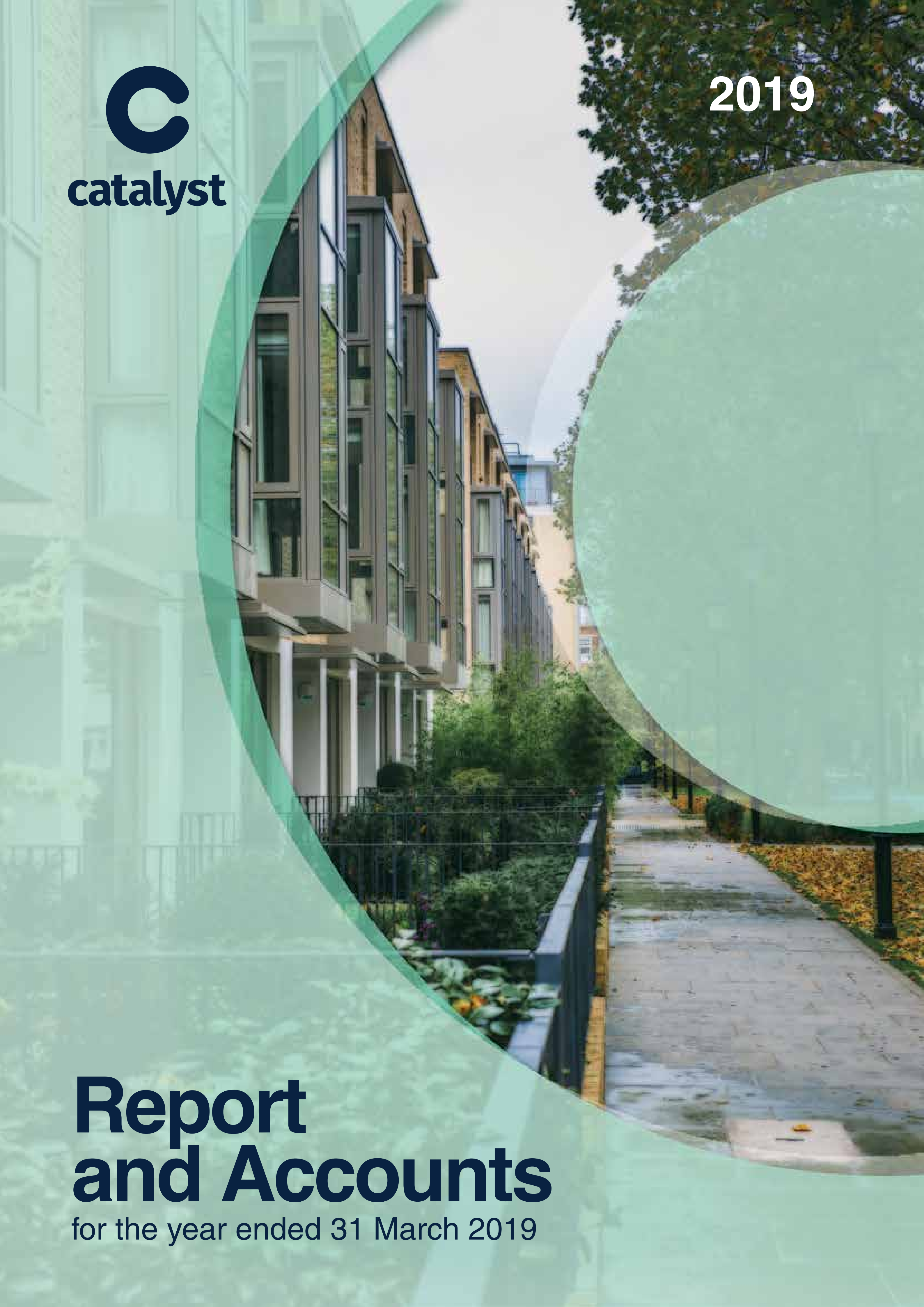
catalyst

2019



Report and Accounts

for the year ended 31 March 2019

Registered Society
Registered Number: 16561R

Regulator for Social Housing
Registered Number: L0699

Contents

Board members, executives and advisers

Board Members

Richard Brown, Chair

Heide Baumann (resigned 07/07/18)

Pat Billingham (appointed 01/05/19)

Rod Cahill (resigned 31/12/18)

Terence Hartwell

Mike Jones

Alison Knocker

Anne Markey

Ian McDermott (appointed 01/01/19)

Jack Stephen (appointed 01/05/19)

Heneage Stevenson (resigned 07/02/19)

Cary Wakefield (appointed 01/05/19)

Andrew Wells

Simon Wilkinson

Graham Woolfman

Executive Committee (Leadership Team until 1st April 2019)

Rod Cahill, Chief Executive (resigned 31/12/18)

Ian McDermott, Chief Executive (appointed 01/01/19)

Ed Barnes, interim Executive Director of Development (appointed 08/10/18)

Joe Chambers, Interim Executive Director of Operations (appointed 21/01/19, resigned 15/07/19)

Rachael Dennis, Chief Operating Officer (resigned 30/04/19)

Judith Foss, Executive Director of People and Culture

Gary Goggins, Executive Director of Property (appointed 01/06/19)

Philip Jenkins, Group Development Director (appointed 01/07/19)

Tim Jennings, Executive Director of Finance (appointed 01/05/19)

Austin Reid, Interim Executive Director of Integration (appointed 18/03/19)

Sarah Thomas, Chief Operating Officer (appointed 15/07/19)

Tom Titherington, Executive Director of Property and Growth (resigned 30/09/18)

Auditor

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

Bankers

National Westminster Bank Plc
1 The Mall
London W5 2PL

Principal Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Secretary and Registered Office

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

Audit and Risk Committee

Graham Woolfman, Chair

Richard Brown

Terence Hartwell

Mike Jones

Jack Stephen (appointed 01/05/19)

Andrew Wells

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

Pat Billingham, Chair (appointed 01/05/19)

Gary Barrett (appointed 01/05/19)

Richard Brown

Alison Knocker

Andrew Wells

Simon Wilkinson (appointed 19/09/18)

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

Mike Jones, Chair

Richard Brown

Brian Darling (appointed 01/05/19)

Jack Stephen (appointed 01/05/19)

Graham Woolfman

Heneage Stevenson (resigned 07/02/19)

Board members, executives and advisers (continued)

Customer Experience Committee

Alison Knocker, Chair
Phyllida Culpin (Independent Member, appointed 08/08/18)
John Kehoe (Resident Member)
Karina Skinner
Lynn Smith (Resident Member)
Janet Sutherland (Independent Member, appointed 08/08/18)
Cary Wakefield (appointed 01/05/19)
Simon Wilkinson
Dawn Williams (Resident Member)

Development Committee

Terence Hartwell, Chair
Richard Brown
George Cronin (appointed 01/05/19)
Mike Jones
Anne Markey
Andrew Wells
Heneage Stevenson (resigned 07/02/19)

Integration Committee (established 1 May 2019)

Pat Billingham, Chair (appointed 01/05/19)
Sara Garnham (appointed 01/05/19)
Owen Ingram (appointed 01/05/19)
Mike Jones (appointed 01/05/19)
Alison Knocker (appointed 01/05/19)
Andrew Wells (appointed 01/05/19)

Aldwyck Housing Group Limited Board

Pat Billingham, Chair
Jack Stephen, Vice Chair
Gary Barrett
Richard Brown (appointed 01/05/19)
George Cronin (co-opted 23/04/19)
Tom Dacey (appointed 10/09/18)
Brian Darling
Terry Hartwell (appointed 01/05/19)
Owen Ingram
Sara Garnham (appointed 03/04/18)
Cary Wakefield
Andrew Wells (appointed 01/05/19)

Service Delivery Committee (Aldwyck)

Cary Wakefield, Chair
Usma Collins
Tom Dacey
Sara Garnham
Gary Goggins
Owen Ingram
Alison Knocker (appointed 01/05/19)
Sri Sudevi
Anne Tomkins

Chair's Statement

2018/19 has been a year of significant change for Catalyst. We said goodbye to Rod Cahill our long-serving Chief Executive, who retired in December, and in January we welcomed our new Chief Executive, Ian McDermott, who joined us from Aldwyck Housing Group. Ian has an impressive track record, a wide range of experience of the housing sector and is already having a very positive impact.

We also said goodbye to two other members of the leadership team, Tom Titherington, Executive Director of Property and Growth, who left us in September, and Rachael Dennis, Chief Operating Officer, who left at the end of March for a Managing Director's role with a house builder. I would like to say a sincere thank you to Rod for his leadership and huge contribution to Catalyst over many years, and through the many chapters in its growth and development, and also to Tom and Rachael for their substantial contribution to our achievements. I wish them all the success for the future. Ian has now built an equally strong, new Executive team, following the departure of Tom and Rachael.

In the final months of 2018 we agreed to merge with Aldwyck Housing Group, and completed the necessary approvals in record time to merge on 1 May 2019. I am delighted to welcome colleagues from Aldwyck to our enlarged group and I am excited by the opportunities this opens up for us. Aldwyck has a strong presence in the Home Counties, north of London, giving us critical mass in the emerging arc of growth from Oxford, round to Cambridge. They also bring potential development opportunities, as well as a number of skills and services that complement those of Catalyst. The merger clearly signals a new chapter in Catalyst's development, and I am clear that together we will be able to provide more new, affordable homes for those who need them and a better service for our existing residents than either of us could do as separate organisations.

Despite this scale of change, we have continued to make encouraging progress in strengthening and developing our activities. We again improved our social housing operating margin to 36% despite another 1% reduction in rents in cash terms, by further improving our efficiency. Despite this, our net surplus for the year fell to £29.5 million due to a lower level of market sales, partly because of a natural pause in completions in several multi-year development schemes, and partly because of a more challenging sales market. Nevertheless, we increased our total investment in new and improved homes to £129.5 million, with the majority of this investment aimed at building our development pipeline and enhancing fire safety measures.

We also saw further improvement in customer satisfaction, although we are very conscious that we still have a way to go to deliver a truly best-in-class service. Several longer term projects to improve customer service were set in motion during the year, the key one being mobilising the new responsive repairs contracts with a focus on improving service quality. The Board will be monitoring closely how these projects deliver improvements.

There has also been encouraging progress on the development front, with a number of new schemes commencing, including two further joint venture and partnership deals. We will work with Mount Anvil to regenerate our existing estate at Friary Park, Acton, to provide over 900 mixed tenure new homes, including an increase on the 225 existing social rent homes alongside new shared ownership homes. In addition, we will work in partnership with Redrow to deliver 430 new apartments in Hounslow at Capital Interchange Way, just five minutes' walk from Kew Bridge Station. Again, this development will include a substantial proportion of
affordable homes.

Gratifyingly we won two competitive pitches, against strong competition, with Transport for London to develop three station car park sites in Harrow, and with Oxford City Council to take forward the master planning and development of parts of its Blackbird Leys estate. In London we were chosen by the Mayor as a strategic partner to deliver his affordable housing programme, alongside eight other housing associations. In each case I believe it was our focus on quality of homes and developing sustainable communities, and our track record of successful regeneration that won through.

During the year we completed 560 new homes, with over 84% of these being being affordable. We built 306 for affordable or social rent, 165 for shared ownership and 89 market sale. We are clearly seeing stronger headwinds on market sales and have slowed the rate of build on several schemes to match slower sales rates or switched tenures to affordable. Notably, we now have a significant number of development schemes in our pipeline which, whilst usually for a mixture of market sale, shared ownership and affordable rent, are for all affordable homes. This has been made possible by more flexible and helpful grant arrangements from Homes England and the Mayor of London.

Safety continues to be an important area of focus for the Board, and I am pleased that finally, nearly two years after the Grenfell fire tragedy, we have clarity on what will constitute safe cladding replacements for our two blocks with ACM cladding, and we will start work very shortly on replacement. In the meantime we have ensured resident safety by providing 24 hour fire wardens in both blocks.

Chair's statement (continued)

We continue to win an encouraging number of awards for a wide range of our activities, reflecting the commitment and dedication of many colleagues. We were named Sustainable Housing Provider of the Year in the SHIFT Awards, won Sustainable Build Project of the Year for our Wornington Green development in North Kensington, and were highly commended for our resident engagement project on Sustainable Living at our Havelock regeneration scheme in Southall. In Kensington, our Evelyn Fox sheltered housing scheme received a Gold Award for retirement housing, and the Wornington Green Community Garden received a level 4 award in the London in Bloom and Royal Horticultural Society's "It's Your Neighbourhood" awards. In Ealing, Samantha Smith won Apprentice of the Year at the Ealing Apprenticeship Network Awards. Sam is a tiler working on our Havelock regeneration scheme and became an apprentice after attending a Catalyst Gateway apprenticeship open day. I congratulate all those colleagues engaged in winning these, and a number of other awards.

So despite it being a year of significant and sometimes unsettling change, it is encouraging that we continued to make good progress and a testament to the underlying resilience of the organisation and the strength of our team of operational directors. I would like to pay tribute to the continuing commitment of everyone at Catalyst for achieving this and to say thank you for their good work. As ever, I must also thank my fellow Board members for their support and commitment and in helping to provide stability and continuity during this period of change. With our newly enlarged group and continued balance sheet strength, I am confident we can look forward to the future with confidence.

Richard Brown,
Chair

Chief Executive's statement

When I took up my post as Catalyst's new Chief Executive on 2 January this year, I was incredibly excited at the prospect of working for an organisation with a rich history and enormous potential to do good. I was also acutely aware of the challenge ahead of me, made greater by the legacy of my predecessor, Rod Cahill, who had been Chief Executive for over 25 years. Catalyst still does, in many ways, reflect Rod's vision and leadership. I would also like to echo the chair's thanks to Rod, as well as former executive directors Tom Titherington and Rachael Dennis.

The personal highlight of my first few months here was the successful merger between Catalyst and Aldwyck, completing on 1 May 2019. This new union between two like-minded organisations with such similar values, skills and geographies will see us own and manage over 32,000 homes across London and the South East. This is a merger born of ambition and a desire to do more, and we have set ourselves the objective of building 1,300 homes a year from 2022 and raising the quality of customer services across our area of operation.

These past few months have also seen an inevitable period of gradual transformation at Catalyst, what with the recent merger, my appointment and several new members of our Executive team. We have assembled a team determined to manage this change carefully, taking the opportunity to improve our core offer to customers and stakeholders.

There is no doubt that this has been a challenging year for the housing sector. A softening sales market on the one hand, and a series of political mixed messages on the other. In her last year as Prime Minister, Theresa May issued a call-to-arms for housing associations, stating her desire to see us build more affordable homes. It's not yet clear whether her successor, Boris Johnson, and our new Minister for Housing, Ester McVey, share this view, but I am convinced that housing associations can play a major part in building the country out of its current housing crisis. The challenge could not be bigger.

Our performance on sales reflects both the current sales market and the impact of delays at one of our housing developments. Despite this disappointing headline figure, our underlying financial strength and the operating performance has continued to improve. Catalyst's social housing operating margin has again increased, and, although modest, we have seen an overall improvement in our customer satisfaction levels. We are playing the long game, building purposefully for the future with improved capacity and investment in infrastructure and talent.

In development, we have seen some real successes in 2018/19, which have enabled us to strengthen partnerships with key stakeholders across London and the South East.

Chief Executive's statement (continued)

These achievements, highlighted by our chair, reflect Catalyst's ability to work with both local authorities and private developers to build new affordable homes. They also show how well we build and manage long-term partnerships that are capable of working with communities over a sustained period of time to see our neighbourhoods regenerated and revitalised.

Catalyst's commitment to our communities saw us invest £2.9 million off our bottom line to directly support our customers and our neighbourhoods. Investment which enabled Catalyst Gateway to organise 89 neighbourhood projects attended by over 4,100 Catalyst customers, and help the Southall Day Centre to enjoy a well-deserved 40th birthday, delivering essential services to Southall's elderly Asian community.

There is however, work to be done in improving the quality and accessibility of Catalyst's core services. This year, we carried out a massive re-tendering project of all our maintenance operations and reinvestment, solely designed to improve customer satisfaction, and we hope to start to see real improvement over the next 12 months.

I am pleased with progress that Catalyst has made in the past year, and I am delighted with our new appointments to the executive team, who each bring a wealth of housing and private sector experience that will greatly benefit of our future.

We now have the opportunity to build on the great foundations laid before to take Catalyst from a good organisation, to a great one.

Ian McDermott
Chief Executive

Strategic Report

Principal activities and review of business

About Catalyst

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

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

Business Model

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

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

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

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

Group structure

Our Group structure and operating companies are set out below:

CATALYST HOUSING LTD
Charitable Housing Association

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

Under CATALYST HOUSING CHARITABLE TRUST:

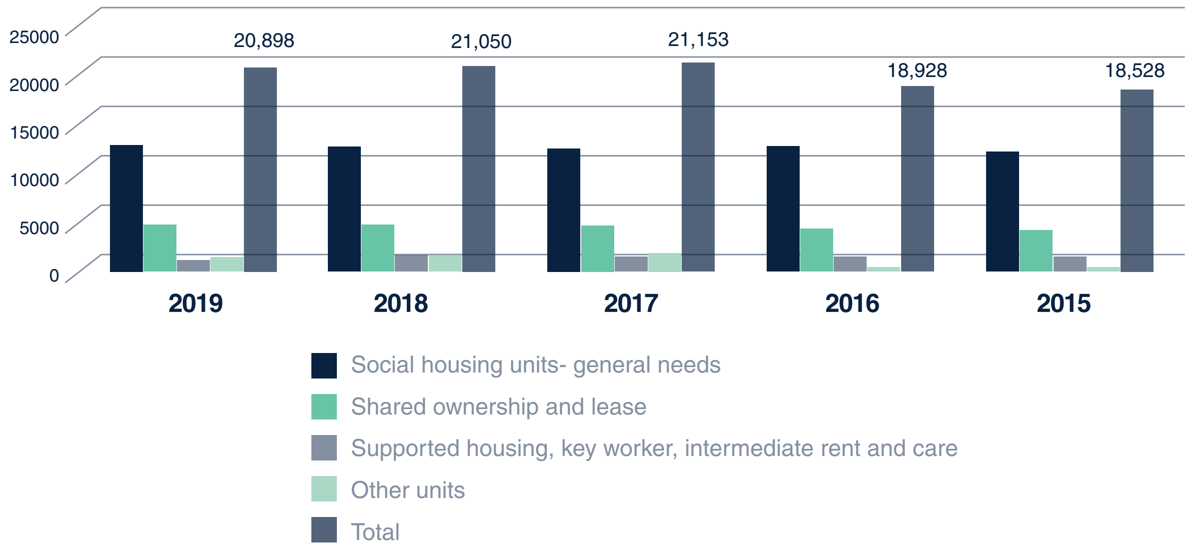
SOUTHALL DAY CENTRE LTD
Charitable
Day centre

Principal activities and review of business (continued)

Our Properties and Coverage

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

Property portfolio



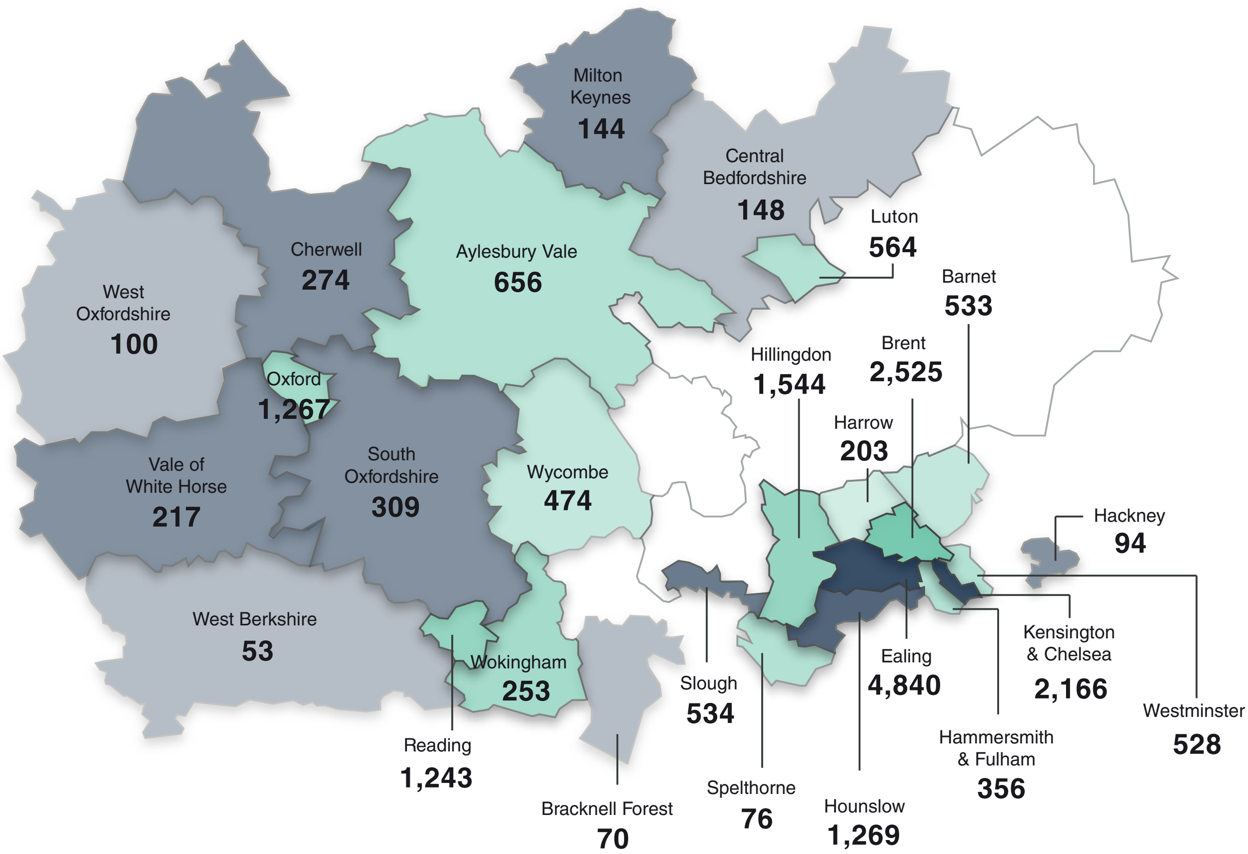
Number of units managed

	2019	2018
Social housing units - general needs	13,169	12,862
Shared ownership and lease	4,840	4,898
Supported housing, key worker, intermediate rent, and care	1,396	1,675
	19,405	19,435
Other units[1]	1,493	1,615
Total units	20,898	21,050
Number of homes managed by a third party	510	497

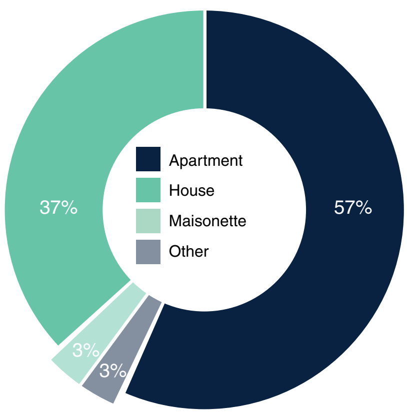
1. Other units include equity loan products.

Principal activities and review of business (continued)

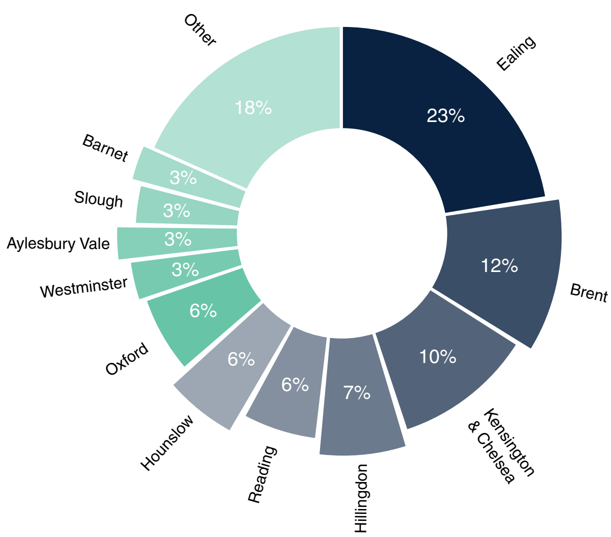
Main area of operations (including number of units)



Home by type



Stock and operations



Strategy and objectives

As mentioned in the Chair and Chief Executive's statements, the last few months of the 2018/19 financial year were spent finalising the merger with Aldwyck Housing Group (Aldwyck). The merger was successfully completed on 1 May 2019 when Aldwyck become a subsidiary of Catalyst. A Transfer of Engagements (ToE) from Aldwyck to Catalyst is planned later in the 2019/20 financial year, meaning that Catalyst and Aldwyck will become one legal entity.

Catalyst's strategic objectives, which were redefined in 2016 and remain relevant for 'New Catalyst' up until ToE, are as follows:

- **Excellent customer experience every time** – we will achieve sector leading levels of customer service
- **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
- **High business performance** – we will operate efficiently and effectively, meet all of our operational performance targets and optimise our social housing operating margin
- **Great people, great place to work** – we will attract and retain exceptional, motivated people who will help drive our organisational performance.

Post ToE, the above strategic objectives will be reviewed and, where appropriate, amended to reflect the future ambitions of the merged organisation.

Alongside our strategic objectives, Catalyst has defined key objectives of the merger with Aldwyck. These are to:

- Build more homes, deliver 1,300 a year following full integration, with the potential to build more.
- Improve our customers' experience and services, combining the ambitions of both Catalyst and Aldwyck to build a strong customer centric culture, allied with high quality service delivery.
- Foster a high-performing culture, attracting, retaining and developing the best talent, and foster a constructive customer focused culture.
- Strengthen both organisations' commitment to supported housing and supporting the most vulnerable in our society.
- Realise long-term efficiencies from bringing the two organisations together.

Principal risks and uncertainties

Our principal risks and uncertainties in delivering our strategic objectives are set out below, along with key mitigating actions:

Excellent customer experience every time

Failure to deliver improved customer satisfaction

Mitigating actions:

- Customer Experience Programme rolled out to all employees with a focus on delivering an 'excellent customer experience every time' across all business activities.
- Dedicated Customer Experience Committee (CEC) established, and attended by a range of customers, to continue to drive and enhance the services that Catalyst delivers.
- Corporate performance scorecard includes customer satisfaction KPIs across areas of core service delivery.
- All complaints analysed for lessons learned and areas for improvement fed into a service improvement plan, overseen by the CEC.

Provision of more quality homes and great places to live

Failure to deliver new homes and sales

- All development schemes go through a comprehensive feasibility assessment, undertaken independently by our Financial Planning and Analysis Team.
- Progress towards delivering our development programme and sales targets is monitored by Development Committee, Executive Committee and Board.
- Sales strategy defined for each individual scheme focusing on optimising sales performance.

Inability to generate the required funding to deliver strategic objectives

- Treasury Management function ensures cash flow headroom and forward projection of borrowing needs.
- Treasury policy 'golden rules' in place to protect Catalyst's liquidity position.

High business performance

Failure to protect the business from cyber security threats

- Mechanisms in place to ensure IT resilience and to protect Catalyst from cyber-attacks, including firewalls, anti-virus and internet scanning tools.
- Business Continuity Plans in place in the event of IT services not being available.

Strategy and objectives (continued)

Great people, great place to work

Inability to attract and retain high quality employees

- Talent and succession planning undertaken across all business areas.
- Regular survey of employees to gauge employee satisfaction and actions taken to make Catalyst a ‘great place to work’, including initiatives to support personal development.

Sustainability

Catalyst places sustainability at the heart of our business, and our approach focuses on three key areas: sustainable homes, sustainable communities and a sustainable business. Catalyst has set itself key objectives across these three areas and has developed a strategy and action plan to deliver these objectives.

Homes

Catalyst’s new build homes incorporate sustainable and low energy technologies, and high levels of energy efficiency that support our customers to lead more comfortable and sustainable lifestyles. Our award winning scheme at Wornington Green exemplifies how our approach provides homes that maximise energy and sustainability performance.

Our existing homes have an average energy rating of EPC Band C, and we are making long-term plans on how to improve this with a priority on upgrading the least efficient of our homes.

Strategy and objectives (continued)

Communities

In developing our estates, we ensure there is excellent provision of sustainable transport options, such as cycle storage, and green infrastructure, including green roofs and bird boxes.

Supporting our customers to reduce their energy bills is a key part of our work to improve customer experience, and we have developed energy saving projects with our key partners. In addition to energy advice sessions and home visits for customers, we have established two innovative pilot projects that use smart technology to help reduce energy consumption.

Business

In 2018, Catalyst retained our SHIFT Gold accreditation status, increasing our score to 63 points but still some way off achieving Platinum, which requires 77 points. Many of the improvements we need to make are for our new and existing homes. However, we have scored particularly well in SHIFT for the following:

- Office waste diverted from landfill (98% diverted from landfill).
- CO_2 emissions from all offices (10% reduction since 2016).
- Strategy and action plan (SHIFT identified that our Action Plan addressed all key environmental impacts related to social landlords).

Switchee Smart Thermostat device being piloted in selected Catalyst homes (below)

Catalyst delegation at SHIFT Awards 2018

Catalyst Gateway - enhancing our communities

Catalyst Gateway, our Community Investment team, run a range of support services and programmes that deliver on our commitment to making a purposeful difference in the lives of our residents.

Catalyst Gateway delivers its services under three key banners:

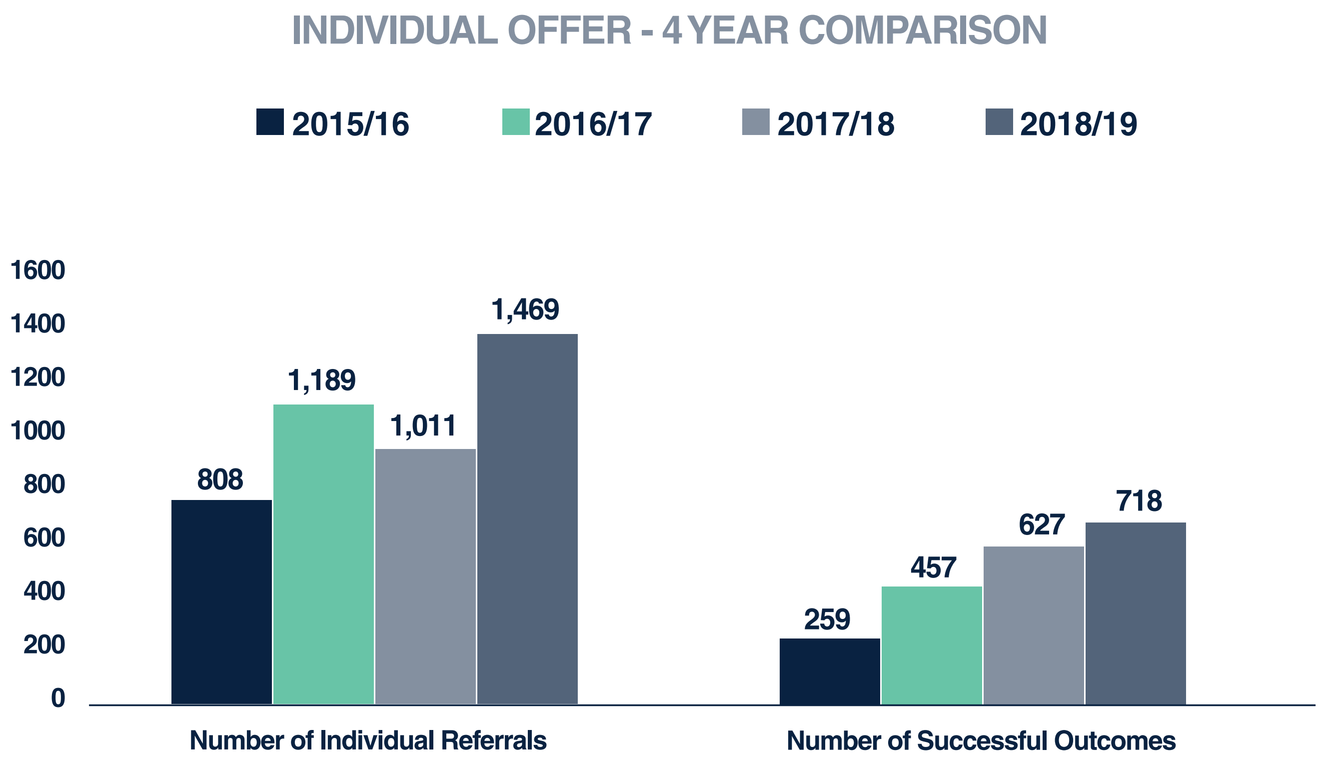
Catalyst – enhancing our Individual offer

Under our 'Individual offer', we deliver a range of one-to-one services to our customers to tackle issues such as poverty and social exclusion. This includes creating improved access to life-enhancing opportunities such as employment and training.

Over the past year, we have seen a 31% increase in referrals to our individual offer services, which is in part due to our new digital inclusion offer, which is aimed at ensuring that our customers are computer-literate in a world that demands transactions and communications to be done online. Our number of successful outcomes has also increased 12% compared to last year. These outcomes include customers moving into employment & training, improving their digital skills, maximising their income and lowering their rent arrears.

Our 718 successful outcomes have generated:

- £1.6 million enhanced income for customers during 2018/19 as a result of improved salary, personal benefits and housing benefits.
- £207,000 additional income for Catalyst as a result of rent arrears being recovered.
- £1 million of benefits as calculated by the Housing Association Charitable Trust (HACT) social impact measurement tool.



Catalyst – enhancing our Neighbourhood offer

Our 'Neighbourhood offer' involves us working closely with resident groups and local partner organisations to deliver projects that help build and strengthen communities, while offering activities that meet local needs such as holiday programmes for children and young people.

A total of 4,115 participants engaged in our 89 community projects in 2018/19 including 1,682 children and young adults that attended our out-of-school and holiday programmes.

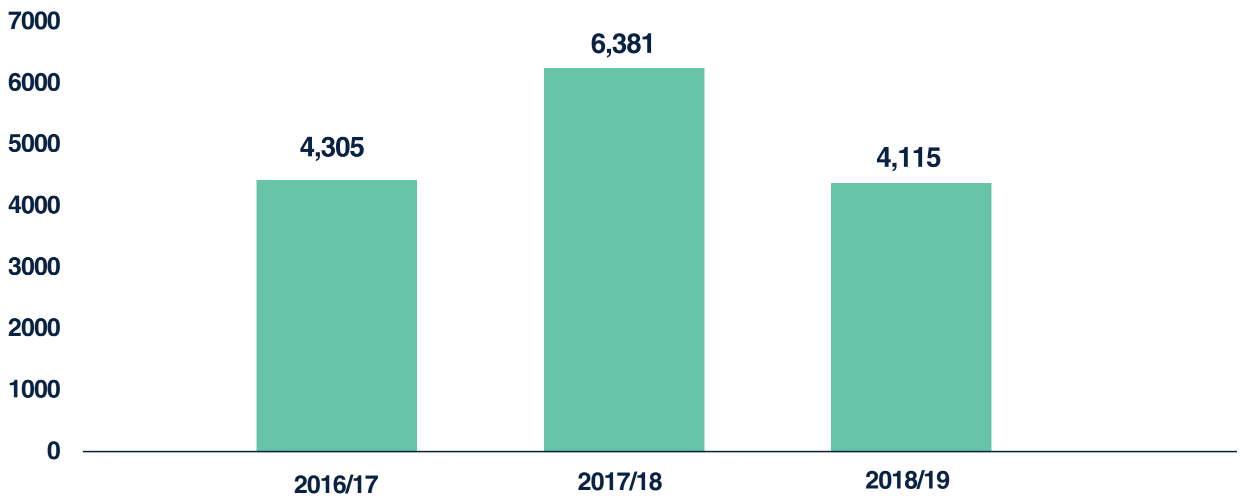
In addition to our community projects, we also delivered 18 one day community events this year which 2,345 customers attended.

Catalyst - enhancing our Catalyst Housing Charitable Trust (CHCT) grants programme

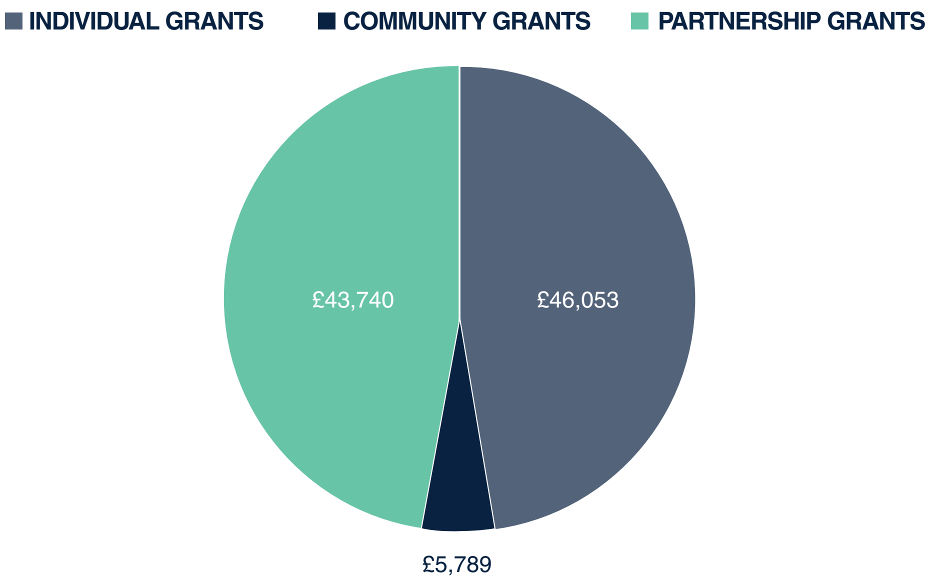
Our CHCT grants programme involves giving grants to residents, community groups and local partners in order to relieve hardship and provide access to new opportunities that improve our communities and the lives of our residents.

In 2018/19, Catalyst Gateway awarded a total of £95,582 via our Individual, Community Chest and Partnership Grants streams.

NUMBER OF PARTICIPANTS ENGAGING IN COMMUNITY PROJECTS 3 YEAR COMPARISON



2018/19
GRANTS PROGRAMME SPEND



Strategy and objectives (continued)

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:

First Time Buyers Award

- St Bernard's Gate won 'Best Large Development'.

Inside Housing Development Award

- St Bernard's Gate shortlisted in 'Best Residential Development'.

SHIFT Awards

- Catalyst won 'Sustainable Housing Provider of the Year',
- Portobello Square won 'Sustainable New Build Project of the Year'.
- Havelock was Highly Commended in 'Resident Engagement Project' on Sustainable Living.

National Housing for Older People Awards 2019

- Evelyn Fox Court received a 'Gold' award for retirement housing.

National Housing Awards

- St Bernard's Gate shortlisted in the 'Best Large Development' category.

UK Housing Awards

- Portobello Square project has been shortlisted in the 'Best Approach to Regeneration'.

Other Awards

- Wornington Green's Community Kitchen Garden has picked up the highly sought after 'level 4' award in the London in Bloom and Royal Horticulture Society's 'It's your Neighbourhood' awards.
- Samantha Smith – an apprentice who we helped gain employment at our Havelock regeneration – won 'Apprentice of the year' at Ealing Council's Apprentice Network Awards.

Financial Review

Consolidated statement of comprehensive income (extract):

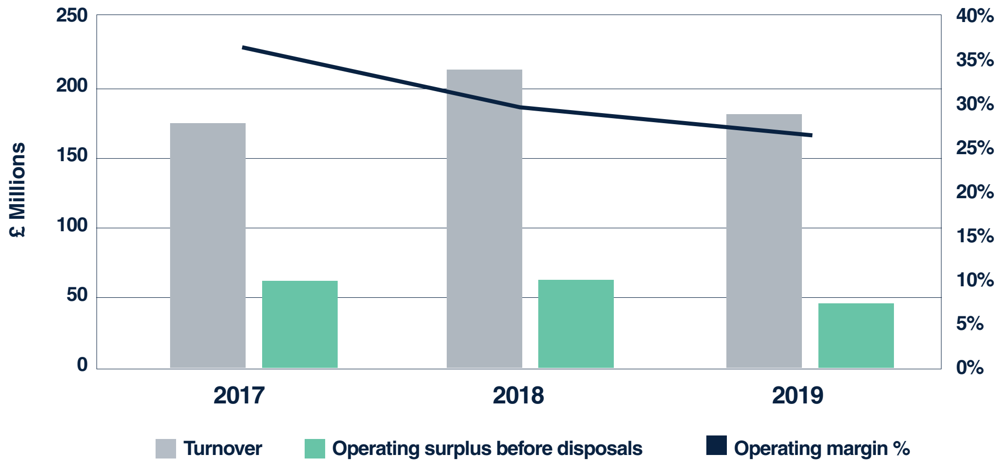
£ millions	2019	2018	2017
Turnover	**180.1**	**214.3**	**169.7**
Cost of sales	(41.8)	(60.1)	(15.0)
Operating costs	(92.9)	(91.2)	(94.3)
Operating surplus before disposals	**45.4**	**63.0**	**60.4**
Surplus on disposal of fixed assets	12.0	14.9	20.9
Operating surplus (note 2)	**57.4**	**77.9**	**81.3**
Surplus on disposal of care home (note 7)	-	2.8	-
Share of joint venture operating results	(1.2)	-	0.9
Net interest payable (note 8)	(24.6)	(26.4)	(16.5)
Movement in fair value of investment properties (note12)	(1.6)	0.4	4.2
Surplus for the year	**30.0**	**54.7**	**69.9**
Discontinued operations	-	-	(0.1)
Taxation on surplus	(0.5)	(0.5)	-
Actuarial gain/(loss) on defined pension benefit	(0.2)	5.3	(2.6)
Total comprehensive income for year	**29.3**	**59.5**	**67.3**
Operating margin % (before disposals)	**25.2%**	**29.4%**	**35.6%**
Social Housing Operating Margin %	**36.0%**	**35.5%**	**35.1%**

Our surplus for the year decreased by £24.7 million from the previous year's surplus of £54.7 million, predominantly as a result of a reduction in first tranche and market sales, and lower than anticipated surpluses from asset disposals due to unfavourable market conditions.

Other points to note:

- We recognised costs of £1.2 million in respect of the joint venture with Galliard Homes to redevelop the site of the old Wimbledon greyhound stadium.
- A reduction in the fair value of investment properties of £1.6 million as a result of a commercial premises being converted into office use.
- We incurred tax of £0.5 million as a result the profit made by Catalyst Housing Limited for land sold (previously gifted by Ealing Council) to Catalyst By Design in an arms-length transaction as part of the development of phase 1b of the Havelock scheme.
- There was a £0.2 million reduction in the value of our defined benefit pension scheme. FRS 102 requires our net defined pension benefit liability to be valued at the reporting date (31st March 2019). This is calculated as the net total of the present value of obligations under defined benefit plans and the fair value of the defined assets.

Turnover, Operating surplus before disposals and Operating margin trend



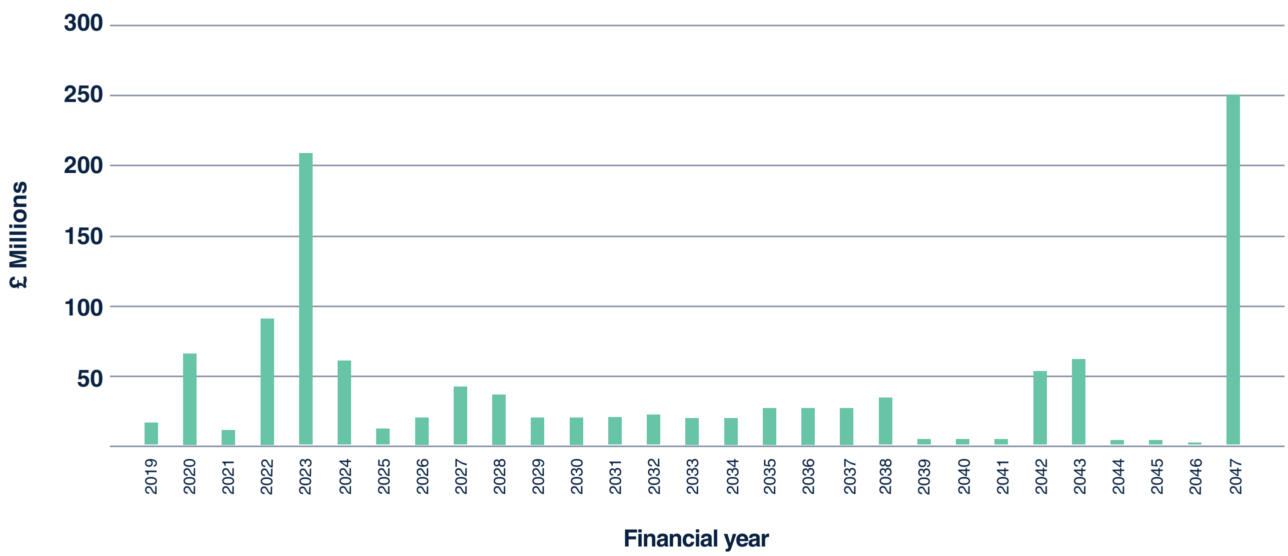
Treasury

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

Treasury management for Catalyst is carried out by a centralised treasury function. Its primary responsibilities are to manage the Group's liquidity, interest rate, counterparty and other treasury risks. The Treasury Committee oversees treasury activities and makes recommendations to the Board on debt financing.

For the year ended 31 March 2019, the Group had total committed loan facilities of £1,110.9 million with £696.8 million draw down. Approximately 91% (2018: 97%) of the loan portfolio is subject to fixed rate interest arrangements.

Facilities Maturing



Financial Review (continued)

Cash flows

The principal cash outflows of the Group support development and asset management activities, on which it expended £129.5 million in the year, are £31.9 million lower than in the previous year. Overall, the Group net cash outflow amounted to £4.1 million.

Current liquidity

On the 31 March 2019, the Group held deposits of £39.6 million, additionally £6.9 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.

On the 1 May 2019, Aldwyck Housing Group, which is registered under the Co-operative and Community Benefit Act 2014 and an exempt charity regulated by the Regulator of Social Housing, became a wholly owned subsidiary of Catalyst Housing. The Board of Catalyst is satisfied that neither before nor since the change, there are any material nor significant exposures existing, other than those reflected in the financial statements, and that Catalyst has adequate resources to continue operations for the foreseeable future.

The Board is further satisfied through the extensive due diligence work which preceded the merger, that Aldwyck Housing Group also have adequate resources to continue operations for the foreseeable future. For this reason, the Board consider it appropriate to continue to use the going concern basis in the preparation of the financial statements.

Post balance sheet events

As detailed above, on 1 of May 2019, Catalyst Housing merged with Aldwyck Housing Group. Aldwyck Housing Group joined Catalyst as a subsidiary. Both organisations have a great heritage and an aligned social purpose. The merged organisation will use its assets and talent to provide a greater customer experience, well-designed homes that people need and want, and create great places to live.

Value for Money

Introduction

We define value for money as 'using our resources to deliver more of what our customers' value. We strive to build as many high quality homes as possible, and to deliver an excellent customer experience every time. The section below provides an overview of our performance against key value for money metrics.

Excellent customer experience every time

Indicator	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Customer satisfaction with service provided by landlord	74.1%	71.6%	74.5%	77%	74%	87.5%

Our customer satisfaction performance has improved during 2018/19 and is in line with G15 median performance.

During the year we:

- Launched our Customer Experience Programme - a business-wide initiative to ensure that we provide our customers with an excellent customer experience every time. This was successful in terms of embedding a customer-oriented culture across the business, and we will continue to build on this over the coming year.
- Involved our Customer Experience Committee - a forum set up to allow Catalyst to interact with customers in key business decisions, relating to the enhancement of services delivered to customers.
- Mobilised new repairs and maintenance contracts successfully, with early signs being that customers are more satisfied with service delivery.
- Were subject to review by Service Excellent Standards - a national accreditation for supported and sheltered housing which looks at 23 key areas, including value for money, complaints handling, and how we consult with our customers. We received a 2-star good quality service rating, demonstrating the level of quality of service to our sheltered and supported housing customers.

Provision of more quality homes and great places to live

Development and investment in homes

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Units developed	560	566	228	814	662	n/a
Reinvestment %	6.2%	5.5%	4.6%	6.1%	5.8%	5.8%
New supply delivered % (social housing units)	2.5%	2.2%	0.9%	1.6%	1.5%	1.0%
New supply delivered % (non-social housing units)	0.7%	1.2%	0.3%	0.5%	0.4%	0.0%
Gearing	29.6%	29.1%	28.4%	44.6%	47.0%	35.1%

Value for Money (continued)

We developed 560 units this financial year, which is in line with last year. The number of units we developed is lower than the G15 average and median as a result of the size and scale of the development programmes of some of our G15 peers. Our merger with Aldwyck Housing Group will extend our reach and our ambition is to build a pipeline capable of delivering 1,300 homes per annum.

During the year we finalised our development procurement framework, allowing us to deliver value for money across our development activities. This framework can also be accessed by other public entities subject to a fee, thereby generating additional income for Catalyst.

Our reinvestment (calculated as the cost of investment in new and existing homes as a percentage of the total value of properties) has increased as we continue to invest in growing our development pipeline and making our existing homes better, and safer, places to live. This, alongside the increase in the percentage of new social homes delivered, clearly demonstrates Catalyst's committed to providing high quality, affordable homes in London.

Our gearing levels (total debt and finance leases divided by carrying value of housing properties x 100) are marginally higher than the prior year but significantly below the sector average. This provides us with comfort that we have the capacity to extend our development programme, creating 'more quality homes and great places to live'.

Effective Asset Management

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Return on capital employed	2.3%	3.4%	3.8%	3.6%	3.5%	3.7%
Occupancy	99.8%	100%	100%	99.5%	99.5%	99.4%
Ratio of responsive repairs/planned maintenance	0.69	0.50	0.41	0.64	0.60	0.61

Return on capital employed (ROCE) (calculated as (operating surplus + surplus on disposal of fixed assets + share of surplus in joint ventures divided by capital employed) x 100) measures how good organisations are at generating surpluses from their asset base. Catalyst's ROCE has fallen from last year and reflects a reduction in sales activity. It should be noted that the G15 comparator relates to the 2017/18 financial year, when the market was more buoyant.

Occupancy levels remain stable at 99.8%, confirming that our properties remain desirable to our customers. We have reduced void turnaround times during the year by almost 67% as a result of our Service Improvement Group providing colleagues with additional training and more relevant reporting to help drive void performance.

The ratio of responsive repairs to planned maintenance is 69%, which is higher than last year and the G15 average. During the year, we mobilised our three regional responsive maintenance contractors and ended contracts with a large number of contractors that historically provided responsive services. The change in this ratio reflects the cost of winding down contracts and mobilising new contracts.

Investment in the community

£'000	2019	2018	2017
Invested in communities	2,990	2,525	2,229

We are driven by social purpose, our social investment increased this year by an additional c£500k. See the Catalyst Gateway section of the Annual Report on page 17 for more information about how funds have been invested.

High business performance

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Operating margin (overall)	25.2%	29.4%	35.6%	28.0%	29.1%	27.9%
Operating margin (social housing lettings)	36.0%	35.5%	35.1%	33.3%	33.3%	30.4%
EBITDA MRI	153.7%	187.6%	234.9%	164.0%	184.2%	213.6%

Our overall operating margin fell by 4.2% to 25.6% which, as mentioned previously, is due to lower surpluses generated from sales as a result of unfavourable market conditions.

The operating margin for social housing lettings (operating surplus on social lettings divided by turnover from social housing lettings x 100), which measures the surplus that we generate from our core landlord activities, has continued to improve. Effective finance business partnering arrangements, enhanced financial reporting and the work of the central Procurement Team have all played a part in driving financial performance.

The EBITDA MRI is used as a measure of cash generation as a percentage of interest (net of amortised cost). Our EBITDA MRI (Earnings Before Interest, Tax, Depreciation and Amortisation, Major Repairs Included) has fallen due to reducing sales surpluses, but remains strong, ensuring that we are generating sufficient cash to cover the interest on our borrowings.

Operating efficiencies

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Headline social housing cost per unit (£)	4,518	4,759	4,638	5,106	4,743	3,450
Rent collected	100%	99.5%	99.5%	100%	100%	99.9%
Overheads % adjusted turnover	11.6%	13.5%	16.5%	11.5%	11.0%	12.0%

Our headline social housing cost per unit has fallen from last year and is lower than the G15 average, and our overheads as a percentage of turnover have fallen year-on-year for the past three years. We continually challenge the delivery of value for money across all business activities, and strive to reduce costs and free up more capacity to allow us to fulfil our social purpose.

Great people, great place to work

	2019	2018	2017
Employee engagement	673.6	656.6	642.9
Stability index	79%	82%	68%
% time lost to sickness	3.3%	2.8%	4.4%

We are proud to increase our employee engagement for the third year running (measured by the average score achieved in Best Companies survey). We have achieved this through a sustained programme of communication and consultation with our employees about how we can make Catalyst a great place to work, and follow this up with the delivery of action plans and initiatives that address feedback received.

The stability index (the % of people at year end with in excess of one year's service) and time lost to sickness (number of sick days/total number of working days available) are slightly less favourable than last year but have improved significantly from two years ago.

Governance
Board and management

Catalyst Housing Limited Board

The Catalyst Housing Limited Board determines and monitors the strategic direction of the association and its subsidiaries, sets corporate targets, monitors performance against those targets, and upholds Catalyst's 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 and Remuneration Committee, which includes the skills necessary to chair committees. Board members are listed on page 4 of the report and accounts.

Role of the Board

At 31 March 2019, the Catalyst Housing Limited Board comprised eight non-executive members and one co-opted executive member. The Board meets at least six times a year, and its composition is intended to ensure that it is informed by resident views and enhanced by independent perspectives.

Standing Committees

The Board has five standing committees:

Audit and Risk Committee

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

Finance and 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, and investment policies and strategies. The members are listed on page 4 of the report and accounts.

Governance and Remuneration Committee

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

Customer Experience Committee

The role of the Customer Experience Committee is to take responsibility for the oversight of all customer related policies, practices 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 5 of the report and accounts.

Development Committee

The role of the Development Committee is to oversee Catalyst's development activity including new provision of social and affordable rent, low cost home ownership products and housing for market sale. They also scrutinise regeneration projects, land banking activity and any other commercial development activities. The members are listed on page 5 of report and accounts.

Executive Committee

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

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

Employees

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

Catalyst provides all employees with information on business performance, and the financial and economic factors affecting performance on a regular basis. Through the Information and Consultation Committee (ICC), representing employees across the organisation, Catalyst informs and consults colleagues on topics including strategy and priorities, proposed organisational change, and changes to terms and conditions of service.

We follow a fair recruitment and selection process where applicants are objectively assessed on the basis of qualifications, skills and experience relevant to the role.

We value all our employees and are committed to providing a great place to work in respect of career development, wellbeing and work-life balance.

Information and Consultation Committee

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

New governance arrangements

The governance arrangements for new Catalyst have been defined. Refer to page 4 and 5 for details of changes to Board and Committee meetings since 1st May.

Internal controls

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of the Group's system of internal control includes:

- A governance framework which includes clear Board terms of reference and delegated authorities for audit and risk, operations and investment committees.
- Corporate plan, strategies and business planning processes, with detailed financial budgets and forecasts.
- A management structure with defined responsibilities and approved delegated authorities.
- A Group wide risk management framework that defines management responsibilities for the identification, evaluation and control of significant risks.
- The Audit and Risk Committee which meets regularly to set and review the outputs from the internal audit programme, to satisfy themselves that system of internal control is operating effectively and that any weaknesses that are identified are corrected promptly. Minutes of all Audit and Risk Committee meetings are provided to all Board members.
- Policies and procedures to recruit, retain, train and develop suitably qualified employees to manage and control operations.
- The treasury strategy and key investment decisions are subject to Board review and approval.
- Regular monitoring of loan covenants and requirements for new loan facilities.
- An approved whistleblowing policy for staff to raise concerns on a confidential basis. Procedures are in place investigate concerns independently and in a timely manner.
- A policy and procedure for anti-fraud, bribery and corruption which are provided to all staff. They cover the prevention, detection and reporting of fraud. Incidences of fraud are reported to the Audit and Risk Committee, which also reviews the Annual Fraud Report on behalf of the Board.
- The Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the internal control systems, together with the annual report from the internal auditor, and has reported its findings to the Board.

The Board has reviewed the effectiveness of the system of internal control for the ended 31 March 2019 and up to the date of signing these financial statements. It confirms the system of internal control has been operating effectively throughout the year, and it has not identified any sufficient weaknesses to cause material losses, contingencies or uncertainties which require disclosure in the financial statements.

Compliance with Governance and Viability Standard

The Board has received assurance and is satisfied that all reasonable steps have been taken to ensure compliance with the requirements of the Governance & Financial Viability Standard, under the Regulator of Social Housing Regulatory Framework, during the financial year 2018/19.

Compliance with the NHF Code of Governance 2015

The Board is committed to integrity and accountability in the stewardship of Catalyst's affairs and has adopted the National Housing Federation's Code of Governance 2015. A detailed self-assessment has been undertaken against the provisions of the Code during the year and Catalyst Housing Limited complies with the provisions of the Code.

Board and management (continued)

Auditors

BDO LLP were the auditors for the year and their independent report is included on pages 34–37.

Board members' responsibilities

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

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

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

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

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

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

By order of the Board

Richard Brown
Chair

Date: 10 July 2019


catalyst

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

Opinion

We have audited the financial statements of Catalyst Housing Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019, which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's and the Association's surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Recoverable amount of properties developed for sale

As disclosed in note 16, the group develops properties for sale and holds properties under construction at the balance sheet date with a carrying amount of £84,845,000 and completed properties of £34,790,000. For all schemes developed for sale at the year-end management has performed an assessment of their recoverable amount using external valuations, including an assessment of the actual costs incurred against budget.

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

Our response to the key audit matter:

We have obtained management's assessment of the recoverable amount of properties developed for sale. This assessment sets out anticipated sales proceeds and expected costs to complete the properties where they are still being constructed.

For a chosen sample of properties developed for sale, we agreed the anticipated sales proceeds to third party valuations. We have identified the third party valuer and checked that their experience and expertise and their work is suitable for our purposes. For a sample of properties under construction, we obtained details of the expected costs to complete from the updated scheme budget for that development and agreed the budgeted contract cost of the development to the actual contract and we compared the incurred expenditure to the budgeted amount to ensure that the budget reflects actual costs.

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

Our application of materiality

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

We determined materiality for the financial statements as a whole to be £37,350,000 (2018 - £36,000,000) which represents 1.5% of total assets (2018 – 1.5% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment, gift aid receipts and the net profit/loss on non-outright sale properties. The specific materiality level that we applied was £7,223,000 (2018 - £7,511,000), which is 7.5% of adjusted operating profit (2018 - 7.5%).

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

Materiality for the parent company was set at £33,615,000 (2018 - £36,000,000) with a specific materiality set at £6,473,000 (2018 - £6,122,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2018 – 75%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £747,000 for areas considered using financial statement materiality and £144,000 for areas considered using specific materiality (2018 - £720,000 / £150,000), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

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

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

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

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

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

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

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

Classification of components

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

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. The only significant component for group purposes was the parent entity.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the statement of Board members' responsibilities, set out on page 32, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters

Following the recommendation of the audit committee, we were first appointed by the board in 2006 to audit the financial statements for the year ending 31 March 2007 and reappointed for subsequent financial years. The period of total uninterrupted engagement is 13 years, covering the years ending 31 March 2007 to 31 March 2019.

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

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

E. Kulczycki

Elizabeth Kulczycki, Senior Statutory Auditor

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

Date: 7 August 2019

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	2019 £'000	2018 £'000
Turnover	2	180,086	214,279
Cost of sales	2	(41,837)	(60,086)
Operating costs	2	(92,934)	(91,236)
Surplus on disposal of fixed assets	7	12,048	14,865
Share of loss in joint venture	15	(1,148)	(108)
Operating surplus	**2,6**	**56,215**	**77,714**
Surplus on disposal of care homes	7	-	2,841
Other interest receivable and similar income	-	280	152
Interest and financing costs	8	(24,866)	(26,465)
Movement in fair value of investment properties	12	(1,611)	399
Surplus before taxation		**30,018**	**54,641**
Taxation on surplus	9	(522)	(474)
Surplus for the financial year		**29,496**	**54,167**
Actuarial (loss)/gain on defined benefit pension scheme	26	(182)	5,338
Total comprehensive income for year		**29,314**	**59,505**

The notes on pages 45 to 85 form part of these financial statements.

Association statement of comprehensive income – year ended 31 March

	Note	2019 £'000	2018 £'000
Turnover	2	165,555	178,572
Cost of sales	2	(15,924)	(21,756)
Operating costs	2	(95,340)	(92,273)
Surplus on disposal of fixed assets	7	14,498	16,730
Operating surplus	**2,6**	**68,789**	**81,273**
Surplus on disposal of Care homes	7	-	2,841
Other interest receivable and similar income		5,658	3,759
Interest and financing costs	8	(24,523)	(26,527)
Movement in fair value of investment properties	12	(1,611)	399
Surplus before taxation		**48,313**	**61,745**
Taxation on surplus	9	(522)	(474)
Surplus for the financial year		**47,791**	**61,271**
Actuarial (loss)/gain on defined benefit pension scheme	26	(182)	5,338
Total comprehensive income for year		**47,609**	**66,609**

The notes on page 45 to 85 form part of these financial statements.

Consolidated and Association balance sheets as at 31 March

	Note	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Fixed assets					
Tangible fixed assets – housing properties	10	2,144,673	2,042,237	2,165,839	2,061,936
Tangible fixed assets – other	11	6,924	8,109	6,577	7,758
Investment properties	12	21,627	23,616	21,627	23,616
Investments – Homebuy loans	13	78,727	84,507	78,727	84,507
Investments – Subsidiaries	14	-	-	-	-
Investments – Joint Ventures	15	50,007	29,900	-	-
		2,301,958	2,188,369	2,272,770	2,177,817
Current assets					
Stocks	16	119,635	127,568	62,860	78,671
Debtors – receivable within one year	17	23,756	25,415	129,802	108,577
Cash and cash equivalents	18	47,427	56,928	32,631	44,564
		190,818	209,911	225,293	231,812
Pension asset	26	55	-	55	-
Creditors: amounts falling due within one year	19	(76,192)	(104,504)	(59,122)	(93,473)
Net current assets		114,681	105,407	166,226	138,339
Total assets less current liabilities		2,416,639	2,293,776	2,438,996	2,316,156
Creditors: amounts falling due after more than one year	20	(934,434)	(840,183)	(930,603)	(839,667)
Net assets excluding pension liability		1,482,205	1,453,593	1,508,393	1,476,489
Pension liability	26	-	(702)	-	(702)
Net assets		1,482,205	1,452,891	1,508,393	1,475,787
Capital and reserves					
Called-up share capital	27	-	-	-	-
Income and expenditure reserve		1,084,761	1,054,823	1,115,650	1,082,420
Revaluation reserve		397,444	398,068	392,743	393,367
		1,482,205	1,452,891	1,508,393	1,475,787

The notes on pages 45 to 85 form part of these financial statements.
The financial statements were approved by the Board and authorised for issue on 10 July 2019 and signed on their behalf by:

Richard Brown
Chairman

Tim Jennings
Executive Director of Finance

Sophie Atkinson
Company Secretary

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

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

Consolidated statement of changes in reserves for the year ended 31 March 2018

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

The notes on pages 45 to 85 form part of these financial statements.

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

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

Association statement of changes in reserves for the year ended 31 March 2018

	Income and expenditure reserve £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Balance at 1 April 2017	1,020,498	393,459	-	1,413,957
Surplus for the year	61,271	-	-	61,271
Actuarial gain on defined benefit pension scheme	5,338	-	-	5,338
Gift aid adjustment	(4,779)	-	-	(4,779)
Reserves transfers:				
Transfer from revaluation reserve to income and expenditure reserve	92	(92)	-	-
Balance at 31 March 2018	1,082,420	393,367	-	1,475,787

The notes on pages 45 to 85 form part of these financial statements

Consolidated statement of cash flows year ended 31 March

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Surplus for the financial year		29,496	54,167
Adjustments for:			
Depreciation of fixed assets – housing properties	10	22,085	20,481
Depreciation on replaced components	3	995	2,222
Depreciation of fixed assets – other	11	2,510	2,561
Amortised grant	3	(3,059)	(4,363)
Share of loss/(surplus) in joint venture	15	1,148	108
Interest payable and finance costs	8	24,866	26,465
Interest received		(280)	(152)
Movement in fair value of investment properties	12	1,611	(399)
Provision against properties held for sale	6	(3,334)	3,334
Surplus on the sale of fixed assets – housing properties	7	(8,636)	(12,614)
Surplus on the sale of fixed assets – homebuy	7	(3,414)	(5,092)
Loss on sale of fixed assets - other	7	2	-
Proceeds from sale of fixed assets net of selling cost – housing properties	7	24,000	29,381
Proceeds from sale of fixed assets net of selling cost – homebuy	7	9,905	15,072
Difference in net pension expense and liability	26	(950)	(1,921)
Movement in trade and other debtors		1,659	(958)
Movement in stock		10,681	48,874
Movement in trade and other creditors		444	3,500
Cash from operations		109,729	180,666
Taxation paid	9	(502)	296
Net cash generated from operating activities		109,227	180,962
Cash flows from investing activities			
Purchase of fixed assets - housing properties	10	(129,489)	(161,446)
Purchases of fixed assets - other	11,12	(669)	(5,470)
Purchase of investment properties	12	(280)	-
Investment in Joint Venture		(21,255)	(30,000)
Homebuy loans issued	13	(620)	(1,459)
Received grant	21	40,040	10,730
Repaid grant	22	(1,200)	(667)
Interest received		280	152
Net cash used in investing activities		(113,193)	(188,160)
Cash flows from financing activities			
Interest paid		(30,401)	(31,673)
New loans – other	24	46,100	166,000
Debt issue costs	24	(1,758)	(3,510)
Repayment of loans – bank	24	(14,029)	(104,550)
Net cash received (used in)/from financing activities		(88)	26,267
Net (decrease)/increase in cash and cash equivalents		(4,054)	19,069
Cash and cash equivalents at beginning of year		51,481	32,412
Cash and cash equivalents at end of year		47,427	51,481

The notes on page 45 to 85 form part of these financial statements.

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 Regulator of Social Housing as a social housing provider. It is a public benefit entity.

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

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

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

Parent company disclosure exemptions

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

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

The following principal accounting policies have been applied.

1.1 Basis of consolidation

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

Joint Ventures are those entities over which Catalyst exercises joint control through a contractual arrangement. Joint Venture investments, which is the parent company's indirect investment in Dee Park Partnership LLP, Merton Catalyst LLP and Capital Way Brentford Partnership are accounted for using the equity method on consolidation. The Group's share of joint venture profit or loss for the year is included in the consolidated statement of comprehensive income.

Catalyst has made a strategic decision to withdraw from the care homes market. On 17 October 2016, Catalyst entered into a lease agreement with Gold Care Limited to dispose of Acton Care Centre. The disposal was recognised in 2016/17 accounts. The disposal of Sancroft Hall was recognised in 2017/18 accounts.

1.2 Business combinations

Where there is a business combination that is in substance a gift, any excess of fair value over the assets received over the fair value of the liabilities assumed is recognised as a gain in income and expenditure. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102.

1.3 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.

1.4 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 (see note 1.4)
- Income from Homebuy activities (see note 1.28)
- Amortisation of government grants and other grants receivable (see note 1.21)
- Proceeds from the sale of land and property

Rental income is recognised from the point when properties under development reach practical completion and are formally let. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

1.5 Service charges

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

1.6 Management of units owned by others

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

1.7 Schemes managed by agents

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

1.8 Current and deferred taxation

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

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

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

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

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

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

1.9 Value Added Tax

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

1.10 Finance costs

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

1.11 Qualifying charitable donations

Taxable profits transferred from subsidiaries to the association are recognised as income, when a subsidiary has made a payment to the association.

Notes to the accounts
1. Accounting policies (continued)

1.12 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.

1.13 Tangible fixed assets – housing properties

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

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development. Directly attributable costs of acquisition includes capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is ongoing and has not been interrupted or terminated.

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

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

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

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

Completed housing properties acquired from subsidiaries are valued at cost.

1.14 Deemed cost and revaluation reserves on transition to FRS 102

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

1.15 Depreciation of housing property

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

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

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

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

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

Notes to the accounts

1. Accounting policies (continued)

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

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

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

Leasehold properties are depreciated over the length of the lease, except where the expected useful economic life of properties is shorter than the lease. In these instances, the lease and building elements are depreciated separately over their expected useful economic lives.

The net book value of components replaced is accounted for as accelerated depreciation in the year of replacement.

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

1.16 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.

1.17 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.

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

Low-cost 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.

Notes to the accounts

1. Accounting policies (continued)

1.19 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.

1.20 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.

1.21 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.

1.22 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 above). For shared ownership properties, the useful economic life is considered to be the average length of time a property is held from being first brought into use until being fully staircased. This has been calculated as an average of seven years.

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets, any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate, once performance related conditions have been met. Grants due from government organisations are included as current assets or liabilities.

1.23 Recycled capital grant fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the RSH can direct the association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

Notes to the accounts

1. Accounting policies (continued)

1.24 Disposal proceeds fund

Receipts from right to acquire (RTA) sales made prior to 6 April 2017 are required to be retained in a ring fenced fund which can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the disposal proceeds fund. Any sales receipts, less eligible expenses held within the disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

1.25 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.

1.26 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.

1.27 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.

1.28 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.

1.29 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.

1.30 Loans, investments and short term deposits

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

If the adjustment is not material, the financial instruments are stated on the balance sheet at historic cost with finance costs spread over the loan term.

Loans and investments that are payable or receivable within one year are not discounted.

1.31 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.

1.32 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.

1.33 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.

1.34 Leasehold sinking funds

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

1.35 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.

Notes to the accounts

1. Accounting policies (continued)

1.36 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.

1.37 Judgements in applying accounting policies and key sources of estimation

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

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and, where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on depreciated replacement cost. Construction costs are calculated using current standard build costs used in appraising projects. The depreciation applied to the costs takes into account the physical deterioration of the asset and any obsolescence of the original design. The members have also considered impairment based on their assumptions to define cash or asset generating units.

- The anticipated costs to complete on a development scheme and the expected sales value of the properties upon completion. There is judgement involved in assessing the cost to complete based on the anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, members then determine the recoverable amount of the properties developed for outright sale and/or land held for sale. This judgement is based on third party valuations for the estimated sales values based on economic conditions within the area of development and is re-assessed on a regular basis.

- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

- Whether leases entered into by the Group either as a lessor or a lessee, are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- The appropriate allocation of costs for mixed tenure developments. If the cost is not identifiable to a specific tenure, an allocation of costs is made based on proportion of floor area.

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

- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review. The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size, or where it is geographically sensible to group schemes into larger cash generating units.

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

Other key sources of estimation uncertainty

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

Notes to the accounts
1. Accounting policies (continued)

- Investment properties (see note 12) are professionally valued annually, using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique, and value can only ultimately be reliably tested in the market itself.

  Key inputs into the valuations were:

  - Rental and other trade receivables (debtors) (see note 17).
  - JLL inflationary factor (annual rate to September 2017– 6.1% retail properties).
  - Location and condition of the property.
  - Redevelopment opportunities.
    The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

  Other areas of estimation uncertainty include:

  - Apportionment of costs on a property basis for disposal of properties. The allocation of costs not assigned to a specific property are based on proportion of floor area of the property.
  - Basis of capitalisation for projects. Costs capitalised include direct staff costs and associated costs of development. Indirect central costs incurred are capitalised and estimated, based on the costs that would not have been incurred had there been no development. Decisions on whether to capitalise costs include whether income will be generated or increase and if the life of the assets is extended.
  - When a project becomes unfeasible. Feasibility of a project is reviewed on a monthly basis with reference to hurdle tests (using net present value and profit margin calculations) at a tenure and location level.
  - The estimates for variable forward interest rates used for the amortised cost calculations of basic financial instruments were obtained from our Treasury team.
  - If interest rates were higher by 1% in every period we are required to pay interest at variable rates in the future, the interest expense for the year would have been £5.7 million higher.

Notes to the accounts

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

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

Consolidated	2018 Turnover	2018 Cost of sales	2018 Operating costs	2018 Surplus/ deficit disposal of assets	2018 Surplus/ deficit joint venture	2018 Operating surplus/ deficit
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	123,682	-	(79,751)	-	-	43,931
Other social housing activities						
Community investments	374	-	(2,525)	-	-	(2,151)
Marketing	421	-	(1,467)	-	-	(1,046)
Shared ownership first tranche sales	23,563	(15,813)	-	-	-	7,750
Staircasing activity on shared ownership	-	-	-	8,758	-	8,758
Interest and fees on MyChoice Homebuy	962	-	(498)	-	-	464
Provision against properties held for sale	-	(3,334)	-	-	-	(3,334)
Surplus on disposal of fixed assets	-	-	-	6,107	-	6,107
	149,002	(19,147)	(84,241)	14,865	-	60,479
Non-social housing activities						
Nursing care	-	-	-	-	-	-
Outright market sales	60,369	(40,939)	(1,837)	-	-	17,593
Share of loss in joint venture	-	-	-	-	(108)	(108)
Other	4,908	-	(5,158)	-	-	(250)
Total	214,279	(60,086)	(91,236)	14,865	(108)	77,714

Notes to the accounts

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

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

Association	2018 Turnover	2018 Cost of sales	2018 Operating costs	2018 Surplus/deficit disposal of assets	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Social housing income and expenditure from lettings (note 3)	123,682	-	(79,731)	-	43,951
Other social housing activities					
Qualifying charitable donations	19,782	-	-	-	19,782
Community investments	374	-	(2,525)	-	(2,151)
Marketing	421	-	(1,467)	-	(1,046)
Shared ownership first tranche sales	23,563	(16,967)	-	-	6,596
Staircasing activity on low cost homes	-	-	-	8,624	8,624
Interest and fees on MyChoice Homebuy	962	-	(498)	-	464
Provision against properties held for sale	-	(3,334)	-	-	(3,334)
Surplus on disposal of fixed assets	-	-	-	8,106	8,106
	168,784	(20,301)	(84,221)	16,730	80,992
Non-social housing activities					
Market sales	2,210	(1,455)	-	-	755
Other	7,578	-	(8,052)	-	(474)
Total	178,572	(21,756)	(92,273)	16,730	81,273

Notes to the accounts

3. Income and expenditure from social housing lettings

Consolidated	General needs	Key workers	Shared ownership	Supported & housing for older people	Care	Other	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	84,515	2,951	17,371	3,967	-	126	108,930	107,992
Service charge income	6,437	500	43	2,138	-	18	9,136	8,480
Amortised government grants	673	-	2,377	9	-	-	3,059	4,363
Net rents receivable	91,625	3,451	19,791	6,114	-	144	121,125	120,835
Management fee and day care centre income	-	-	832	158	-	-	990	1,193
Other income	21	-	1,107	150	482	-	1,760	1,654
Income from social housing lettings	91,646	3,451	21,730	6,422	482	144	123,875	123,682
Expenditure on lettings								
Management	(11,128)	(722)	(3,864)	(544)	(20)	(159)	(16,437)	(18,630)
Service charge costs	(9,589)	(1,123)	(1,564)	(3,007)	(2)	(45)	(15,330)	(14,940)
Routine maintenance	(15,824)	(287)	(720)	(377)	(17)	(11)	(17,236)	(14,153)
Planned maintenance	(3,649)	(19)	(170)	(105)	-	(6)	(3,949)	(6,131)
Rent losses from bad debts	(584)	(30)	(19)	(34)	-	-	(667)	(601)
Depreciation housing properties	(19,869)	(405)	(294)	(1,313)	(203)	(1)	(22,085)	(20,481)
Depreciation on replaced components	(743)	-	(17)	(235)	-	-	(995)	(2,222)
Depreciation on other fixed assets	(1,663)	(69)	(631)	(124)	(1)	(22)	(2,510)	(2,554)
Other costs	(94)	-	-	-	-	-	(94)	(39)
Operating costs for social housing lettings	(63,143)	(2,655)	(7,279)	(5,739)	(243)	(244)	(79,303)	(79,751)
Operating surplus on social housing letting activities	28,503	796	14,451	683	239	(100)	44,572	43,931
Rent losses from voids	(661)	(396)	(27)	(130)	-	(1)	(1,215)	(1,240)

Notes to the accounts

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

Association	General needs	Key workers	Shared ownership	Supported & housing for older people	Care	Other	Total 2019	Total 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from lettings								
Rents net of identifiable service charges	84,515	2,951	17,371	3,968	-	125	108,930	107,992
Service charge income	6,437	500	43	2,138	-	18	9,136	8,480
Amortised government grants	672	-	2,377	10	-	-	3,059	4,363
Net rents receivable	91,624	3,451	19,791	6,116	-	143	121,125	120,835
Management fee and day care centre income	-	-	832	158	-	-	990	1,193
Other income	21	-	1,107	150	482	-	1,760	1,654
Income from social housing lettings	91,645	3,451	21,730	6,424	482	143	123,875	123,682
Expenditure on lettings								
Management	(11,128)	(722)	(3,864)	(544)	(20)	(159)	(16,437)	(18,630)
Service charge costs	(9,589)	(1,123)	(1,564)	(3,007)	(2)	(45)	(15,330)	(14,940)
Routine maintenance	(15,824)	(287)	(720)	(377)	(17)	(11)	(17,236)	(14,153)
Planned maintenance	(3,649)	(19)	(170)	(105)	-	(6)	(3,949)	(6,131)
Rent losses from bad debts	(584)	(30)	(19)	(34)	-	-	(667)	(601)
Depreciation housing properties	(19,903)	(405)	(294)	(1,313)	(203)	(1)	(22,119)	(20,500)
Depreciation on replaced components	(743)	-	(17)	(235)	-	-	(995)	(2,222)
Depreciation on other fixed assets	(1,657)	(69)	(631)	(124)	(2)	(22)	(2,505)	(2,554)
Operating costs for social housing lettings	(63,077)	(2,655)	(7,279)	(5,739)	(244)	(244)	(79,238)	(79,731)
Operating surplus on social housing letting activities	28,568	796	14,451	685	238	(101)	44,367	43,951
Rent losses from voids	(661)	(396)	(27)	(130)	-	(1)	(1,215)	(1,240)

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	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Aggregate emoluments payable to the directors (including pension contributions and benefits in kind)	923	737	923	737
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	191	209	191	209
Payments to directors as a compensation for loss of office	90	-	90	-
Total expenses reimbursed to the directors not chargeable to income tax	4	1	4	1

Remuneration payable to the group Board members for the year were:	**Salaries**	**Pension costs**	**Bonus**	**Total 2019**	**Total 2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Anne Markey	9	-	-	9	6
Heneage Stevenson	7	-	-	7	7
John Sheldrick	-	-	-	-	4
Richard Brown	20	-	-	20	16
Nici Audhlam-Gardiner	-	-	-	-	4
Paul Evans	-	-	-	-	5
Alison Knocker	11	-	-	11	9
Terry Hartwell	11	-	-	11	7
Heide Baumann	2	-	-	2	6
Mike Jones	11	-	-	11	5
Simon Wilkinson	8	-	-	8	3
Andrew Wells	8	-	-	8	3
Graham Woolfman	10	-	-	10	5
	97	-	-	97	80

The Board received £4,788 (2018: £2,179) for expenses during the year.

Notes to the accounts

4. Directors' emoluments and expenses (continued)

Gross salary paid to the Chief Executive divided by total number of homes owned and managed at the year-end was £10.49 (2018: £9.91).

Remuneration payable to the group directors for the year were:	Salaries	Pension costs	Bonus	Total 2019	Total 2018
	£	£	£	£	£
Rod Cahill, Chief Executive	162,007	-	-	162,007	208,669
Ian McDermott, Chief Executive	55,000	5,140	-	60,140	-
Rachael Dennis, Chief Operating Officer	191,250	17,873	-	209,123	207,381
Judith Foss, Executive Director of People and Culture	136,250	12,733	-	148,983	146,932
Tom Titherington, Executive Director of Property and Growth	182,425	7,710	-	190,135	174,349
Joe Chambers, Interim Executive Director of Operations	26,950	-	-	26,950	-
Ed Barnes, Interim Director of Development	125,820	-	-	125,820	-
	879,702	43,456	-	923,158	737,331

5. Employee information

	Consolidated		Association	
	2019 Number	2018 Number	2019 Number	2018 Number
The average monthly number of persons expressed in full-time equivalents during the year was:				
Office employees	475	473	459	459
Wardens, caretakers, cleaners and care employee	133	121	133	121
	608	594	592	580

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

	Consolidated		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Employee costs (for the above persons)				
Wages and salaries	25,604	24,321	25,140	23,894
Social security costs	2,524	2,482	2,484	2,446
Costs of pension schemes	1,957	1,912	1,926	1,885
	30,085	28,715	29,550	28,225

The Group and association made non-contractual payments to employees of £81,250 in the year (2018: Group and association £78,500). Gross salary of the lowest earner compared to gross salary of the highest earner for the year was 1:12 (2018: 1:11).

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	2019 Number	2018 Number
60–69	33	31
70–79	19	22
80–89	11	11
90–99	3	2
100–109	4	5
110–119	1	3
120–129	5	3
130 - 139	2	1
140 – 149	3	2

6. Operating surplus

	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Is stated after charging/(crediting):				
Depreciation – housing properties (note 10)	22,085	20,481	22,119	20,500
Depreciation – on replaced components (note 3)	995	2,222	995	2,222
Depreciation – other fixed assets (note 11)	2,510	2,561	2,506	2,556
Auditors' remuneration (excluding VAT):				
- in their capacity as auditors	82	80	64	62
- in respect of other services	7	18	7	18
Operating lease charges for land and buildings	2,497	2,469	2,497	2,469
Operating lease income	682	569	682	569
Provision against properties held for sale	-	(3,334)	-	(3,334)
Defined contribution pension cost	(1,957)	(1,912)	(1,926)	(1,885)

The remuneration paid to BDO auditors in respect of non-audit services comprises: covenant compliance of £7,500 (2018: £5,200) and other services of £nil (2018: £12,812).

7. Surplus on disposal of fixed assets

Consolidated	Shared ownership 2019 £'000	Other housing properties 2019 £'000	Investments (Homebuy) 2019 £'000	Total 2019 £'000	Total 2018 £'000
Disposal proceeds	16,508	7,492	9,905	33,905	39,793
Cost of disposals	(7,891)	(1,369)	(6,400)	(15,660)	(19,735)
Selling costs	(18)	(3,349)	(91)	(3,458)	(2,063)
Grants recycled	(1,993)	(744)	-	(2,737)	(3,130)
Surplus on disposal of housing assets	6,606	2,030	3,414	12,050	14,865
Loss on disposal of other tangible fixed assets	-	(2)	-	(2)	-
	6,606	2,028	3,414	12,048	14,865
Surplus on disposal of care homes	-	-	-	-	2,841
Total	6,606	2,028	3,414	12,048	17,706

Association	Shared ownership 2019 £'000	Other housing properties 2019 £'000	Investments (Homebuy) 2019 £'000	Total 2019 £'000	Total 2018 £'000
Disposal proceeds	16,508	9,942	9,905	36,355	43,120
Cost of disposals	(7,891)	(1,369)	(6,400)	(15,660)	(21,197)
Selling costs	(18)	(3,349)	(91)	(3,458)	(2,063)
Grants recycled	(1,993)	(744)	-	(2,737)	(3,130)
Surplus on disposal of housing assets	6,606	4,480	3,414	14,500	16,730
Loss on disposal of other tangible fixed assets	-	(2)	-	(2)	-
	6,606	4,478	3,414	14,498	16,730
Surplus on disposal of care homes	-	-	-	-	2,841
Total	6,606	4,478	3,414	14,498	19,571

Notes to the accounts
8. Interest and financing costs

	Consolidated		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
On loans	30,949	29,311	30,402	29,206
Amortised cost*	(2,311)	1,335	(2,311)	1,335
On indexed linked loans and deferred interest loans:				
Interest paid	11	18	11	18
Interest deferred	257	341	257	341
Sundry loan costs	1,664	1,459	1,706	1,502
	30,570	32,464	30,065	32,402
Less:				
Capitalised in housing properties (note 10)	(3,296)	(2,907)	(3,296)	(2,907)
Capitalised in first tranche sales properties (note 10)	(2,391)	(3,329)	(2,391)	(3,329)
Capitalised in properties developed for sale	(162)	(124)	-	-
Release of loan fair values on repayment and refinancing				
Add:				
Transfer to recycled capital grant fund (note 22)	132	178	132	178
Transfer to disposal proceeds fund (note 23)	2	4	2	4
Net interest on net defined benefit liability (note 26)	11	179	11	179
	24,866	26,465	24,523	26,527

*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.

9. Tax on surplus on ordinary activities

	Consolidated	Consolidated	Association	Association
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
The charge is based on the assessable results for the year and comprises:				
UK corporation tax:				
Current tax on surplus for the year	522	474	522	474
Adjustments in respect of prior years	502	296	502	296

Factors affecting tax charge for the current year	Consolidated	Consolidated	Association	Association
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Surplus on ordinary activities before taxation	30,018	54,641	48,313	61,745
Current tax at 19% (2018: 19%)	5,703	10,381	9,179	11,732
Effects of:				
Surplus subject to charitable exemption	(5,181)	(9,907)	(8,657)	(11,258)
Total current tax charge (see above)	522	474	522	474

Non-charitable group members that were liable for corporation tax during the year ended March 2019 and 2018 included Barnet Community Homes Limited, Catalyst Finance Limited, Vintage Care Limited, CHL Developments Limited, Dee Park Developments (Catalyst) Limited, Catalyst by Design Limited and Catalyst Developments (Wimbledon) Limited.

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

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

Consolidated	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Key worker accommodation completed	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2018	1,696,220	112,330	326,923	45,911	36,476	2,217,860
Additions:						
– construction costs	-	70,391	-	42,076	-	112,467
– existing properties	20,930	-	-	-	-	20,930
Reclassification of properties	(2,224)	2,863	280	-	-	919
Completed schemes	72,603	(72,603)	25,927	(25,927)	-	-
Transfer (to)/from properties held for sale	837	(2,325)	715	1,359	-	586
Disposals						
– staircasing sales	-	-	(7,891)	-	-	(7,891)
– replaced components	(3,662)	-	-	-	(191)	(3,853)
– other	(2,858)	-	-	-	-	(2,858)
At 31 March 2019	1,781,846	110,656	345,954	63,419	36,285	2,338,160
Depreciation						
At 1 April 2018	(166,284)	-	(2,150)	-	(2,741)	(171,175)
Charge for the year	(21,463)	-	(217)	-	(405)	(22,085)
Eliminated on disposals:						
– replaced components	2,724	-	-	-	9	2,733
– other	1,488	-	-	-	-	1,488
At 31 March 2019	(183,535)	-	(2,367)	-	(3,137)	(189,039)
Impairment						
At 1 April 2018	-	(2,219)	-	(2,229)	-	(4,448)
Completed schemes	(1,519)	1,519	(1,477)	1,477	-	-
At 31 March 2019	(1,519)	(700)	(1,477)	(752)	-	(4,448)
Net book value at 31 March 2019	1,596,792	109,956	342,110	62,667	33,148	2,144,673
Net book value at 31 March 2018	1,529,936	110,111	324,773	43,682	33,735	2,042,237

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 2018	1,711,161	113,710	328,740	47,513	36,476	2,237,600
Additions:						
– construction costs	-	71,300	-	43,383	-	114,683
– existing properties	20,930	-	-	-	-	20,930
Reclassification of properties	(2,224)	2,863	280	-	-	919
Completed schemes	72,603	(72,603)	26,642	(26,642)	-	-
Transfer (to)/from properties held for sale	837	(2,325)	-	1,359	-	(129)
Disposals						
– staircasing sales	-	-	(7,891)	-	-	(7,891)
– on replaced components	(3,662)	-	-	-	(191)	(3,853)
– other	(2,858)	-	-	-	-	(2,858)
At 31 March 2019	1,796,787	112,945	347,771	65,613	36,285	2,359,401
Depreciation						
At 1 April 2018	(166,325)	-	(2,150)	-	(2,741)	(171,216)
Charge for the year	(21,497)	-	(217)	-	(405)	(22,119)
Eliminated on disposals:						
– replaced components	2,724	-	-	-	9	2,733
– other	1,488	-	-	-	-	1,488
At 31 March 2019	(183,610)	-	(2,367)	-	(3,137)	(189,114)
Impairment						
At 1 April 2018	-	(2,219)	-	(2,229)	-	(4,448)
Completed schemes	(1,519)	1,519	(1,477)	1,477	-	-
At 31 March 2019	(1,519)	(700)	(1,477)	(752)	-	(4,448)
Net book value at 31 March 2019	1,611,658	112,245	343,927	64,861	33,148	2,165,839
Net book value at 31 March 2018	1,544,836	111,491	326,590	45,284	33,735	2,061,936

Notes to the accounts

10. Tangible fixed assets - housing properties (continued)

	Consolidated	Consolidated	Association	Association
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Housing property net book value comprises				
– freeholds	1,735,891	1,670,362	1,757,049	1,690,061
– long leaseholds	408,782	371,875	408,790	371,875
	2,144,673	2,042,237	2,165,839	2,061,936
Additions to housing properties includes capitalised interest of:	5,687	6,236	5,687	6,236
The capitalisation rate used was	4.1%	4.4%	4.1%	4.4%
Cumulative capitalised interest was	59,188	53,501	59,188	53,501
Improvements to existing properties capitalised during the year were	20,930	22,440	20,930	22,440
The total cost charged to the income and expenditure account for planned maintenance in the year was (note 3)	3,949	6,131	3,949	6,131

	Consolidated	Consolidated	Association	Association
	2019	2018	2019	2018
	£'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	2,254,912	2,134,270	2,280,820	2,158,684
Accumulated depreciation	(239,185)	(212,335)	(239,177)	(212,355)
Impairment	(4,448)	(4,448)	(4,448)	(4,448)
	2,011,279	1,917,487	2,037,195	1,941,881
Total Social Housing Grant received or receivable to date is as follows:				
Capital grant - housing properties (note 21)	173,191	101,096	173,191	101,096
Capital grant - homebuy investments (note 21)	60,822	65,232	60,822	65,232
Recycled capital grant fund (note 22)	30,908	60,119	30,908	60,119
Disposals proceeds fund (note 23)	1,126	1,362	1,126	1,362
Revenue grant – I&E	851,441	851,118	851,441	851,118
	1,117,488	1,078,927	1,117,488	1,078,927

Notes to the accounts

10. Tangible fixed assets - housing properties (continued)

Impairment

The Group considers a scheme to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2014. This has been determined based on an assessment of how schemes are appraised for development purposes, how decisions are made about assets and how results are reported.

During the current year, the Group and association have recognised an impairment loss of £nil (2018: £nil) for general needs and shared ownership housing stock.

There were no units impacted by the impairment loss calculation.

Properties held for security

Catalyst Housing Limited had property with a net book value of £817,385,324 pledged as security at 31 March 2019 (2018: £1,008,125,498).

Valuation

On transition to FRS 102, Catalyst Housing Limited took the option of carrying out a one off valuation on a number of its housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group engaged JLL Valuers Limited to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis. Shared ownership properties were measured at historic cost. Housing properties will subsequently be measured at cost.

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

The valuation was carried out as a desktop exercise on a EUV-SH basis using discounted cashflows. The property portfolio was grouped by a number of key parameters to determine the valuation including:

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

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

Notes to the accounts
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 2018	1,345	2,477	110	255	18,180	22,367
Additions in year	3	75	-	-	591	669
Disposals	-	-	-	-	(65)	(65)
Reclassification (note 12)	658	-	-	-		658
At 31 March 2019	2,006	2,552	110	255	18,706	23,629
Depreciation						
At 1 April 2018	(240)	(1,747)	(21)	(255)	(11,995)	(14,258)
Charge for year (note 6)	(39)	(142)	(3)	-	(2,326)	(2,510)
Disposals	-	-	-	-	63	63
At 31 March 2019	(279)	(1,889)	(24)	(255)	(14,258)	(16,705)
Net book value						
At 31 March 2019	1,727	663	86	-	4,448	6,924
At 31 March 2018	1,105	730	89	-	6,185	8,109

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 2018	953	2,477	110	255	18,171	21,966
Additions in year	3	75	-	-	591	669
Disposals	-	-	-	-	(65)	(65)
Reclassification	658	-	-	-	-	658
At 31 March 2019	1,614	2,552	110	255	18,697	23,228
Depreciation						
At 1 April 2018	(199)	(1,746)	(21)	(255)	(11,987)	(14,208)
Charge for year (note 6)	(35)	(142)	(3)	-	(2,326)	(2,506)
Disposals	-	-	-	-	63	63
At 31 March 2019	(234)	(1,888)	(24)	(255)	(14,250)	(16,651)
Net book value						
At 31 March 2019	1,380	664	86	-	4,447	6,577
At 31 March 2018	754	731	89	-	6,184	7,758

Notes to the accounts

12. Investment properties

Consolidation and Association

	Commercial £'000
At 1 April 2018	23,616
Additions	280
Reclassification (note 11)	(658)
Revaluations	(1,611)
At 31 March 2019	21,627

The Group's investment properties are valued annually on 31 March at fair value, determined by independent valuation specialist TH3 Surveyors Ltd. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' appraisal and valuation manual. In valuing investment properties, a discounted cash flow methodology was adopted. Details on the assumptions made and the key sources of estimation uncertainty are given in the accounting policies.

The loss on revaluation of investment property arising of £1,611,410 Group and association (2018: £398,558 surplus) 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

	2019 £'000	2018 £'000
Historic cost	12,792	13,171
Accumulated depreciation	(2,235)	(2,012)
	10,557	11,159

13. Investments – Homebuy loans

Consolidation and Association

	2019 £'000	2018 £'000
At 1 April	84,507	93,119
New loans issued	620	1,459
Interest receivable	-	-
Loans redeemed (note 7)	(6,400)	(9,980)
Loans reclassified (note 21)	-	(91)
At 31 March	78,727	84,507

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% (2018: 0% to 2.5% with increases for RPI).

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

Notes to the accounts
14. Investments in subsidiaries

Association

	£
Cost	
At 1 April 2018 and 31 March 2019	203

The following are the principal subsidiary undertakings of the association at the year-end. The majority voting rights for all subsidiary undertakings are held within the Group.

All the undertakings are incorporated under Companies Act legislation and registered in England.

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

1. Wholly owned subsidiary of Catalyst Housing Charitable Trust

Notes to the accounts
15. Investments – joint ventures

Consolidated	Dee Park Partnership LLP	Merton Catalyst LLP	Capital Way Brentford Partnership	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Share of profits from joint ventures	17	(466)	(698)	(1,148)	(108)
Share of: Current Assets	2,908	39,293	20,475	62,676	37,175
Liabilities due within one year	(2,873)	(39,878)	(21,173)	(63,924)	(37,275)
Net Assets	35	(585)	(698)	(1,248)	(100)

Consolidated	2019 £'000	2018 £'000
Opening investments	29,900	109
Additions	21,390	30,010
Disposals	(1,283)	(219)
Closing investments	50,007	29,900

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

Dee Park Partnership LLP

Dee Park Developments (Catalyst) Limited was incorporated as a subsidiary of Catalyst Communities Housing Association on 1 March 2007, to enter into a 50:50 joint venture agreement with Inspace Partnerships to undertake a regeneration project on the Dee Park estate, Reading, using the special purpose vehicle Dee Park Partnership. Dee Park Developments (Catalyst) Limited became a subsidiary of Catalyst Housing Group Limited in December 2007 and, following the restructure, became a subsidiary of Catalyst Housing Limited from September 2011. Dee Park Partnership is a Limited Liability Partnership with Inspace Homes (now named Prime Place).

The contract was signed and funding agreed in 2010 and the joint venture is proceeding with the regeneration project. The joint venture has made a profit of £34,063 (2018: £20,000) during the year, of which a 50% share is recognised within Dee Park Developments (Catalyst) Limited and consolidated income and expenditure account.

Merton Catalyst LLP

Catalyst Development (Brent) Limited changed its name on 8 January 2018 to Catalyst Development (Wimbledon) Limited. The entity has entered into a 50:50 joint venture agreement with Galliard Group to deliver 604 new homes and commercial space. The development is being delivered through Merton Catalyst LLP, Catalyst Housing Limited had made an initial investment of £30,000,000 into Merton Catalyst LLP. At the year end, the Merton Catalyst LLP has incurred expenditure of £932,666, 50% of which has been recognised within the Group consolidated statement of comprehensive income.

Capital Way Brentford Partnership

Catalyst By Design Limited has entered into a 50:50 joint venture agreement with Redrow Homes Limited to deliver 446 new homes. The development is being delivered through Capital Way Brentford Partnership, Catalyst By Design Limited had made an initial investment of £21,254,977 into Capital Way Brentford Partnership. At the year-end, Capital Way Brentford Partnership has incurred expenditure of £1,396,795, 50% of which has been recognised within the Group consolidated statement of comprehensive income.

Notes to the accounts

16. Stock

Consolidated	First tranche shared ownership 2019 £'000	Outright market sales 2019 £'000	Other 2019 £'000	Total 2019 £'000	Total 2018 £'000
Work in progress	38,802	40,746	5,297	84,845	95,546
Completed properties	16,014	16,029	2,747	34,790	32,022
Properties at cost	54,816	56,775	8,044	119,635	127,568

Capitalised interest included in the year-end balance was £2,127,000 (2018: £2,265,000). There are no provisions created against properties held for sale at the year-end (2018: £3,334,000).

Association	First tranche shared ownership 2019 £'000	Other 2019 £'000	Total 2019 £'000	Total 2018 £'000
Work in progress	38,802	5,297	44,099	64,069
Completed properties	16,014	2,747	18,761	14,602
Properties at cost	54,816	8,044	62,860	78,671

Capitalised interest included in the year-end balance was £2,391,000 (2018: £3,329,000). There was no provision created against properties held for sale at the year-end (2018: £3,334,000).

17. Debtors

Amounts receivable within one year	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Gross rent and service charge arrears	6,907	5,715	6,907	5,715
Less: provision for bad and doubtful debts	(2,539)	(1,937)	(2,539)	(1,937)
	4,368	3,778	4,368	3,778
Other debtors and prepayments	19,388	21,637	14,459	13,114
Amounts due from group members	-	-	110,975	91,685
	23,756	25,415	129,802	108,577

18. Cash

	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Cash at bank and in hand	47,427	56,928	32,631	44,564
	47,427	56,928	32,631	44,564

All cash balances mature within three months.

Notes to the accounts

19. Creditors

Amounts falling due within one year	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Housing loans (note 24):				
– secured against group properties	7,277	13,623	466	6,723
– amounts due to group members	-	-	5,013	7,377
	7,277	13,623	5,479	14,100
Trade creditors	4,267	1,145	3,615	818
Bank overdraft	-	5,447	-	5,447
Amount held on behalf of leaseholders	4,994	5,595	4,994	5,595
Recycled capital grant fund (note 22)	2,398	18,839	2,398	18,839
Capital creditors	9,907	10,073	7,784	10,059
Capital retentions	5,958	5,667	1,994	2,475
Other creditors and accruals	36,941	36,196	27,068	26,991
Other taxes and social security costs	441	739	701	737
Disposal proceeds fund (note 23)	1,126	1,362	1,126	1,362
Amounts due to group members	-	-	1,080	1,232
Deferred capital grant (note 21)	2,883	5,818	2,883	5,818
	76,192	104,504	59,122	93,473

20. Creditors

Amounts falling due after more than one year	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Hillingdon sinking fund	242	242	242	242
Deferred income	447	447	447	447
Recycled capital grant fund (note 22)	28,510	41,280	28,510	41,280
Loans due to group members (note 24)	-	-	223,037	207,702
Housing loans (note 24):				
– secured against group properties	679,806	643,753	452,938	435,535
– loan issue costs to be amortised	(5,701)	(6,049)	(5,701)	(6,049)
Deferred capital grant (note 21)	231,130	160,510	231,130	160,510
	934,434	840,183	930,603	839,667

Notes to the accounts
21. Deferred capital grant

	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
At 1 April	166,328	149,939	166,328	149,939
Grants received during the year	40,040	10,730	40,040	10,730
Transfers between the recycled capital grant fund (note 22)	36,206	17,355	36,206	17,355
Homebuy redemptions	(4,288)	(6,064)	(4,288)	(6,064)
Transfer between the disposal proceeds fund (note 23)	238	-	238	-
Released to income during the year (note 3)	(3,059)	(4,363)	(3,059)	(4,363)
Released on disposal during the year	(1,452)	(1,178)	(1,452)	(1,178)
Reclacification of Homebuy grant (note 13)	-	(91)	-	(91)
At 31 March	234,013	166,328	234,013	166,328

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

22. Recycled capital grant fund

Consolidated and Association

Funds pertaining to activities within areas covered by	Homes England 2019 £'000	GLA 2019 £'000	Total 2019 £'000	Homes England 2018 £'000	GLA 2018 £'000	Total 2018 £'000
At 1 April	37,317	22,802	60,119	47,909	20,406	68,315
Inputs to fund:						
– Grants recycled	1,758	6,305	8,063	6,653	2,996	9,649
– Interest accrued	89	43	132	110	67	177
Recycling of grant:						
– New build	(17,022)	(19,184)	(36,206)	(17,355)	-	(17,355)
Repayment of grant to the Homes England/GLA	(1,200)	-	(1,200)	-	(667)	(667)
At 31 March	20,942	9,966	30,908	37,317	22,802	60,119
Amounts three years or older where repayment may be required	2,398	-	2,398	10,551	7,088	17,639

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	**Homes England 2019 £'000**	**GLA 2019 £'000**	**Total 2019 £'000**	**Homes England 2018 £'000**	**GLA 2018 £'000**	**Total 2018 £'000**
At 1 April	175	1,187	1,362	175	1,183	1,358
Inputs to fund:						
- Interest accrued	-	2	2	-	4	4
Recycling of grant:						
- Acquisition		(238)	(238)			
Repayment of grant to Homes England/GLA	-	-	-	-	-	-
At 31 March	175	951	1,126	175	1,187	1,362
Amounts three years or older where repayment may be required	172	941	1,113	-	-	-

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:

Housing loans repayable by instalments	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Between one and two years	8,125	9,634	5,474	9,486
Between two and five years	32,306	34,494	33,108	34,385
In five or more years	238,674	223,575	236,692	223,317
Total (note 20)	279,105	267,703	275,274	267,188
Within one year (note 19)	7,277	11,124	5,479	11,600
	286,382	278,827	280,753	278,788

Housing loans not repayable by instalments	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Between one and two years	-	-	-	-
Between two and five years	70,000	45,000	70,000	45,000
In five or more years	325,000	325,000	325,000	325,000
Total (note 20)	395,000	370,000	395,000	370,000
Within one year (note 19)	-	2,500	-	2,500
	395,000	372,500	395,000	372,500

	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Total loans measured at amortised cost	681,382	651,327	675,753	651,288

The Group has total committed loan facilities of £1,110,925,000 (£696,825,000 draw down) raised through the debt and capital markets, together with loans provided by various banks and building societies. All loans are secured by way of first fixed charges on certain properties. The loans bear interest at fixed rates ranging from 2.4% to 10.9% or at a margin above the London Interbank Offered Rate. At 31 March 2019, the Group had undrawn loan facilities of £414,100,000 (2018: £468,900,000). Of the total loan facilities of £1,110,925,000; £616,390,000 was at fixed rates at 31 March 2019. The weighted average interest rate is the aggregate rate of interest paid for the year on Group borrowings which is 4.1% (2018: 4.4%).

Notes to the accounts
25. Financial instruments

The Group's and association financial instruments may be analysed as follows:	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Financial assets				
Concessionary loans (note 13)	78,727	84,507	78,727	84,507
Financial assets measured at historic cost				
– Tenant receivables (note 17)	4,368	3,778	4,368	3,778
– Other receivables (note 17)	19,398	21,637	125,434	104,736
– Cash and cash equivalents	47,427	56,928	32,631	44,564
Total financial assets	149,920	166,850	241,160	237,585
Financial liabilities				
Financial liabilities measured at amortised cost				
– Loans payable (note 24)	(681,382)	(651,327)	(675,753)	(651,288)
Financial liabilities measured at historical cost				
– Trade creditors	(4,267)	(1,145)	(3,615)	(818)
– Other creditors	(324,977)	(292,215)	(310,357)	(281,034)
Total financial liabilities	(1,010,626)	(944,687)	(989,725)	(933,140)

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

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

Risks arising on financial instruments

The main risk arising from the Group's financial instruments are counterparty risk, liquidity risk, interest rate risk and refinancing risk. There have been no changes since the previous period.

Counterparty risk

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

Liquidity risk

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

At the year-end, 75% of the Group's borrowings were due to mature in more than five years. Funds are drawn as determined by the Group's borrowing requirements. To date all loans 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 sensitivity analysis of interest rates are monitored on a regular basis. A 1% increase in variable rates would lead to a £0.6 million increase in annual interest costs.

Refinancing risk

The Group's treasury management function is responsible for developing and implementing an appropriate funding strategy to ensure the Group has the required level of liquidity to fund the capital investment programme and day-to-day activities of the business, without being unduly exposed to refinancing risk. The maturity profile of the debt reflects the long-term nature of the Group's assets, and reduces refinancing risk by ensuring that refinancing requirements are spread.

Notes to the accounts
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 April 2018, these payments were decreased to £950,000 per annum.

The 1 October 2014 valuation shows that the market value of the scheme's assets was £40,449,411, this excludes assets in relation to deferred members' AVC's, and insured pensions. At 31 March 2019, the scheme had a total membership of 310 (2018: 313).

During the year, Catalyst paid £950,000 (2018: £2,100,000) into the pension scheme in accordance with the recovery plan agreed with the trustees of the scheme.

The contribution rate for the Group and association was nil (2018: nil) for employer contributions, and nil (2018: nil) for employee contributions. At 31 March 2019, outstanding payments due to the scheme were £nil (2018: £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 2019 by a qualified actuary. The major assumptions used in this valuation were:

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

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

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

Notes to the accounts
26. Pension costs (continued)

Scheme assets

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

Amounts recognised in balance sheet	**2019**	**2018**
	£'000	**£'000**
Present value of funded obligations	(56,563)	(54,922)
Fair value of scheme assets	56,618	54,220
Pension asset/(liability)	55	(702)

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

Analysis of amount recognised in other comprehensive income	**2019**	**2018**
	£000	**£000**
Actual return less expected return on scheme assets	2,052	(251)
Experience gains and losses arising on scheme liabilities	(421)	2,303
Changes in assumptions underlying the present value of scheme liabilities	(1,313)	3,286
Actuarial gain recognised in OCI	318	5,338

Amounts recognised in income and expenditure account	**2019**	**2018**
	£'000	**£'000**
Interest on obligation	1,407	1,576
Expected return on scheme assets	(1,396)	(1,397)
Total	11	179

Changes in the present value of defined benefit obligation	**2019**	**2018**
	£'000	**£'000**
Opening defined benefit obligation	54,922	62,301
Interest cost	1,407	1,576
Actuarial loss/(gain)	1,734	(5,589)
Loss on plan changes	500	-
Benefits paid	(2,000)	(3,366)
Closing defined benefit obligation	56,563	54,922
The actuarial gains and losses can be split into:		
Actuarial loss/(gain) due to assumptions change	1,734	(5,589)

Notes to the accounts

26. Pension costs (continued)

Changes in the fair value of scheme assets during the year	2019 £'000	2018 £'000
Opening fair value of scheme assets	54,220	54,340
Expected return on scheme assets	1,396	1,397
Actuarial gain/(loss)	2,052	(251)
Contributions by employer	950	2,100
Benefits paid	(2,000)	(3,366)
Closing fair value of scheme assets	56,618	54,220

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 £1,955,680 (2018: £1,911,954). At 31 March 2018, outstanding payments due to the scheme were £nil (2018: £nil).

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

27. Share capital

Association	2019 £	2018 £
Shares of £1 each issued and fully paid:		
At beginning of year	53	64
Issued during year	-	4
Surrendered during the year	(14)	(15)
At end of year	39	53

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 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Capital expenditure contracted, which has not been provided for in the accounts	146,678	106,504	139,721	106,504
Capital expenditure which has been authorised by the Board but has not yet been contracted for	614,001	226,573	614,085	226,573
	760,679	333,077	753,806	333,077

Capital commitments for the Group and association will be funded by £139,644,535 (2018: £7,697,770) of Social Housing Grant and £621,033,831 (2018: £325,379,000) from draw-down of existing, or new loan facilities or by internal resources.

Capital commitments divided by tangible fixed assets at year-end was 35% (2018: 16%).

Financial commitments	Consolidated 2019 £'000	Consolidated 2018 £'000
Properties developed for sale, expenditure contracted or authorised, which has not been provided for in the accounts	10,130	24,019
	10,130	24,019

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 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Not later than one year	2,454	2,448	2,454	2,448
Later than one year and not later than five years	9,833	9,813	9,833	9,813
Later than five years	4,752	7,066	4,752	7,066
Total	17,039	19,327	17,039	19,327

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

Amounts receivable as lessor	Consolidated 2019 £'000	Consolidated 2018 £'000	Association 2019 £'000	Association 2018 £'000
Not later than one year	621	589	621	589
Later than one year and not later than five years	2,620	2,488	2,620	2,488
Later than five years	7,844	8,296	7,844	8,296
Total	11,085	11,373	11,085	11,373

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

Notes to the accounts
30. Number of units

	Consolidated 2019 Number	Consolidated 2018 Number	Association 2019 Number	Association 2018 Number
Social housing:				
General needs	11,803	11,786	11,803	11,786
Affordable	1,366	1,076	1,366	1,076
Shared ownership units	4,840	4,898	4,840	4,898
Supported and housing for older people	694	959	694	959
Intermediate rent	151	165	151	165
Total social housing units	18,854	18,884	18,854	18,884
Other shared equity units	1,493	1,615	1,493	1,615
Total non-social housing units	1,493	1,615	1,493	1,615
Nursing home bed spaces	14	14	14	14
Keyworker bed spaces	537	537	537	537
Total bed spaces	551	551	551	551
Total units	**20,898**	**21,050**	**20,898**	**21,050**

	Consolidated 2019 Number	Consolidated 2018 Number	Association 2019 Number	Association 2018 Number
Total units managed by other organisations on behalf of Catalyst	510	497	510	497
Housing units under development	1,092	1,636	933	1,291

Notes to the accounts
31. Related party disclosures

The Board includes one shared ownership tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. Rents received from during the year were £4,685.28 (2018: £4,487.76). Rent arrears of tenant and leaseholder Board members as at 31 March 2019 was £nil (2018: £nil). The rent arrears are subject to the same bad debt provision and debt recovery process as all other rent arrears.

The Group has a joint venture, Dee Park Partnership LLP used to carry out construction works and the balance receivable at 31 March 2019 is £nil (2018: £nil). Transactions made during the year consist of legal, professional and management fees incurred on the scheme to date. Interest payable during the year by Dee Park Partnership LLP is shown in Catalyst Housing Limited £nil (2018: £nil) on borrowings specifically to finance the development programme. Interest receivable in Dee Park Partnership LLP relating to the facility agreement between Dee Park Developments (Catalyst) Ltd and Dee Park Partnership LLP during the year was £nil (2018: £nil).

The Group has a joint venture, Merton Catalyst LLP used to carry out construction works and the balance receivable at 31 March 2019 is £30,000,000 (2018: £30,000,000).

The Group has a joint venture, Capital Way Brentford Partnership LLP used to carry out construction works and the balance receivable at 31 March 2019 is £21,254,977 (2018: £nil).

Intra-group transactions

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

	Management fees		**Other charges**		**Interest charges**	
Payable to Catalyst Housing Limited by:	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
CHL Developments Limited	898	899	997	2,916	-	-
Barnet Community Homes Limited	-	-	-	-	-	40
Vintage Care Limited	-	-	-	328	-	-
Catalyst Housing Charitable Trust	10	10	59	-	-	-
Southall Day Centre Limited	21	21	-	-	-	-
Dee Park Developments (Catalyst) Limited	47	56	-	-	-	-
Catalyst Development (Wimbledon) Limited	-	-	-	79	1,536	204
Catalyst by Design Limited	1,453	1,743	1,532	15,455	3,021	2,265
Catalyst Finance Limited	7	11	-	-	-	-
	2,436	2,740	2,588	18,778	4,557	2,509

Intra-group management fees

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

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

Other intra-group charges

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

Notes to the accounts

31. Related party disclosures (continued)

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	
Payable by Catalyst Housing Limited to:	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Catalyst Housing Charitable Trust	-	-	10	10	-	-
Catalyst Finance Limited	13	13	-	-	8,279	10,122
Southall Day Centre Limited	-	-	382	341	-	-
	13	13	392	351	8,279	10,122

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 below.

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	47,000	36,500	83,500
Catalyst Housing Limited[2]	Catalyst Development (Wimbledon) Limited	30,000	2,010	32,010
Catalyst Finance Limited	Catalyst Housing Limited	215,076	18,603	233,679

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

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

Investments in joint ventures

Entity granting funds	Entity receiving funds	Opening balance £'000	Movement during the year £'000	Closing balance £'000
Dee Park Developments (Catalyst) Limited[1]	Dee Park Partnership LLP	18	17	35
Catalyst Development (Wimbledon)[2]	Merton Catalyst LLP	30,000	-	30,000
Catalyst By Design	Capital Way Brentford Partnership	-	21,255	21,255

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

32. Contingent liabilities

The Group receives grants from the Homes England 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 2019, the value of grant received in respect of these properties that had not been disposed of was £851,441,032 (2018: £851,118,447). As the timing of any future disposal is uncertain, no provision has been recognised in the financial information.

There is a £13,017,000 government grant associated with housing properties acquired as part of a prior year stock swap. The fair values of the properties are included within property, plant and equipment, and accordingly no grant is disclosed within creditors. In the event of the housing properties being disposed, the Group is responsible for the repayment or recycling of the grant.

33. Events after the end of the reporting period

On the 1 May 2019, Aldwyck Housing Group Ltd became a wholly owned subsidiary of Catalyst Housing.

Aldwyck Housing Association Ltd is a Registered Provider in its own right with and is also a Public Benefit Entity (PBE) registered in England and Wales. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 (registered number 21083R) and is registered with the Regulator of Social Housing, formerly the Homes and Communities Agency, as a Registered Provider (registered number LH1682).

Aldwyck Housing Group Ltd is also recognised as a charity for tax purposes.

It is intended that the existing Catalyst Housing Limited and Aldwyck Housing Group Ltd will form a new Housing Association, Catalyst Housing Limited. This business combination will be effected through an Amalgamation under s109 of the Community Benefits Societies Act 2014. Together the merged business will increase our capacity to build, delivering more new homes and better services than we could apart. This merger has no major impact on the financial statements of Catalyst Housing Limited component as at 31 March 2019 as the event took place after that balance sheet date.

These financial statements nevertheless present additional information about such matters as going concern and post balance sheet events where such information is necessary for users of financial statements to understand the arrangement. Following the amalgamation, the existing Catalyst Housing business will continue as part of the new Catalyst Housing Limited entity and therefore it is anticipated that the first set of accounts produced as the new Catalyst Housing Limited will be prepared using merger accounting mechanisms, presenting the results of the new group as if it has always existed.

catalyst

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

0300 456 2099
www.chg.org.uk

Registered Society
Registered Number: 16561R

Homes and Communities Agency
Registered Number: L0699

A charitable housing association

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

CAT900_Financial Annual Report 2018