



2009-12
Catalyst Housing Group

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Chair's preface

The Catalyst Board has undertaken a radical review of our strategy in the light of the current economic crisis and its impact on our operating environment. New house building activity has halved and is below 100,000 homes in a year for the first time in generations. The cross subsidy/grant model which has underpinned housing investment over the last 15 years is not working in the current housing market, and a stable funding framework that delivered cheap and plentiful private finance has suddenly become fraught with risk. Although there is a lot of public subsidy to support new development, we know that this is unlikely to continue when the government's priority shifts from recovery to balancing the public finances. New regulatory and investment bodies are challenging how we provide services to our customers and how we can provide new homes in a future with less public subsidy.

Catalyst faces these challenges from a position of strength with a manageable sales exposure, at least two years supply of secured private finance, and financial results which put us well clear of our bank covenants. Operating within a coherent geographical area, we use our Group structure to combine economies of scale with strong local delivery and relationships. Catalyst is at the forefront of innovative intermediate housing solutions – we have a strong track record of resident involvement and our service performance is relatively good by industry standards.

We seek to maintain excellent relationships with our local authorities, our key delivery partners, and our lenders. I am delighted that we have established good links with the Tenant Services Authority (TSA) and the Homes and Communities Agency (HCA), and particularly pleased that Catalyst is already playing a key role in enabling the HCA to meet its housing targets in such difficult circumstances.

We will use our position of strength to take Catalyst to a new level in three key areas. The most important is customer service. We are proud that we involve residents in everything we do and this will help us to become a model of customer care. But we want to achieve major, not just marginal, improvement and believe that we can do this by rethinking the way we deliver services from a customer point of view. The second area is profitability. We face a long term squeeze of public finances so it is crucial that we create our own capacity to provide homes and services, and to invest in communities. Finally, we want Catalyst to grow because we believe that this is crucial to meeting housing need and to delivering value to our customers. We will use our capacity to build more affordable homes and to regenerate failing areas, and will join with others in new investment models to achieve this. We will also talk to like-minded organisations which share our vision and which want to pursue this by retaining their identity within an enlarged Group.

Extraordinary times call for a new approach but a change in strategy does not mean a change in values. Catalyst is, above all, about homes not units, places not buildings, and communities not just tenancies. I am privileged to lead a team of volunteer board members who passionately share this vision, and my heartfelt thanks to them for their energy and commitment.

My thanks also to our senior executives and to all our staff team who have helped boards to shape this vision and who show such determination in delivering it.

Mavis McDonald

Dame Mavis McDonald, OBE
Chair of Catalyst Housing Group





Chief Executive's
Introduction

Mavis has set out the Group's ambitions for the next four years:

- A dramatic improvement in the way that the customer shapes our products and services.
- Substantial growth by developing new homes and by enlarging the Group.
- Greater profitability so that we are less reliant on scarcer public subsidy.

So, what do we think is possible and how will we achieve it? Over the last nine months we have engaged the whole organisation in answering these questions so what is set out in the following pages is a shared set of aspirations and plans.

We believe that we can radically improve the customer experience and turn Catalytic into the model

of excellence within the housing sector. We will do this by redefining the purpose of what we do from a customer perspective and then eliminating anything that gets in the way of this unless it genuinely serves some other purpose such as regulatory compliance or effective control. We have established a central Lean Systems Team to support a change programme but responsibility lies primarily with those doing the front line work, and they will therefore have much greater control over their operating environment and the service that they provide to customers. We also want to extend the range of solutions we provide for existing and new customers, and believe that the intermediate sector has enormous potential to satisfy housing needs and aspirations.





We aim to increase the size of the Group from 17,000 homes to 30,000 homes by 2012. Whilst this is not a do or die target, we believe that growth is highly desirable so that we can deliver value for money to our customers by lower unit costs and a broader range of services. Some of this growth will come from new development and regeneration schemes, as we take advantage of current market conditions to acquire land and to secure deals with developers. However, we expect most growth to come from enlarging the Group. Some housing associations may decide to pursue their futures within a larger organisation, which has more capacity and a broader skill set. However, they may be keen to retain their identity and we think that our Group structure provides the solution that they are looking for. We are establishing an Acquisition Team and mirror board sub-group to identify potential partners and pursue opportunities.

We are planning to improve our profitability by 50% over the period of this plan, so that we can generate our own capacity to invest in homes and services. This means increasing our operating margin from approximately 20% to 30% and our bottom line annual surplus from £10m to £20m. This is a challenging target, especially in the current climate, but we

aim to achieve it by improving the financial performance of current activities and by embarking on new profitable ones. We have already started this process and notable advances in 2008 were securing a more realistic grant level to support new development and undertaking My Choice Homebuy. This is a great solution for people wanting to access home ownership and something which should deliver good financial returns in future for reinvestment in further provision. My Choice HomeBuy is a good example of our three drivers – customer focus, profitability and growth – forming a virtuous circle and we do see them as interdependent and mutually reinforcing.

We recognise, however, that there will be times when they may conflict with each other and it will be for boards and the Executive Team to resolve these tensions.

The following pages provide a high level description of how we will achieve our ambitions and this is supported by more detailed strategies which are embedded in teams' operational plans and everyone's individual goals. However, it is worth emphasising that the biggest challenge we face is culture change. For example, we have historically defined our services and products by reference to industry, especially regulatory, benchmarks and standards. To define them by reference to the customer requires

a huge cultural shift which is why we have developed this strategy with staff and why a key part of that strategy is people and leadership development.

We have set ourselves challenging goals at a time of enormous change, threat and opportunity. We will succeed because of a board that is challenging and supportive in equal measure and because of the shared determination of a hugely talented leadership and staff team.

A handwritten signature in black ink that reads "Rod Cahill". The signature is written in a cursive, flowing style.

Rod Cahill

Chief Executive of Catalyst Housing Group





What is Catalyst 2012 about?

“Catalyst 2012 is a cycle. By understanding what our current and future customers need and want, we can grow our business and become more profitable. We can then use these profits to develop even more customer focussed services.”

- Sue Cooper,
Business Development Manager

Agent for change

Catalyst is here to make a difference to people's lives – their homes and their neighbourhoods. Working with Hounslow Council and their, now our, customers, we have transformed Page Road from a failing estate into a highly desirable new quarter of Feltham.

Delivering on promises

Fundamental to our relationship with our customers and all of our external partners is that we do what we say we will do. Fortunegate's 10 year, £100m, regeneration programme was completed bang on time, meeting all promises made to customers when they transferred from Brent Council.

Creating opportunities

We believe that affordable housing is a springboard not a safety net and that part of our job is to create opportunities for people to help themselves. Pathways 2 Progress (P2P) provides mentoring for young people to forge their own pathway to progress. Southall Day Centre is a fantastic meeting point for Asian elders but is also a gateway to training and employment for first and second generation Asian women.



Mixed tenure

We don't treat an affordable home as a final destination. Most people expect to move home a number of times in their lives, because of work opportunities, family commitments or to meet their aspirations for home ownership. This is why we provide the full range of tenures – low rent, intermediate rent, shared ownership, shared equity and now market sale. We endeavour to provide a mix of these tenures in all our developments to create mixed and sustainable communities.

Innovation

We continually innovate to meet customers' needs and aspirations. Catalyst is one of the pioneers of My Choice HomeBuy and in just over a year we have helped more than 1,200 customers to buy a new home. Using lean systems we have revolutionised the repairs service to focus on right first time, customer satisfaction and speed. Our Get Learning programme is enabling our customers and those of other landlords to gain qualifications and employment within the social housing sector.



Quality

If we do something we will do it well because we have to manage the long term consequences. The finished product at Fortunegate and Page Road is testimony to this. But so too is the £15m per annum investment that we are making in our existing stock in order to ensure that all of our customers benefit from good quality and energy efficient homes.

Customer Driven

Good outcomes for our customers are what matter to us most. We don't believe that residents of Wornington Green in North Kensington should put up with this badly designed 1970s estate. That's why we are working with them and the Royal Borough of Kensington and Chelsea on a regeneration plan that will mean new, well designed, homes for existing and new customers.



Customer Driven

"It's wonderful, I've got a very nice room, quite self contained and the staff are extremely nice."

- Alice Hublicka,
Acton Care Centre Resident

Goal

To be the housing provider of choice for all new or existing customers.

Excelling at customer service is the key to growth and profitability. This means continually improving our understanding of who our customers are, what they need and want, using that information to improve what we currently do and to drive innovation. This is one of the reasons why we are making a big investment in improved information systems and in both market intelligence and customer facing capacity.

Our existing customers

We are extraordinarily fortunate to have a number of committed residents who give their valuable time to our many resident bodies, who sit on our boards and who help us on a daily basis with recruitment, complaints panels, and winning new business. However, we and they are under no illusion that they 'represent' our customers - relatively few are involved and they cannot possibly reflect the extraordinary diversity of our customer base. What they do bring is a vital customer perspective to our decision making processes, not least through the Group Residents' Federation which is now performing a scrutiny role in respect of key service areas.



We are supplementing this with a more consumerist approach to providing services. By acting directly upon what our customers say when they use our services, we can provide the services and products that our customers want and in the way they want them. In doing so we also devolve more power over services to those directly providing them which itself will improve the customer experience. Some benefits already delivered by this lean systems approach are more convenient and effective ways for dealing with repairs, and more and easier ways to pay rent. We will extend this approach to all service areas over the plan period in concert with aligned new information systems.

Growing through customer demand

We are confident that there will continue to be demand for high quality, well managed affordable rented homes. We will work closely with our local authority partners to ensure that we are developing to meet identified need, as part of our contribution to the achievement of their local and sub-regional housing strategies.

There is increasing demand for intermediate market products, such as shared ownership, shared equity, and intermediate renting – and for the ability to move between them. We have been at the forefront of innovation and will continue to develop sustainable and flexible solutions based upon knowledge of customer needs and aspirations.

We are also conscious, however, that the intermediate marketplace is already confusing so we will use our influence, with policymakers, lenders and fellow providers, to make it as accessible as possible.

Regeneration schemes are a fantastic opportunity to work directly with customers to transform their living conditions. Emerging projects like Dee Park in Reading and Mill Farm in Harrow also enable us to develop housing for sale either directly or in partnership with developers. Winning further regeneration business is therefore a potential win, win, win – profitable growth rooted in satisfied customers (including current ones who are our best advocates for winning new business).

Case study

“The training and support that Catalyst has offered me has really boosted my confidence. Now I feel like I have a career and not just a job”



Catalyst Housing Group resident Syvanne Barallon gets to work at Ealing Gateway

Syvanne's story

One Catalyst Communities Housing Association (CCHA) resident who has recently benefitted from our employment services is Syvanne Barallon. Syvanne, a lone parent, has been living in West London with her two children for the past four and a half years. Having previously worked in banking, she decided she wanted to move into social work. The career change demanded that Syvanne had experience of working with children or the elderly, and without a qualification the only option was unpaid volunteer work.

After volunteering for over a year she realised that money was running low and she wanted to return to a full time job, so she approached the job centre who pointed her in the direction of CCHA Employment and Training Team. By this point, having been unemployed for two years and with Syvanne's confidence so low, she hesitated in approaching Catalyst for help. Once she finally made contact, she wished she had done so sooner.

After getting in touch the process moved along quickly – helping Syvanne update her CV and within one week they contacted her about a role that had become available within Catalyst's Business Development and Marketing Department, in Ealing.

Goal

To increase the size of the Group from 17,000 to 30,000 homes by 2012.

Catalyst has central capacity which is capable of supporting a much bigger Group. Growth will, therefore, enable us to deliver better long term value to our customers by reducing our unit costs and devoting a higher percentage of our income to products and services. Some of this growth will come from meeting customer demand for new homes and for regeneration. Most will come from enlarging the Group but we will only do this where this adds value – both financially and in terms of what we can offer customers. For this reason the 30,000 goal is not a do or die target.

More homes

Catalyst is in a relatively strong position because we were prudent when the housing market was overheated. We are, therefore, taking advantage of current market conditions to acquire land, strike good deals with house builders, and win regeneration business. We are expecting to contribute 4,000 starts over the plan period. This is about meeting customer demand not just adding numbers, so we will drive for high quality internal and external design, the right housing and tenure mix, and improving energy performance. We are developing our first zero carbon homes and will use innovation to identify repeatable ways in which we can reduce cost in use for customers. Our priority is growth in our core areas of West London and Thames Valley but we will extend our footprint further north and south where we are confident that we

can sustain excellent, local, services to our customers. Regeneration is a core expertise so as well as delivering our promises on existing schemes, we will be actively competing for new regeneration business. My Choice HomeBuy has been a fantastic success and we will continue to develop other intermediate products. These satisfy customer demand, generate positive financial returns, and deepen our relationships with local authorities, employers and partner associations, creating opportunities for further growth.

Catalyst secured the highest grant allocation from the Homes and Communities Agency's initial investment programme. We will continue to invest in projects which are supported by conventional social housing grant so long as they break even over 30 years.

We are also contributing to the development of equity based HCA investment models which might require bigger returns to justify greater risk. We will lobby hard with the National Housing Federation (NHF) for housing to be seen as key to economic recovery but we cannot rely upon grant budgets remaining at current levels as government priority shifts to reducing debt. We do expect, however, that the housing market will recover and we are using the housing market downturn to develop a business plan for Catalyst by Design, a non-charitable subsidiary. This will generate profit from private sale development in order to support the charitable activities of the Group but it will also broaden our customer base and help to create mixed tenure, mixed income, communities.

Enlarging the Group

We believe that our Group structure is attractive to housing associations which want to retain their identity within a bigger organisation that has more capacity and a broader range of skills and services. We have established a team to identify and pursue opportunities and this will be overseen by a board sub-group. Our key criteria are complementary geography, added value for customers, and medium and long term improvement to profitability.



Case study

“The regeneration of South Acton had helped me a lot, if it wasn’t for this then I would be unemployed and probably still signing on!”



Aaron Esprit gets to grips with the regeneration of the South Acton estate

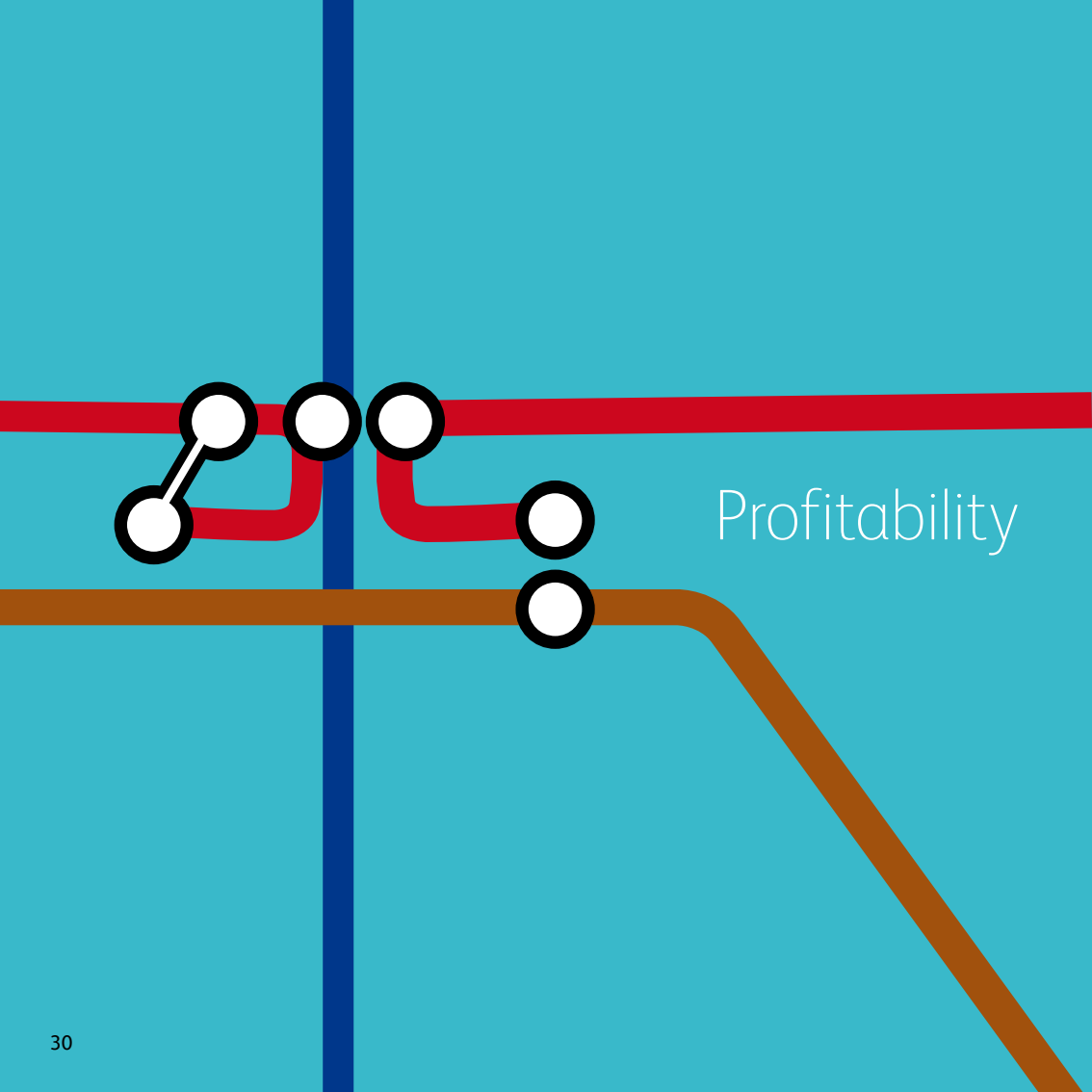
Aaron Esprit – you're hired!

South Acton resident, Aaron Esprit is really getting his hands dirty in the regeneration of the estate thanks to an apprenticeship placement organised by Catalyst and InSpace.

An aspiring plumber, Aaron has been studying one day a week at a local college. To build on what he was learning, he knew he needed to get some work experience and applied to InSpace to work on the South Acton development.

“The regeneration of South Acton had helped me a lot, if it wasn't for this then I would be unemployed and probably still signing on. I had tried to get a job on the site for ages, so when the chance came up I knew I would give it 110%, and because I love working here I really push myself.

“I have learnt so much through this apprenticeship, more than I have through college! Although I will be a qualified level three plumber in July I quickly learnt that on-site I am a level one. You learn so much through an apprenticeship, working with people who have 30 years of experience has really helped me progress my skills.”



Profitability

Goal

To increase the profitability of the existing Group, achieving a 30% operating margin and a £20m surplus by 2012. This goal will be reviewed when we enlarge the Group because this may involve sacrifice of short term profitability for medium and long term benefit.

Catalyst is a charitable organisation which means that our profits are fully reinvested in our charitable purposes – providing homes, services and community regeneration. Generating more profit will, therefore, enable us to help more people and provide better services. Our operating margin in 2008 was approximately 20% and our surplus was £7million. We are therefore seeking a 50% increase in operating performance and an even greater improvement in our surplus.

Existing activities

We engage in a range of activities some of which generate positive financial returns, some break even and some have to be subsidised. This will continue but we will be more exacting about financial performance and added value, and we will cease activities where the resources utilised could be better deployed elsewhere. Boards and the Leadership Team will drive this by continually analysing financial performance by activity and judging this against benefits achieved. We will use lean systems to improve the customer experience but this will also aid profitability by designing out waste and delivering outcomes that our customers value so that they can become our best advocates for winning profitable new business – whether its regeneration projects



or a new partner in the Group. We have invested in enhanced sales and marketing, and market intelligence capacity to maximise the returns that we can make from intermediate housing and to support business development across the Group.

Growing the business

The profitable core business provides a platform from which to invest in new activities. Diversification typically increases risk which we believe that we can best manage by concentrating upon activities which complement what we currently do. The Group Investment and Development Committee has a key role in approving all significant new investments and acquisitions, and it will continue to do so within the context of our available capacity and alternative investment choices.



Key target areas for profitable growth are:

- Joint ventures on regeneration such as our partnership with Inspace on Dee Park.
- Housing for sale through our subsidiary, Catalyst by Design.
- Intermediate products, building upon the success of My Choice HomeBuy.
- Enlarging the Group – in some cases this may involve shouldering short term losses, but only where there is medium and long term improvement to our profitability.
- Provision of services to other organisations, whether in relation to management, development or sales and marketing.
- Community regeneration – we will group our varied services around a single Catalyst Gateway brand and use this to win more business and financial support.

Case study

“It is such a good scheme and the whole process was pretty straight forward – within 8 weeks I was able to move in!”



Gavin Turner settles in to his new home thanks to MyChoice HomeBuy

Gavin Turner – MyChoice HomeBuy

Gavin Turner had been renting a flat in Reading for a while. He like many others, aspired to own his own property but knew that without a 20% deposit, it was just a pipedream until he found out about the MyChoice HomeBuy initiative, provided by Catalyst Housing Group, the government appointed HomeBuy agent for Berkshire.

MyChoice HomeBuy would provide him with the opportunity to buy his own home at the brand new Kennet Island development in Reading. Catalyst would provide a low interest loan to bridge the gap between the mortgage he could secure and the outstanding remainder of the purchase price enabling him to ultimately own the property outright.

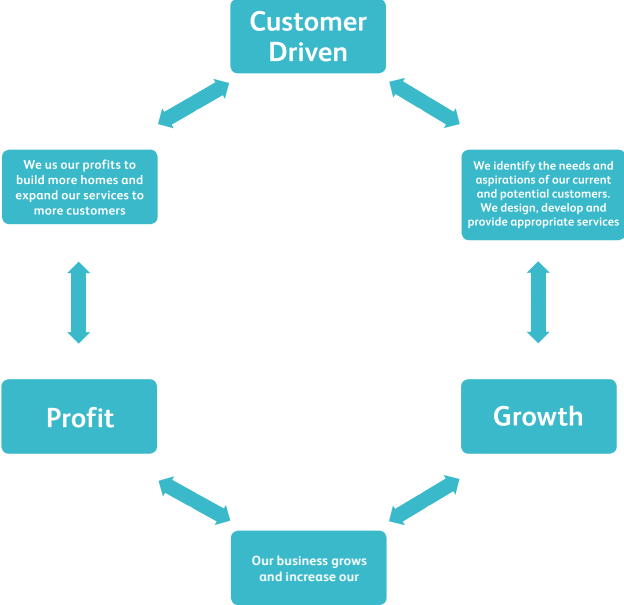
“I had been renting a property for a while, but never imagined that without a deposit I would ever be able to buy my own two bedroom, two bathroom flat,” Gavin explained.

“It is such a great scheme – and the whole process was pretty straight forward – within 8 weeks I was able to move in. My flat is on the ground floor and so my two cats, Bailey and Charlie, have direct access to the communal gardens.”



Culture change

Achieving our goals requires a different way of thinking and working. Lean systems needs people to rethink why they do what they do and the way that they do it. Focusing on what the customer wants will sometimes mean we have to challenge accepted industry practice – just saying ‘our regulator requires it’ will no longer do. We have tended to operate by ‘command and control’ when our future requires innovation, challenge and lateral thinking at all levels. Above all we want everyone to take responsibility for creating a virtuous circle of growth, profitability and customer service.



“I love this job, I love the fact that every day is something different.”

– Grace Thompson, Housing Customer Services Officer

This will not happen overnight but we have made a start. We have introduced a new system for measuring everyone’s contribution which addresses both performance and behaviour. Linked to this is a new reward scheme which creates a much stronger link between contribution and pay. We are using the competency framework that underpins all of this to drive recruitment so that we secure the skill sets and personal attributes to match the needs of our different business divisions. Managers are a key cohort in delivering change and they run a quarterly programme of conferences to monitor progress and discuss key issues. We are starting a leadership development for this

cohort in 2009 which is focused on the management and leadership required to achieve the goals in this plan. We have involved everyone in the organisation, to some extent, in the development of this plan in order to secure buy in. We will repeat and improve that process with each annual update.

People need better tools to do their job so we will be investing in a more efficient infrastructure during 2009 which will also be cheaper to run. More importantly we will be replacing our key information systems in 2009-11 and linking this to our lean systems programme so that the right systems are supporting the right processes delivering what our customers want.



Case study

“I had been looking to buy my own place for a while but it was impossible without a huge deposit, then I heard about the HomeBuy Show on the news and decided to go along to see if Catalyst could help me.”



Phylis Starkey joins Catalyst staff at the Milton Keynes HomeBuy show

Krisztine Farkas – HomeBuy show

Catalyst Housing Group – as HomeBuy Agent for Berkshire, Buckinghamshire, Oxfordshire and Surrey – holds a number of HomeBuy Shows across our areas of operation. The shows are a ‘one stop shop’ for information on all the various home ownership schemes available locally.

At the shows, attendees can talk through every aspect of the home-ownership process, from the initial application with Catalyst, finding a home through local developers and estate agents to how the legal process works with solicitors.

Thanks to a Catalyst HomeBuy Show, 35 year old nurse, Krisztine Farkas has been able to take her first step onto the property ladder in Aylesbury.

“I had been looking to buy my own place for a while but it was impossible without a huge deposit, then I heard about the HomeBuy Show on the news and decided to go along to see if Catalyst could help me.

“On the day, I sat down with someone from Catalyst who talked me through all the options available – including NewBuild HomeBuy – which seemed like the right option for me. I was then pointed in the direction of an Independent Financial Advisor who worked out exactly how much I could afford. I have since been able to buy a share in a brand new home through Circle Anglia and with the help of the solicitor I met at the show I now have my own place.

“I love my new home, and without the help of Catalyst I never would have known that it could have been mine.”

The background is a solid teal color. There are several thick, curved lines in blue, yellow, and green. A vertical light blue line runs through the center. Three white circles with black outlines are placed at the intersections of the lines: one where a dark blue line crosses the vertical line, one where a yellow line crosses the vertical line, and one where a yellow line crosses a grey line.

Supporting plans and strategies

“Catalyst has some big goals we want to achieve by 2012. To get there, operational plans and strategies are vital – they help each individual, team and department know how they can contribute towards reaching the Groups’ ambitions.”

- Maggie Pratt, Company Secretary

This is a high level plan which sets out in broad terms how we will achieve our goals. It is supported by operational plans and by key strategies which have clear objectives and measurable outcomes.

Operational Plans

Each of the companies in the Group has a detailed annual operational plan which set out how it will contribute to the three corporate priorities.

Business Plans

The Group approves a business plan each year which consolidates the business plans of the member companies. It is then regularly updated to reflect new risks, new investments and changing perceptions regarding key assumptions. It is a vital risk management, stress testing and investment tool.

Financial Strategy

How we will ensure the timely supply of adequate working capital;

anticipate and respond to credit, market, economic and other risks; and ensure an adequate return on investments.

Risk Management Strategy

How boards and the Executive Team regularly review key risks and controls, and how risk is managed at all executive levels.

Resident Involvement Strategy

How we will engage residents in formal processes and structures to help ensure that the resident perspective is always at the heart of Catalyst's decision making.

Development Strategy

How we will provide more new homes – our geographical focus, balance between developer led and Catalyst led projects, tenure balance, quality

standards, approach to sustainability, partnering, and key relationships especially with local authorities.

Intermediate Housing Strategy

How we will help more people, give them more choice, and create more mixed income communities by a range of tailored home ownership and rented solutions.

Asset Management Strategy

How we will improve our homes to the increasing satisfaction of customers and to ensure that the asset value underpinning the Group's financial strength is maintained.

Equality and Diversity Strategy

How the Group will design and deliver services in ways which ensure that all sections of the community receive appropriate, accessible and high quality services.

ICT Strategy

How we will invest in new infrastructure and information systems in order to achieve our strategic goals. Renewal of information systems will be linked to the lean systems programme.

HR Strategy

How the Group's people will be supported, involved and developed to meet the challenges of the Group's strategy and plans

Sustainability Strategy

How the Group will continuously improve all facets of its work – new construction, asset management, housing services, community regeneration, office practices – to reduce waste, reduce cost in use for customers and help realise the Group's goal of sustainable homes and communities.



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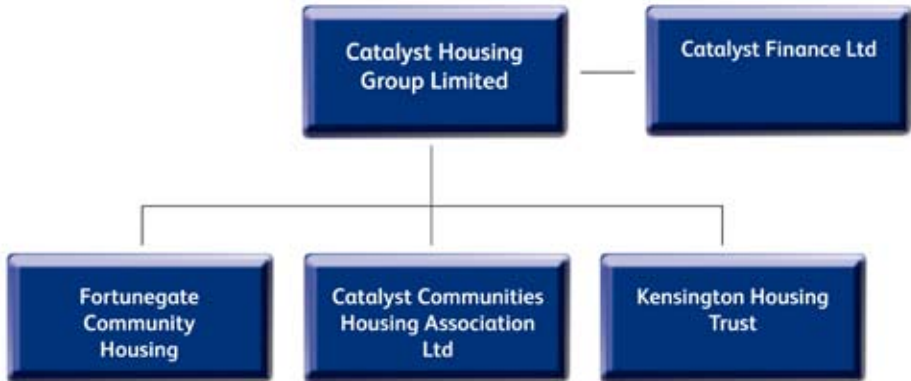
About Catalyst



Catalyst Housing Group provides more than 17,000 affordable homes in London and the South East. The Group employs over 500 staff, and we operate in the high housing demand area from central London along the Thames valley to Oxford and Reading. We provide a comprehensive range of products and services, including general needs housing, large scale regeneration, intermediate renting and home ownership solutions, sheltered and care accommodation for the elderly, special needs housing, and community regeneration.

Group structure

Our Group structure enables us to balance economies of scale with local identity and strong local relationships. The Chairs of each of the member companies sit on the Group Board as of right, along with independent directors and a nominee of the Group Residents' Federation.



Companies within the Group

Catalyst Communities

Catalyst Communities Housing Association is a regional association providing mixed tenure homes in West London, Oxford and Reading.

Fortunegate Community Housing

Fortunegate Community Housing was formed in 1998 to regenerate 1,500 homes transferred from Brent Council on the Church End and Roundwood estates in Harlesden. Fortunegate now owns and provides services to rented, shared ownership and owner occupied homes in Brent.

Kensington Housing Trust

Kensington Housing Trust provides affordable homes in the Royal Borough of Kensington and Chelsea, Hammersmith and Fulham, and Westminster. Its major challenge is the regeneration of its biggest estate, Wornington Green, in North Kensington.

Catalyst Finance Ltd

Catalyst Finance Limited is used to raise money on behalf of the whole Group, enabling member companies to borrow on terms that they could not achieve on their own.

Area of Operation



Our Boards

Boards make major decisions and comprise unpaid volunteers with a broad range of skills, experience and knowledge. The Group Board sets overall strategic direction and the Group Investment and Development Committee approves all major investments, and does so by reference to an evergreen Group business plan. There is a Group Audit Committee and a Group Treasury Committee, whose remits are risk management and financial resourcing respectively. Member companies – Catalyst Communities, Fortunegate and

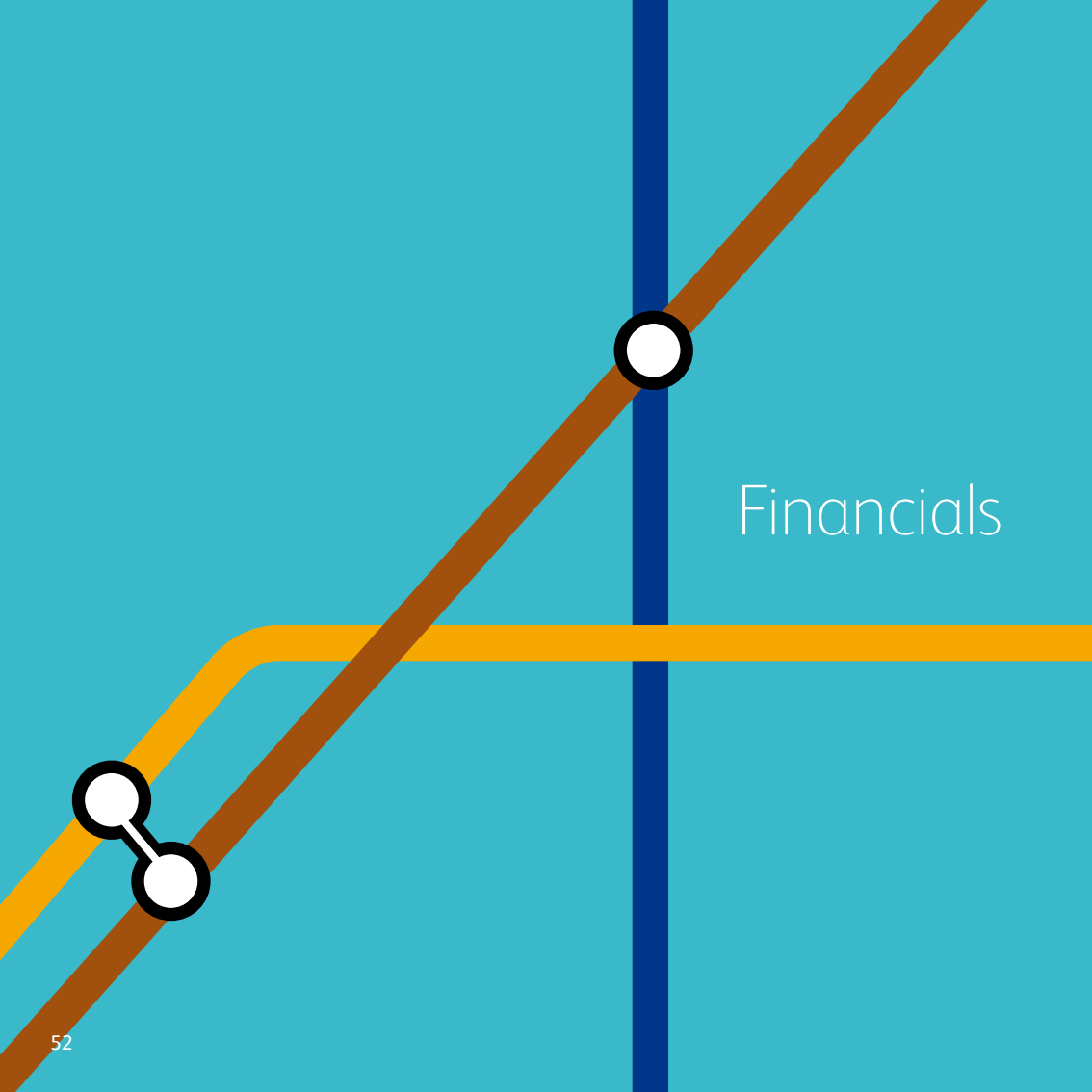
Kensington – set their own budgets and business plans within the Group strategic framework. The philosophy underpinning the Group is to combine economies of scale on finance, development, IT, HR and communications, with local decision-making on matters affecting customers and local communities. We ensure cohesion by member companies being represented on the Leadership Team and Group Board.

“Catalyst give us far more than we expected. We chose everything, we had our input. But when we actually finally moved in we could see it was wonderful, it was more than we ever expected.”

- Pauline Rosser, Chair of Page Road Residents' Association

Our Leadership Team

The Leadership Team comprises the Group Chief Executive, the Managing Director of each member company and the Group Directors of Finance, Development and Business Development and Marketing. The team meets weekly and is responsible for developing strategy and policy for Board consideration, and then for delivering objectives within approved business plans and budgets. The team runs the Group Risk Assessment Panel which recommends investments to the Group Investment and Development Committee.



Financials

The Catalyst Group is a financially strong organisation with the capacity to maintain the existing portfolio, develop new homes, invest in new business and support Group enlargement. We have generated surpluses every year and not relied upon asset disposals to pay for interest costs, which are usually more than covered by operating surpluses. We had accumulated balance sheet reserves of £132m as at the end of 2008. Our operating margin is typically about 20%.

We have a solid record of successful property development and regeneration and we have invested heavily in our stock to ensure that it at least achieves the Decent Homes Standard. This has been achieved without damaging our financial capacity, through prudent investment and a policy of limiting

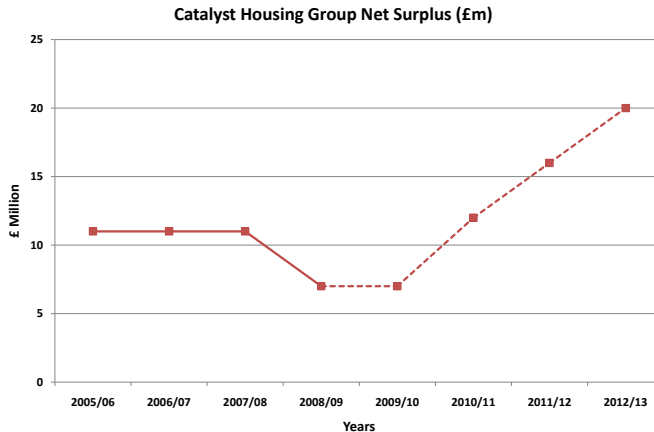
business risk within acceptable boundaries. Much of our investment reflects the delivery of promises made, for example, the completion of the £100m regeneration of the transferred Fortunegate stock, the improvements in Kensington Housing Trust's stock following the merger and in achieving the Housing Corporation's targets. Business risk is also reduced through investing in a wide range of different businesses.

We have total borrowing facilities available to us of £507m of which £150m is currently undrawn. The undrawn amounts are principally on a £350m Group facility which is set up on a cross-collateralised basis. This arrangement provides considerable flexibility in our borrowing arrangements as lending is to the Group rather than individual member companies and

the companies can therefore rely on Group security and covenants for their borrowing. We also have a £33m back up revolving facility. With one minor exception, all of our swaps are embedded so we are not exposed to margin call risks.

Catalyst's borrowing facilities are secured on some 53% of our properties. So, although market conditions for new money are very difficult at the moment, we have the capacity to secure additional borrowing and are likely to go the market in 2010.

Our objective is to increase our surplus to £20m on a sustainable basis by a combination of measures including cost control, income maximisation, diversification, treasury management, and joint ventures. The graph below illustrates the challenge that we have set ourselves.





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