%).

Financial commitments

Consolidated	2016 £'000	2015 £'000
Properties developed for sale, expenditure contracted, which has not been provided for in the accounts	38,620	21,793
	38,620	21,793

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 2016 £'000	Consolidated 2015 £'000	Association 2016 £'000	Association 2015 £'000
Not later than one year	2,448	2,388	2,448	2,388
Later than one year and not later than five years	9,797	9,554	9,797	9,554
Later than five years	11,977	14,018	11,977	14,018
Total	24,222	25,960	24,222	25,960

Amounts receivable as lessor

	Consolidated 2016 £'000	Consolidated 2015 £'000	Association 2016 £'000	Association 2015 £'000
Not later than one year	1,973	1,909	1,973	1,909
Later than one year and not later than five years	7,898	7,621	7,898	7,621
Later than five years	11,335	12,388	11,335	12,388
Total	21,206	21,918	21,206	21,918

Notes to the accounts

30. Number of units

	Consolidated		Association	
	2016 Number	2015 Number	2016 Number	2015 Number
Social housing:				
General needs	12,030	12,006	12,030	12,006
Affordable	832	516	832	516
Shared ownership units	4,448	4,333	4,448	4,333
Supported and housing for older people	717	718	717	718
Intermediate rent	187	218	187	218
Total social housing units	18,214	17,791	18,214	17,791
Other shared equity units	2,136	2,341	2,136	2,341
Total non-social housing units	2,136	2,341	2,136	2,341
Residential care home bed spaces	50	50	50	50
Nursing home bed spaces	124	124	124	124
Key worker bed spaces	540	563	540	563
Total bed spaces	714	737	714	737
Total units	21,064	20,869	21,064	20,869

	Consolidated		Association	
	2016 Number	2015 Number	2016 Number	2015 Number
Total units managed by other organisations on behalf of Catalyst	442	480	442	480
Housing units under development	1,329	917	869	707

Notes to the accounts

31. Related party disclosures

One of the Board members that served during the year is an employee of a related local authority. All transactions during the year with the related local authority were made at arm's length and on normal commercial terms. The Board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. Rents received from tenant and leaseholder Board members during the year were £5,931 (2015: £5,029). Rent arrears of tenant and leaseholder Board members as at 31 March 2016 was £152 (2015: £602). The rent arrears of tenant and leaseholder Board members are subject to the same bad debt provision and debt recovery process as all other rent arrears.

The Group has a joint venture to carry out construction works and the balance receivable at 31 March 2016 is £690,458 (2015: £885,716). The transactions made during the year consist of costs relating to legal and professional fees and management fees incurred on the scheme to date. Interest payable by Dee Park Partnership LLP to Catalyst Housing Limited during the year was £39,837 (2015: £13,602) 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 £54,742 (2015: £51,238).

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.

Payable to Catalyst Housing Limited by:

	Management fees		Other charges		Interest charges	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
CHL Developments Limited	650	625	2,027	1,123	-	7
Barnet Community Homes Limited	-	-	-	-	2	2
Vintage Care Limited	232	226	127	130	-	-
Catalyst Housing Charitable Trust	10	36	-	-	-	-
Southall Day Centre Limited	20	20	-	-	-	-
Dee Park Developments (Catalyst) Limited	45	45	1,251	529	40	14
Catalyst by Design Limited	1,183	998	23,313	14,182	2,738	2,577
Catalyst Finance Limited	10	9	1	1	-	-
	2,150	1,959	26,719	15,965	2,780	2,600

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 and gift aid payments.

Notes to the accounts

31. Related party disclosures

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 below.

Payable by Catalyst Housing Limited to:

	Management fees		Other charges		Interest charges	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Catalyst Housing Charitable Trust	-	-	10	25	-	-
Catalyst Finance Limited	10	9	-	-	10,293	10,606
Southall Day Centre Limited	-	-	226	196	-	-
	10	9	236	221	10,293	10,606

Intra-group management fees

Intra-group management fees are payable by Catalyst Housing Limited to Catalyst Housing Charitable Trust to cover the costs of employee time on community investment activities.

Other intra-group charges

Other intra-group charges are payable by Catalyst Housing Limited to subsidiaries to cover the running costs of the charitable entities.

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	48,035	(14,376)	33,659
Catalyst Housing Limited[2]	Dee Park Developments (Catalyst) Limited	680	120	800
Dee Park Developments (Catalyst) Limited[3] (Investment in joint venture)	Dee Park Partnership LLP	1,202	777	1,979
Catalyst Finance Limited[2]	Catalyst Housing Limited	237,866	(534)	237,332

Key	Terms of repayment	Details of any guarantees
1	On demand.	Secured on real property with separate agreement for each scheme.
2	On demand.	None.
3	On demand subject to bank having first mortgage.	Has issued a bank guarantee to Dee Park Partnership LLP that it will adhere to a capital call, should one arise. RBS has issued the guarantee counter-indemnified by Dee Park Developments (Catalyst) Limited.

Notes to the accounts

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 2016, the value of grant received in respect of these properties that had not been disposed of was £923,300,000. 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.

33. First time adoption of FRS 102

Consolidated	Reserves as at 1 April 2014 £'000	Surplus for year ended 31 March 2015 £'000	Reserves as at 31 March 2015 £'000
As previously stated under former UK GAAP	282,861	47,919	330,780
Prior year adjustment – correction of error (note 34)	(5,871)	(1,474)	(7,345)
As restated under former UK GAAP	276,990	46,445	323,435
Presentation of gains and losses on revaluation of investment property in profit or loss	5,477	1,570	7,047
Deemed cost	915,228	3,828	919,056
Bad debt impairment	670	(179)	491
Amortised cost impact on loans	980	253	1,233
As stated in accordance with FRS 102	1,199,345	51,917	1,251,262

Association	Reserves as at 1 April 2014 £'000	Surplus for year ended 31 March 2015 £'000	Reserves as at 31 March 2015 £'000
As previously stated under former UK GAAP	309,335	48,885	358,220
Prior year adjustment – correction of error (note 34)	(5,871)	(1,474)	(7,345)
As restated under former UK GAAP	303,464	47,411	350,875
Presentation of gains and losses on revaluation of investment property in profit or loss	5,477	1,570	7,047
Deemed cost	904,093	3,889	907,982
Bad debt impairment	670	(179)	491
Amortised cost impact on loans	980	253	1,233
As stated in accordance with FRS 102	1,214,684	52,944	1,267,628

Notes to the accounts

33. First time adoption of FRS 102

a. FRS 102 requires that changes in the fair value of investment properties be recognised in profit or loss for the period. Under previous UK GAAP these changes were recognised outside of profit or loss and presented separately in a revaluation reserve. This change has increased reported profit for the year ended 31 March 2015 and the measurement of investment property on the balance sheet. This has the effect of moving property with a value of £5,522,000, re-valued up to £10,999,000, into the investment property category at 1 April 2014. For the year ended 31 March 2015 a fair value increase of £1,419,000 has been recognised and a reversal of £151,000 of depreciation charges for the year.

b. Section 35 of FRS 102 allows first-time adopters to elect to measure property plant and equipment (PPE), at its fair value at the date of transition and use that fair value as its deemed cost at that date. Section 17 of FRS 102 states that any gain in revaluation must be recognised within comprehensive income and the revaluation reserves, any losses must be offset by any gains recognised in the revaluation reserve and then must be recognised within surplus/deficit before taxation.

   Adoption of the deemed cost option has resulted in a net increase in fixed assets at 1 April 2014 of £915,228,000 (association: £904,093,000) with £399,277,000 (association: £394,576,000) of revaluation gains credited to revaluation reserve, and a credit to income and expenditure reserves of £515,951,000 (association: £509,517,000). Consequently, depreciation for the year ending 31 March 2015 has increased by £2,061,000 (association: £2,000,000) and amortised grant of £5,889,000 (association: £5,889,000).

c. Social Housing Grant can no longer be offset against housing property within fixed assets and under section 24 of FRS 102, where properties are held at deemed cost, the related Social Housing Grant will be recognised initially under the performance model with subsequent grants measured using the 'accrual model' with the grant amortised over the life of the structure and components of the property.

   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, or received in advance, are included as current assets or liabilities.

   The effect on the 1 April 2015 balance sheet is the movement of £841,692,000 Social Housing Grant (relating to assets where the deemed cost option has been applied) to reserves and £81,552,000 (relating to assets held at historic cost) to creditors. In addition £108,467,000 of grant relating to Homebuy, previously shown within investments has been reclassified to long-term creditors. Movements to the long-term creditor grants during 2014/15 are shown in note 21.

d. Debtor balances can no longer be provided against based on expectation. Under FRS 102 there must be objective evidence of impairment of the debtor balance. The effect on the 1 April 2015 balance sheet is a £670,000 decrease in the bad debt provision. For the year ended 31 March 2015 the bad debt provision has decreased by £491,000.

e. FRS 102 requires the recognition in profit or loss of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high-quality corporate bonds. The effect of this, when compared to previous UK GAAP, has been to reduce reported profits for the year ended 31 March 2015, because previous UK GAAP led to the recognition of finance income calculated by reference to the expected returns on the pension plan's specific assets, be they equities, properties or bonds. The change has had no effect on reported equity as the measurement of the net defined pension scheme liability (or asset) has not changed. Instead, the decrease in reported profit of £234,000 is mirrored by a decrease in actuarial losses which are presented within other comprehensive income.

f. Section 11 of FRS 102 required basic financial instruments to be measured at amortised cost. For the 1 April 2014 balance sheet, the amortised cost measurement reduced creditors by £980,000. For the 31 March 2015 balance sheet, the amortised cost measurement reduced creditors by £1,233,000. For the year ended 31 March 2015, interest payable decreased by £253,000.

g. 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.

34. Prior year adjustment

The association has offered subsidised loans to customers to purchase properties through the MyChoice Homebuy scheme, which was set up in 2008. The loans were primarily funded by Social Housing Grant. The association was a member of a consortium of eight housing associations all of which operated MyChoice Homebuy in a similar manner. Under the terms of the Consumer Credit Act 1974 the association corresponds with those borrowing and provides a suite of notices and statements which are required to be in a form specified in the Consumer Credit (Information Requirements and Duration of Licences and Charges) Regulations 2007.

In the event that the notices and statements are not substantially in the prescribed form, among other effects, any interest payable on a customer's account is no longer payable for as long as the notices and statements are non-compliant. During the year the consortium was advised that these notices and statements had not been compliant and accordingly that interest had not been validly charged in previous periods. Customers affected have been advised and the non-compliance has been rectified with effect from 30 November 2015. Refunds of interest have been made to customers from whom this has been incorrectly collected and as this was a correction of a material error, relating to prior periods, the impact has been recognised as a prior year adjustment.

The total cost of the interest incorrectly collected was £8,268,000. The retained reserves at 31 March 2014 have been restated by £5,871,000 and the surplus for the year to 31 March 2015 has been reduced by £1,474,000. The £923,000 balance of the interest refund relates to the current year. With effect from 30 November 2015 when the non-compliance was rectified, the association has resumed charging interest.

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Registered Society
Registered Number: 16561R

Homes and Communities Agency
Registered Number: L0699

A charitable housing association

Catalyst

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.