Report and Accounts

for the year ended 31 March 2017

Catalyst

Catalyst Development, St. Bernards Gate, Southall

Contents

Board members, executives and advisers

Board Members

Richard Brown - Chair
Paul Evans - Vice-chair
Nici Audhlam-Gardiner
Rod Cahill - Co-optee
Alison Knocker
Anne Markey
John Sheldrick
Heneage Stevenson
Heide Baumann (appointed 23/11/16)
Terence Hartwell (appointed 23/11/16)
Susan Parsonage (resigned 08/06/16)
Christina Tom-Johnson (resigned 21/09/16)

Leadership Team

Rod Cahill	Chief Executive
Rachael Dennis	Chief Operating Officer
Judith Foss	Executive Director of People and Culture
Tom Titherington	Executive Director of Property and Growth
Julia Moulder	Executive Director of Development (resigned 28/10/16)
Maria McCann	Executive Director of Customer Services (resigned 13/01/17)

Auditor

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

Bankers

National Westminster Bank Plc
1 The Mall
London W5 2PL

Principal Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Secretary and Registered Office

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

Ealing Gateway
26-30 Uxbridge Road
London
W5 2AU

Audit Committee

John Sheldrick - Chair
Nici Audhlam-Gardiner
Richard Brown
Terence Hartwell (appointed 07/06/17)
Alison Knocker (resigned 21/09/16)
Heneage Stevenson (resigned 29/03/17)

Governance Committee

Paul Evans - Chair
Nici Audhlam-Gardiner
Richard Brown
Alison Knocker
John Sheldrick
Susan Parsonage (resigned 08/06/16)

Treasury Committee

Nici Audhlam-Gardiner - Chair
Richard Brown
John Sheldrick
Heneage Stevenson
Alison Knocker (resigned 21/09/16)

Customer Experience Committee

Alison Knocker - Chair
Heide Baumann
Lynn Smith
Irene Bannon
Paul Vincent
Paul Evans
John Kehoe
Dawn Williams
Karina Skinner
Susan Parsonage (resigned 08/06/16)

Catalyst Development, Portobello Square, Kensington

Chair's statement

"A challenging year handled in exemplary fashion"

It has been a challenging year for Catalyst both in terms of the delivery of new homes and following our governance downgrading by the regulator from G1 compliant to G2 compliant. The response from the Board and Catalyst colleagues has been exemplary and following an In-Depth Assessment, in July 2017 we were notified that our governance grading had been restored.

It is a great credit to everyone at Catalyst that, despite the year's challenges, we continued to make good progress with our ambition to build more homes and improve our efficiency in 2016/17. Also, Catalyst Gateway, our community development arm, has substantially increased the benefits it delivered to our residents, as set out in the performance highlights section of this report.

It is testament to the broad strength of our business that we returned a surplus of £69.9 million, just below our record 2016 result, despite some delays in market sale completions. As usual we invested all this surplus and more in building new homes and maintaining existing ones, with a total capital investment in the year of £128 million. I am also pleased that we improved our Social Housing Operating Margin, the key measure of our efficiency as a housing provider, from 32.9 % to 35.1 %.

Our pipeline of new homes is driven by a number of factors, such as the timing of the Affordable Homes Programme and the type of development that we undertake. This inevitably results in peaks and troughs in our delivery. 2016/17 saw more troughs than peaks in our various projects, and the 228 homes that we completed - 99 affordable rent, 70 shared ownership and 59 market sale - was lower than last year. However more importantly our Land Team have been successful in acquiring a number of new sites so our total pipeline of future development increased to 1,255 homes. Completions next year will be circa 650 and we are well placed to achieve our 2020 goal of developing 1,000 homes per annum.

We will continue to engage closely with the Greater London Authority as London's strategic housing authority and we welcome the much more open minded and flexible approach to tenures and to grant levels for new build being adopted by the new Mayor. We hope that working together we can continue to grow our stock of affordable homes in London at a faster pace. I would like to take this opportunity to thank all of our local authority partners, who have helped us in so many ways – everything from taking forward sites to mitigating the impacts of welfare reform.

One of the year's challenges was construction delays, as a result of which some market sale completions and the profits arising from them will now happen in 2017/18. Although we are confident that we will achieve our goal of developing 1,000 units per annum, we have always said that the most important single constraint on building more new homes in London and the Home Counties is the lack of available sites to build on. Our Land and Development teams are being increasingly resourceful and innovative in unearthing opportunities. But a growing concern is the capacity of the construction sector to deliver higher volumes. Alongside other Associations, and indeed house-builders, we are seeing significant upwards pressure on construction costs, as well as slippage in completion timescales. This should be a major concern for all involved and we are exploring with other Associations, notably G15 colleagues, what we might be able to do together to alleviate the situation.

In a time of considerable organisational change many people have left the business this year and we have also welcomed some great new talent. I would like to pay tribute and thank all of our people for their continued commitment and dedication as we take the organisation forward. Catalyst continues to be fortunate to have so many committed colleagues with a passion for what they do.

One of our more sobering moments this year was the identification of misconduct in our Sales and Marketing Team. Although we were disappointed with the weaknesses this revealed, it has given us the opportunity to restate and strengthen our commitment to integrity and openness at Catalyst, and I am proud that the Board dealt with this in exemplary fashion, demonstrating the strength of our governance. In line with our commitment to transparency we reported this to the Regulator at an early stage, which led to a governance downgrading from G1 compliant to G2 compliant. Our robust and comprehensive remedial plan and response to the Homes and Communities Agency's 'In-Depth Assessment' resulted in our governance grading being restored in July 2017, which is an exceptional achievement and indicative of the resilience of the organisation.

Like other housing providers, we were shocked and saddened by the tragic fire at Grenfell Tower in June. Catalyst has a significant presence in North Kensington and many of our employees took the initiative to offer support and assistance to survivors on the morning of the tragedy, and to provide reassurance and support for our residents in the vicinity. We are of course reviewing all of our buildings to check whether any have similar cladding or other materials in common with Grenfell Tower, and will as a matter of urgency make any necessary modifications to either our buildings or fire safety arrangements that are recommended by the ongoing investigations and enquiries.

As always I must thank my Board colleagues for their wise and steady counsel and leadership. My particular thanks go to Paul Evans, Deputy Chair, who stands down this coming autumn after many years of service. He has made a huge contribution to Catalyst, and previously to Kensington Housing Trust, over many years and we will miss him greatly. My thanks also to Nici Audhlam-Gardiner, who stands down too this autumn, who has ably chaired the Treasury Committee and always makes a valuable contribution to Board deliberations.

Richard Brown, Chair, Catalyst Housing Limited

Catalyst Development, South Kilburn

Chief Executive's statement

"Changes to our Leadership Team renew our sense of purpose"

During the year we have rationalised our Leadership Team, creating a renewed sense of purpose and allowing for more agile decision-making. I am confident we are now in a great position to go on and deliver our 2020 goals.

As the Chair has said it has been a challenging year but also one where we have renewed our sense of purpose and re-organised the business so that we can deliver our 2020 goals:

- Excellent customer experience every time;
- Provision of more quality homes and great places to live;
- Great people, great place to work;
- High business performance.

Over the last year we have made two big organisational changes to help us achieve the above. Firstly, following our Customer Services Team experiencing a slight drop in customer satisfaction, we have combined our Customer Services, Finance and IT teams under the leadership of our Chief Operating Officer, Rachael Dennis. We expect this to pay dividends, albeit not overnight, in terms of better integration of customer service and IT and in a stronger focus on performance and business efficiency. Turning around our customer service performance is our number one priority in 2017 and overseeing this will be the main focus of our new Customer Experience Committee.

Our second big change has been combining all of our property related functions – New Business, Development and Asset Management – into a single Property and Growth directorate under the leadership of its Executive Director, Tom Titherington.

This will ensure that our maintenance experience of design and components better informs the decisions we make when designing and specifying new schemes. We will also integrate and enhance our technical capability as a counter to the shortcomings we are seeing amongst our constructors.
The nature of development opportunities is changing and the focus of this new team will be on building a pipeline which can sustain our 1,000 homes per annum ambition both through land acquisition but also through new partnerships.

Tom is as committed as Rachael to ensuring that the customer is at the heart of the development, handover and subsequent management and maintenance of our new homes. One of the key benefits of our smaller Leadership Team (reduced from six to four members) is quicker decision-making and therefore easier attainment of our common purpose and delivery of our goals.

Housing shortage, especially in London and the South-East, remains one of the country's biggest problems, particularly affecting the young and those on lower incomes. We are ready to play our part in addressing this issue and the changes we have made will equip us to do so even more powerfully.

I would like to thank our Chair and Board for their support and counsel over the past year; my Leadership Team colleagues who have risen magnificently to the year's challenges; and all Catalyst people, whose resourcefulness, skill and caring competence is a constant inspiration.

Rod Cahill

Rod Cahill, Chief Executive, Catalyst Housing Limited

Catalyst Development, Ely Court, South Kilburn

Strategic Report

Principal activities and review of business

About Catalyst

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

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

Business Model

Our business model has been established to undertake development and landlord services in a way that supports our social purpose. As a developer, we build homes for sub-market rent, low cost home ownership and market sale.

The surplus that we generate from market sale properties is used to subsidise the development of sub-market rent and low cost home ownership properties to promote our core social purpose.

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

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

21,000
HOMES
provided

40,000
CUSTOMERS
across 40 local authority areas

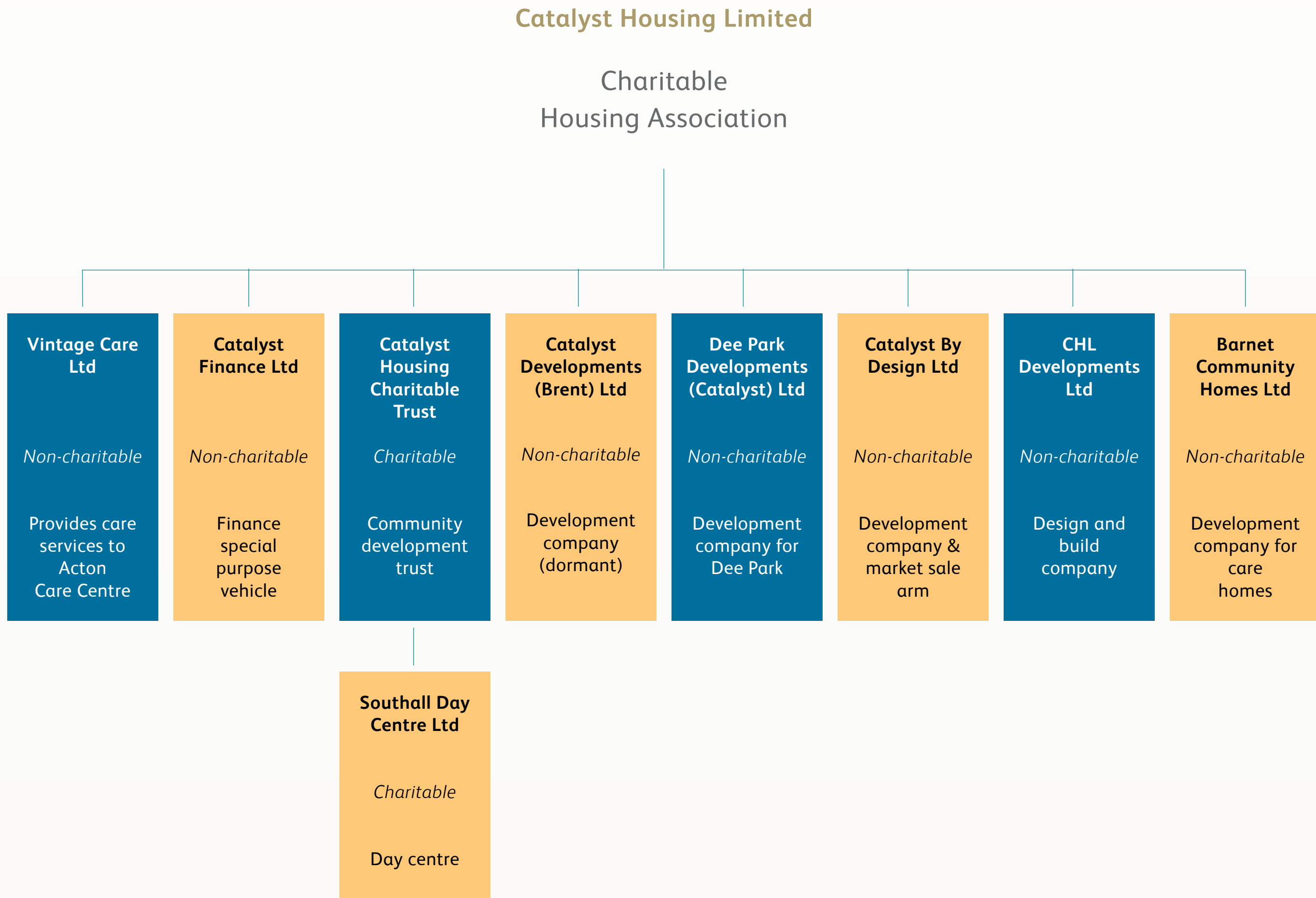
WE EMPLOY OVER
700
COLLEAGUES

Strategic Report

Principal activities and review of business

Group structure

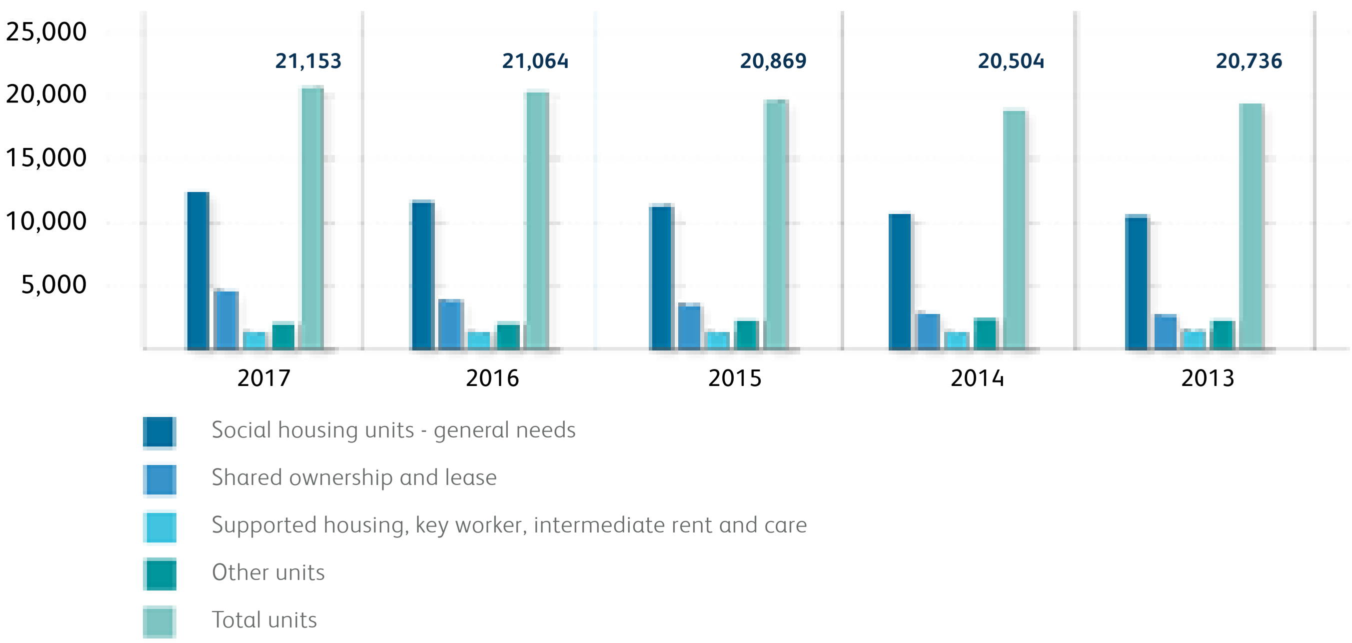
Our Group structure and operating companies are set out below:



Strategic Report
Principal activities and review of business

Our Properties and Coverage

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



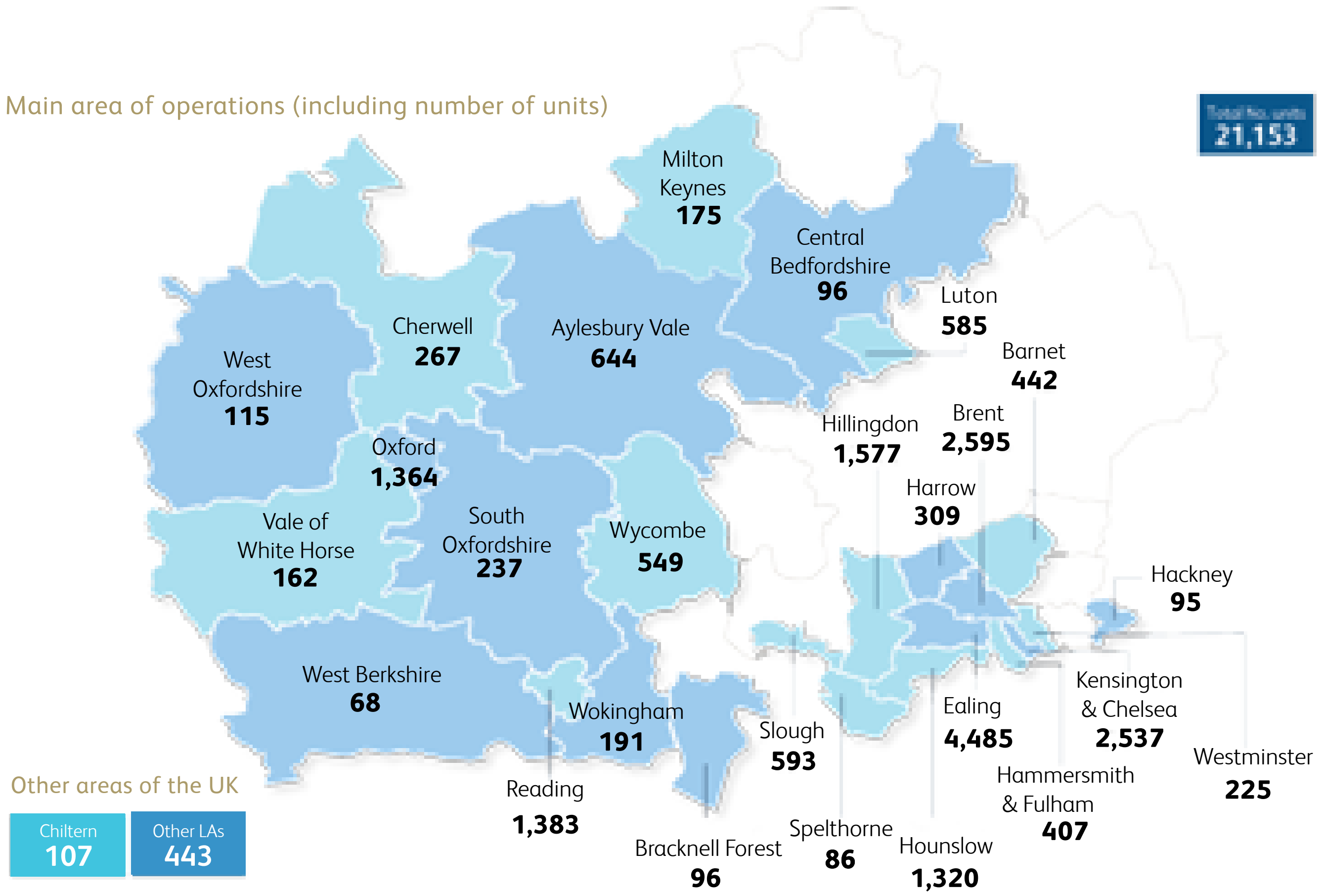
Number of units managed

	2017	2016
Social housing units - general needs	12,906	12,862
Shared ownership and lease	4,767	4,448
Supported housing, key worker, intermediate rent, and care	1,491	1,618
	19,164	18,928
Other units[1]	1,989	2,136
Total units	21,153	21,064
Number of homes managed by a third party	493	442

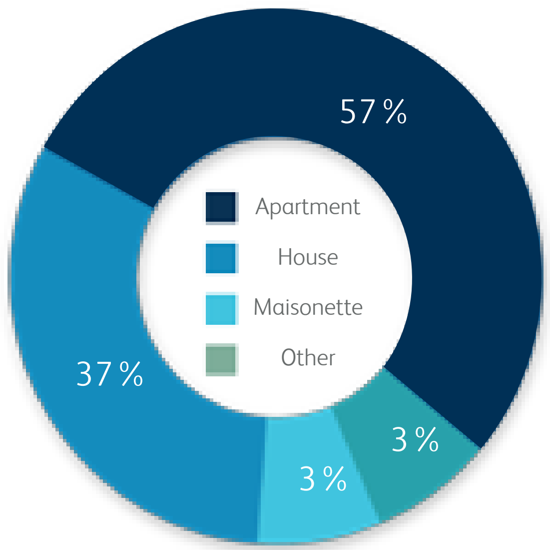
1. Other units include right to buy, right to acquire and equity loan products

Strategic Report
Principal activities and review of business

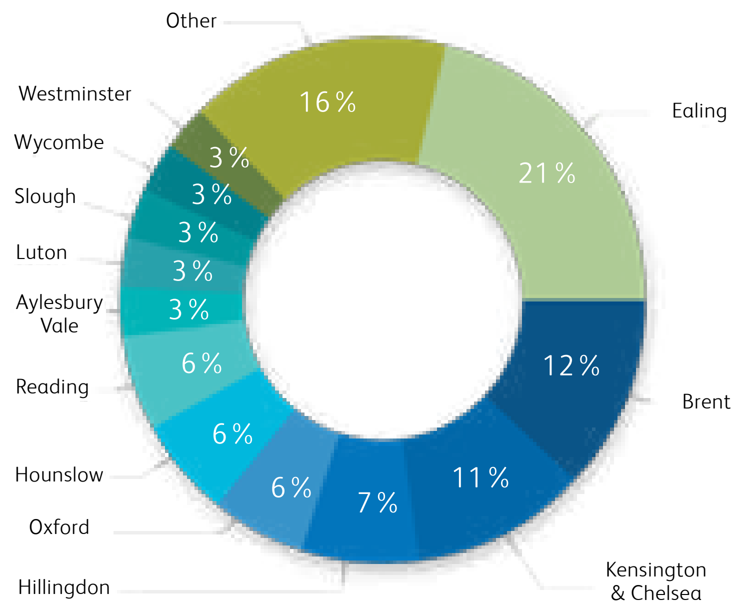
Main area of operations (including number of units)



Home by type



Stock and operations



Customer Services, Ealing

Strategic Report

Strategy and objectives – our '2020 goals'

We redefined our 2020 goals last year in response to the government's decision to reduce rents by 1% per annum for the four years from April 2016. In developing these goals we recognised that embedding more commercial disciplines and creating a self-sustaining business as crucial in order for us to maintain our social purpose and enable us to continue to increase our housing supply. An overview of some of the work we have done, and are planning to do over the coming year, to increase our social housing operating margin, and become a more commercial and self-sustaining business, is included in our Value for Money Statement presented later in this report.

Our 2020 goals are:

- **Excellent customer experience every time** - we will achieve sector leading levels of customer service, reaching customer satisfaction levels of in excess of 80%. We will make it easier for our customers to interact with us by moving elements of our service (e.g. making payments, booking repairs etc.) to a digital platform;
- **Provision of more quality homes and great places to live** - we will increase our housing supply providing a range of tenures to meet differing customer needs. Our goal is to build 1,000 homes per annum by 2020;
- **Great people, great place to work** - we will attract and retain exceptional, motivated people who will help drive our organisational performance. Our goal is to be in the top 20 of the 'Best Companies' list;
- **High business performance** - we will operate efficiently and effectively, meet all of our operational performance targets and achieve a social housing operating margin of in excess of 40%.

Over the coming year, our business priorities are focused on defining how we are going to achieve our 2020 goals and on building the foundations for success. Our key priorities for 2017/18 are set out below:

Excellent customer experience every time

- Developing a Customer Experience Strategy that will set out clearly how we plan to engage with customers and resident groups as well outlining our ambition to enhance our digital capability including the implementation of a new Customer Relationship Management system;
- Developing a Neighbourhood Experience Strategy that will define what a great neighbourhood is at Catalyst and how we will deliver services that make a positive difference to our customers lives;
- Strengthening the leadership of the Customer Services Directorate; and
- Enhancing our customer services key performance indicators and mobilising resources in order to meet targeted improvements.

Provision of more quality homes and great places to live

- Developing a Growth and Funding Strategy that sets out how we are going to achieve our ambition of building 1,000 homes per annum by 2020;
- Mobilising our Asset Management Strategy, ensuring that repairs and maintenance are prioritised for 'under-performing' assets; and
- Establishing a new leadership team within the Property and Growth Directorate and redefining team structures to optimise performance.

Great people, great place to work

- Implementing Catalyst's new corporate branding, that will create an enhanced affinity between Catalyst and its employees;
- Increasing employee engagement through a sustained programme of communication and consultation with particular emphasis upon our business priorities and fundamental values; and
- Building on Catalyst's leadership and talent management programmes.

High business performance

- Continuing to develop our in-house Procurement capability, ensuring we achieve value for money across our supplier base;
- Enhancing our financial management and control;
- Establishing the IT architecture to support our future vision; and
- Improving the quality of our data and performance reporting.

Strategic Report
Principal risks and uncertainties

During 2016/17, we have taken steps to strengthen our risk and assurance framework and we see this as a critical success factor in the achievement of our 2020 goals described above. We have:

- Enhanced and more proactively used our Risk and Assurance Map, which has been embedded at both a strategic and operational level across the business, improving the effectiveness of controls and assurance activity;
- Updated our organisational risk appetite statement and communicated this to colleagues across the business; and
- Created risk appetite KPIs that will be used to aid our understanding of how business decisions are aligned to our appetite for risk, providing enhanced assurance to our Leadership Team and Board.

Our principal risks as identified on our Risk and Assurance Map are:

Volatility of market sales

As described above, an important part of our business model in the aftermath of the government's decision to reduce social rent by 1 % per annum is our ability to generate profits from market sales that are reinvested in the development of affordable homes. The housing market is traditionally strong in London and the surrounding regions however if the market were to turn, returns from market sales could reduce significantly. In order to mitigate this risk, we monitor the housing market closely and have stress tested our business plan to provide assurance that a fall in market sales will not impact the achievement of our goals. In addition, we are in the process of putting together a Funding and Growth Strategy that will clearly define our approach for developing 1,000 homes per annum by 2020.

Achieving operating margins from core social activities

Our social housing operating margin, otherwise described as our surplus on core landlord activities, is also used to fund affordable homes. As described in our Value for Money Statement later in the report, we have made significant strides towards becoming a more commercially-minded and self-sustaining business. It is important that value for money is considered across everything we do and we have established a strong value for money agenda for 2017/18 to ensure that this is the case.

Customer Service transformation

Our customer satisfaction has fallen for the second consecutive year and the Board are committed to improving customer service as the key priority for the coming year. The change required across the Customer Services Directorate is significant and complex and, as a result, there is an inherent risk that our plans to transform this area of the business will not result in the required improvement in performance. It can be seen from our summary of key priorities for 2017/18 that we are taking a number of steps to mitigate this risk, including embedding stronger leadership capability and developing the strategies that will lay the foundations for achieving our 2020 goal of an excellent customer experience.

Catalyst Development, Portobello Square, Kensington

Catalyst Development, Wornington Green, Kensington

Strategic Report
Performance highlights

Homes built

- In 2016/17, we built 228 new homes of which 169 were affordable (99 social or affordable rent, 70 shared ownership). This represents a trough in our development activity caused by a reduction in the pipeline at the end of the 2011-15 national programme and the impact of construction delays which pushed some handovers into 2018;
- We built 59 and sold 41 new homes for market sale which generated a surplus of £17.1 million for us to invest in new affordable housing and our community development work; and
- We acquired a number of new sites across a number of areas including Oxford, Dunstable and Haringey. This will allow us to increase our supply of new homes in the coming year and progress towards our 2020 goal of being a 1,000 unit per annum developer.

Financial highlights

- We achieved a surplus of £69.9 million and remain financially strong and robust, sustaining our gearing of 30.1 %;
- Our operating margin increased to 35.6 % for the year ended 31 March 2017 and is forecast to remain above 35 % in the future.

Strategic Report
Performance highlights

Catalyst Gateway - enhancing our communities

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

- Our ‘Individual Offer’, which involves one-to-one support for our customers;
- Our ‘Neighbourhood Offer’, which involves working with a range of local partners and residents in priority neighbourhoods to delivery community projects; and
- Catalyst Housing Charitable Trust, which makes individual grant awards to enable residents or community groups to experience new opportunities, learn new skills or overcome hardship.

Catalyst Gateway undertakes a range of services and activities with a view to delivering exceptional outcomes for our customers as set out below:

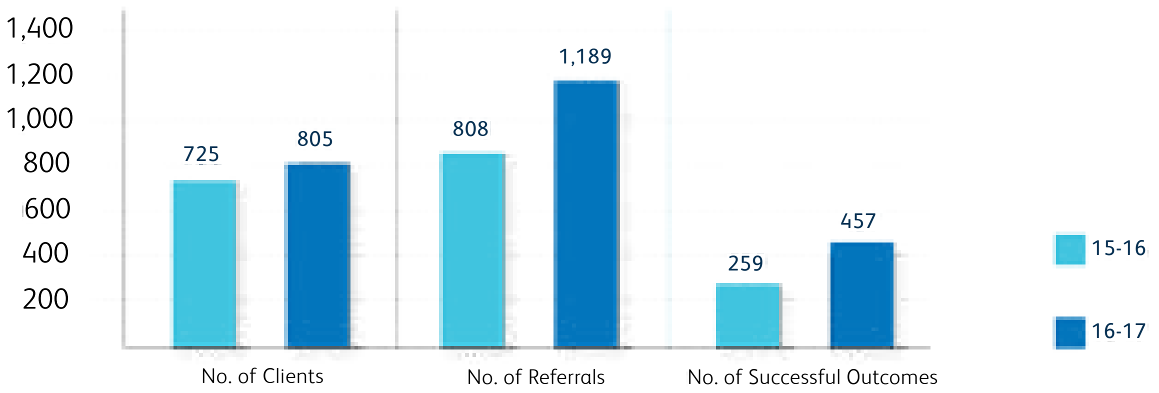
Catalyst colleague, Unity Centre, Brent

Strategic Report
Performance highlights

Our Individual Offer

Over the past year, we have seen an 11 % increase in the number of customers using Catalyst Gateway's services. This means that we have been able to provide support to over 800 customers and achieved a positive outcome in over 60 % of cases, which is an exceptional achievement and a marked improvement on last year. The graph below shows the uptake and successful outcomes delivered as part of our individual offer during 2016/17:

Customer Interactions and Successful Outcomes

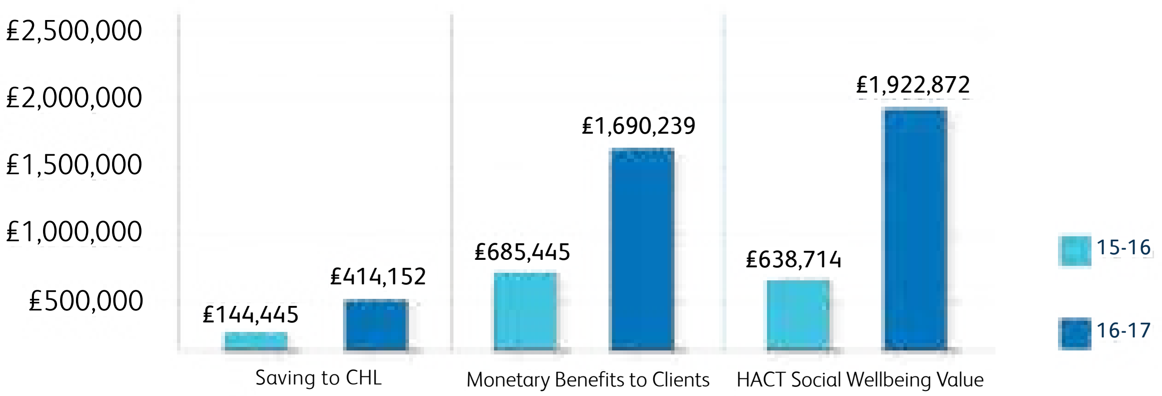


In terms of real outcomes, our individual offer has:

- Generated £1.9 million in 'social value' as calculated by the Housing Association's Charitable Trust's (HACT) social impact measurement tool;
- Enhanced customers income by £1.7 million by providing training, enhancing skills and helping them find jobs; and
- Saved Catalyst £414,000 by supporting customers with their budgeting, payment of rent arrears and preventing evictions;

A summary of the benefits delivered to Catalyst and its customers compared to last year is detailed below:

Benefits Delivered



Strategic Report
Performance highlights

Our Neighbourhood Offer

Catalyst Gateway works with a range of local partners to support the delivery of community projects. We aim to provide a flexible and innovative approach, offering project development advice and support, grant funding, external funding opportunities and access to community spaces.

Over the past year, we delivered 70 community projects in our priority neighbourhoods. These projects covered a wide variety of initiatives and included establishing a gym to reduce gang-related issues and working with local health authorities to deliver a structured programme of health and wellbeing activities.

These projects have generated investment of c£350,000 from external bodies, meaning that for every £1 we spent this year, we generated an additional £3.30 to help improve our communities.

Catalyst Housing Charitable Trust

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

Over the last year, we awarded 170 grants totalling £55,000 and have helped:

- 120 customers and their families to learn a new skill or take part in a new activity;
- 28 customers to overcome a personal hardship or crisis; and
- 22 community groups to do something positive for their neighbourhood.

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:

- Sustainable Housing Provider of the Year & Best in Class for Sustainable Offices at the SHIFT Awards
- Excellence in Scrutiny - Southern Region at the TPAS Awards
- RIBA Regional Award for Ely Court (South Kilburn Estate)
- Mayor of London's Housing Design Award for Ely Court and Kilburn Park (South Kilburn Estate)
- First Time Buyers Award for Portobello Square (Best Regeneration)
- Shortlisted for Best Large House Builder at the Brick Awards

Catalyst colleagues, SHIFT Awards 2016

Strategic Report

Financial Review

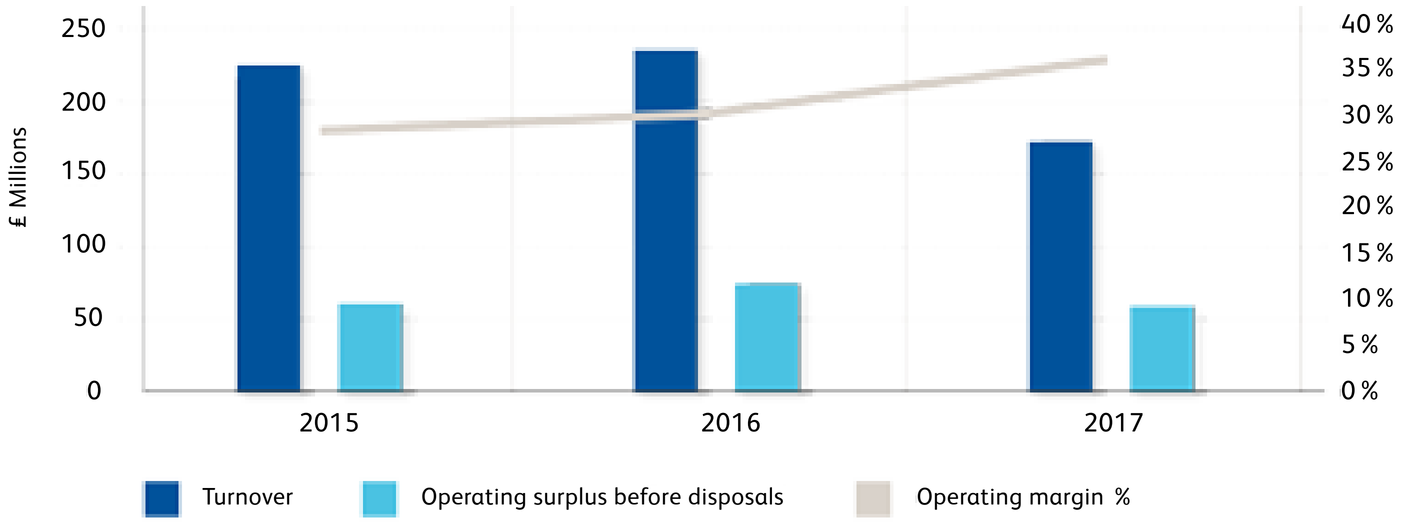
Turnover is down on last year by £57.7 million or 25.4% reflecting lower development and sales activity. Our net surplus decreased by £3 million on the previous year's surplus of £72.9 million. Despite a lower turnover, the operating surplus of £60.4 million (2016: £69.4 million) resulted in a higher operating margin of 35.6% (2016: 30.5%).

Operating costs reduced by £2.3 million, or 2.4%, 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 (see page 25).

Consolidated statement of comprehensive income [extract]:

£ millions	2017	2016	2015
Turnover	169.7	227.4	216.9
Cost of sales	(15.0)	(61.4)	(58.3)
Operating costs	(94.3)	(96.6)	(98.0)
Operating surplus before disposals	60.4	69.4	60.6
Surplus on disposal of fixed assets	20.9	22.9	15.1
Operating surplus (note 2)	81.3	92.3	75.7
Share of joint venture operating results	0.9	1.2	0.5
Net interest payable (note 8)	(16.5)	(20.9)	(20.9)
Movement in fair value of investment properties (note12)	4.2	0.3	1.4
Surplus for the year	69.9	72.9	56.7
Discontinued operations	*(0.1)*	*(2.1)*	–
Operating margin %	35.6%	30.5%	27.9%

Turnover, Operating surplus before disposals and Operating margin trend



Strategic Report
Financial Review

Our operating surplus before disposals has decreased by £9 million (13 %) to £60.4 million due to lower first tranche shared ownership and outright sales.

We continued to perform well in respect of staircasing sales across our shared ownership portfolio. We completed 218 sales during 2016/17 compared to 234 sales during 2015/16. These sales generated proceeds of £32.7 million compared to £31.5 million last year and a surplus of £13 million compared to £11.2 million last year. Therefore, despite fewer sales, our surplus on staircasing sales increased by 16.1 %.

It should be noted that, under FRS 102, net interest payable is adjusted based on an 'effective interest rate'. This accounting treatment means that the net interest payable shown above does not reflect the actual amount of interest we paid. During the year we have adjusted our net interest payable (see note 8) downwards by £6.4 million (2016: £0.5 million). The actual amount of interest paid during the year was £29.9 million (2016: £27.9 million). The weighted average interest rate is the aggregate rate of interest paid for the year on Group borrowings, which is 4.6 % (2016: 4.5 %).

Cash flow and balance sheet [extract]:

£ millions	2017	2016	2015
Net book value of housing properties (note 10)	1,968.7	1,914.3	1,842.1
Total loans and finance leases (note 24)	592.1	612.3	593.0
Cash and cash equivalents (note 18)	32.4	95.6	58.0
Gearing (gross)* %	30.1 %	32.0 %	32.2 %
Gearing (net of cash) %	28.4 %	27.0 %	29.0 %
Gearing excluding amortised cost (gross)* %	30.5 %	32.1 %	32.3 %
Gearing excluding amortised cost (net of cash) %	28.8 %	27.1 %	29.1 %

**(Total loans and finance leases/NBV of housing properties) x 100*

Despite the fact that completions were lower than last year, the Group's gearing remains low compared to previous years and the rest of the sector, with the average across G15 (a group of the 15 largest housing associations in London) being 45 %.

We completed 99 affordable rent, 70 shared ownership and 59 market sale units. In terms of our future programme, we have a development pipeline of 1,255 new homes which are being progressed through planning and contract procurement, with over half of these forecasted to start on site in 2017/18. The Land Team have also been successful in acquiring a number of sites this year. We enhanced our technical and design capacity and capability through the recruitment of highly qualified professionals. In addition, we have continued to improve our due diligence process during land acquisition and thoroughly assess related risks, achieving reductions in land price to reflect these risks where possible. We ensure that the design and specification of our market products is aligned to market demand for each scheme.

The Group strengthened its financial position with total assets net of current liabilities increasing to £2,152 million (2016: £2,131 million). Our development pipeline added £67 million to housing properties sites under construction whilst completed properties to the value of £36 million were made available for let in the year. The Group investment portfolio of equity loans decreased by £21 million. Stock increased by £44 million due to high numbers of first tranche shared ownership and outright market sale units under construction.

Strategic Report
Financial Review

Treasury

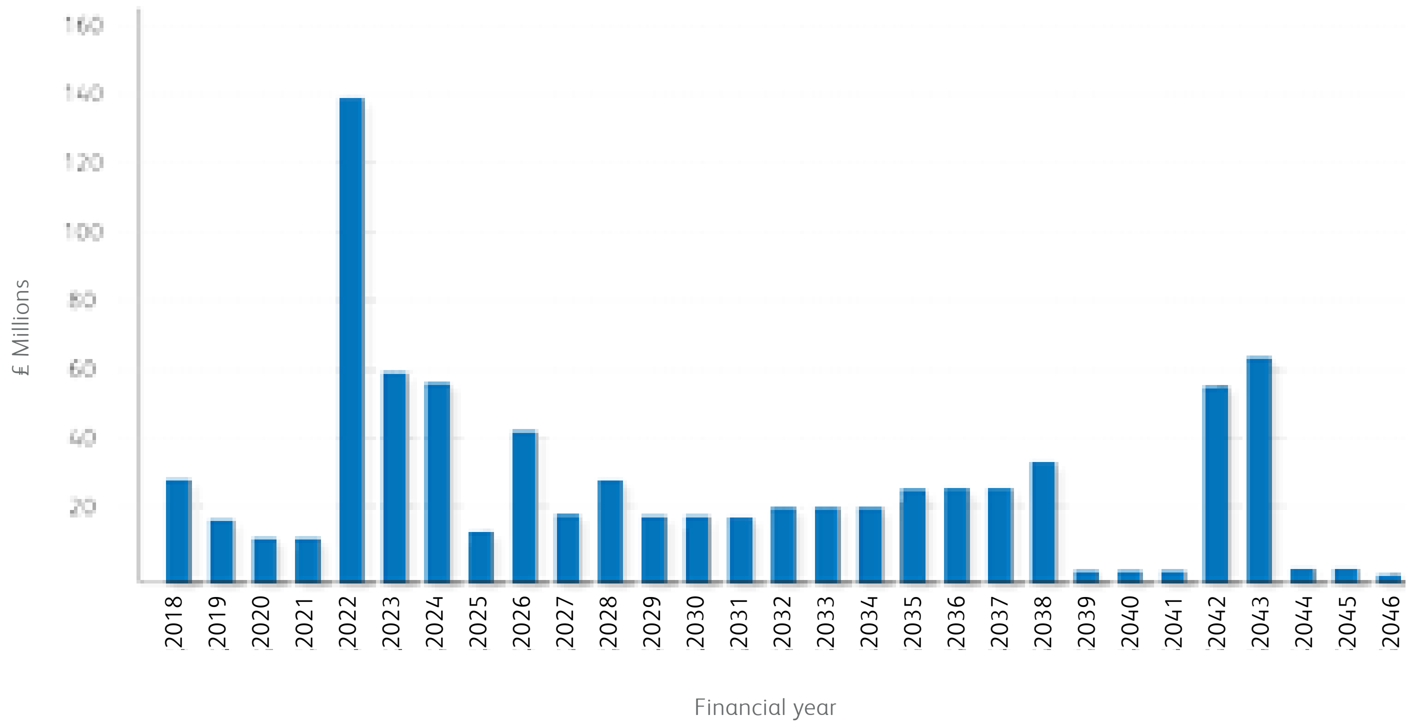
Catalyst is financed by a combination of cash reserves, committed loan facilities, private placements and Social Housing Grant awarded by the HCA (and its predecessors), together with other public subsidies to support our development activities. Debt is secured by way of mortgages on certain housing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

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

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

For the year ended 31 March 2017, the Group had total committed loan facilities of £762.2 million with £603.3 million drawn down. Approximately 85 % (2016: 84 %) of the loan portfolio is subject to fixed rate interest arrangements.

Facilities maturing



Strategic Report
Financial Review

Cash flows

The principal cash outflows of the Group are used to deliver development and asset management activities, on which it expended £128.1 million in the year, which is £24.3 million higher than in the previous year. Overall the Group net cash outflow amounted to £61.0 million.

Current liquidity

On the 31 March 2017 the Group held deposits of £24.7million, additionally £7.7 million of other cash amounts were held as debt service reserves, sinking and leaseholder funds.

Going concern

The Board, with the Treasury Committee, keeps liquidity under constant review, 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.

Catalyst Development, South Kilburn, Brent

Value for Money

Introduction

As mentioned above, Catalyst continues to operate in an environment of financial, economic and political uncertainty. We have faced these challenges proactively, using the challenging environment as an opportunity to drive value for money across all areas of the business.

We define value for money as 'using our resources to deliver more of what our customers value'. This includes the provision of high quality affordable homes and a good level of customer service. We strive to achieve this by continually challenging and improving the way we work towards our 2020 goals.

Over the past year, we have focused on the following areas:

Streamlining our Leadership Team

We have reduced the size of the Leadership Team from six to four members. In doing so we have brought together the Asset Management Team and the Development and New Business Teams under a new Property and Growth Directorate, which will drive a more integrated approach to the design, construction, maintenance and performance review of assets leading to better customer experience and lower life cycle costs.

We have also brought together Finance, IT and Customer Services under the leadership of a Chief Operating Officer to drive a more integrated approach to customer service and IT, bringing stronger financial discipline to the customer service function and promoting a greater focus on value for money and performance improvement.

A smaller leadership team is already resulting in more effective decision-making and cross-team working. It also generates a substantial saving demonstrating leadership by example in terms of Catalyst's value for money agenda.

Delivering our Asset Management Strategy

We identified asset management spend as a key focus in last year's value for money statement given that our cash spend on responsive and planned maintenance has historically been a sector outlier. Following a root and branch review the Board approved a new Asset Management Strategy for the period 2016 to 2025. This is based upon updated stock condition data and a decision to meet our stated standards rather than to exceed them, without compromising the quality of work and the health and safety of our customers. Our cash spend in 2016/17 was £39 million, compared to £43 million in the previous year. This will reduce to £35 million in 2017/18 and continue at this level as we deal with catch-up maintenance. We will then reduce spend to £30 million per annum from 2021. This will bring us in line with the sector average.

The other key asset management initiative has been the production of an asset grading model which captures overall asset performance. We have used this to identify under-performing assets most of which are street properties. We will be developing a strategy for these in 2017/18, which will result in a range of outcomes e.g. refurbishment, redevelopment, change of tenure, disposal.

Building the foundations of our new Procurement Team

Over the past few months we have been creating solid foundations from which to build a sector-leading procurement capability. Our key focus is to ensure compliance with public procurement legislation and the delivery of value for money across all procurement activity.

We have had some early success delivering value for money, including:

- Undertaking competitive tendering to combine mobile and landline telephone contracts to benefit from economies of scale, resulting in a 5% cost reduction;
- Reviewing the management of our printing services and encouraging a cultural change around how we print documents, resulting in reductions of the number of printing devices, cost to print per page and our environmental footprint;
- Renewing our licences and helping the business bring our housing management system and asset management system under the same contract, significantly reducing costs and improving supplier relationships for the future; and
- Achieving a 50% reduction in training costs provided by our accounting system provider through bulk purchasing.

Value for Money

Improving our performance in letting properties

We established a cross-functional team to reduce the time it takes us to let and re-let properties. Over the final quarter of 2016/17 the team reduced the number of properties available for letting from 108 to 47. If sustained this will produce a saving of circa £350,000 per annum.

Exiting non-core businesses

Some time ago the Board decided to exit residential and nursing care, as they concluded that we did not have a big enough presence to operate effectively in this sector, that the returns did not justify the reputational risks involved and that the managerial challenges were a distraction from our core housing business. We are tackling this through a three part strategy:

1. In prior years we leased our Barnet portfolio of residential care homes to Barnet Council.
2. In 2016/17 we completed the sale of our only nursing home, Acton Care Centre, to Gold Care Homes – this is initially on a leasehold basis, with the freehold sale to follow in 2019 at the latest.
3. This leaves Sancroft Hall, our residential care scheme in Harrow. We are currently in advanced stages of negotiation to sell Sancroft Hall to Harrow Council. Our exit from the residential and nursing sector will improve our financial performance and ensure that we maintain focus on our core business activities.

Improving staff productivity

We have been concerned by Catalyst's relatively high level of staff sickness (4.7 %). In January 2017, we introduced Catalyst Care Attendance Management. This is a multifaceted program serviced by First Care, the UK's leading absence management provider, which combines support for our people with greater accountability. In addition to this we have introduced a more rigorous return to work process and stronger management of long-term sickness cases. We expect the combination of these measures to substantially reduce absence and this is borne out by early results, with absence in the last quarter of 2016/17 falling from 4.7 % to 3 %. If sustained, this is equivalent to a saving, net of the costs associated with our improvements, of £250,000 per annum.

Adopting the Sector Scorecard

It is important that we continue to challenge and improve the way in which we assess and benchmark value for money. In March 2017, we signed up to the pilot 'sector scorecard' for housing providers, which has received government and sector-wide backing. Developed during the last 18 months by a working group of 15 housing associations, it is intended to create an agreed set of metrics, which providers can use to compare their performance on an even playing field and help provide assurance that value for money is being delivered.

The scorecard consists of 15 efficiency indicators split across five categories of business health, development (capacity and supply), outcomes delivered, effective asset management and operating efficiencies. We have used the scorecard as a basis for presenting this Value for Money Statement. We have compared with data from the Homes and Communities Agency (HCA) and G15 (a group of the 15 largest housing associations based in London) where available in order to understand how we are doing relative to our peers.

Value for Money

Business health

Indicator	2017	2016	2015	HCA 2016*	G15 2016**
1. Operating margin for all activities***	35.6 %	30.5 %	27.9 %	27.6 %	32 %
2. Operating margin for social housing lettings	35.1 %	32.9 %	30.1 %	32.1 %	36 %
3. EBITDA MRI (% interest cover)	245.1 %	234.4 %	215.6 %	170 %	190 %

**HCA 2016 Global accounts*
***Revised by G15 based on HCA definitions*
****Excluding surplus on disposals of fixed assets*

During the year we have continued to focus on reducing our operating costs. One of our key measures of value for money as an organisation is our operating margin on social housing lettings as this provides us with an insight into how well we are running our business to achieve our core purpose, the delivery of social housing.

Our operating margin for social housing lettings (operating surplus on social lettings divided by turnover from social housing lettings x 100) has continued to increase this year and has reached 35.1 %, which is in line with our business plan and represents a record achievement for Catalyst. This has been driven by the improvements we have made to the way we manage our asset management programme and the savings delivered through better contractual arrangements with suppliers.

Our operating margin and our operating margin for social housing lettings are higher than the sector average. Our continued focus on value for money and reducing costs across the business through enhanced procurement activity and financial management means that we are confident that we can continue to drive better financial performance moving forward.

Our EBITDA MRI (Earnings before Interest, Tax and Amortisation, Major Repairs Included), which is used as a measure of cash generation as a percentage of interest (net of amortised cost), has increased during the year benefitting from our new Asset Management Strategy, which is discussed further in the 'effective asset management' section of the report.

Catalyst Development, First Central, Royal Park, Acton

Value for Money

Development – capacity and supply

Indicator	2017	2016	2015	G15 2016*
4. Units developed	228	613	811	781
5. Units developed as a % of units owned	1.08 %	2.91 %	3.89 %	2 %
6. Gearing	30.1 %	32.0 %	32.2 %	45 %

Revised by G15 based on HCA definitions

The low number of completions in 2016/17 was partly due to the hiatus in our pipeline following the 2011-15 national programme and partly because of construction delays, which caused a number of completions to fall in 2017/18.

We expect to increase our home completions to c650 in 2017/18. We have focused our attention on acquiring new sites and opportunities, and at the end of the financial year had secured sites that will allow us to increase significantly the number of new homes during the financial year.

Our aspiration is to develop at least 1,000 homes each year from 2020 and we are continuing to secure other opportunities to meet this aspiration. However, while we need to continue to compete for land a changing market may impact on both the form and nature of the opportunities we pursue and production timetables.

Our gearing levels (total debt and finance leases divided by carrying value of housing properties x 100) are below the G15 average of 45 %. Our loan covenants, including our gearing levels, are assessed and stress tested under various economic conditions to determine the level of development activity that we can undertake. We can demonstrate that we have enough financial capacity to develop 1,000 units per annum, in line with our 2020 aspiration, and remain comfortably within our gearing covenants.

There are two key development challenges. The first is the lack of construction sector capacity resulting in higher tender costs and inconsistency in quality and completing developments on time. During 2016/17 we commissioned an external review of our build costs and in 2017/18 we will be reviewing our whole approach to how we develop new schemes in order to achieve better value for money. This will look at procurement, the use of joint ventures, design standards, and our internal capabilities and structures.

At the same time the housing market continues to change, particularly in London. Not only are there indications of reducing House Price Inflation but there are price reductions in specific areas where prices per square foot are over £1,200, though the most significant price movement is in the very high end of the market. We will need to adjust our programme to take account of the market as we move forward.

Value for Money

Outcomes delivered

Indicator	2017	2016	2015	G15 2016*
7. Customer satisfaction with service provided by landlord	74.5 %	76.1 %	79.2 %	76 %
8. £s invested in new supply for every £ generated from operations	2.35	1.11	1.18	1.2
9. £s invested in communities for every £ generated from operations	0.04	0.01	0.02	n/a

Revised by G15 based on HCA definitions

The increase in investment in new housing supply reflects the step-up in our development pipeline described in the previous section.

In 2016/17 we implemented a number of team changes that impacted our customer satisfaction levels, which fell to 74.5 %. We are disappointed with this result, and the Board has identified improving customer service as our top priority. Under the leadership of our Chief Operating Officer we will undertake the following activities over the coming financial year:

- Update our Customer Experience Strategy to clearly set out how we intend to achieve our 2020 goal to deliver brilliant, low-effort, multi-tenure customer service;
- Improve the way in which we report on, and monitor, customer satisfaction and other core customer-related KPIs;
- Refine the structure of our Customer Services Team and enhance leadership capability within the function; and
- Sustain the improvement in letting described above and deliver a series of other improvement focussed on a number of key areas including complaints-handling, customer engagement, handovers and service charges.

Effective asset management

Indicator	2017	2016	2015	G15 2016*
10. Return on capital employed (ROCE)	3.6 %	4.2 %	3.5 %	4.5 %
11. Occupancy	1.00	1.00	1.00	n/a
12. Ratio of responsive repairs to planned maintenance	0.41	0.37	0.40	0.64

Revised by G15 based on HCA definitions

ROCE (return on capital employed, calculated as (operating surplus + surplus on disposal of fixed assets + share of surplus in joint ventures divided by capital employed) x 100) has reduced slightly this year to 3.6 % and is below the 2016 G15 average of 4.5 %. Delays in sales resulted in more assets being held at year end and a lower operating surplus than anticipated. In addition, we have undertaken a significant refurbishment programme on our key worker portfolio of units, which has led to a large number of these units being vacant for an extended period of time during the financial year.

We continue to have lower than desirable margins from our care activities and expect to have exited from them completely by the end of the next financial year.

Our occupancy levels, calculated as the proportion of available general needs units that are let, has remained stable throughout the year at 100 % demonstrating that the housing that we are providing is desirable to potential customers and that we are efficient in ensuring that available units are let. The number of general needs units vacant due to being unavailable at the end of 2017 was 0.78 % (2016: 0.56 %) of total general needs units owned and managed. As described above we initiated a Service Improvement Group in January 2017 to improve void performance by focusing on improved staff training and reporting. We have already seen results from this in the period to March 2017 and expect there to be a further reduction in void turnaround times this year.

Our responsive repairs to planned maintenance ratio is higher than in the previous year; our significant work to reduce planned and major works expenditure has resulted in the proportion of expenditure on responsive maintenance appearing higher. As part of our asset management strategy we are focused on ensuring that planned and major works are delivered to optimise financial return.

Value for Money

Operating efficiencies

Indicator	2017	2016	2015	G15 2016*
13. Headline social housing cost per unit £	4,638	4,728	4,853	4,933
14. Rent collected (%)	99.5%	100.1%	101.6%	98%
15. Overheads (% of adjusted turnover)	13.2%**	9.9%	11.4%	11.7%

*Revised by G15 based on HCA definitions
**Estimated based upon our calculations using the HouseMark allocation process

Indicator	2017	2016	2015	HCA 2016*	G15 2016**
Headline social housing cost per unit	4,638	4,728	4,853	3,589	4,933
Split by:					
Management cost per unit £	1,190	1,179	1,147	1,077	1,278
Service charge cost per unit £	668	696	614	550	613
Maintenance cost per unit £	727	809	963	704	1,084
Major repairs cost per unit £	1,757	1,939	1,830	1,170	855
Other social housing cost per unit £	296	189	529	725	860

*HCA 2016 Global accounts
**Revised by G15 based on HCA definitions

Our headline social housing cost per unit has reduced year on year to £4,638 per unit, which is below the G15 average of £4,933 per unit. Management cost per unit has remained broadly in line with the previous year and is favourable when compared to the G15 average. We continue to scrutinise how we design our back office services to support our core business and look to drive efficiencies in the way we operate.

We have worked hard, and have demonstrably reduced our maintenance and major repairs cost per unit but recognise that there remains work to be done in this area. The coming year will see us continue to review our contracts and negotiate further savings.

We recognise that our service charge cost per unit is high compared to the wider sector. We have established a project to review our service charge process and consider steps that can be taken to drive efficiencies and improvements.

We are in a strong financial position, which comes from a drive to keep our overheads low. We are making sure that all expenditure is subject to scrutiny and that an appropriate procurement process is undertaken. In 2017 the overheads as a percentage of adjusted turnover increased by 3.3% to 13.2% due to lower than anticipated turnover from property sale. We are committed to reduce our costs and in the 'looking ahead' section below we talk about some of the measures we will be taking to achieve this.

Rent collected across the last three years has been consistently high, with less than 0.1% of rent and service charge written off as unrecoverable each year. Nevertheless, we have been continually taking measures to ensure our rent collection rates improve.

Catalyst Development, St. Bernards Gate, Southall

Value for Money

Looking ahead

The sector scorecard indicators provide us with a valuable insight into how efficiently our business is operating compared to other similar organisations. Whilst there is an encouraging upwards trend in most areas, it is clear that there are areas for improvement. Our value for money activity over the coming year is focused on continuing to drive efficiencies across all areas of the business and includes the following:

'Improving Customer Services'

- As mentioned in the Strategic Report, improvement of our Customer Services Team will be our key priority for the coming year. We are strengthening leadership across the team and developing our Customer Experience and Neighbourhood Experience Strategies to redefine our service offering and optimise service delivery. This work will begin to show an upwards trend in our customer satisfaction over the coming year.

'Building on our procurement capability'

- We will continue to build our new Procurement Team, who will lead on identifying efficiencies and cost savings across all areas of the business. They will embed ownership of savings targets and will work proactively with teams to ensure that business requirements for all procurement activities are robust and linked to key operational activities or business priorities before considering the best route to market to achieve value for money. A major opportunity in 2017/18 is the re-procurement of our maintenance contracts.

'Reducing people costs'

- Our budget for 2017/18 includes a target cost saving of £1million for people costs which, whilst achievable, will require us to be more disciplined around how we monitor savings and ensure that any staff changes do not impact on our key business priorities. The savings target will help us to continue to challenge the way we operate as a business, consider how business processes can be refined and improved to remove manual intervention and look to reduce use of consultants across the business.

'Improved financial management'

Over the coming year we will:

- Fully enforce a 'No PO, No Pay' policy meaning that only purchase orders raised and approved on our purchase-to-pay system will be paid. This will ensure that we have tighter control over purchasing decisions;
- Work closely with budget holders to enhance their financial understanding and support them with the delivery of efficiencies and savings in their area of the business;
- Revise our budget-setting and forecasting methodology to ensure that controls around the setting of budgets are enhanced and that savings delivered are clearly identified and ring-fenced;
- Introduce a new financial management tool which will provide budget holders with 'live' financial information, enhancing their ability to make key business decisions; and
- Revise our suite of financial reports so that they are simpler, easier to interpret and can be used by budget holders to make more effective business decisions.

'Enhancing performance management and benchmarking'

- We will enhance our performance reporting across all areas of the business to gain further insights into our existing performance and what is driving this. This will allow us to continue to challenge and improve the way we work, ultimately leading to better outcomes for our customers. We will also continue working with other housing providers to support the development of the sector scorecard as a fair and transparent way to benchmark performance and drive value for money.

'Ensuring better use of assets'

- We will complete a strategic review of the "C class" (poorly performing) assets identified by our asset grading model and agree an approach to deal with these and a detailed programme of measures for two identified portfolios using options ranging from refurbishment and/or change of tenure through to redevelopment or disposal.

'Delivering better value for money from development'

- We will establish different programme management methodology and measures so we are better able to identify, anticipate and control cost and delivery risks; providing a greater level of delivery predictability to the business. We will adopt our revised employer requirements (ERs) so that we are able to reduce life-cycle costs. We will work with others to use their skills in delivery and supply chain management. We will increase the level of construction supervision to ensure that we reduce levels of defects and customer dissatisfaction.

Residents, Portobello Square, Kensington

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 2017 the Catalyst Housing Limited Board comprised nine non-executive members and one co-opted executive member. The Board meets 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.

Standing Committees

The Board has four standing 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. As part of this work the committee monitors the terms of appointment and work of both the internal and external auditors and has a direct and regular line of communication with the auditors. The members are listed on page 4 of 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 and succession and remuneration, including approving the pay award and senior employee pay. The members are listed on page 4 of these accounts.

Customer Experience Committee
The role of the Customer Experience Committee is to take responsibility for the oversight of all customer related policies, practice and service outcomes, 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. 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 (ICC), representing employees across the organisation, Catalyst informs and consults colleagues on topics including strategy and priorities, proposed organisational change, and changes to terms and conditions of service.

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
Board and management

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, risk and compliance issues.

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

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, an anti-fraud and corruption policy and a whistle-blowing policy are also in place.

During the course of the year we identified misconduct in our Sales and Marketing function. We have as a result strengthened key policies and controls and put in place plans to improve procurement and to reaffirm expectations about conduct and compliance. All of this has strengthened the control environment. The Board reported what it had found to the Regulator, which subsequently revised Catalyst's Governance grading from a compliant G1 to a compliant G2. Following an In Depth Assessment by the Homes and Communities Agency, our G1 governance grading was restored in July 2017.

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 is 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. A formal process exists for the reporting and correction of significant control weaknesses.

Catalyst's CEO talking to Councillor Jasbir Anand, Ealing Council

Governance
Board and management

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 through its Fraud Response Group has a duty to report to the Board all cases of fraud and attempted fraud, detailing the nature and extent of the fraud and any implications for Catalyst's internal controls.

Compliance with Governance and Viability Standard

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

The Board is committed to integrity and accountability in the stewardship of Catalyst's affairs and has adopted the National Housing Federation's Code of Governance Promoting Board Excellence for Housing Associations 2015. A detailed self-assessment has been undertaken against the provisions of the Code during the year. Catalyst complies with the provisions of the Code, with the exception of one identified area of non-compliance with regard to Section D2 (maximum Board Member tenure of nine years). At the end of the year under review Paul Evans' length of service exceeded 9 years; Paul has been retained as a Board Member due to his valuable skills set, pending recruitment of new Board Members and he will be retiring from the Board in September 2017.

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.

The Board has received assurance and is satisfied that all reasonable steps have been taken to ensure compliance with the requirements of the Governance and Financial Viability Standard under the HCA's Regulatory Framework 2015 during the financial year 2016/17.

Statement under the NHF Mergers, Group Structures and Partnerships Code

Catalyst has adopted the NHF Mergers, Group Structures and Partnerships Code and is expected to declare activity under the Code during the financial year, including any proposals reviewed or submitted. The Board has not received or submitted any proposals under the Code during the period under review.

Auditors

BDO LLP were the auditors for the year and their independent report is included at page 41.

Governance

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.

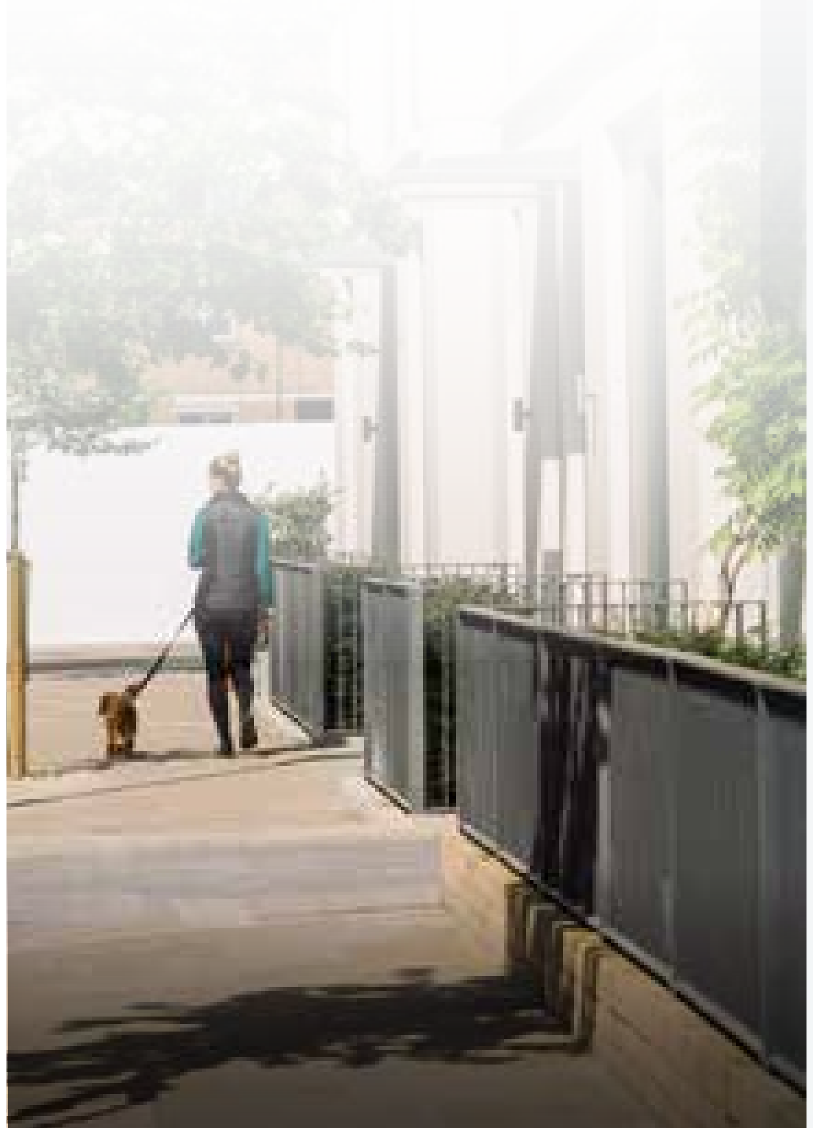
The Board members are responsible for keeping adequate accounting records which are sufficient to show and explain the association's and Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the association and Group and enable them to ensure that the accounts 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.

By order of the Board

Richard Brown
Chair
Date 26 July 2017



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 2017 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 financial statements

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 2017 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
21/08/2017

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

Consolidated statement of comprehensive income

Year ended 31 March

	Note	Continued Operations 2017 £'000	Discontinued Operations 2017 £'000	Total 2017 £'000	Continued Operations 2016 £'000	Discontinued Operations 2016 £'000	Total 2016 £'000
Turnover	2	167,211	2,466	169,677	223,087	4,312	227,399
Cost of sales	2	(14,953)	–	(14,953)	(59,388)	(2,037)	(61,425)
Operating costs	2	(91,705)	(2,580)	(94,285)	(92,237)	(4,357)	(96,594)
Surplus on disposal of fixed assets	7	20,920	–	20,920	22,931	–	22,931
Operating surplus	2, 6	81,473	(114)	81,359	94,393	(2,082)	92,311
Loss on disposal of Acton Care	7	(55)	–	(55)	–	–	–
Share of surplus in joint ventures		914	–	914	1,287	–	1,287
Other interest receivable and similar income		194	–	194	336	–	336
Interest and financing costs	8	(16,741)	–	(16,741)	(21,284)	–	(21,284)
Movement in fair value of investment properties	12	4,257	–	4,257	288	–	288
Surplus before taxation		70,042	(114)	69,928	75,020	(2,082)	72,938
Taxation on surplus	9	–	–	–	(4)	–	(4)
Surplus for the financial year		70,042	(114)	69,928	75,016	(2,082)	72,934
Actuarial (loss)/gain on defined benefit pension scheme	26	(2,643)	–	(2,643)	1,905	–	1,905
Total comprehensive income for year		67,399	(114)	67,285	76,921	(2,082)	74,839

The notes on page 48 to 90 form part of these financial statements.

Association statement of comprehensive income

Year ended 31 March

	Note	Continued Operations 2017 £'000	Discontinued Operations 2017 £'000	Total 2017 £'000	Continued Operations 2016 £'000	Discontinued Operations 2016 £'000	Total 2016 £'000
Turnover	2	140,966	2,657	143,623	155,263	4,439	159,702
Cost of sales	2	(6,456)	–	(6,456)	(14,591)	(2,038)	(16,629)
Operating costs	2	(92,390)	(2,777)	(95,167)	(92,457)	(4,716)	(97,173)
Surplus on disposal of fixed assets	7	21,579	–	21,579	23,180	–	23,180
Operating surplus	2, 6	63,699	(120)	63,579	71,395	(2,315)	69,080
Loss on disposal of Acton Care	7	(55)	–	(55)	–	–	–
Share of surplus in joint ventures		–	–	–	–	–	–
Other interest receivable and similar income		2,681	–	2,681	3,039	–	3,039
Interest and financing costs	8	(17,264)	–	(17,264)	(22,754)	–	(22,754)
Movement in fair value of investment properties	12	4,257	–	4,257	288	–	288
Qualifying charitable donation receivable		19,781	–	19,781	24,435	–	24,435
Surplus before taxation		73,099	(120)	72,979	76,403	(2,315)	74,088
Taxation on surplus	9	–	–	–	–	–	–
Surplus for the financial year		73,099	(120)	72,979	76,403	(2,315)	74,088
Actuarial (loss)/gain on defined benefit pension scheme	26	(2,643)	–	(2,643)	1,905	–	1,905
Total comprehensive income for year		70,456	(120)	70,336	78,308	(2,315)	75,993

The notes on page 48 to 90 form part of these financial statements.

Consolidated and Association balance sheets
as at 31 March

	Note	Consolidated 2017 £'000	Consolidated 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed assets					
Tangible fixed assets - housing properties	10	1,968,681	1,914,353	1,987,704	1,931,908
Tangible fixed assets – other	11	9,286	9,362	8,930	9,003
Investment properties	12	19,131	12,818	19,131	12,818
Investments – Homebuy loans	13	93,119	114,375	93,119	114,375
Investments – other	14	–	–	–	–
Investments – joint ventures	15	109	2,085	–	–
		2,090,326	2,052,993	2,108,884	2,068,104
Current assets					
Stocks	16	120,747	76,497	55,447	31,972
Debtors - receivable within one year	17	26,293	16,355	98,371	30,995
Debtors - receivable after one year	17	–	–	–	34,659
Cash and cash equivalents	18	32,422	95,639	16,020	77,016
		179,462	188,491	169,838	174,642
Creditors: amounts falling due within one year	19	(118,184)	(110,880)	(106,632)	(94,750)
Net current assets		61,278	77,611	63,206	79,892
Total assets less current liabilities		2,151,604	2,130,604	2,172,090	2,147,996
Creditors: amounts falling due after more than one year	20	(750,257)	(797,866)	(750,172)	(797,738)
Net assets excluding pension liability		1,401,347	1,332,738	1,421,918	1,350,258
Pension liability	26	(7,961)	(6,637)	(7,961)	(6,637)
Net assets		1,393,386	1,326,101	1,413,957	1,343,621
Capital and reserves	27				
Called-up share capital	27	–	–	–	–
Income and expenditure reserve		995,142	927,613	1,020,498	949,918
Revaluation reserve		398,160	398,404	393,459	393,703
Restricted reserve		84	84	–	–
		1,393,386	1,326,101	1,413,957	1,343,621

The notes on page 48 to 90 form part of these financial statements.
The financial statements were approved by the Board and authorised for issue on 26 July 2017 and signed on their behalf by:

Richard Brown
Chair

John Sheldrick
Board Member

Sue McBride
Company Secretary

Consolidated statement of changes in reserves
Year ended 31 March 2017

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

Year ended 31 March 2016

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2015	851,884	399,277	101	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	398,404	84	1,326,101

The notes on page 48 to 90 form part of these financial statements.

Association statement of changes in reserves

Year ended 31 March 2017

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

Year ended 31 March 2016

	Income and expenditure reserve	Revaluation reserve	Restricted reserve	Total
	£'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 gain 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

The notes on page 48 to 90 form part of these financial statements.

Consolidated statement of cash flows

Year ended 31 March

	Note	2017	2016
		£'000	£'000
Cash flows from operating activities			
Surplus for the financial year		69,928	72,938
Adjustments for:			
Depreciation of fixed assets – housing properties	10	19,374	18,416
Depreciation on replaced components	3	1,568	1,331
Depreciation of fixed assets – other	11	2,303	2,094
Amortised grant	3	(5,632)	(7,146)
Share of surplus in joint venture	15	(914)	(1,287)
Interest payable and finance costs	8	16,741	21,284
Interest received		(194)	(336)
Movement in fair value of investment properties	12	(4,257)	(288)
Impairment	10	1,452	–
Provision against properties held for sale		1,023	2,038
Proceeds from sale of fixed assets net of selling cost – housing properties	7	35,973	43,892
Proceeds from sale of fixed assets net of selling cost – other	7	18,741	19,692
Surplus on the sale of fixed assets – housing properties	7	(14,577)	(17,469)
Surplus on the sale of fixed assets – other	7	(6,288)	(5,462)
Difference in net pension expense and liability	26	(1,318)	(1,228)
(Increase)/Decrease in trade and other debtors		(7,048)	8,124
Increase in stocks		(10,535)	(1,599)
(Decrease)/Increase in trade and other creditors		(9,421)	2,190
Cash from operations		106,919	157,184
Taxation paid	9	–	(4)
Net cash generated from operating activities		106,919	157,180
Cash flows from investing activities			
Purchase of fixed assets - housing properties		(117,076)	(103,850)
Purchases of fixed assets - other	11,12	(4,302)	(2,534)
Homebuy loans issued	13	(519)	(933)
Amount placed on deposit		–	(600)
Received grant	21	729	4,553
Repaid grant	22,23	(3,305)	(10,088)
Interest received		194	336
Net cash from investing activities		(124,279)	(113,116)
Cash flows from financing activities			
Interest paid		(29,871)	(27,932)
New loans – other	24	10,000	50,000
Repayment of loans – bank	24	(23,740)	(30,732)
Net cash used in financing activities		(43,611)	(8,664)
Net (decrease)/increase in cash and cash equivalents		(60,971)	35,400
Cash and cash equivalents at beginning of year		93,383	57,983
Cash and cash equivalents at end of year		32,412	93,383

The notes on page 48 to 90 form part of these financial statements.

Notes to the accounts

Notes to the accounts

1. Accounting policies

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

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

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

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

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

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

The following principal accounting policies have been applied:

1.1 Basis of consolidation

The consolidated financial statements present the results of Catalyst Housing Limited and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. A list of subsidiary undertakings of the association is included in note 14.

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

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

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;

Notes to the accounts
1. Accounting policies (continued)

- 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 Service charges

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

1.5 Management of units owned by others

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

1.6 Schemes managed by agents

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

1.7 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed, if and when all conditions for retaining associated tax allowances have been met; 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.

1.8 Value Added Tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure.The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income.

1.9 Finance costs

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

Notes to the accounts
1. Accounting policies (continued)

1.10 Qualifying charitable donations

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

1.11 Pension costs

Contributions to the Group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable. The Group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Association and Group. The scheme was closed to new entrants with effect from 31 March 2007.

The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities, measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus, either through reduced contributions in the future or through refunds from the scheme.

1.12 Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost, less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development. Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is 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.

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

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

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

Completed housing properties acquired from subsidiaries are valued at cost.

1.13 Deemed cost on transition to FRS 102

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

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

1.14 Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life.

Notes to the accounts

1. Accounting policies (continued)

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

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefit is expected to be consumed.

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

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

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

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

Low-cost homeownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historic cost.

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

1.18 Allocation of costs for mixed tenure and shared ownership developments

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

1.19 Tangible fixed assets – other

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

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

1.20 Depreciation of other tangible fixed assets

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

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

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

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

1.21 Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives).

Notes to the accounts
1. Accounting policies (continued)

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 is disclosed in the balance sheet under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

1.24 Investment properties

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

1.25 Impairment of fixed assets

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option that produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment.

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

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure. Other fixed assets are assessed for impairment where there are indicators of impairment.

Notes to the accounts
1. Accounting policies (continued)

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 (continued)

1.29 Loans, investments and short term deposits

All loans, investments and short term deposits held by the Group, are classified as basic financial instruments as they meet the criteria set out in FRS 102. These instruments are initially recorded at the transaction price, less any transaction costs (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 historic cost with finance costs spread over the loan term. Loans and investments that are payable or receivable within one year are not discounted.

1.30 Financial liabilities and equity

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

1.31 Cash and cash equivalents

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

1.32 Leased assets: lessee

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

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

1.33 Leasehold sinking funds

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

1.34 Contingent liabilities

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

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

1.35 Reserves

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

The revaluation reserve is created from surpluses on asset revaluation.

1.36 Judgements in applying accounting policies and key sources of estimation

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

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial 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.

Notes to the accounts

Accounting policies (continued)

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 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.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 10 and 11), other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as condition of the asset and future use of the asset are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

  For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.
- Investment properties (see note 12) are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuations were:
  - Rental and other trade receivables (debtors) (see note 17);
  - JLL inflationary factor (annual rate to September 2015 – 2.8 % retail properties);
  - Location and condition of the property;
  - Redevelopment opportunities.

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

Notes to the accounts
Accounting policies (continued)

Other areas of estimation uncertainty include:

- Apportionment of costs on a property basis for disposal of properties. The allocation of costs not assigned to a specific property are based on proportion of floor area of the property.
- Basis of capitalisation for projects. Costs capitalised include direct staff costs and associated costs of development. Indirect central costs incurred are capitalised and estimated, based on the costs that would not have been incurred had there been no development. Decisions on whether to capitalise costs include whether income will be generated or increase and if the life of the assets is extended.
- When a project becomes unfeasible. Feasibility of a project is reviewed on a monthly basis with reference to hurdle tests (using net present value and profit margin calculations) at a tenure and location level.
- The estimates for variable forward interest rates used for the amortised cost calculations of basic financial instruments were obtained from our Treasury Advisors.

As at 31st March 2017, we expect future cash outflows on our loans to be lower than we previously assumed due to a change in loan profiling as well as a lower expectation of future variable interest rates. This has led to a reduction in the interest expense for the year. If interest rates were higher by 1 % in every period we are required to pay interest at variable rates in the future, the interest expense for the year would have been £6.6 million higher.

Notes to the accounts
2. Turnover, cost of sales, operating costs and operating surplus

Consolidated	2017 Turnover £'000	2017 Cost of sales £'000	2017 Operating costs £'000	2017 Surplus/deficit disposal of assets £'000	2017 Operating surplus/(deficit) £'000
Social housing income and expenditure from lettings (note 3)	124,644	–	(80,880)	–	43,764
Other social housing activities					
Community investments	121	–	(2,229)	–	(2,108)
Marketing	176	–	(1,389)	–	(1,213)
Shared ownership first tranche sales	7,312	(4,919)	–	–	2,393
Staircasing activity on low cost homes	–	–	–	12,979	12,979
Interest and fees on MyChoice Homebuy	975	–	(315)	–	660
Impairment	–	–	(1,452)	–	(1,452)
	133,228	(4,919)	(86,265)	12,979	55,023
Non-social housing activities					
Nursing care	2,658	–	(2,753)	–	(95)
Outright market sales	29,012	(9,011)	(1,624)	–	18,377
Other	4,779	(1,023)	(3,643)	–	113
Surplus on disposal of fixed assets	–	–	–	7,941	7,941
Total	169,677	(14,953)	(94,285)	20,920	81,359

Consolidated	2016 Turnover £'000	2016 Cost of sales £'000	2016 Operating costs £'000	2016 Surplus/deficit disposal of assets £'000	2016 Operating surplus/(deficit) £'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)
Marketing	218	–	(939)	–	(721)
Shared ownership first tranche sales	22,175	(13,911)	–	–	8,264
Staircasing activity on low cost homes	–	–	–	11,310	11,310
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)	11,310	56,595
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
Surplus on disposal of fixed assets	–	–	–	11,621	11,621
Total	227,399	(61,425)	(96,594)	22,931	92,311

Notes to the accounts

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

Association	2017 Turnover	2017 Cost of sales	2017 Operating costs	2017 Surplus/deficit disposal of assets	2017 Operating surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	124,644	–	(80,862)	–	43,782
Other social housing activities					
Community investments	121	–	(2,229)	–	(2,108)
Marketing	176	–	(1,389)	–	(1,213)
Shared ownership first tranche sales	7,817	(5,433)	–	–	2,384
Staircasing activity on low cost homes	–	–	–	12,891	12,891
Interest and fees on MyChoice Homebuy	975	–	(315)	–	660
Impairment	–	–	(1,452)	–	(1,452)
	133,733	(5,433)	(86,247)	12,981	54,944
Non–social housing activities					
Nursing care	2,657	–	(2,758)	–	(101)
Other	7,233	(1,023)	(6,162)	–	48
Surplus on disposal of fixed assets	–	–	–	8,688	8,688
Total	143,623	(6,456)	(95,167)	21,579	63,579

Association	2016 Turnover	2016 Cost of sales	2016 Operating costs	2016 Surplus/deficit disposal of assets	2016 Operating surplus/(deficit)
	£'000	£'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)
Marketing	218	–	(939)	–	(721)
Shared ownership first tranche sales	22,175	(14,016)	–	–	8,159
Staircasing activity on low cost homes	–	–	–	11,154	11,154
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)	11,154	56,357
Non–social housing activities					
Nursing care	4,439	–	(4,866)	–	(427)
Other	6,467	(575)	(4,768)	–	1,124
Surplus on disposal of fixed assets	–	–	–	12,026	12,026
Total	159,702	(16,629)	(97,173)	23,180	69,080

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 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	83,563	1,911	14,387	3,904	1,622	1,599	106,986	106,435
Service charge income	5,693	948	–	2,218	–	85	8,944	8,879
Amortised government grants	496	–	5,128	–	–	8	5,632	7,146
Net rents receivable	89,752	2,859	19,515	6,122	1,622	1,692	121,562	122,460
Management fee and day care centre income	–	13	771	171	546	–	1,501	1,734
Other income	28	–	866	195	492	–	1,581	1,428
Income from social housing lettings	89,780	2,872	21,152	6,488	2,660	1,692	124,644	125,622
Expenditure on lettings								
Management	(16,402)	(387)	(3,985)	(241)	(1,626)	(156)	(22,797)	(22,179)
Service charge costs	(9,977)	(1,033)	(219)	(1,517)	(4)	(45)	(12,795)	(13,087)
Routine maintenance	(12,911)	(222)	(188)	(430)	(111)	(79)	(13,941)	(13,625)
Planned maintenance	(9,178)	(85)	(220)	(308)	–	(22)	(9,813)	(15,211)
Rent losses from bad debts	(237)	(27)	(6)	(24)	–	(9)	(303)	(331)
Depreciation housing properties	(17,602)	(452)	(1)	(811)	(243)	(265)	(19,374)	(18,250)
Depreciation on replaced components	(1,446)	–	–	–	–	(122)	(1,568)	(1,331)
Depreciation on other fixed assets	(255)	–	(2)	–	–	–	(257)	(236)
Other costs	(32)	–	–	–	–	–	(32)	(24)
Operating costs for social housing lettings	(68,040)	(2,206)	(4,621)	(3,331)	(1,984)	(698)	(80,880)	(84,274)
Operating surplus on social housing letting activities	21,740	666	16,531	3,157	676	994	43,764	41,348
Rent losses from voids	(547)	(727)	(11)	(110)	(44)	(42)	(1,481)	(1,051)

Turnover from non-social housing lettings was £36,449,000 (2016: £78,603,000).

Notes to the accounts

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

Association	General needs	Key workers	Shared ownership	Supported and housing for older people	Care	Other	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	83,563	1,911	14,387	3,904	1,622	1,599	106,986	106,435
Service charge income	5,693	948	–	2,218	–	85	8,944	8,879
Amortised government grants	496	–	5,128	–	–	8	5,632	7,146
Net rents receivable	89,752	2,859	19,515	6,122	1,622	1,692	121,562	122,460
Management fee and day care centre income	–	13	771	171	546	–	1,501	1,734
Other income	28	–	866	195	492	–	1,581	1,428
Income from social housing lettings	89,780	2,872	21,152	6,488	2,660	1,692	124,644	125,622
Expenditure on lettings								
Management	(16,402)	(387)	(3,985)	(241)	(1,626)	(156)	(22,797)	(22,179)
Service charge costs	(9,977)	(1,033)	(219)	(1,517)	(4)	(45)	(12,795)	(13,087)
Routine maintenance	(12,911)	(222)	(188)	(430)	(111)	(79)	(13,941)	(13,625)
Planned maintenance	(9,178)	(85)	(220)	(308)	–	(22)	(9,813)	(15,211)
Rent losses from bad debts	(237)	(27)	(6)	(24)	–	(9)	(303)	(331)
Depreciation housing properties	(17,619)	(452)	(1)	(811)	(243)	(265)	(19,391)	(18,250)
Depreciation on replaced components	(1,446)	–	–	–	–	(122)	(1,568)	(1,331)
Depreciation on other fixed assets	(252)	–	(2)	–	–	–	(254)	(228)
Other costs	–	–	–	–	–	–	–	(9)
Operating costs for social housing lettings	(68,022)	(2,206)	(4,621)	(3,331)	(1,984)	(698)	(80,862)	(84,251)
Operating surplus on social housing letting activities	21,758	666	16,531	3,157	676	994	43,782	41,371
Rent losses from voids	(547)	(727)	(11)	(110)	(44)	(42)	(1,481)	(1,051)

Turnover from non-social housing lettings was £9,890,000 (2016: £10,906,000).

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	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Aggregate emoluments payable to the directors (including pension contributions and benefits in kind)	1,008	1,016	1,008	1,016
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	211	205	211	205
Payments to directors as a compensation for loss of office	41	163	41	163
Total expenses reimbursed to the directors not chargeable to income tax	2	7	2	7

Remuneration payable to the Group Board members for the year were:	Salaries	Pension costs	Bonus	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000
Anne Markey	6	–	–	6	6
Heneage Stevenson	9	–	–	9	9
John Sheldrick	9	–	–	9	9
Christina Tom–Johnson	3	–	–	3	6
Richard Brown	16	–	–	16	16
Nici Audhlam–Gardiner	9	–	–	9	9
Paul Evans	10	–	–	10	10
Alison Knocker	9	–	–	9	8
Susan Parsonage	2	–	–	2	8
Terry Hartwell	2	–	–	2	–
Heide Baumann	2	–	–	2	–
	77	–	–	77	81

The Board received £nill (2016: £1,670) for Board expenses during the year.

Notes to the accounts
4. Directors' emoluments and expenses (continued)

Gross salary paid to the Chief Executive divided by total number of homes owned and managed at the year-end was £9.74 (2016: £10.54).

Remuneration payable to the Group directors for the year were:	Salaries £	Pension costs £	Bonus £	Total 2017 £	Total 2016 £
Rod Cahill, Chief Executive	206,179	–	4,327	210,506	204,720
Rachael Dennis, Chief Operating Officer	160,488	15,012	500	176,000	175,592
Judith Foss, Executive Director of People and Culture	128,482	13,111	500	142,093	140,317
Tom Titherington, Executive Director of Property and Growth	144,769	13,547	500	158,816	160,933
Julia Moulder, Executive Director of Development (resigned 28/10/2016)	141,228	13,720	500	155,448	153,799
Maria McCann, Executive Director of Customer Services (resigned 13/01/17)	164,766	–	500	165,266	36,538
Paul Bridge, Interim Executive Director of Customer Services (02/09/15 – 12/02/16)	–	–	–	–	90,603
John Foxall, Director of Customer Services (resigned 17/07/15)	–	–	–	–	53,635
	945,912	55,390	6,827	1,008,129	1,016,137

The bonus paid for the year ending 31 March 2016.

5. Employee information

	Consolidated		Association	
	2017 Number	2016 Number	2017 Number	2016 Number
The average monthly number of persons expressed in full-time equivalents during the year was:				
Office employees	497	533	477	513
Wardens, caretakers, cleaners and care employees	205	196	126	115
	702	729	603	628

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

	Consolidated		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Employee costs (for the above persons)				
Wages and salaries	25,504	27,647	24,221	25,520
Social security costs	2,543	2,727	2,435	2,562
Costs of pension schemes	1,842	2,062	1,764	1,935
	29,889	32,436	28,420	30,017

The Group and association made non-contractual payments to employees of £313,087 in the year (2016: Group and association £15,730). Gross salary of the lowest earner compared to gross salary of the highest earner for the year was 1:12 (2016: 1:17).

Notes to the accounts
5. Employee information (continued)

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

Range £'000	2017 Number	2016 Number
60–69	29	30
70–79	20	18
80–89	11	13
90–99	4	5
100–109	3	3
110–119	2	2
120–129	1	1

6. Operating surplus

	Consolidated		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Is stated after charging/(crediting):				
Depreciation – housing properties (note 10)	19,374	18,416	19,391	18,421
Depreciation – on replaced components (note 3)	1,568	1,331	1,568	1,331
Depreciation – other fixed assets (note 11)	2,303	2,094	2,299	2,089
Auditors' remuneration (excluding VAT):				
– in their capacity as auditors	78	65	66	53
– in respect of other services	183	79	183	79
Operating lease charges for land and buildings	2,441	2,448	2,441	2,448
Operating lease income	2,377	1,973	2,377	1,973
Impairment of housing properties	(1,452)	–	(1,452)	–
Provision against properties held for sale	(1,023)	(2,038)	(1,023)	(2,038)
Defined contribution pension cost	(1,746)	(1,935)	(1,746)	(1,935)

The remuneration paid to BDO auditors in respect of non-audit services: covenant compliance of £7,000 (2016: £2,000) and other services of £176,000 (2016: £7,000).

Notes to the accounts

7. Surplus on disposal of fixed assets

Consolidated	Shared ownership 2017 £'000	Other housing properties 2017 £'000	Investments (Homebuy) 2017 £'000	Total 2017 £'000	Total 2016 £'000
Disposal proceeds	32,745	3,676	19,036	55,457	68,720
Cost of disposals	(15,024)	(1,228)	(12,433)	(28,685)	(34,681)
Selling costs	(269)	(179)	(295)	(743)	(5,136)
Grants recycled	(4,473)	(616)	–	(5,089)	(5,939)
Surplus on disposal of housing assets	12,979	1,653	6,308	20,940	22,964
Loss on disposal of other tangible fixed assets	–	–	–	(20)	(33)
				20,920	22,931
Loss on disposal Acton Care				(55)	–
Total				20,865	22,931

Association	Shared ownership 2017 £'000	Other housing properties 2017 £'000	Investments (Homebuy) 2017 £'000	Total 2017 £'000	Total 2016 £'000
Disposal proceeds	32,745	13,980	19,036	65,761	76,028
Cost of disposals	(15,112)	(10,785)	(12,433)	(38,330)	(42,145)
Selling costs	(269)	(179)	(295)	(743)	(4,731)
Grants recycled	(4,473)	(616)	–	(5,089)	(5,939)
Surplus on disposal of housing assets	12,891	2,400	6,308	21,599	23,213
Loss on disposal of other tangible fixed assets	–	–	–	(20)	(33)
				21,579	23,180
Loss on disposal Acton Care				(55)	–
Total				21,524	23,180

Notes to the accounts

8. Interest and financing costs

	Consolidated		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
On loans	27,385	27,451	27,265	27,273
Amortised cost*	(6,483)	(534)	(6,483)	(534)
On indexed linked loans and deferred interest loans: Interest paid	53	56	53	56
Interest deferred	353	375	353	375
Sundry loan costs	989	295	631	295
	22,297	27,643	21,819	27,465
Less:				
Capitalised in housing properties (note 10)	(4,093)	(3,993)	(4,093)	(3,993)
Capitalised in first tranche sales properties (note 10)	(1,361)	(1,672)	(1,361)	(1,672)
Capitalised in properties developed for sale	(958)	(1,606)	–	–
Release of loan fair values on repayment and refinancing	(43)	(42)	–	–
Add:				
Transfer to recycled capital grant fund (note 22)	227	313	227	313
Transfer to disposal proceeds fund (note 23)	8	11	8	11
Amortisation of loan issue costs	458	333	458	333
Net interest on net defined benefit liability (note 26)	206	297	206	297
	16,741	21,284	17,264	22,754

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

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

	Consolidated		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'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	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Surplus on ordinary activities before taxation	69,928	72,938	72,979	74,088
Current tax at 20% (2016: 20%)	13,986	14,588	14,596	14,818
Effects of:				
Surplus subject to charitable exemption	(13,985)	(14,588)	(14,596)	(14,818)
Adjustment in respect of previous periods	(1)	4	–	–
Capital allowances in excess of depreciation	–	–	–	–
Total current tax charge (see above)	–	4	–	–

Non-charitable group members that were liable for corporation tax during the year ended March 2017 and 2016 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 donated 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 2016	1,609,242	74,789	299,520	40,847	33,527	2,057,925
Additions:						
– construction costs	1,351	32,575	68	33,304	–	67,298
– existing properties	21,030	–	–	–	2,824	23,854
Reclassification of properties	(10,076)	9,533	–	543	–	–
Completed schemes	25,815	(25,815)	10,222	(10,222)	–	–
Transfer (to)/from properties held for sale	–	–	110	–	–	110
Disposals:						
– staircasing sales	–	–	(15,024)	–	–	(15,024)
– replaced components	(3,877)	–	(150)	–	–	(4,027)
– other	(1,335)	–	(59)	–	–	(1,394)
At 31 March 2017	1,642,150	91,082	294,687	64,472	36,351	2,128,742
Depreciation						
At 1 April 2016	(137,374)	–	(1,677)	–	(1,525)	(140,576)
Charge for the year	(18,620)	–	(302)	–	(452)	(19,374)
Transfer (to)/from properties held for sale	–	–	–	–	–	–
Eliminated on disposals:						
– replaced components	2,431	–	28	–	–	2,459
– other	1,878	–	–	–	–	1,878
At 31 March 2017	(151,685)	–	(1,951)	–	(1,977)	(155,613)
Impairment						
At 1 April 2016	–	(1,519)	–	(1,477)	–	(2,996)
Impairment for the year	–	(700)	–	(752)	–	(1,452)
At 31 March 2017	–	(2,219)	–	(2,229)	–	(4,448)
Net book value at 31 March 2017	1,490,465	88,863	292,736	62,243	34,374	1,968,681
Net book value at 31 March 2016	1,471,868	73,270	297,843	39,370	32,002	1,914,353

Notes to the accounts
10. Tangible fixed assets - housing properties (continued)

Association	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Key worker accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2016	1,624,183	75,010	301,560	41,205	33,527	2,075,485
Additions:						
– construction costs	1,351	34,506	68	43,078	–	79,003
– existing properties	21,030	–	–	–	2,824	23,854
Reclassification of properties	(10,076)	9,533	–	543	–	–
Completed schemes	25,815	(25,815)	10,796	(10,796)	–	–
Transfer (to)/from properties held for sale	–	–	(464)	–	–	(464)
Disposals:						
– staircasing sales	–	–	(15,112)	–	–	(15,112)
– on replaced components	(3,877)	–	(150)	–	–	(4,027)
– other	(1,335)	(1,499)	(59)	(8,059)	–	(10,952)
At 31 March 2017	1,657,091	91,735	296,639	65,971	36,351	2,147,787
Depreciation						
At 1 April 2016	(137,379)	–	(1,677)	–	(1,525)	(140,581)
Charge for the year	(18,637)	–	(302)	–	(452)	(19,391)
Transfer (to)/from properties held for sale	–	–	–	–	–	–
Eliminated on disposals:						
– replaced components	2,431	–	28	–	–	2,459
– other	1,878	–	–	–	–	1,878
At 31 March 2017	(151,707)	–	(1,951)	–	(1,977)	(155,635)
Impairment						
At 1 April 2016	–	(1,519)	–	(1,477)	–	(2,996)
Impairment for the year	–	(700)	–	(752)	–	(1,452)
At 31 March 2017	–	(2,219)	–	(2,229)	–	(4,448)
Net book value at 31 March 2017	1,505,384	89,516	294,688	63,742	34,374	1,987,704
Net book value at 31 March 2016	1,486,804	73,491	299,883	39,728	32,002	1,931,908

Notes to the accounts
10. Tangible fixed assets - housing properties (continued)

	Consolidated		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Housing property net book value comprises:				
– freeholds	1,665,796	1,673,482	1,684,819	1,691,037
– long leaseholds	302,885	240,871	302,885	240,871
	1,968,681	1,914,353	1,987,704	1,931,908
Additions to housing properties includes capitalised interest of:	5,454	5,665	5,454	5,665
The capitalisation rate used was	4.6%	4.5%	4.6%	4.5%
Cumulative capitalised interest was	47,265	41,811	47,265	41,811
Improvements to existing properties capitalised during the year were	23,854	21,250	23,854	21,250
The total cost charged to the income and expenditure account for planned maintenance in the year was (note 3)	9,813	15,211	9,813	15,211

	Consolidated		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
If housing property had been accounted for under the historic cost account rules, the properties would have been measured as follows:				
Historic cost	2,046,004	1,975,071	2,069,722	1,997,306
Accumulated depreciation	(190,654)	(172,439)	(190,715)	(172,543)
Impairment	(4,448)	(2,996)	(4,448)	(2,996)
	1,850,902	1,799,636	1,874,559	1,821,767
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant - housing properties (note 21)	78,277	77,483	78,277	77,483
Capital grant - Homebuy investments (note 21)	71,662	89,551	71,662	89,551
Recycled capital grant fund (note 22)	68,315	62,714	68,315	62,714
Disposals proceeds fund (note 23)	1,358	2,316	1,358	2,316
Revenue grant - I&E	849,152	848,609	849,152	848,609
	1,068,764	1,080,673	1,068,764	1,080,673

Notes to the accounts
10. Tangible fixed assets - housing properties (continued)

Depreciation (consolidated and association) includes £nil (2016: £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 £1,452,000 (2016 - £nil general needs and shared ownership housing stock).

For social housing tenancies rents will decrease by 1% per 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 £886,004,409 pledged as security at 31 March 2017 (2016: £859,183,013).

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 2016	1,217	2,462	110	309	15,173	19,271
Additions in year	122	5	–	–	2,119	2,246
Disposals	–	–	–	–	(347)	(347)
At 31 March 2017	1,339	2,467	110	309	16,945	21,170
Depreciation						
At 1 April 2016	(204)	(1,470)	(17)	(224)	(7,994)	(9,909)
Charge for year (note 6)	(18)	(138)	(2)	(59)	(2,086)	(2,303)
Disposals	–	–	–	–	328	328
At 31 March 2017	(222)	(1,608)	(19)	(283)	(9,752)	(11,884)
Net book value						
At 31 March 2017	1,117	859	91	26	7,193	9,286
At 31 March 2016	1,013	992	93	85	7,179	9,362

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 2016	826	2,462	110	309	15,160	18,867
Additions in year	121	5	–	–	2,119	2,245
Disposals	–	–	–	–	(347)	(347)
At 31 March 2017	947	2,467	110	309	16,932	20,765
Depreciation						
At 1 April 2016	(171)	(1,470)	(17)	(224)	(7,982)	(9,864)
Charge for year (note 6)	(14)	(138)	(2)	(59)	(2,086)	(2,299)
Disposals	–	–	–	–	328	328
At 31 March 2017	(185)	(1,608)	(19)	(283)	(9,740)	(11,835)
Net book value						
At 31 March 2017	762	859	91	26	7,192	8,930
At 31 March 2016	655	992	93	85	7,178	9,003

Depreciation includes £4,704 (2016: £8,190) charge for the year relating to nursing care.

Notes to the accounts
12. Investment properties

Consolidation and Association	Commercial
	£'000
At 1 April 2016	12,818
Additions	2,056
Revaluations	4,257
At 31 March 2017	19,131

The Group's investment properties are valued annually on 31 March at fair value, determined by independent valuation specialist Jones Lang LaSalle (JLL) Ltd. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' appraisal and valuation manual. In valuing investment properties, a discounted cash flow methodology was adopted. Details on the assumptions made and the key sources of estimation uncertainty are given in the accounting policies.

The surplus on revaluation of investment property arising of £4,256,882 (association – £287,624) has been credited to the statement of comprehensive income for the year.

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

Consolidation and Association	2017	2016
	£'000	£'000
Historic cost	9,084	7,027
Accumulated depreciation	(1,812)	(1,635)
	7,272	5,392

13. Investments - Homebuy loans

Consolidation and Association	2017	2016
	£'000	£'000
At 1 April	114,375	127,639
New loans issued	519	933
Interest receivable	–	–
Loans redeemed (note 7)	(12,433)	(14,197)
Loans reclassified (note 21)	(9,342)	–
At 31 March	93,119	114,375

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

Notes to the accounts
13. Investments - Homebuy loans (continued)

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% (2016: 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	2017	2016
	£	£
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	2017 £'000	2016 £'000
At 1 April	2,085	886
Profit in the year	914	1,287
Distribution	(2,890)	(88)
At 31 March	109	2,085

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 £1,827,192 (2016: £2,574,249) during the year, of which a 50% share is recognised within Dee Park Developments (Catalyst) Limited and statement of comprehensive income.

16. Stocks

Consolidated	First tranche shared ownership	Outright market sales	Other	Total	Total
	2017	2017	2017	2017	2016
	£'000	£'000	£'000	£'000	£'000
Work in progress	49,374	65,300	1,640	116,314	69,011
Completed properties	3,889	–	544	4,433	7,486
Properties at cost	53,263	65,300	2,184	120,747	76,497

Capitalised interest included in the year end balance was £2,319,592 (2016: £3,884,390).

Association	First tranche shared ownership	Other	Total	Total
	2017	2017	2017	2016
	£'000	£'000	£'000	£'000
Work in progress	49,374	1,640	51,014	24,486
Completed properties	3,889	544	4,433	7,486
Properties at cost	53,263	2,184	55,447	31,972

Capitalised interest included in the year end balance was £1,360,590 (2016: £1,275,390).

Notes to the accounts

17. Debtors

	Consolidated		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts receivable within one year:				
Gross rent and service charge arrears	5,247	5,136	5,247	5,137
Less: provision for bad and doubtful debts	(1,355)	(1,154)	(1,355)	(1,154)
	3,892	3,982	3,892	3,983
Other debtors and prepayments	22,401	12,373	16,525	10,476
Amounts due from group members	–	–	77,954	16,536
	26,293	16,355	98,371	30,995
Amounts receivable after one year:				
Amounts due from group members	–	–	–	34,659
	26,293	16,355	98,371	65,654

18. Cash

	Consolidated		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Short-term and money market deposits	–	37,880	–	37,280
Cash at bank and in hand	32,422	57,759	16,020	39,736
	32,422	95,639	16,020	77,016

All cash balances mature within three months.

Notes to the accounts

19. Creditors

	Consolidated		Association	
	2017	2016	2017	2016
Amounts falling due within one year:	£'000	£'000	£'000	£'000
Housing loans (note 24):				
– secured against group properties	34,638	10,799	27,717	2,643
– loan issue costs to be amortised	(398)	(205)	(398)	(205)
– amounts due to group members	–	–	6,921	8,156
	34,240	10,594	34,240	10,594
Trade creditors	1,249	6,351	1,047	4,964
Bank overdraft	10	1,656	10	1,656
Amount held on behalf of leaseholders	5,419	4,700	5,419	4,700
Recycled capital grant fund (note 22)	19,249	27,397	19,249	27,397
Capital creditors	7,120	5,146	7,120	5,139
Capital retentions	7,499	5,235	4,089	3,117
Other creditors and accruals	34,145	39,622	25,039	25,816
Other taxes and social security costs	645	1,008	645	964
Disposal proceeds fund (note 23)	1,279	644	1,279	644
Amounts due to group members	–	–	1,166	1,232
Deferred capital grant (note 21)	7,329	8,527	7,329	8,527
	118,184	110,880	106,632	94,750

20. Creditors

	Consolidated		Association	
	2017	2016	2017	2016
Amounts falling due after more than one year:	£'000	£'000	£'000	£'000
Hillingdon sinking fund	242	242	242	242
Deferred income	447	447	447	447
Recycled capital grant fund (note 22)	49,066	35,317	49,066	35,317
Disposal proceeds fund (note 23)	79	1,672	79	1,672
Loans due to group members (note 24)	–	–	217,360	229,176
Housing loans (note 24):				
– secured against group properties	560,481	604,419	343,036	375,115
– loan issue costs to be amortised	(2,668)	(2,738)	(2,668)	(2,738)
Deferred capital grant (note 21)	142,610	158,507	142,610	158,507
	750,257	797,866	750,172	797,738

Notes to the accounts

21. Deferred capital grant

	Consolidated		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
At 1 April	167,034	179,043	167,034	179,043
Grants received during the year	729	4,553	729	4,553
Transfers between the recycled capital grant fund (note 22)	5,855	1,119	5,855	1,119
Homebuy redemptions	(8,760)	(9,978)	(8,760)	(9,978)
Transfer between the disposal proceeds fund (note 21)	958	511	958	511
Released to income during the year (note 3)	(5,632)	(7,146)	(5,632)	(7,146)
Released on disposal during the year	(903)	(1,023)	(903)	(1,023)
Grant reclaimed	–	(45)	–	(45)
Reclassification of Homebuy grant (note 13)	(9,342)	–	(9,342)	–
At 31 March	149,939	167,034	149,939	167,034

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

22. Recycled capital grant fund

Consolidated and Association	HCA	GLA	HCA	GLA
	2017	2017	2016	2016
Funds pertaining to activities within areas covered by:	£'000	£'000	£'000	£'000
At 1 April	40,134	22,579	30,402	26,409
Inputs to fund:				
– Grants recycled	8,600	5,926	10,252	6,545
– Interest accrued	134	93	200	113
Recycling of grant:				
– New build	(960)	(4,895)	(719)	(400)
Repayment of grant to the HCA/GLA	–	(3,297)	–	(10,088)
At 31 March	47,909	20,406	40,135	22,579
Amounts three years or older where repayment may be required	17,742	666	18,702	8,695

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

Notes to the accounts
23. Disposal proceeds fund

Consolidated and Association Funds pertaining to activities within areas covered by:	HCA 2017 £'000	GLA 2017 £'000	HCA 2016 £'000	GLA 2016 £'000
At 1 April	816	1,500	812	750
Inputs to fund:				
– Grants recycled	–	–	–	1,252
– Interest accrued	2	6	4	9
Use/allocation of funds:				
– New build	–	–	–	–
– Major repairs and works to existing stock	–	–	–	(200)
– Other	(643)	(315)	–	(311)
Repayment of grant to the HCA/GLA	–	(8)	–	–
At 31 March	175	1,183	816	1,500
Amounts three years or older where repayment may be required	79	–	644	–

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

Notes to the accounts
24. Loans

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

	Consolidated		Association	
Housing loans repayable by instalments:	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Between one and two years	12,585	10,633	12,585	10,633
Between two and five years	31,656	36,620	31,656	36,620
In five or more years	241,072	264,353	240,987	264,225
Total (note 20)	285,313	311,606	285,228	311,478
Within one year (note 19)	6,665	10,594	6,665	10,594
	291,978	322,200	291,893	322,072

	Consolidated		Association	
Housing loans not repayable by instalments:	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Between one and two years	2,500	17,575	2,500	17,575
Between two and five years	50,000	52,500	50,000	52,500
In five or more years	220,000	220,000	220,000	220,000
Total (note 20)	272,500	290,075	272,500	290,075
Within one year (note 19)	27,575	–	27,575	–
	300,075	290,075	300,075	290,075

	Consolidated		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Total loans measured at amortised cost	592,053	612,275	591,968	612,147

The Group has total committed loan facilities of £762,183,583 raised through the debt and capital markets, together with loans provided by various banks and building societies. All loans are secured by way of first fixed charges on certain properties. The loans bear interest at fixed rates ranging from 2.4% to 10.9% or at a margin above the London Interbank Offered Rate. At 31 March 2017 the Group had undrawn loan facilities of £158,900,000 (2016: £125,900,000). Of the total loan facilities of £762,183,583, £515,412,184 was at fixed rates at 31 March 2017. The weighted average interest rate is the aggregate rate of interest paid for the year on Group borrowings which is 4.6% (2016: 4.5%).

Notes to the accounts

25. Financial instruments

The Group's and association financial instruments may be analysed as follows:	Consolidated 2017 £'000	Consolidated 2016 £'000	Association 2017 £'000	Association 2016 £'000
Financial assets				
Financial assets measured at historic cost:				
– Tenant receivables (note 17)	3,892	3,982	3,892	3,982
– Other receivables (note 17)	22,401	13,768	94,479	61,672
– Cash and cash equivalents (note 18)	32,422	95,639	16,020	77,016
Total financial assets	58,715	113,389	114,391	142,670
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Loans payable (note 24)	(592,053)	(612,275)	(591,968)	(612,147)
Financial liabilities measured at historical cost:				
– Trade creditors	(1,249)	(6,351)	(1,047)	(4,964)
– Other creditors	(275,139)	(290,120)	(263,789)	(275,377)
Total financial liabilities	(868,441)	(908,746)	(856,804)	(892,488)

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 net cashflow. The maturity profile of the debt reflects the long-term nature of the Group's assets and reduces risk by staggering the repayment of the principal 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 development activity through cash surpluses, public subsidies and loan borrowings. Interest rate risk is managed in accordance with the Group's treasury policy. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and variable debt at an acceptable level of risk and cost. Covenant compliance and

Notes to the accounts

25. Financial instruments (continued)

sensitivity analysis of interest rates are monitored on a regular basis. A 1 % increase in variable rates would lead to a £0.9 million increase in annual interest costs.

As at 31 March 2017, we expect future cash outflows on our loans to be lower than we previously assumed due to a change in loan profiling as well as a lower expectation of future variable interest rates. This has led to a reduction in the interest expense for the year. If interest rates were higher by 1 % in every period we are required to pay interest at variable rates in the future, the interest expense for the year would have been £6.6million higher.

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.

26. Pension costs

Ealing Family Housing Association pension scheme

The pension scheme was closed to future members with effect from 31 March 2007. In respect of the shortfall in funding Catalyst Housing Limited agreed to pay £2,100,000 per annum in accordance with the recovery plan agreed with the trustees of the pension scheme. As of 1 October 2015, these payments were decreased to £950,000 per annum and increased to £2,100,000 from October 2016.

The 1 October 2014 valuation shows that the market value of the scheme's assets was £40,449,411, this excludes assets in relation to deferred members' AVCs, and insured pensions. At 31 March 2017 the scheme had a total membership of 325 (2016: 325).

During the year, Catalyst paid £1,525,000 (2016: £1,525,000) into the pension scheme in accordance with the recovery plan agreed with the trustees of the scheme.

The contribution rate for the Group and association was nil (2016: nil) for employer contributions and nil (2016: nil) for employee contributions. At 31 March 2017 outstanding payments due to the scheme were £nil (2016: £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 2017 by a qualified actuary. The major assumptions used in this valuation were:

Consolidated	2017	2016	2015
LPI pension increase	3.2 %	2.95 %	2.95 %
Discount rate	2.6 %	3.5 %	3.3 %
Inflation assumption	3.4 %	3.1 %	3.1 %

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 1.25 % per annum.

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

Notes to the accounts
26. Pension costs (continued)

Scheme assets

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

Consolidated	2017	2016
Amounts recognised in balance sheet	£'000	£'000
Present value of funded obligations	62,301	52,928
Fair value of scheme assets	(54,340)	(46,291)
Pension liability	7,961	6,637

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

	2017	2016
Analysis of amount recognised in other comprehensive income	£000	£000
Actual return less expected return on scheme assets	7,227	(1,235)
Experience gains and losses arising on scheme liabilities	–	647
Changes in assumptions underlying the present value of scheme liabilities	(9,870)	2,493
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(2,643)	1,905

	2017	2016
Amounts recognised in income and expenditure account	£'000	£'000
Interest on obligation	1,812	1,809
Expected return on scheme assets	(1,606)	(1,512)
Total	206	297
Actual return on scheme assets		277

	2017	2016
Changes in the present value of defined benefit obligation	£'000	£'000
Opening defined benefit obligation	52,928	55,407
Interest cost	1,812	1,809
Actuarial (gain)/loss	9,870	(3,140)
Benefits paid	(2,309)	(1,148)
Closing defined benefit obligation	62,301	52,928
The actuarial gains and losses can be split into:		
Actuarial (gain)/loss due to assumptions change	9,870	(3,140)

Notes to the accounts
26. Pension costs (continued)

Consolidated	2017	2016
Changes in the fair value of scheme assets during the year	£'000	£'000
Opening fair value of scheme assets	46,291	45,637
Expected return on scheme assets	1,606	1,512
Actuarial gain/(loss)	7,227	(1,235)
Contributions by employer	1,525	1,525
Benefits paid	(2,309)	(1,148)
Closing fair value of scheme assets	54,340	46,291

Other pension schemes

The Group operates a stakeholder pension scheme administered by Standard Life. The employer's contributions are 9 % of pensionable salary and amount to £1,878,694 (2016: £2,111,000). At 31 March 2017 outstanding payments due to the scheme were £nil (2016: £290,000). 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	2017	2016
	£	£
Shares of £1 each issued and fully paid		
At beginning of year	64	61
Issued during year	2	5
Surrendered during the year	(2)	(2)
At end of year	64	64

The share capital of the association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the association. Therefore, all shareholdings relate to non-equity interests; there are no equity interests in the association.

Notes to the accounts
28. Commitments

Capital commitments	Consolidated 2017 £'000	Consolidated 2016 £'000	Association 2017 £'000	Association 2016 £'000
Capital expenditure contracted, which has not been provided for in the accounts	59,656	128,921	59,656	128,921
Capital expenditure which has been authorised by the Board but has not yet been contracted for	65,362	123,326	65,362	123,326
	125,018	252,247	125,018	252,247

Capital commitments for the Group and association will be funded by £12,556,905 (2016: £14,070,251) of Social Housing Grant and £112,461,553 (2016: £238,176,837) from draw-down of existing, or new loan facilities or by internal resources.
Capital commitments divided by tangible fixed assets at year-end was 6% (2016: 13%).

Financial commitments	Consolidated 2017 £'000	Consolidated 2016 £'000
Properties developed for sale, expenditure contracted or authorised, which has not been provided for in the accounts	63,566	38,620
	63,566	38,620

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 2017 £'000	Consolidated 2016 £'000	Association 2017 £'000	Association 2016 £'000
Not later than one year	2,448	2,448	2,448	2,448
Later than one year and not later than five years	9,797	9,797	9,797	9,797
Later than five years	9,529	11,977	9,529	11,977
Total	21,774	24,222	21,774	24,222

Amounts receivable as lessor	Consolidated 2017 £'000	Consolidated 2016 £'000	Association 2017 £'000	Association 2016 £'000
Not later than one year	589	1,973	589	1,973
Later than one year and not later than five years	2,513	7,898	2,513	7,898
Later than five years	9,176	11,335	9,176	11,335
Total	12,278	21,206	12,278	21,206

Notes to the accounts
30. Number of units

	Consolidated 2017 Number	Consolidated 2016 Number	Association 2017 Number	Association 2016 Number
Social housing:				
General needs	12,054	12,030	12,054	12,030
Affordable	852	832	852	832
Shared ownership units	4,767	4,448	4,767	4,448
Supported and housing for older people	714	717	714	717
Intermediate rent	187	187	187	187
Total social housing units	18,574	18,214	18,574	18,214
Other shared equity units	1,989	2,136	1,989	2,136
Total non-social housing units	1,989	2,136	1,989	2,136
Residential care home bed spaces	50	50	50	50
Nursing home bed spaces	–	124	–	124
Keyworker bed spaces	540	540	540	540
Total bed spaces	590	714	590	714
Total units	21,153	21,064	21,153	21,064

	Consolidated 2017 Number	Consolidated 2016 Number	Association 2017 Number	Association 2016 Number
Total units managed by other organisations on behalf of Catalyst	493	442	493	442
Housing units under development	1,255	1,329	915	869

Notes to the accounts
31. Related party disclosures

One of the Board members who 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 £5,493 (2016: £5,931). Rent arrears of tenant and leaseholder Board members as at 31 March 2017 was £nil (2016: £152). 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 2017 is nil (2016: £690,458). 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 £32,189 (2016: £39,837) 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 £8,855 (2016: £54,742).

Intra-group transactions

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

	Management fees		Other charges		Interest charges	
	2017	2016	2017	2016	2017	2016
Payable to Catalyst Housing Limited by:	£'000	£'000	£'000	£'000	£'000	£'000
CHL Developments Limited	1,123	650	2,867	2,027	3	–
Barnet Community Homes Limited	–	–	–	–	–	2
Vintage Care Limited	126	232	66	127	–	–
Catalyst Housing Charitable Trust	10	10	–	–	–	–
Southall Day Centre Limited	21	20	–	–	–	–
Dee Park Developments (Catalyst) Limited	47	45	839	1,251	32	40
Catalyst by Design Limited	1,595	1,183	18,447	23,313	2,504	2,738
Catalyst Finance Limited	8	10	–	1	–	–
	2,930	2,150	22,219	26,719	2,539	2,780

Notes to the accounts
31. Related party disclosures (continued)

Intra-group management fees

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

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

Other intra-group charges

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

Intra-group interest

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

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

	Management fees		Other charges		Interest charges	
	2017	2016	2017	2016	2017	2016
Payable by Catalyst Housing Limited to:	£'000	£'000	£'000	£'000	£'000	£'000
Catalyst Housing Charitable Trust	–	–	10	10	–	–
Catalyst Finance Limited	10	10	–	–	6,339	10,293
Southall Day Centre Limited	–	–	246	226	–	–
	10	10	256	236	6,339	10,293

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.

Notes to the accounts

31. Related party disclosures (continued)

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	33,659	21,921	55,580
Catalyst Housing Limited[2]	Dee Park Developments (Catalyst) Limited	800	(800)	–
Dee Park Developments (Catalyst) Limited[3] (Investment in joint venture)	Dee Park Partnership LLP	1,979	(1,972)	7
Catalyst Finance Limited	Catalyst Housing Limited	237,332	(13,051)	224,281

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*

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 2017, the value of grant received in respect of these properties that had not been disposed of was £924,500,000. 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.

Catalyst

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A charitable housing association
Registered no. 16561R

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the Financial Conduct Authority

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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.