Consolidated Financial Statements 2009/10

Catalyst
Housing Group

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Catalyst Housing Group Limited 31 March 2010

Contents

Catalyst Housing Group

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Board of Management
Dame Mavis McDonald DCB – Chair
Jane Carlton Smith
Kim Everitt
Yvonne Grant–Appleton
Janet Hart
David Levitt
Gerry Mackenzie
Christopher O'Leary (appointed 25/11/09)
John Sheldrick (appointed 17/02/10)

John Worby (resigned 25/11/09)
Brigid Neal (resigned 02/09/09)

Key Members of Leadership Team

Rod Cahill
Group Chief Executive

Julia Moulder
Group Director of Development

Tim Hodson
Group Finance Director

David Ellis
Group Director of Business Development and Marketing

Manpreet Dillon
Managing Director of Kensington Housing Trust

John Foxall
Managing Director of Catalyst Communities Housing Association Limited

Paul Yates
Interim Managing Director of Fortunegate Community Housing (appointed 04/05/10)

Joe Chambers
Managing Director of Fortunegate Community Housing (resigned 12/03/10)

Report of the Board of Management

Operating and Financial Review

The Board of Management presents its report on the activities, results and audited financial statements of the Catalyst Housing Group.

Principal Activities

The principal activity of the Group is the provision of affordable homes for people on low incomes in London and the South East. Our services include the maintenance of our 16,000 existing properties, the development of new housing and regeneration schemes with over 1,300 units under construction. Most of our new developments are mixed tenure with both general needs rented and low cost home ownership accommodation. We also provide sheltered housing, key worker accommodation and residential care homes and we are one of the agents for the Government's shared equity Homebuy programme, we have helped over 700 people into home ownership through the MyChoice Homebuy programme and over 70 people through the Mortgage Rescue scheme. We work in close partnership with local authorities, contractors and community groups and encourage resident participation in all levels of our decision–making, from local tenants' groups to representation on our boards. We also have a resident on the Group Board nominated by the Group Residents' Federation.

The Group comprises four main companies. Catalyst Housing Group Limited (CHGL) which provides the strategic direction and central services for the Group, and three operating companies: Catalyst Communities Housing Association (CCHA), Kensington Housing Trust (KHT) and Fortunegate Community Housing (FCH). The operating companies operate in their local geographic areas and are joint signatories to the Group Membership Agreement. This allows them a level of independence in servicing local needs, whilst benefiting from sharing the assets and resources of the Group.

Business Objectives and Strategies

The core aim of the Group is to create and sustain successful mixed tenure neighbourhoods through providing housing that is accessible to people who cannot afford open market prices. We aim to develop and maintain homes that people enjoy living in and create communities that are safe, secure and vibrant.

We have reviewed our strategy in the light of the current economic crisis and also a likely reduction in public subsidy and increasing competition in the future. We believe that we face these challenges from a position of strength with a manageable sales exposure, adequate secured finance and a structure that delivers local services and has the resources and skills to grow the Group further.

The Group identified three key strategic objectives for the period to March 2013:

- To deliver customer driven solutions for the provision of housing and services
- To increase profitability
- To grow through development and from enlarging the Group

Customer driven solutions

Our aim is to be the housing provider of choice for all new and existing properties.

Excelling at customer service is the key to growth and profitability. This means continually improving our understanding of who our customers are and what they need and want and using that information to improve what we currently do and to drive innovation. To achieve this we have continued to make significant investments in information systems, market intelligence and customer facing capacity.

As well as involving residents our ambition is to supplement this with a much more consumerist approach to the way that we devise and develop services and products. Lean Systems is predicated on listening to what our customers say when they use our services. By acting directly upon this, we will be able to provide the services and products that our customers want and in the way they want them. In doing so we will also devolve more power over services to those directly providing them, which itself

Report of the Board of Management

Customer driven solutions

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 and improvements in the way we communicate with customers. We will apply this approach across all of our service areas over the plan period in concert with aligned new information systems.

The capacity of residents to be involved in the scrutiny of services has also been developed. The Group Residents Federation (GRF) is now playing an active role in formally scrutinising services and has delivered its first two scrutiny reports, on day to day repairs and the services provided by CCHA's South East region. In addition, the GRF is now undertaking mystery shopping excercises for the group - this will support and enhance their role while potentially saving the Group money for services they would have otherwise had to commision from elsewhere.

Business Objectives and Strategies

Higher profitability

Our aim is to generate an annual net surplus of £20m by March 2013.

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.

The increase in profitability will be driven mainly by operational efficiencies and will not depend on disposals and we see much of this improvement in operating margin coming from growth and lower unit costs. We will be exacting about financial performance and added value across our range of activities and will use a lean approach to drive out waste in our systems. Our investment in development and sales and marketing resources is targeted to maximise returns from both affordable and market activities.

Our focus will be on increasing the profitability of our core businesses which will form a platform from which to invest in new activities. The Group Investment and Development Committee has a key role in approving all significant investments and acquisitions and will continue to do so within the context of our available capacity and alternative investment choices.

Growth

Our aim is to increase the size of the Group to 30,000 homes by March 2013.

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 and currently have over 2,500 properties in our development pipeline. MyChoice Homebuy sales have been a great 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 and we will continue to invest in projects that Growth are supported by conventional social housing grant. We are also contributing to the development of equity based HCA investment models. We expect the housing

Growth

market to continue to recover and we have used the recent downturn to develop a business plan for private sale development in order to support the charitable activities of the Group. This will also broaden our customer base and help to create mixed tenure, mixed income communities.

We will also actively pursue any suitable external growth opportunities. However, we will only enlarge the Group where this adds value, both financially and in terms of what we can offer customers.

Operating Review

During the year the Group maintained its focus on achieving its business objectives. The Tenant Services Authority has given the Group a Strong assessment in its 2009 annual Viability Report.

Development and Regeneration

During the year 436 new mixed tenure homes were completed comprising 228 for rent and 204 for Low cost shared ownership and 4 for outright sale. In addition, we acquired 216 units from other Registered Providers and 71 units under the Mortgage Rescue scheme.

As a developing partner with the Homes and Communities Agency we exceeded all of our 2009/10 allocation targets.

We have retained our partnering status and have received a further allocation for the 2008/11 programme amounting to £86.6million.

Most of our development is for mixed tenure in line with our objective to deliver and manage balanced communities. This is procured either using selected partners under framework agreements or through S106 agreements.

Regeneration continues to be a great part of our commitment to create viable and vibrant communities that people enjoy living in. This is evidenced by the high levels of resident satisfaction wherever we have operated.

FCH remains committed to the regeneration of the Church Road in the Brent area and negotiations are ongoing with all parties involved in this project. The regeneration plan includes the provision for shopping facilities, residential and commercial property and proposals for the creation of a safer environment.

CCHA's redevelopment of the Page Road estate in Hounslow has continued in line with its business plan and is now in its final phase with an anticipated completion date in November 2010. The project has so far provided 181 units for rent, shared ownership and outright sale with 139 units to be completed during 2010/11. Again, we are delighted that the tenants with whom we have worked are so pleased with their new homes.

The planning application for the regeneration of KHT's Wornington Green estate has now been approved by the Major Planning Development Committee at the Royal Borough of Kensington and Chelsea, the Mayor of London at the Greater London Authority and the Government Office for London. Phase One of the development will provide 324 of the total 919 new homes commencing October 2010. 174 of these homes will be for rent and 150 for sale. KHT has been allocated £19m grant funding from Homes and Communities Agency for 174 rented homes.

Report of the Board of Management

Development and Regeneration

CCHA also drew down grant to support the acquisition of the Mill Farm estate in Harrow and we were delighted to welcome the 110 tenants into the Group. The plan is to gradually redevelop the estate and replace the existing homes with 82 new homes for rent, 10 leasehold swaps, 16 shared ownership and 50 for sale.

The regeneration of the Dee Park estate in Reading will be undertaken by Catalyst as a 50:50 joint venture with Willmott Dixon. Negotiations with all interested parties have been successfully concluded and the development is expected to start on site in quarter 1 of 2010/11 providing a total of 763 rented and outright sale homes, approximately one third of which are in phase one. Later phases will include a new school and community hub.

The Group has set up Catalyst By Design as the vehicle for developing market sale to help advance our charitable objectives by generating additional financial capacity and by enabling the creation of mixed tenure and mixed income communities. We will focus initially on regeneration projects and Catalyst By Design now has significant pipeline including the first phase of Wornington Green and Mill Farm.

Housing Management

Despite the difficult current operating environment, the Group managed to sustain a high rent collection rate and its performance against targets in the level of arrears, routine repairs and tenant satisfaction is generally satisfactory. The Group’s customer contact centres continue to be a significant driver for the improvements of services to residents. They provide residents with access to a wide range of housing management services such as handling of income collection, repairs reporting and resident service enquiries. They are supported by regional offices where housing management teams are locally based.

The Business Improvement Team plays a fundamental part in the Group’s approach to service improvement, by enabling staff to change processes and services provided to our customers so that they are driven by what customers want and avoid waste.

Asset Management

During the year we invested some £21.5m in our housing stock over and above day to day maintenance. We are well on track to achieve the Decent Homes Standard during 2010, other than on the Wornington Green estate where because of the regeneration we have an extension to the end of 2014.

Resident satisfaction with the repairs service is high across the Group and we are particularly pleased with the progress we have made at KHT given the history of poor service prior to it joining the Group.

The Group is also a member of a major procurement consortium.

Community Development and Resident Involvement

Residents continue to be at the heart of service delivery improvements and have been involved in shaping the Group’s direction both operationally and strategically. The Group Residents Federation has now adopted a service scrutiny role and has completed two reviews, most recently in respect of the repairs service. They have made a number of important recommendations which are now being considered by constituent boards.

Southall Day Centre had another successful year with over 2,000 registered service users, and the Fortunegate Unity Centre has developed a Marketing Strategy to ensure the Centre is commercially viable and realises its vision as a leading hub of social enterprise and a centre for community initiatives and celebrations. Each centre has a community development programme tailored to the local needs.

CCHA continued to invest in building community capacity and in improving residents' life chances through community regeneration activities, employment and training programmes and resident involvement.

Our successful "Choices" programme brought a series of events centred on developing the skills of young people on local estates in London, while similar programmes were delivered in both Oxford and Reading. We also undertook our "Driving Forward" programme to maximise resident involvement across a wide geographical area, and finally, our "Get Learning" and "Moving into Employment" programmes involved more than 100 residents to improve their skills to obtain valuable employment.

Efficiency & Value for Money

The Group is committed to improving services and delivering them more efficiently, with customers involved in real and measurable ways in evaluating and monitoring value for money, and in deciding how efficiency savings can be re–invested.

Pursuing a comprehensive and clearly articulated value for money strategy which addresses all three pillars of the Group vision, we shall:

- Deliver a planned programme of service reviews using a cohesive service improvement methodology to improve value for our customers.
- Improve our focus on what the customer values
- Release extra capacity and resources by creating more efficient structures and business processes
- Secure economies of scale via merger and acquisition
- Maximise income and maintain prudent financial management to provide a solid foundation for growth
- Deliver sustainable development, regeneration and asset management practices
- Continue to adopt effective procurement practices
- Grow new lines of business that enable us to deliver better value to our customers
- Enrich our understanding of our costs, performance and the value of services we deliver
- Embed value for money into the planning and performance management systems within the Group

As well as engaging with regulatory expectations in respect of Value for Money, this strategy will ensure that we remain competitive while continuing to deliver good quality services and products, and that we continue to work towards meeting the efficiency targets in line with our business plan.

Operating Environment

Our Group strategy will be delivered within a general context of high economic debt, increasing competition and pressures to improve efficiency and services to our customers.

Particular challenges that we face include:

Report of the Board of Management

Operating Environment

- A reduction in future housing capital programmes as government priorities shift towards reducing the nation's debt burden;
- The rising cost of private finance to support our future growth strategy;
- Problems faced by customers in accessing appropriate mortgage products;
- A shortage of developable land as owners await an improvement in the market;
- Increasing our range of viable products to address the changing needs of our customers;
- Economic hardship for many of our customers through unemployment and other pressures;
- A likely change in the way that housing providers are funded by the Homes and Communities Agency which is likely to seek a financial return on its investment especially where this is supporting middle market and sale market housing;
- A new framework of regulation by the Tenant Services Authority;
- A target for all new homes to be zero–carbon by 2016;
- Devolution of planning and housing investment powers to the GLA to deliver around 150,000 new affordable homes in London by 2017;
- Government desire to strengthen the links between social housing and employment, in order to reduce worklessness;
- Potential change in political priorities under a coalition government following the 2010 general election and
- No rent increases in 2010/11 in line with the rent restricting formula.

Thanks to prudent investment decisions and careful financial management to date, the Group is relatively well placed to deal with the challenges in the financial and housing markets. We have approximately £165 million of unutilised loan facilities with security in place for much of this. We have a relatively small committed programme of outright sales and the first of these are in 2010/2011. We have 113 shared ownership sales to complete in 2010/2011 but have included conservative values in our budget and business plan providing a buffer against falls in values. Whilst we do have challenges to face, on balance we continue to see the current climate as presenting opportunities rather than threats.

Performance in Period

Turnover increased by 4% year on year reflecting rent restructuring and handovers of developed properties whilst costs only increased marginally compared to the previous year.

Overall the operating surplus was £5.1 million higher than last year. The increase in the operating surplus was mainly due to higher rental income and tight control of the operating costs. Last year's operating costs included one off costs for land impairment and provisions in the care sector. As a result, the operating margin increased by 4.0% to 22.5%.

The surplus on disposal of assets was marginally lower than last year.

Net interest payable across the Group amounted to £12.9 million compared with £17.7 million last year. The favourable variance to last year is mainly due to a lower weighted average cost of debt.

The result of the above is a consolidated Group surplus of £16.7 million which is £9.6 million higher than last year.

Report of the Board of Management

Performance in period

The Group needs to make surpluses to continue to maintain existing properties and, to provide new homes to meet the continuing demand for social housing in our areas of operation. Surpluses are also essential to be able to access the private finance required to fund that part of the cost of new homes not met by Social Housing Grant.

The actuarial deficit on the Group's closed defined pension scheme increased by £6.2m to 7.7m, primarily as a result of reduction in the discount rate from 6.7% to 5.5%. The Group paid £1.5m into the pension scheme in accordance with the recovery plan agreed with the trustees of the scheme. After taking into account the actuarial loss recognised in the pension scheme, the Group achieved an overall surplus of £10.6m.

Five Year Summary of Group Results

£ million	**2010**	**2009**	**2008**	**2007**	**2006**
Group Income and Expenditure Account					
Turnover	108.1	104.0	98.7	84.6	83.4
Cost of sales	(10.1)	(9.2)	(6.8)	–	–
Operating costs	(73.7)	(75.6)	(68.7)	(68.3)	(65.3)
Operating surplus	24.3	19.2	23.2	16.3	18.1
Operating margin %	22.5%	18.5%	23.5%	19.3%	21.7%
Surplus on disposal of assets	5.3	5.6	8.0	11.7	8.3
Net interest payable	(12.9)	(17.7)	(17.5)	(17.1)	(15.5)
Surplus for year	16.7	7.1	13.7	10.9	10.9
Group Balance Sheet extracts					
Housing properties at cost	1,292.9	1,157.5	1096.5	1069.0	1018.9
Social Housing Grant	(700.4)	(603.7)	(561.3)	(571.8)	(556.5)
Loans	(370.9)	(327.8)	(321.0)	(324.1)	(320.6)
Reserves	(178.9)	(169.3)	(163.7)	(139.6)	(127.1)

The Group has grown over the five year period through development activity principally funded with Social Housing Grant and bank borrowing. Operating margins have been maintained at about 22% except in 2006/07 when a significant pension deficit contribution was made and in 2008/09 when land impairment and other provisions were made. The surplus from disposals reflects shared ownership staircasing and voids disposals and in some years includes a disposal of surplus land.

Report of the Board of Management

Performance Measures

Performance indicators are monitored regularly and reviewed quarterly with the Boards. Key performance indicators include, rent arrears and collection, voids, responsive repairs, letting time and tenants satisfaction with overall service against targets. These indicators are managed at operating association level using a traffic light system identifying achievement against targets as well as the trend in performance.

Using a lean systems approach we are reviewing KPIs in order to monitor real–time performance and the impact of service improvement changes on the results.

Financial results are controlled through comparisons to budget and monitoring compliance with lenders' covenants.

Set out below is a summary of key performance indicators at the Group level

Operational performance indicators

	2010	2009	2008
% of rent loss due to voids	2.5%	2.5%	2.7%
Current arrears as % of rent debit	6.7%	6.8%	6.2%
Rent Collection as % of rent due	102%	100%	99%
Average re–let turnaround time in days	32 days	25 days	27 days
% of Homes meeting Decent homes standard	98.4%	98%	99%
% of routine repairs responded within target	97.9%	92%	95%
% of tenants satisfied with overall service	72%	72%	72%

Investment for the Future

Catalyst has invested significantly in its development pipeline and is expecting to double development starts from about 500 units to 1,000 units per annum. We will focus on quality, tenure mix and improving energy performance and are now developing our first zero carbon homes.

Regeneration is a core business and we see this as a good opportunity to work directly with customers to transform their living conditions. We will complete the regeneration of the Page Road estate in Hounslow and South Acton in Ealing in 2010/11 and will deliver phase 1 of Wornington Green regeneration as well as progressing our regeneration plans for the Church End area of Brent. We have completed negotiations for the regeneration of the Dee Park estate in Reading and this will be undertaken in a joint venture with our development partner, Willmott Dixon, to deliver 281 affordable and 482 market sale properties as well as a school and a community hub over a 10 year period.

MyChoice Homebuy has been extremely successful and we will continue to develop other intermediate products. These satisfy customer demand, generate positive financial returns and develop our relationships with local authorities, employers and partner associations creating opportunities for further growth.

Catalyst has begun a review of its organisational structure, involving board members, staff and residents. We want to ensure that our structure is fit for a very challenging future. Our structure, systems and culture must above all support our focus on the customer and so any structural changes will be accompanied by the development of a revised customer service model.

Investment for the Future

The Group will continue to drive forward with its plan to improve services. Service reviews using the lean system principles will be undertaken and our existing performance improvement and continuous improvement plans will be delivered through a revised performance management framework.

We will continue development of our approach to mixed tenure management, adjusting structures, policies and procedures as necessary. We will continue to support a holistic approach to neighbourhoods by providing community development and employment and training services.

We will continue with our programme of upgrading our stock to ensure that we continue to meet the decent homes standard, respond to the energy efficiency agenda, meet changing fire regulations, improve the public realm and respond to the needs of people with disabilities.

We will maintain good working relationships with both the Homes and Communities Agency and the Tenant Services Authority and anticipate that a continuing partnership with these bodies will support us in achieving our strategic objectives. We are developing our response to the TSA's new regulatory framework especially in relation to local service offers and we are experimenting with new ways of funding development and regeneration projects which involve using HCA grant as equity.

We are investing heavily in our information systems and have embarked on what we call our Agility Programme. This involves improvements to our infrastructure and knowledge management systems and the replacement of disparate housing management systems with one developed in partnership with an external supplier. We expect the first modules of this new system to be completed during 2010/11, the first step in what we hope will be a radical improvement in the tools used by staff and accessed by customers.

We will continue to invest in the development of a high performance culture across the Group where excellence is clearly recognised, valued and rewarded. The performance management system (Individual Contribution and Development Review) is now well embedded in our culture and we have implemented a challenging Leadership development programme for the top 60 staff in the Group.

There is plenty of opportunity for the Group to achieve its vision, provided it continues to deliver its programmes and services and actively manages the risks and threats.

Group Risks and Uncertainties

The Group formally reviews its risks twice each year with the Group Audit Committee and with the Boards.

Risks are identified against Group objectives and appropriate controls and processes put in place to address these. The key risks currently facing the Group are detailed below together with the potential impact on our strategic objectives and risk mitigation actions.

Key Risks	Potential impact on Strategic Objectives	Risk response
Economy – no growth and high public debt	Lower grant funding; counter–party risk; unemployment impacts –rent arrears, bad debts, higher repossessions; fewer first time buyers	Widen product range and suppliers, partners and lenders; monitor key KPIs; prudent business planning assumptions and sensitivities.
Housing market collapse or lower demand	Lower cross subsidy reduces capacity; unsold stock and impairments; higher borrowings; fewer lenders.	Switch tenures to rented; strong marketing and commercial skills recruited; prudent planning; risks share through JVs.
Financial markets – Lack of liquidity	Fewer lenders; new funding not available; counterparty failure; inflexible funding conditions; higher margins and re–pricing; restricted mortgage availability.	Alternative sources of funding; ensure available facilities; focus on compliance and relationships.
Political and legislative changes	Uncertainty from changes in central and local government; cost of new standards and eco targets; complexity; regulatory compliance; tax implications.	Build relationships; participate in consultations; implement zero carbon pilot.
Development programme/ project failure	Reputational damage; impairments; unsold stock; cost of planning and other delays; HCA commitments missed.	Manage partnership relationships; project evaluations and monitoring; robust procurement.

Report of the Board of Management

Financial Review

Accounting Policies

The principal accounting policies of the Group are set out in the notes to the financial statements.

Capital Structure and Treasury Policy

The Group is financed by a combination of retained reserves which are not distributable, long and medium term committed loan facilities from banks and other lending institutions and Social Housing Grant awarded by the Homes and Communities Agency to support the development activities of the Group.

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

The central treasury function operates within a Group Treasury policy approved by the Board and compliance is monitored through the regular reporting of treasury activities to the Treasury Committee. The policy precludes entering into foreign exchange transactions, and restricts the investment of surplus cash to both maximum amounts with a single institution and to investment grade institutions.

The Group's funding requirements are met by raising funds in the most favourable markets with the desired profile between fixed and variable interest rates being achieved by entering into swap arrangements. At the financial year end, the Group had 58% of its loans with fixed rate interest of more than one year. With one minor exception all swaps are embedded in the underlying loans.

The maturity profile of Group debt is established to reflect the long term nature of the Group's assets and to reduce financing risk by staggering the repayment of principal. The current policy is for not more than 15% of the fixed rate loans to mature in any one financial year.

The Group operates systems to ensure that all relevant assets and liabilities are taken into account on a Group wide basis when making these decisions. This portfolio approach to financial risk management enables our activities in these areas to be carried out effectively and efficiently.

Cash Flows

The principal cash out flow of the Group is on its development and asset management activities, on which it expended £151.2 million in the year, £91.4 million higher than in the previous year. This additional spend was partly funded by a significant grant receipts of £144.8 million. The change to net debt in the year was an increase of £15.1 million.

Current Liquidity

At 31 March 2010 the Group held cash and deposits of £44.4 million and had drawn on £371 million of its £534 million committed long term loan facilities. The main Group facility is arranged on a cross–collateralised basis together with group covenants relating to interest cover and gearing. Throughout 2009/10, we have been comfortably within the covenants set by all lenders to the Group's companies.

Report of the Board of Management

Corporate Governance

Catalyst Housing Group Board of Management

The Catalyst Housing Group Board of Management determines and monitors the strategic direction of the Group, sets corporate targets and monitors performance against those targets and upholds the Group's aims and values. It comprises the Chairs of the Member Companies, the Chair of the Group Audit Committee, the Chair of the Group Treasury Committee, a nominee of the Group Residents Federation, and three Independents. The intention of the Group Membership Agreement is that the Member Companies act with a high degree of autonomy within the framework referred to above.

Each of the Member Companies has its own Board set up in accordance with its own rules. These Boards develop the business strategies and plans for their companies within the Group framework and decide local policies.

Details of the Group members' Boards can be found in the individual financial statements of the member organisations. Catalyst Housing Group Limited members are listed on page 4 of these financial statements.

Role of the Group Board of Management

The Catalyst Housing Group Board of Management currently comprises 9 non–executive members and meets with the Leadership Team at least five times a year. The composition described above is intended to ensure that it is driven by the needs of the member companies, informed by resident views, and enlivened by independent perspectives.

The Board of Management has adopted the recommendations contained in the National Housing Federation (NHF) Excellence in Governance, Code for Members published in February 2009, where appropriate.

The Board of Management is committed to integrity and accountability in the stewardship of the Group's affairs and considers that the Group has complied throughout the period under review with the provisions of the NHF's Code of Governance.

Sub–Committees

The Group Board has one sub–committee:

Catalyst Housing Group Audit Committee

The role of this Committee is to monitor the integrity of financial statements, review the effectiveness of internal control systems, including management, operational and financial controls and to monitor the Group's risk management systems. As part of this work the committee monitors the terms of appointment and work of both the internal and external auditors and has a direct and regular line of communication with the auditors.

Group Committees

The Group has two Committees which are Committees of all the Registered Provider Group Members:

Group Treasury Committee

The role of this Committee is to provide oversight of Treasury matters.

Group Investment Development Committee

The role of this Committee is to approve major development and regeneration investments and monitor overall commitments in order to ensure that the Group is using its capacity effectively.

Leadership Team

The key members of the Leadership Team are listed on page 2. They act as executives within the authority delegated by the Board of Management, which includes detailed scrutiny of performance, the development of policy and procedures, and expenditure approvals within budget. The team meets at least once a month.

The Board is responsible for determining the terms and conditions of the leadership team, ensuring that they are fairly rewarded for their contribution to the Group's overall performance. The general terms and conditions of service of the leadership team are identical to those of all other staff, and they hold no interest in any of the Group's share capital.

Statement of Internal Controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control of all companies including unregistered subsidiaries, and for reviewing its effectiveness and its management of fraud.

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

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the Turnbull Guidance as incorporated in the Housing Corporation circular 07/07 (withdrawn 1 April 2010).

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

Internal Controls Assurance

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

Report of the Board of Management

Control Environment

The Board retains responsibility for a schedule of matters covering strategic, operational, financial, and compliance issues. The Board has adopted a code of governance based on the NHF's recommendations. This sets out the Group's policies with regard to the quality, integrity and conduct of its employees. It is supported by a framework of policies and procedures with which employees must comply. This, together with the Standing orders and associated policies cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection.

Identification and Evaluation of Key Risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on–going process of management review in each area of the Group's activities. This process is co–ordinated through a reporting framework to the Group's Board. The Leadership Team regularly considers reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Monitoring and Corrective Action

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

Information and Financial Reporting Systems

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

The internal control framework and risk management process are subject to regular review by Internal Auditors who are responsible for providing independent assurance to the Board through the Group Audit Committee. The Group Audit Committee reviews reports received from internal auditors on the extent to which internal controls continue to take account of the major risks facing the Group. A formal process exists for the reporting and correction of significant control weaknesses.

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

The Board confirms that there is an on–going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place

Information and Financial Reporting Systems

throughout the year under review, up to the date of the annual report, and it is regularly reviewed by the Board. As part of this review, the Board reviews the fraud register on a regular basis. The executive has a duty to report to the Board all cases of fraud and attempted fraud, detailing the nature and extent of the fraud and any implications for the Association and Group's internal controls.

Employees

Information on the costs and number of employees is provided in note 5 to the financial statements.

The Group maintains a policy of regularly providing all employees with information on the association's performance and of the financial and economic factors affecting the association. The Group consults employees on organisational change and changes to conditions of service but also on changes in strategy and priorities.

It is the Group's policy to consider all applicants for employment in the light of their abilities, skills and medical status to ensure that they may perform their functions without risk to their health or that of others. An employee becoming disabled is, where appropriate, offered retraining. Group policy promotes career development and training to all employees.

Charitable Donations

During the year the Group made donations of £23,000 (2009: £18,931) to unrelated parties. Charitable donations to unrelated parties were made for the following purposes: £18,000 to the Action Acton regeneration charity and £5,000 to Save the Children for the Haiti disaster fund.

Going Concern

The Board of Management has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

A resolution for the re–appointment of BDO LLP as auditors of the Association and Group is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to the auditors

The members of the Board of Management who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each member has taken all the steps that he/ she ought to have taken as a member of the Board of Management to make himself/ herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Report of the Board of Management

Statement of Responsibilities of the Board of Management

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the association for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social landlords (2008) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (2008).

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

On Behalf of the Board of Management

Dame Mavis McDonald DCB, Chair

28 July 2010

Independent auditors report to the members of Catalyst Housing Group Limited

We have audited the financial statements of Catalyst Housing Group Limited for the year ended 31 March 2010 which comprise the consolidated and association income and expenditure accounts, the consolidated and association balance sheets, the consolidated statement of total recognised surpluses and deficits, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of responsibilities of the Board.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Group has not kept proper accounting records, a satisfactory system of control over transactions has not been maintained, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Report of the Board, and consider whether it is consistent with the audited financial statements. This other information comprises only the chairman's statement and the operating and financial review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and Section 9 of the Friendly and Industrial and Provident Societies Act 1968 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the above statutes or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the Group and Association financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Association's affairs as at 31 March 2010 and of their results for the year then ended; and
- Have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial & Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 (to 31 March 2010), the Housing and Regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

BDO Stoy Hayward LLP

BDO LLP, statutory auditor
Epsom, Surrey, United Kingdom
6th August 2010

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

Consolidated and association income and expenditure accounts

year ended 31 March 2010

		Group		Association	
		2010	2009	2010	2009
	note	£000	£000	£000	£000
Turnover	2	108,140	104,025	13,847	12,957
Cost of sales	2	(10,167)	(9,213)	–	–
Operating costs	2	(73,649)	(75,598)	(13,805)	(12,906)
Operating surplus	2	24,324	19,214	42	51
Share of Joint venture (JV) operating profit/(loss)	14	–	–	–	–
Surplus on sale of fixed assets	6	5,190	5,033	9	–
Redemption of HomeBuy loans	6	170	594	–	–
Interest receivable		68	252	5	21
Interest payable and similar charges	7	(12,789)	(17,739)	(7)	(47)
Other finance costs	27	(231)	(253)	–	–
Surplus on ordinary activities before tax	6	16,732	7,101	49	25
Tax on surplus on ordinary activities	8	–	–	–	–
Surplus for year	23	16,732	7,101	49	25

All amounts relate to continuing activities.
Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Consolidated statement of total recognised surpluses and deficits

		Group	
	note	2010	2009
		£000	£000
Surplus for the financial year		16,732	7,101
Actuarial (loss) recognised in the pension scheme	27	(6,168)	(1,142)
		–	
Total surplus recognised since last annual report		10,564	5,959

The notes on pages 26 to 58 form part of these financial statements.

Consolidated and association balance sheets
as at 31 March 2010

		Group		Association	
		2010	2009	2010	2009
Tangible Fixed assets	*note*	**£'000**	**£'000**	**£'000**	**£'000**
Housing properties					
Cost	9	1,292,920	1,157,521	–	–
Less: Social Housing Grant	9	(700,445)	(603,696)	–	–
Less: Other capital subsidies	9	(40,481)	(38,499)	–	–
Depreciation	9	(30,105)	(25,548)	–	–
		521,889	489,778	–	–
Other tangible fixed assets	10	9,413	8,577	1,067	739
		531,302	498,355	1,067	739
Intangible assets					
Deferred assets	11	–	1,304	–	–
		531,302	499,659	1,067	739
Investments					
Investment in Group undertakings	12	–	–	–	–
HomeBuy Investments	13	32,993	18,519	31,704	17,066
Investment in joint venture					
Gross assets	14	1,410	626	–	–
Gross liabilities	14	(32)	(64)	–	–
		1,378	562	–	–
Current assets					
Properties developed for sale	15	21,063	21,478	–	–
Debtors	16	13,209	11,566	1,008	1,540
Cash on deposit		34,380	5,882	310	630
Cash at bank and in hand		10,038	7,021	1	9
		78,690	45,947	1,315	2,179
Creditors: amounts falling due within one year	17	(72,132)	(52,364)	(4,069)	(2,762)
Net Current (liabilities)/assets		6,558	(6,417)	(2,754)	(583)
Total assets less current liabilities		572,231	512,323	30,021	17,222
Creditors: amounts falling due after more than one year	18	385,010	340,227	29,903	17,153
Pension liability	27	7,651	2,763	–	–
Capital and Reserves				–	–
Share capital	22	–	–	–	–
Designated reserves	23	3,855	5,443	–	–
Restricted reserves	23	1	1	–	–
Negative Goodwill	23	30,247	30,574	–	
Revenue reserve	23	145,467	133.315	118	69
		179,570	169,333	118	69
		572,231	512,323	30,021	17,222

Consolidated and association balance sheets

as at 31 March 2010

In view of the constitution of the Association all shareholdings relate to non–equity interests, as disclosed in note 22.

The notes on pages 26 to 58 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Management on 28 July 2010 and were signed on its behalf by:

Dame Mavis McDonald DCB
Chair

Gerry Mackenzie
Board Member

Maggie Pratt
Company Secretary

Consolidated cash flow statement

year ended 31 March 2010

		Group			Group	
		2010	**2010**		**2009**	**2009**
	note	**£'000**	**£'000**		**£'000**	**£'000**
Net Cash Inflow from Operating Activities	24(a)		17,059			25,806
Returns on Investments and Servicing of Finance						
Interest received		67			252	
Interest paid		(13,726)			(16,986)	
Net cash outflow from Returns on Investment and Servicing of Finance			(13,659)			(16,734)
Capital Expenditure and Financial Investment						
Construction and purchase of housing properties		(151,242)			(59,794)	
Capital Grant received		144,760			45,059	
Purchase of other fixed assets		(1,627)			(381)	
Proceeds from sale of fixed asset properties		8,753			7,978	
Net loans (provided)/redeemed under HomeBuy arrangements		(19,180)			(12,189)	
Net Cash outflow from Capital Expenditure and Financial Investment			(18,536)			(19,327)
Cash outflow before Financing			(15,136)			(10,255)
Loans received		53,000		29,500		
Loan repaid		(9,910)		(24,189)		
Net Cash inflow from financing	24(b)		43,090			5,311
Increase/(decrease)/in cash in the year	24(c)		27,954			(4,944)

The notes on pages 26 to 59 form part of these financial statements

Notes to the financial statements

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with Generally Accepted Accounting Standards, the Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords 2008", the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Industrial and Provident Societies Acts 1965 to 2002.

A summary of the accounting policies is set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the association and its subsidiary undertakings made up to 31 March 2010. A list of the principal undertakings of the association is included in note 12.

Goodwill and negative goodwill

Goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation/ business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Negative goodwill is included within reserves and released to the income and expenditure account over the period of 100 years.

Turnover

Turnover represents rental income and service charge income receivable, proceeds from first tranche shared ownership sales, fees and revenue grants from local authorities and The Homes and Communities Agency, management fees receivable and miscellaneous income.

All income is recognised on a receivable basis and sales of property are recognised at completion.

Accounting for Supporting People

Block gross contracts are interim contracts used by local authorities for providers who deliver short–term services i.e. those which aim to deliver independent living within two years, or which aim to resolve specific needs within two years, or offer a time–limited programme of support under two years intended duration. The income is invoiced annually in advance based on contract price and is receivable from Administrative Authorities in instalments in advance.

Income receivable and costs incurred from block gross contracts are recognised on receivable basis and are included within "Other social activities" and are described as "Supporting people contract income".

Block subsidy contracts are contracts, which are used for chargeable services where the provider collects the charges. The provider will receive Supporting People grant for eligible service users and will collect charges from other service users through a separate support agreement.

Income receivable and costs incurred from block subsidy contracts are recognised on receivable basis and are included within "Other social activities" and are described as "Other supporting people income".

Notes to the financial statements

Housing properties and depreciation

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Housing properties in the course of construction are stated at cost and are transferred to completed properties when they are ready for letting.

Shared ownership housing properties under fixed assets include Intermediate rent units and Rent to buy units.

Freehold land is not depreciated. Depreciation is charged in respect of freehold housing properties over their estimated useful lives of between 50 and 100 years.

Properties held on long leases are depreciated over their estimated useful lives or the life of the lease, if shorter.

An impairment review is undertaken annually. If housing properties have suffered impairment, the appropriate fall in value is recognised after deducting any Social Housing Grant and is charged to the income and expenditure account. Impairment provisions are not made where a planned subsidy meets internal criteria set by the Group for approval of such schemes.

Housing properties built on behalf of other housing associations for outright sale are included under current assets and stated at the lower of cost and net realisable value.

Capitalisation of interest and administration costs

Interest on the Group's borrowings to finance its development programme is capitalised in housing properties under construction up to the date of practical completion of individual schemes. Interest is capitalised at the average cost of borrowing.

The Group companies have no development staff costs of their own, but capitalise development fees charged by the parent association, when they are directly attributable.

Major repairs expenditure

Major repairs expenditure on housing properties is capitalised to the extent the repairs are improvements in accordance with the SORP (i.e. where expenditure leads to an increase in the net rental stream over the life of the property and is therefore an enhancement of the economic benefits of the asset in excess of the previously assessed standard of performance anticipated when the assets were first acquired, constructed, last replaced or revalued). An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance, or a significant extension of the life of the property. All other major repairs expenditure is charged to the Income and Expenditure account as incurred.

Shared ownership and staircasing

Under Shared Ownership arrangements, the Group disposes of a long lease to the occupier at a lease premium equal to between 25% and 75% of the value. The occupier has the right to purchase further proportions up to 100%. A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset and stated at the lower of cost and net realisable value; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties. Proceeds of sale for first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold ("staircasing") are reflected in the income and expenditure account as a surplus or deficit on sale of housing properties.

Social Housing Grant

Social Housing Grant (SHG) is paid by the Homes and Communities Agency to subsidise the cost of housing properties and is included in fixed assets. SHG is recycled on disposal of a property and is credited to a Recycled Capital Grant Fund, which is included as a creditor due within one year or due after more than one year, as appropriate.

Other grants

Other grants include other capital subsidies from local authorities and other organisations, primarily Estate Renewal Challenge Fund. Capital subsidies are treated in the same way as SHG and are utilised to reduce the capital costs of housing properties.

Grant received in respect of revenue expenditure is credited to the income and expenditure account in the same period as to the expenditure to which it relates.

Other Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged over the expected economic useful lives of tangible fixed assets at the following annual rates to write off their cost less estimated residual values:

Freehold office buildings	2% per annum on a straight line basis
Leasehold improvements	2% per annum on a straight line basis or duration of the lease if shorter
Office furniture and equipment	Over 5 years
Computer equipment	Over 3 years

Depreciation is calculated in the month of purchase and not in the month of disposal.

Deferred income

The Group holds premiums on debt issues and other contributions to future expenditure made by third parties as deferred income. The income is released to the income and expenditure account over the period when the expenditure to which it relates is incurred.

Deferred assets

The Group has a portfolio of index–linked and deferred interest loans. The loans in the balance sheet are recorded at the indexed value for index linked loans and at the full liability value for deferred interest loans. The deferred asset (note 12) represents the cumulative effect of annual revaluation of indexed linked loans and the deferred element of interest on deferred interest loans. This will be amortised over the remaining term of the loan in line with the loan repayment.

Homebuy loans and grant

Under these arrangements the Group receives Social Housing Grant representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Group under these arrangements are disclosed in the investments section of the balance sheet.

In the event that the property is sold on 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 property. If there is a fall in the value of the property the shortfall of proceeds is offset against the recycled grant.

MyChoice Homebuy is a charitable scheme designed to help first time buyers and keyworkers get on the property ladder. The Association tops up the first mortgage with a second loan of no more than 50% of the value of their property and no less than 15%. The homebuyer will have complete ownership of the property. Equity loans are part funded by the Homes and Communities Agency grant in a matched funding agreement. The homebuyer will pay an interest charge on the outstanding amount of the full equity loan. After 12 months, Homebuyers will be entitled to redeem this loan subject to certain criteria.

Investment in Joint Venture

In accordance with FRS9, Associates and Joint Ventures, The Group's investment in Dee Park LLP, a joint venture partnership with Inspace Partnership, is shown under investment in the Balance sheet and discloses the Group's share of Joint venture's gross assets and liabilities. The Group's share of Joint venture profit or loss for the year is included in the Income and expenditure account. The investment is made by way of a subordinated loan attracting interest at market rate. The payment of the interest is deferred until completion of the project. Interest receivable is accrued to the extent that there is a reasonable expectation that it can be received in line with the terms of the loan.

Notes to the financial statements

Properties developed for sale

Housing properties built on behalf of other housing associations and properties developed under first tranche shared ownership arrangements are included under current assets and are stated at the lower of cost and net realisable value.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue cost less unamortised issue costs.

Maintenance sinking funds

Agreements have been established with certain London boroughs to fund specified major maintenance work by setting aside annually, by way of transfers to designated reserves, known as sinking funds, a proportion of the market rents receivable. The adequacy of these is reviewed regularly.

Designated reserves

Where funding has been received from bodies other than the Housing Corporation, amounts have been transferred to designated reserves in respect of major repairs, in accordance with individual funding arrangements.

Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

Retirement benefits

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.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus or deficit (to the extent that it is recoverable) is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Special needs projects managed by agents

The Group owns properties in respect of hostel schemes, which are run by outside agencies. Where the agencies carry the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Group. Other income and expenditure of the hostels is excluded from the income and expenditure account.

The Group monitors the agencies and maintains the properties for which it charges a management fee.

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

The Group	2010 Turnover £'000	2010 Cost of sales £'000	2010 Operating costs £'000	2010 Operating surplus/ (deficit) £'000
Social Housing income and expenditure from lettings (note 3)	87,720	–	(65,806)	21,914
Other social housing lettings				
Supported people contract income	57	–	(42)	15
Other supporting people income	417	–	(653)	(236)
Marketing	675	–	(63)	612
Shared Ownership first tranche sales	10,265	(10,167)	–	98
Interest and Fees on MyChoice HomeBuy	3,394	–	(871)	2,532
	102,528	(10,167)	(67,435)	24,926
Non social housing activities				
Nursing Care	3,706	–	(3,864)	(158)
Other	1,906	–	(2,350)	(444)
TOTAL	108,140	(10,167)	(73,649)	24,324

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

The Group	2009 Turnover £'000	2009 Cost of sales £'000	2009 Operating costs £'000	2009 Operating surplus/ (deficit) £'000
Social Housing income and expenditure from lettings (note 3)	85,417	–	(67,453)	17,964
Other social housing lettings				
Supported people contract income	119	–	(116)	3
Other supporting people income	377	–	(584)	(207)
Marketing	718	–	(374)	344
Shared Ownership first tranche sales	10,033	(9,213)	–	820
Interest and Fees on MyChoice HomeBuy	2,016	–	(1,030)	986
	98,680	(9,213)	(69,557)	19,910
Non social housing activities				
Nursing Care	3,790	–	(4,283)	(493)
Other	1,555	–	(1,758)	(203)
TOTAL	104,025	(9,213)	(75,598)	19,214

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

	Association			Association		
	2010	2010	2010	2009	2009	2009
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Other income and expenditure						
Management services	7,042	(6,963)	79	7,330	(7,349)	(19)
Marketing	3,411	(5,971)	(2,560)	3,610	(4,524)	(914)
Interest and Fees on MyChoice HomeBuy	3,394	(871)	2,523	2,017	(1,033)	984
TOTAL	13,847	(13,805)	42	12,957	(12,906)	51

3. Income and expenditure from social housing lettings

Group

	General needs	Key workers	Shared ownership	Supported & housing for older people	Leased properties	Care	Other	**Total 2010**	**Total 2009**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover from lettings									
Rents net of identifiable service charges	50,644	2,983	8,262	2,113	2,789	9,414	1,276	77,481	75,787
Service charges receivable	4,049	1,436	4	909	2	–	162	6,562	6,040
Net rents receivable	54,693	4,419	8,266	3,022	2,791	9,414	1,438	84,043	81,827
Revenue grants from local authorities and other agencies	455	–	–	–	–	–	–	455	500
Management fee and Day Care Centre income	28	–	365	–	–	2,077	–	2,470	2,466
Other	225	–	351	167	5	–	4	752	624
Income from social housing lettings	55,401	4,419	8,982	3,189	2,796	11,491	1,442	87,720	85,417
Expenditure on lettings									
Management	(8,135)	(563)	(2,741)	(595)	(377)	(12,289)	(131)	(24,831)	(24,707)
Services	(5,527)	(1,276)	(8)	(867)	(28)	(32)	(133)	(7,871)	(8,044)
Routine maintenance	(8,017)	(526)	(4)	(232)	(214)	(294)	(60)	(9,347)	(9,666)
Planned maintenance	(4,546)	(76)	(3)	(5)	(13)	–	–	(4,643)	(5,444)
Major repairs expenditure	(8,615)	(177)	(3)	(1,076)	(175)	(217)	(26)	(10,289)	(7,903)
Rent losses from bad debts	(454)	(32)	(55)	5	(80)		(27)	(643)	(517)
Financing costs on leased properties	–	–	–	–	(824)	–	–	(824)	(2,495)
Rent payable to landlords	–	–	(6)	(18)	(1,219)	–	–	(1,243)	(1,672)
Depreciation housing properties	(2,929)	(192)	(596)	(90)	(92)	(481)	(188)	(4,505)	(4,315)
Depreciation other fixed assets	(787)	–	(2)	–	–	(2)	–	(791)	(727)
Impairment	–	–	–	–	–	–	–	–	(1,731)
Other	(641)	(19)	(2)	(15)	(142)	–	–	(819)	(232)
Operating costs on social housing lettings	(39,651)	(2,861)	(3,420)	(2,893)	(3,164)	(13,252)	(565)	(65,806)	(67,453)
Operating surplus/(deficit) on social housing letting activities	15,750	1,558	5,562	296	(368)	(1,761)	877	21,914	17,964
Rent losses from voids	(456)	(602)	(110)	(106)	(24)	(343)	(497)	(2,138)	(2,910)

4. Directors' emoluments and expenses

The directors are defined as the members of the Board of Management, the Group Chief Executive of the Catalyst Housing Group and key members of the Leadership Team as disclosed on page 4. None of the members of the Board of Management received any emoluments (2009: nil).

In the Association, directors are identified as senior executives who are also members of the Leadership Team.

As a member of the Group pension scheme (see note 27) the pension entitlement of the Chief Executive is identical to those of other members.

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Aggregate emoluments payable to the directors (including pension contributions and benefits in kind)	850	892	538	642
Payment to directors as compensation for loss of office	–	83	–	83
Emoluments payable to the Chief Executive (excluding pension contributions but including benefits in kind)	159	157	159	157
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	159	157	159	157
Pension contributions payable to the highest paid director	15	15	15	15
Total expenses reimbursed to the directors not chargeable to income tax	8	5	3	4

5. Employee information

	Group		Association	
	2010 Number	2009 Number	2010 Number	2009 Number
The average monthly number of persons expressed in full time equivalents during the year was:				
Office staff	377	352	156	141
Wardens, caretakers, cleaners and care staff	161	149	–	–
	538	501	156	141

	2010	2009	2010	2009
Staff costs (for the above persons)	£'000	£'000	£'000	£'000
Wages and salaries	17,500	16,433	6,963	6,451
Social security costs	1,708	1,672	716	667
Other pension costs	809	758	380	375
	20,017	18,863	8,059	7,493

6. Surplus on ordinary activities before tax

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Is stated after charging/(crediting):				
Depreciation – housing properties (note 9)	4,777	4,464,	–	–
Depreciation – other fixed assets (note 10)	791	747	558	504
Group Auditors' remuneration				
– In their capacity as auditors	109	120	21	26
– In respect of other services	12	33	3	16
Surplus on sale of fixed assets	(5,190)	(5,033)	9	–
Redemption of HomeBuy loans	(170)	(594)	–	–
Operating lease charges for land and buildings	2,151	2,586	–	–
Operating lease income	(296)	(296)	–	–
Amortisation of negative goodwill (note 23)	(327)	(327)	–	–

The net proceeds on disposal received for the Group in 2010 was £8,822,000 (2009: £8,091,000) against net book value of properties of £3,444,000 (2009: £2,888,000) and other costs of £188,000 (2009: £170,000). The surplus on the redemption of homebuy loans amounts to £170,000 (2009: £594,000) and is derived from total proceeds of £5,083,000(2009: £4,704,000) against net book value of assets of £4,913,000 (2009: £4,110,000).

7. Interest payable and similar charges

Group	2010 £'000	2009 £'000
On loans repayable wholly or partly within than 5 years	1,290	3,286
On loans repayable wholly or partly in more than 5 years	12,263	14,578
On indexed linked loans and deferred interest loans:		
Interest paid	88	911
Interest deferred	399	545
Indexation	(174)	39
Sundry loan costs	607	382
	14,473	19,741
Less:		
Capitalised in housing properties (note 9)	(2,408)	(2,444)
Charged to operating costs in respect of leased properties (note 3)	(824)	(2,495)
Transfer from deferred assets – index linked loan (note 11)	998	1,291
Transfer from deferred assets – deferred interest loan (note 11)	306	292
Transfer to Recycled Capital grant fund (note 19)	159	1,227
Transfer to Disposal Proceeds fund (note 20)	9	57
Amortisation of loan issue costs	76	70
	12,789	17,739

Association	2010 £'000	2009 £'000
On loans repayable wholly or partly within than 5 years	7	47
	7	47

8. Tax on surplus on ordinary activities for the year

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
The charge is based on the assessable results for the year and comprises:				
UK Corporation tax:				
Current tax on income for the year	–	–	–	–
Adjustment in respect of prior years	–	–	–	–
Total tax charge	–	–	–	–

Factors affecting tax charge for the current year

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Surplus on ordinary activities before taxation	16,732	7,101	49	25
Current tax at 28% (2009: 28%)	4,683	2,130	14	8
Effects of:				
Surplus subject to charitable exemption	(4,699)	(1,899)	(14)	(8)
Tax losses carried forward	14	14	–	–
Tax losses brought forward		(245)	–	–
Expenses not deductible for tax purposes	–	–	–	–
Depreciation for the period in excess of capital allowances	–	–		
Total current tax charge (see above)	–	–	–	–

Non–charitable Group undertakings that were liable for corporation tax during the year ended 31 March 2010 included Barnet Community Homes Limited, Catalyst Finance Limited, Vintage Care Limited, Page Road Developments Limited, Dee Park Developments (Catalyst) Ltd, Catalyst By Design Ltd and Catalyst Developments (Brent) Limited.

9. Tangible fixed assets

Group

	Completed housing properties held for letting £'000	Housing properties under constructtion £'000	Completed shared ownership housing properties £'000	Shared ownership housing properties under constructtion £'000	Key worker housing properties held for letting £'000	Total £'000
Cost						
At 1 April 2009	877,673	58,422	173,849	16,718	30,859	1,157,521
Reclassifications	(9,124)	(203)	5,569	–	(572)	(4,330)
Additions – Construction costs	–	65,419	–	35,977	–	101,396
Additions – New properties	16,844	–	16,545	–	–	33,389
Additions – Existing properties	7,078	–	1,713	–	26	8,817
Schemes completed	46,270	(46,270)	25,969	(25,969)	–	–
Disposals – Transfer to properties developed for sale	–	–	(311)	–	–	(311)
Disposals – staircasing	–	–	(2,407)	–	–	(2,407)
Disposals – other	(1,155)	–	–	–	–	(1,155)
At 31 March 2010	**937,586**	**77,368**	**220,927**	**26,726**	**30,313**	**1,292,920**
Social Housing Grant						
At 1 April 2009	463,568	44,583	85,827	8,270	1,448	603,696
Reclassifications	(2,433)	(200)	(1,121)	–	(474)	(4,228)
Schemes completed	38,582	(38,582)	11,442	(11,442)	–	–
Received during year	16,250	61,968	10,736	13,866	–	102,820
Disposals	(784)	–	(1,059)	–	–	(1,843)
At 31 March 2010	**515,183**	**67,769**	**105,825**	**10,694**	**974**	**700,445**
Other capital subsidies						
At 1 April 2009	37,198	1,301	–	–	–	38,499
Reclassification	1,301	(1,301)	–	–	–	–
Additions	–	1,613	–	487	–	2,100
Disposals	(118)	–	–	–	–	(118)
At 31 March 2010	**38,381**	**1,613**	**–**	**487**	**–**	**40,481**
Depreciation						
At 1 April 2009	21,711	–	2,465	–	1,372	25,548
Reclassification	(232)	–	185	–	(55)	(102)
Charge for year	3,865	–	720	–	192	4,777
Disposals	(31)	–	(87)	–	–	(118)
At 31 March 2010	**25,313**	**–**	**3,283**	**–**	**1,509**	**30,105**
Net book value:						
At 31 March 2010	**358,709**	**7,986**	**111,819**	**15,545**	**27,830**	**521,889**
At 31 March 2009	**355,196**	**12,538**	**85,557**	**8,448**	**28,039**	**489,778**

9. Tangible fixed assets

Additions to housing properties include interest payable of £2,408,000 (2009: £2,444,000) which was capitalised during the year. Cumulative capitalised interest included in housing properties is £18,604,000 (2009: £16,196,000). Improvements to existing properties capitalised during the year were £6,600,000 (2009: £6,580,000) and the total charged to the Income and Expenditure account for the year was £14,932,000 (2009: £13,729,000). Costs accumulated and depreciation of assets held for use in operating leases were £10,355,000 (2009: £10,351,000) and £64,000 (2009: £42,000) respectively. Housing properties of £521,889,000 comprise Freeholds of £436,889,000 (2009: £404,778,000) and Long Leaseholds of £85,000,000 (2009: £85,000,000). Total cumulative social housing grant receivable is £700,445,000 (2009: £603,696,000) which is all in housing properties with no amounts charged to income and expenditure.

10. Other fixed assets

Group

	Freehold office premises	Freehold commercial premises	Leasehold office premises	Leasehold other	Furniture & computer equipment	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 1 April 2009	2,359	5,067	1,974	110	4,346	13,856
Additions in year	84	615	–	–	928	1,627
At 31 March 2010	2,443	5,682	1,974	110	5,274	15,483
Depreciation						
At 1 April 2009	363	907	751	2	3,256	5,279
Charge for year	25	62	94	2	608	791
At 31 March 2010	388	969	845	4	3,864	6,070
Net book value:						
At 31 March 2010	2,055	4,713	1,129	106	1,410	9,413
At 31 March 2009	1,996	4,160	1,223	108	1,090	8,577

10. Other fixed assets

Association	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2009	664	2,670	3,334
Additions in year	–	886	886
At 31 March 2010	664	3,556	4,220
Depreciation			
At 1 April 2009	504	2,091	2,595
Charge for year	127	431	558
At 31 March 2010	631	2,522	3,153
Net book value:			
At 31 March 2010	33	1,034	1,067
At 31 March 2009	160	579	739

11. Deferred assets

Group	2010 £'000	2009 £'000
Index linked loans		
At 1 April	998	2,289
RPI addition for the year (note 7)	(998)	(1,291)
At 31 March	–	998
Deferred interest loans		
At 1 April	306	598
Add interest charged to leased properties accounts (note 7)	(306)	(292)
At 31 March	–	306
Total at 31 March	–	1,304

Notes to the financial statements

12. Investment in subsidiary undertakings

	Association 2010 £	2009 £
Cost at 1 April and 31 March	101	101

The following are the principal subsidiary undertakings of the Association, all of which are wholly controlled.

Subsidiary undertakings	Type of entity	Principal Activity
Directly held		
Catalyst Communities Housing Association Limited	I&P Society	Housing association
Kensington Housing Trust	I&P Society	Housing association
Fortunegate Community Housing	Company limited by guarantee	Housing association
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		
Ealing Family Developments Limited*	Company limited by shares	Property management
Barnet Community Homes Limited	Company limited by guarantee	Property management
Vintage Care Limited	Company limited by guarantee	Nursing home management
Kensington Housing Trust Community Fund	Company limited by guarantee	Community development
Page Road Developments Limited	Company limited by shares	Property development
Catalyst Developments (Brent) Limited	Company limited by shares	Property development
Catalyst Communities Trust	Company limited by guarantee	Community development
Southall Day Centre Limited (a direct subsidiary of Catalyst Communities Trust)	Company limited by shares	Day Centre

* Dissolved 12/05/09

13. HomeBuy and My Choice HomeBuy

	Group		Association	
	2010	2009	2010	2009
Homebuy and My Choice Homebuy	£'000	£'000	£'000	£'000
Cost of HomeBuy/My Choice HomeBuy	164,923	119,900	83,339	34,892
Less: Housing Grant	(131,930)	(101,381)	(51,635)	(17,826)
	32,993	18,519	31,704	17,066

HomeBuy represents a percentage of equity stake in third party properties purchased under the Homebuy scheme.

14. Investment in Joint venture

	Group	
	Share of joint venture:	
	2010	2009
	£'000	£'000
Gross assets	1,410	626
Gross liabilities	(32)	(64)
Total	1,378	562

Dee Park Developments (Catalyst) Limited (DPD) was incorporated as a subsidiary of Catalyst Communities Housing Association (CCHA) on 1st 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 Partnerships (DPP). DPP is a Limited Liability Partnership with Inspace Homes (now named Willmott Dixon). The investment is made by way of a subordinated loan attracting interest at market rate. The payment of the interest is deferred until completion of the project. The Joint venture has not made a profit or a loss for the year. The contract was signed and funding agreed in 2010 and the Joint Venture is expected to proceed with the generation project in 2010/11.

15 Properties developed for sale

	Group			
	2010	2010	2010	2009
	£'000	£'000	£'000	£'000
	First tranche shared ownership	Outright sale	Total	Total
Properties at cost	15,919	5,144	21,063	21,478

16. Debtors

	Group		Association	
Amounts receivable within one year	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Gross rent and service charge arrears	6,168	6,148	–	–
Less: provision for bad and doubtful debts	(1,787)	(1,736)	–	–
	4,381	4,412	–	–
Amounts due from local authorities	1,906	1,520	–	–
Amounts due from Leaseholders	100	–	–	–
Other debtors and prepayments	6,822	5,634	635	1,278
Amounts due from Group undertakings	–	–	373	262
Total	13,209	11,566	1,008	1,540

17. Creditors

	Group		Association	
Amounts falling due within one year	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Housing loans (note 21)				
– secured against Group properties	2,561	1,869	–	–
– guaranteed by local authorities	–	7,067	–	–
– loan issue costs to be amortised	(111)	(68)	–	–
Grant in advance	34,286	–	–	–
Trade creditors	1,478	2,288	158	252
Bank overdraft	4,280	719	28	–
Amount held on behalf of leaseholders	1,605	1,423	–	–
Recycled Capital Grant fund (note 19)	7,455	18,543	–	–
Other creditors and accruals	7,400	8,722	536	1,421
Capital retention	11,527	10,083	–	–
Deferred Income on lease premium	–	360	–	–
Disposal proceeds fund (note 20)	1,651	1,801	–	–
Amounts due to Group undertakings	–	–	3,347	1,089
Total	72,132	52,364	4,069	2,762

Notes to the financial statements

18. Creditors

Amounts falling due after more than one year	Group 2010 £'000	Group 2009 £'000	Association 2010 £'000	Association 2009 £'000
Hillingdon Sinking Fund	2,554	2,413	–	–
Deferred income	703	805	–	–
Recycled Capital Grant fund (note 19)	13,321	18,085	70	–
Housing loans (note 21)			–	–
– secured against Group properties	369,896	320,240	–	–
– guaranteed by local authorities	–	–	–	–
loan issue costs to be amortised	(1,464)	(1,316)	–	–
Non–housing loans (note 21)	–	–	29,833	17,153
Total	385,010	340,227	29,903	17,153

19. Recycled Capital Grant Fund

	Group 2010 £'000	Group 2009 £'000	Association 2010 £'000	Association 2009 £'000
Balance at 1 April	36,628	31,468	–	–
Withdrawals	(22,274)	(1,698)	–	–
Interest credited (note 7)	159	1,227	–	–
Amount recycled on disposal	6,263	5,631	70	–
Balance at 31 March	20,776	36,628	70	–
Amount due within one year (note 17)	7,455	18,543	–	–
Amount due after more than one year				–
(note 18)	13,321	18,085	70	–
Balance at 31 March	20,776	36,628	70	–

The Association grant arose from My choice Homebuy redemptions in the year ended 31st March 2010. The grant will be utilised within the group by 2013 as required.

20. Disposals Proceeds Fund

	Group	
	2010	2009
	£'000	£'000
Balance at 1 April	1,801	1,484
Interest credited (note 7)	9	57
Withdrawals	(399)	–
Amount recycled on disposal	240	260
Balance at 31 March	1,651	1,801
Amount due within one year (note 17)	1,651	1,801
Balance at 31 March	1,651	1,801

21. Loans

The Group

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:

	Group	
	2010 £'000	**2009 £'000**
Housing loans repayable by instalments		
Between one and two years	2,574	1,916
Between two and five years	8,519	6,532
In five or more years	330,962	259,507
Total (note 18)	342,055	267,955
Within one year (note 17)	2,450	1,801
Total	344,505	269,756
Housing loans not repayable by instalments		
In five or more years	26,377	50,969
Total (note 18)	26,377	50,969

Housing loans from banks and other private financial institutions guaranteed by local authorities and repayable at varying rates of interest in instalments are due as follows:

	Group	
	2010 £'000	**2009 £'000**
Within one year (note 17)	–	7,067
Totals	–	7,067

	2010 £'000	**2009 £'000**
Total Loans	370,882	327,792

Notes to the financial statements

21. Loans

The Group has total loan facilities of £534 million raised through various banks, building societies and financial institutions. All loans are secured by way of first fixed charges on the title deeds of the properties with the exception of on demand loan facilities of £0.9 million. In addition, a floating charge has been granted over the assets of Fortunegate Community Housing. Of the total loan facilities of £534 million, £216 million was at fixed rates at 31st March 2010. The weighted average interest rate for the year on Group borrowings was 3.99%.

Non–housing loans unsecured and repayable at varying rates of interest in instalments are due as follows:

	Association	
	2010 £'000	2008 £'000
Due after one year (note 18)	29,833	17,153

22. Share capital

	Association	
	2010 £	2009 £
Shares of £1 each issued and fully paid At beginning and end of year	7	7

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.

23. Movement in reserves

Group

	Freehold Invest–ment Reserve £'000	Friary Park Leasing Reserve £'000	Friary Park Sinking Fund £'000	Other Design-ated Reserve £'000	Design-ated Reserve total £'000	Restrict–ed Reserve £'000	Negative Goodwill £'000	Revenue Reserve £'000	**Total £'000**
At 1 April 2009	335	3,617	927	564	5,443	1	30,574	133,315	169,333
Surplus for the year	–	–	–	–	–	–	–	16,732	16,732
Transferred in the year	–	114	8	(96)	26	–	–	(26)	–
Released in the year	(327)	(1,175)	(121)	9	(1,614)	–	–	1,614	–
Amortisation	–	–	–	–	–	–	(327)	–	(327)
Actuarial loss on pension scheme	–	–	–	–	–	–	–	(6,168)	(6,168)
At 31 March 2010	8	2,556	814	477	3,855	1	30,247	145,467	179,570

Association

	Revenue reserve £'000
At 1 April 2009	69
Surplus for the year	49
At 31 March 2010	118

The Freehold Investment Reserve represents a commitment to provide housing in the London Borough of Hillingdon from the surpluses of historic disposals of properties.

The Friary Park Leasing Reserve represents the accumulated surpluses under the leasing scheme with the London Borough of Ealing. They are to provide against any deficits in future years.

The Friary Park Sinking Fund represents sums set aside to meet structural repairs, exterior decoration and maintenance of the common parts at Friary Park.

Other designated reserve represents amounts set aside for lift replacement costs and provisions for repairs at 20 Western Road, Southall,

Negative Goodwill represents the excess of the fair value of the separable net assets acquired over the fair value of the consideration paid.

24. Notes on the consolidated cash flow statement

a) Reconciliation of operating surplus to net cash inflow from operating activities

	Group	
Cost	2010 £'000	2009 £'000
Operating surplus	24,324	19,214
Depreciation	5,568	5,211
Amortisation of negative goodwill	(327)	(327)
Decrease in properties developed for sale	415	6,934
Increase in debtors	(2,460)	(42)
Decrease in creditors	(10,461)	(5,184)
Net cash inflow from operating activities	17,059	25,806

b) Reconciliation of net cash inflow to movement in net debt

	Group	
Cost	2010 £'000	2009 £'000
Increase/(decrease) in cash in the year	27,954	(4,944)
Cash (inflow)/outflow from increase in debt	(43,090)	(5,311)
Change in net debt resulting from cash flows	(15,136)	(10,255)
Net debt at beginning of year	(315,608)	(305,353)
Net debt at end of year	(330,744)	(315,608)

c) Analysis of changes in net debt

	Group		
Cost	At 1 April 2009 £'000	Cashflow £'000	At 31 March 2010 £'000
Cash and overdraft	12,184	27,954	40,138
Debt due after one year	(318,924)	(49,508)	(368,432)
Debt due within one year	(8,868)	6,418	(2,450)
	(315,608)	(15,136)	(330,744)

25. Capital commitments

	Group		Association	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Capital expenditure contracted which has not been provided for in the financial statements	261,324	56,039	–	–
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	66,567	75,917	–	–
	327,891	131,956	–	–

Capital commitments will be funded by £118,213,000 Social Housing Grant and £209,678,000 by drawdown of existing or new loan facilites or by internal resources.

26. Operating lease commitments

As at 31 March 2010, the Group had annual commitments under non–cancellable operating leases as follows:

	Group	
Operating leases which expire:	2010 £'000	2009 £'000
Land and buildings		
Within one year	190	135
In two to five years	654	1,269
After five years	941	941
	1,785	2,345

27. Pension costs

Ealing Family Housing Association Pension Scheme

The pension scheme was closed to future accruals with effect from 31 March 2007. In respect of the shortfall in funding Catalyst Housing Group Limited pays £1,511,000 per annum in accordance with the recovery plan agreed with the Trustees of the pension scheme.

The 1 October 2008 valuation shows that the market value of the scheme's assets was £20,457,000 at that date and that the actuarial value of those assets represented 68% of the benefits that had accrued to members, after allowing for expected future increases in earnings. At 31 March 2010 the scheme had a membership of 322 (2009: 325).

The contribution rate for the Group was nil (2009: nil) for employer contributions and nil (2009: nil) for employee contributions. At 31 March 2010 outstanding payments due to the scheme were £nil (2009: £nil).

A valuation for the purposes of FRS 17 was prepared as at 31 March 2010 by a qualified actuary. The major assumptions used in this valuation were:

	Group		
	2010	**2009**	**2008**
Rate of increase in salaries	n/a	n/a	n/a
LPI pension increase	3.4%	2.7%	3.5%
Discount rate	5.5%	6.7%	6.8%
Inflation assumption	3.7%	2.7%	3.5%

Mortality rate Standard tables PNMA00(males) and PNFA00(females) Projected by year of birth Medium Cohort improvements, with a minimum improvement of 1% 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.

27. Pension costs

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, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Group	Assets at 31 March 2010 £'000	Expected return from 31 March 2010 %	Assets at 31 March 2009 £'000	Expected return from 31 March 2009 %
Equities	11,247	8.40	11,307	7.75
Bonds	12,978	4.90	7,193	5.10
Cash/other	1,342	4.40	1,571	0.50
Total	25,567		20,071	

Amounts Recognised in Balance Sheet

Group	At 31 March 2010 £'000	At 31 March 2009 £'000
Present value of funded obligations	33,218	22,834
Fair value of scheme assets	(25,567)	(20,071)
	7,651	2,763
Present value of unfunded obligations	–	–
	–	–

Please note that no allowance for deficit related deferred tax asset has been made in the above figures.

27. Pension costs

Analysis of amounts recognised in statement of total recognised gains and losses

	Group	
	2010 £'000	2009 £'000
Actual return less expected return on scheme assets	3,123	(3,325)
Experience gains and losses arising on scheme liabilities	(7)	852
Changes in assumptions underlying the present value of scheme liabilities	(9,284)	1,331
Actuarial gain recognised in statement of total recognised gains and losses	(6,168)	(1,142)

Amounts Recognised in Income and Expenditure Account

	Group	
	At 31 March 2010 £'000	At 31 March 2009 £'000
Current service cost	–	–
Interest on obligation	1,516	1,614
Expected return on scheme assets	(1,285)	(1,361)
Total	231	253
Actual return on scheme assets	4,408	(1,964)

27. Pension costs

Changes in the Present Value of Defined Benefit Obligation

	Group	
	At 31 March 2010 £'000	At 31 March 2009 £'000
Opening defined benefit obligation	22,834	24,065
Interest cost	1,516	1,614
Actuarial loss/(gain)	9,291	(2,183)
Benefits paid	(423)	(662)
Closing defined benefit obligation	33,218	22,834
The actuarial gains and losses can be split into: loss or (gain)		
Actuarial loss or (gain) due to Assumptions change	9,284	(1,331)
Actuarial loss or (gain) due to experience	7	(852)

Changes in the Fair Value of Scheme Assets during the Year

	Group	
	At 31 March 2010 £'000	At 31 March 2009 £'000
Opening fair value of scheme assets	20,071	21,186
Expected return on scheme assets	1,285	1,361
Actuarial gain/(loss)	3,123	(3,325)
Contributions by employer	1,511	1,511
Benefits paid	(423)	(662)
Closing fair value of scheme assets	25,567	20,071

27. Pension costs

Expected Contributions during the next Accounting Period

	Group
	Period ending 31 March 2011 £'000
Expected employer contributions	1,511
Expected scheme participants contributions	–
	1,511

The above expected contributions are based on the current Schedule of Contributions. No allowance has been made for Scheme Expenses or PPF levies.

Amounts for current period

	Group				
	At 31 March 2010 £'000	At 31 March 2009 £'000	At 31 March 2008 £'000	At 31 March 2007 £'000	At 31 March 2006 £'000
Defined benefit obligation	(33,218)	(22,834)	(24,065)	(27,823)	(26,744)
Scheme assets	25,567	20,071	21,186	20,344	15,805
Pension liability	(7,651)	(2,763)	(2,879)	(7,479)	(10,939)
Actuarial adjustments on scheme liabilities	(9,291)	2,183	4,808	1,726	(3,101)
Experience adjustments on scheme assets	3,123	(3,325)	(1,558)	(366)	2,501

Other Group 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 £842,473 (2009: £794,246). At 31 March 2010 outstanding payments due to the scheme were £nil (2009: £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 staff participating in this scheme.

28. Number of units

	Group	
The number of units under management at the end of the year	**2010**	**2009**
Rented units	10,123	9,672
Shared ownership units	3,454	3,235
Leased units	110	339
Supported and housing for older people	514	455
Total units	14,201	13,701
Residential care bed spaces	340	340
Nursing home bed spaces	125	125
Key worker bed spaces	885	882
Total bed spaces	1,350	1,347
Total	15,551	15,048
The number of units under development at the end of the year	**2010**	**2009**
Rented units	766	550
Shared ownership units	470	360
Supported and housing older people units	70	–
Total	1,306	910

29 Managed accommodation

The following organisations manage accommodation on behalf of the Group:

	Group	
The number of units of accommodation	**At 31 March 2010**	**At 31 March 2009**
Central & Cecil Housing Trust	232	232
Support for Living	3	3
Paramount Housing Association	13	13
Rugby Portobello	7	7
St Christopher's Fellowship	8	8
London Cyrenians Housing Ltd	9	9
Yarrow Housing Ltd	14	14
Havengrove	7	7
K&C Mind	16	16
St Mungo Community HA	23	23
	332	332

30. Transactions with subsidiary and related undertakings

The Association has taken advantage of the exemptions conferred by FRS 8 not to disclosure transactions with subsidiary undertakings.

The Board includes two tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage.

The Group has a Joint Venture to carry out construction works and the balance receivable at 31st March 2010 is £1,378,000. The transactions made during the year consist of work in progress costs relating to legal and professional fees and consultant costs incurred on the scheme to date, interest payable to Dee Park Partnership LLP during the year was £30,000 on borrowings specifically to finance the development program and interest recievable from Dee Park Partnership LLP relating to the facility agreement between Dee Park Developments (Catalyst) Ltd and Dee Park Partnership LLP during the year was £13,000.

Notes to the financial statements

31. Contingent liability

The Group has a performance bond with the London Borough of Barnet in the amount of £850,000 (2009: £850,000). The Group has indemnified National Westminster Bank plc for £850,000 in respect of a performance bond it has given in favour of London Borough of Barnet to cover certain contractual arrangements between the Government and London Borough of Barnet in the provision of residential care home services.

The Group has also indemnified QBE Insurance (Europe) Limited in respect of potential pension liabilities of the Fremantle Trust up to a maximum of £1.4 million (2009: £1.4 million).

32. Legislative provision

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is a Registered Provider of Social Housing registered with the Tenants Services Authority under the Housing Act 1996.

The main companies in the Group

Catalyst Housing Group Ltd
Ealing Gateway
26–30 Uxbridge Road
London W5 2AU
020 8832 3334
www.chg.org.uk

Catalyst Communities Housing Association Ltd
Ealing Gateway
26–30 Uxbridge Road
London W5 2AU
020 8832 3334

Fortunegate Community Housing
Fortune House
223 Church Road
London NW10 9EP
020 8438 1800

Kensington Housing Trust
354 Portobello Road
London W10 5XZ
020 8960 5544

Barnet Community Homes Ltd
Ealing Gateway
26–30 Uxbridge Road
London W5 2AU
020 8832 3334

Southall Day Centre Ltd
20 Western Road
Southall
Middx UB2 5DS
020 8574 0902

Vintage Care Ltd
Acton Care Centre
48 Gunnersbury Lane
London W3 8EF
020 8896 5600