

Financial Statements

Circle Voluntary Housing Association
Company Limited By Guarantee

Reports and Financial Statements
for the financial year ended
31 December 2017

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Aoife Watters (Chair)
Fr. Pat Carolan
Jerome Casey
Jane Doyle
Chris Ellison
Jim Murphy
Dave Williams (retired 8th May 2018)
Brian Shefflin
Gráinne Ni Dhubhghaill

COMPANY SECRETARY

Anne O'Meara

REGISTERED OFFICE

Phoenix House
32-34 Castle Street
Dublin 2

AUDITORS

Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

BANKERS AND FINANCE PROVIDERS

Housing Finance Agency
46 St. Stephen's Green
Dublin 2

Allied Irish Bank plc
7/12 Dame Street
Dublin 2

Bank of Ireland
College Green
Dublin 2

SOLICITORS

McCann Fitzgerald
Riverside One
Sir John Rogerson's Quay
Dublin 2

Mason Hayes and Curran
South Bank Street
Grand Canal Dock
Dublin 4

Ferry Solicitors
Inn Chambers
15 Upper Ormond Quay
Dublin 7

CHARITY REGISTRATION NUMBER

15529

COMPANY REGISTRATION NUMBER

374693

CHARITIES REGULATORY AUTHORITY NUMBER

320053840

PSRA LICENSE NUMBER

002408

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT

The directors have great pleasure in presenting their annual report together with the audited financial statements for the financial year ended 31 December 2017.

1. OBJECTIVES AND ACTIVITIES

MISSION AND OBJECTIVE

Circle VHA's primary objective is to provide housing for persons deemed to be in housing need. Circle VHA vision is "Making a difference by providing quality homes for people in housing need".

Our mission is "to deliver quality homes and services in partnership with our tenants and local services to create sustainable communities". As a socially responsible housing association, Circle VHA actively engages with its tenants, other residents, existing statutory agencies and local communities to create socially responsible, environmentally acceptable and sustainable communities. We commenced the delivery of our housing and facilities management services in 2006. We are currently primarily based in the greater Dublin area with development options being explored on a national basis.

2. ACHIEVEMENTS AND PERFORMANCE

STRATEGIC PLANNING AND DIRECTION

The Board at its meetings reviews the strategic direction of the Organisation on a planned thematic basis over the 12-month period. At its full day, strategic review meeting the Board considered more extensively the external policy and housing environment, the strategic objectives and our performance in achieving the delivery of the stated objectives. The internal capacity of the Organisation was also reviewed. The Board reviewed the Rebuilding Ireland Policy and its implications for Circle VHA. In 2017 the Board approved a revised 30 Year Business Plan and Asset Management Plan. The Board affirmed the five key strategic goals to direct and guide the company:

- A. Grow the scale of our housing management provision via acquisitions, design and build, leasing/stock transfer/mergers;
- B. To continue to develop the quality and effectiveness of our internal processes and management systems to ensure a robust and adaptable Organisation that provides quality housing, facilities and corporate services to its tenants and stakeholders;
- C. To continue to improve and develop the quality of our housing and estate management services to our tenants;
- D. Promote the brand of Circle VHA as being a trusted social housing provider of good quality social housing and facilities management services; and
- E. Continue to maintain and develop the financial stability of the company so that the core activities of the company are sustainable for current social housing provision and future growth.

In order to achieve the five strategic goals, the Board approved the allocation of additional staffing for the development area to enable the ambitious targets that we have for growth. The Board also approved the recruitment of additional staff in the Information Technology and Human Resources sections of the Organisation to enable the growth of our social housing provision and ensure that we are adopting the appropriate approaches to modern information technology and governance requirements. The Board also approved a review of the 30-year Business Plan for the company based on a development pipeline for the 2018-2020 period.

This 30 Year Business Plan was reviewed and renewed in 2017. The required staffing levels for the planned increase in our social housing provision is now complete.

Circle VHA works actively with Department of Housing Planning Community and Local Government (DHPCLG), local authorities, NAMA and all other external stakeholders in the delivery of new social housing as outlined in the new social housing strategy, Rebuilding Ireland.

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DIRECTORS' REPORT CONT'D

We want to grow our current social housing provision in the existing local authority areas and seek appropriate development opportunities in other Local Authorities. A key strategic goal of Circle VHA is to improve and develop the quality of our housing and estate management services. In 2016 we published a summary of the Tenant Satisfaction Surveys undertaken in 2011, 2013 and 2015 which had positive findings and tenant satisfaction ratings. It also included areas of concern expressed by tenants regarding our responses to maintenance requests and antisocial behavior. We actively seek feedback from our tenants on the services that we deliver to them. In 2017 we have undertaken a further Tenant Survey and the outcome is an increase in our Tenant satisfaction up to 95% (93% in 2015). There are still areas where we would seek to improve our satisfaction ratings including in our maintenance services (>80% satisfaction). We will be moving to a continuous measurement process in 2018 for Tenant satisfaction which will enable real-time adjustments to services.

As per our strategic goal of promoting the brand of Circle VHA in 2017 we continued to develop our website for the company and we published our Tenant Satisfaction Surveys and our New Communities Surveys. These reports were distributed to all our tenants and key external stakeholders.

FUTURE DEVELOPMENTS

For the next three-year period, there are ambitious targets for growth and the delivery of quality services to our tenants. The primary expansion of our housing management in 2018 and later will be via acquisitions, turnkey options and the commencement of new design and build homes on sites that have been made available by local authorities or through partnerships with developers. We are engaged with a number of local authorities and developers for the progression of such new developments in 2018/19. We are also exploring several innovative funding models to progress the process of development.

UPKEEP OF HOUSING PROPERTIES

Our policy is to maintain our housing properties to a very high standard. In 2015 we had a stock condition survey undertaken by Faithorn Farrell Timms ("FFT") on a representative 18% sample of the properties that we own and manage. FFT then prepared a 30-year asset management plan for all the properties which was reviewed and then adopted by the Board. This plan is a key element of our consideration of investment of monies in the upkeep of our properties.

MANAGEMENT AND STAFF

We acknowledge with appreciation the committed work of our staff. Our continuing growth and delivery of our housing services is due to their professionalism, dedication and commitment. There are currently 31 persons employed by Circle VHA (25 at 31 December 2017).

RISKS

Circle Voluntary Housing Association recognises the current improved economic context and the changed housing policy framework as stated by the DHPCLG and the Government in Rebuilding Ireland Policy. This policy provides a new policy and governance framework for the delivery of new social housing homes by both the local authority and AHB sectors. There is a commitment to an increased range of funding for the sector via capital grants, loan options and leasing schemes. There are ambitious growth targets being set for the sector which will present opportunity and potentially financial risk. The terms of lending from the Housing Finance Agency continue to improve and this reduces some of the financial risks for our growth strategy.

One of the most substantial risks to the sector, and therefore for Circle VHA, is the reclassification of the Approved Housing Bodies in Tier 3 (the largest AHBs), by the Central Statistics Office and Eurostat, as Government Sector Bodies. This brings the funding of capital projects in the realm of public expenditure thus leading to the competing of social housing delivery with roads, hospitals and other strategic infrastructure projects. While this is not a significant issue in 2017 and 2018 the potential impact on future growth could be considerable thus making the achievement of business plans and growth targets more difficult. Circle VHA is working with the Irish Council for Social Housing, The Housing Alliance and Government to have the classification overturned and to find appropriate short and medium-term solutions to keeping development of social housing off the Government Balance Sheet.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT CONT'D

There are reviews of Capital Advance Loan Facility (CALF) and Payment and Availability Agreements (P&AA) being undertaken at this time by the Housing Agency and the DHPCLG, which may limit either the level of capital funding available to the sector or reduce the terms for the sector. The impact will be to move more funding to the private sector lenders away from Government sources. This will aid future classification processes and will enable a growth in private finance available to the sector. Circle are working with Government and the sector to promote more private finance within the sector, but this brings with it greater levels of finance and credit risk. Circle have sufficient Board and management knowledge on these issues to ensure that we benefit from the potential growth in this form of funding.

Growing the Organisation significantly over the coming three years also poses a number of risks. The Change Management processes need to be carefully controlled and monitored at all levels to ensure that there is appropriate risk mitigation, reporting, and internal control development by the Board and management to avoid loss of focus and delivery on day to day services. The Board has appointed a sub-committee to oversee the change programme and to ensure that the Board and management have a clear focus on the required outcomes and the continuing day to day services and supports provided by Circle.

Allied to this growth is the adoption of new technological systems to drive efficiency and effectiveness in the delivery of our services. Circle is in the process of implementing new software and hardware, to drive a modern approach to tenant engagement, service streamlining and service development. To ensure that this process is properly managed Circle has appointed specialist IT advisors and staff to drive the implementation, adoption and usage of our new systems. Tenants will see a benefit from these new systems in the 2018 and processes within Circle will continue to improve as a result of the effective adoption of the software.

The requirement to be compliant with General Data Protection Requirements, imposed by the European Union, from 25th of May 2018 has been a focus for Circle in the last year. During 2017, Circle undertook a gap analysis of its compliance, from this work an action plan was created with a view to ensuring compliance or near compliance by the deadline date. This action plan is a key deliverable for the senior management team within Circle VHA. By the 25th of May 2018, Circle were estimated to be 80% compliant with the new legislation. The remaining actions required to ensure full compliance are due for completion by year end 2018.

We recognise the risks that are being placed upon the approved housing sector and we are very conscious of the importance of our Risk Management Framework. Nevertheless, it is expected that Circle VHA will continue to grow at a reasonable rate due mainly to its proposals already in the pipeline and via leasing options with local authorities and private developers.

We welcomed the DHPCLG Voluntary Regulatory Code that was announced in July 2013 and we have complied with the proposed regulatory framework for the approved housing sector. Circle VHA were involved in the pilot of the financial chapter of the voluntary code and are now compliant with the requirements of same.

The Risk Register is managed by the management team and then reviewed, updated, amended and then approved by the Board on two occasions each calendar year. The key strategic risks that have been identified and agreed by the Board are as follows:

1. Capacity to enhance organisational growth and the planned delivery of new housing provision as per the new Social Housing Strategy 2020. The Board has approved the recruitment of additional staff to enhance Circle VHA's capacity and delivery of new social housing.
2. Unidentified building defects in properties that could adversely affect our housing services and financial capacity and reserves. The scale of risk relating to unidentified defects in some properties that we own has emerged as a greater risk than previously anticipated. In 2017, we have had to correct identified defects in two of our schemes. In 2018, the recruitment of an Asset Manager will enable a more robust management system of such risks.
3. Financial risks associated with loan finance borrowing and the current funding arrangements for the AHB sector. The Finance Committee and the Board robustly review proposed acquisitions as to their financial viability over the 30-year loan period. The non-payment of rent by tenants is both a financial and reputational risk for Circle VHA and must be managed actively. Circle VHA operates a 30-year rolling financial plan, this enables the Board and the Management team to ensure the adequacy of future cash reserves and surpluses to fund ongoing operation as well as servicing long term debt.

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DIRECTORS' REPORT CONT'D

Likewise, we operate a 30-year asset management plan, which ensures that our properties are maintained to the required standard and allows us to plan large expenditure lines in the long term.

4. Reputational risk to the company if we do not achieve our new housing delivery targets and deliver inadequate housing management services. In 2016 Circle VHA, like all AHBs came under the remit of the Residential Tenancies Board for the resolution of landlord tenant matters. Staff were provided with training regarding the Residential Tenancies Board legislation and the procedures that apply for the resolution of landlord tenant disputes. All our tenants were informed that they were now under the remit of the Residential Tenancies Board and were provided with a leaflet detailing the landlord tenant responsibilities.

The key performance indicators in housing management such as rent arrears levels, maintenance services and voids are actively monitored and managed by the Management team and reported to the Board. While our tenant satisfaction survey results have been positive since 2011 we aim to enhance the delivery of our housing management services and improve our internal processes for achieving a quality housing management service to our tenants. Circle VHA has ambitious targets for growth and our development delivery is again actively monitored and reported to the Board. We have adopted a balanced scorecard that enhances the strategic nature of our reporting to the Board and acts as an early warning system for the Board in terms of operational and strategic drift.

The Board and management have identified these risks, and the risks further above, and put in place a series of steps to mitigate these risks. Risk management is a live agenda item for the Management team, the risk register is reviewed regularly to reflect changes in both the internal and external environment.

FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The company's activities expose it to the financial risks relating to credit risk. The company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, in place, to manage these risks. All key financial indicators are reported to the Board and monitored on an on-going basis.

CREDIT RISKS

The company's principal financial assets are bank balances, cash, and other debtors. The company's credit risk is primarily attributable to its rental and other debtors. The management of rent payment is a critical housing management task and the active pursuit of rent arrears is an important task for the whole Organisation.

We recognise that we provide housing to tenants who are on low incomes and that rent management must be undertaken with firmness and fairness. The amounts presented as debtors in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

INTEREST RATE RISK

At the end of 2017, Circle VHA held one loan which was at a fixed rate for 20-years, with a further 5-year period at a variable rate. Circle VHA has access to funds at fixed rates and variable rates, which allows a mix of exposures. This enables Circle VHA to mitigate against interest rate risk.

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DIRECTORS' REPORT CONT'D

3. FINANCIAL REVIEW

RESULTS FOR THE FINANCIAL YEAR AND REVIEW OF OPERATIONS IN 2017

Circle VHA continued to increase the number of homes in its housing and facilities management during 2017 primarily by via loan finance and capital grants. The scale of increase is outlined below.

	At 31 Dec. 2017	At 31 Dec. 2016
Dwelling homes owned (no.)	406	378
Dwelling homes managed (no.)	642	642
Total Social Housing homes (no.)	1,048	1,020
Dwelling homes provided with estate management services (no.)	1,319	1,319

The scale of the increase in housing management during 2017 was some 29 additional units which increased the units available for social housing to 1,048 in total at the financial year end. In 2017 we secured capital funding approval from the Department of Housing, Planning, Community and Local Government ("DHPCLG") for 18 Capital Assistance Scheme ("CAS") homes. The remaining 11 units were funded from Circle VHA's cash balances and are due to be refinanced using a mix of commercial debt and capital grant in quarter 2 of 2018.

Circle VHA is primarily a general needs housing provider and all the families and persons that we house are approved applicants from the local authority housing waiting lists. We have also provided housing both in designated funded schemes to families and individuals who were homeless. There is a significant increase in demand for social housing in the Dublin area and an increased scale of homelessness which all local authorities and Approved Housing Bodies ("AHBs") are struggling to address. The majority of our homes are located within scheme groupings; however, we also own and manage a number of dispersed homes in the greater Dublin area. These schemes range in scale from 149 homes, to smaller scale provision in mixed tenure schemes, to individual dispersed homes. In 12 of these schemes we provide both the social and facilities management services in an integrated manner.

Our current tenant population is primarily in the 25-44 age groups and 79% of our accommodation is for families with children. These families' children are primarily under 13 years of age. We make determined efforts to provide support to families and children where this is required, and we link families to the relevant services. Some 21% of our accommodation is provided to single persons. Some 79% of our tenant population are Irish born citizens and some 21% are families and persons who have the right to reside in Ireland. The latter population come from over 35 different countries across the globe. This trend reflects current social housing need and the migration of persons into the country in the past 15 years. The diversity also contributes considerable vibrancy in our housing schemes.

The provision of stable good quality housing has enhanced the life chances and opportunities for all our tenants. All our housing schemes are stable and settled and there is a small-scale void rate and re-letting of our social housing homes. In several of our schemes staff engaged with tenants and organised community events and social activities for tenants and their children. In February 2018 Circle VHA was awarded the "More than Bricks and Mortar" Award from the Chartered Institute of Housing for its work with inner city tenants, in the development and management of their new housing development. In addition, Circle VHA was awarded the Business Excellence Award for its continued work in partnerships with the Local Authority Sector, the 5th year in a row. In all our new schemes tenant induction meetings take place where the landlord tenant responsibilities are considered, and we explore with the new tenants how they can work with us to make their new home and neighbourhood a safe place to live in. We also work with our tenants to establish Tenant Forums across our schemes whereby views on collective housing and estate management issues are communicated to our staff and where activities are arranged. Partnership with our tenants and locally based statutory and community-based agencies is important as it enables us to build a sense of

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DIRECTORS' REPORT CONT'D

We work to establish good working relationships with the Gardai in each local area to enable effective responses to antisocial behavior when it occurs. A key objective for Circle VHA is work with our tenants and local agencies to ensure that we provide housing to our tenants in schemes where they can feel safe and secure. We also enable the provision of support by external agencies to tenants where they may need such support.

Our facilities management services were provided to 1,319 dwelling homes (as at 31 December 2017) in twelve different schemes, some are mixed tenure estates, and some are exclusively social housing schemes. The integrated delivery of social housing and facilities management is an important component of the services that we deliver. In some of the schemes where we provide both social housing and the facilities management services we have a local caretaker employed onsite and this enables a good quality service to all residents in such developments.

Circle VHA works in partnership with key stakeholders such as local authorities, DHPLG and lending institutions to enable the delivery of new housing. Housing supply and affordability became an increasingly prominent public policy and political issue throughout 2017. Housing demand within all housing tenures has continued to exceed the available supply of new housing in each tenure. The lack of available supply in the private rented sector has made it more expensive and unaffordable.

This has been one of the drivers of the increased scale of family homelessness in the Dublin area. The scale of social housing need has increased, and the private rented sector has become unaffordable for families and individuals which causes some of them to become homeless. The very evident increase in the scale of family homelessness in the Dublin region is a significant political and public policy issue.

The policy framework for Circle VHA and all other AHBs has been significantly changed with the publication of Rebuilding Ireland by the Government in July 2016. The new Government has made the resolution of the homeless crisis and an increased supply of social and affordable housing over the next 5 years a political priority. Some €5.5 billion has been committed to deliver 50,000 social housing homes by 2021. The AHB sector is expected to deliver some 17,000 new social housing homes in that period. Rebuilding Ireland has ambitious targets to increase the supply of private housing at affordable prices particularly for first time buyers as well as increasing the supply of private rented housing especially in the major urban areas.

In the Greater Dublin area where we currently operate, there has been a very limited supply of new housing being constructed that is affordable for Circle VHA to acquire. There is a limited number of distressed assets becoming available and they are often leased to tenants which can make the process of purchasing such homes for social housing difficult.

Circle VHA works in partnership with the local authorities who are key stakeholders in the Rebuilding Ireland policy framework. A key basis of future growth will be the securing of land for the construction of new social housing homes in partnership with local authorities. Circle VHA has participated in the Expression of Interest for AHBs that has been undertaken by the four Dublin Local Authorities and we are now an approved member of that panel of AHBs. This process should enable the future growth of our housing delivery in 2018 and beyond. We have also submitted an Expression of Interest to Kildare and Wicklow County Councils in 2017. We have also committed to extending our housing provision beyond the existing 5 local authority areas where we currently operate. Both Meath and Louth County Councils now want us to provide social housing in their areas. We are also approved for the development of social housing in the Limerick Regeneration Development. Our intention over the coming three years is to develop social housing in local authorities that offer an appropriate opportunity to create sustainable communities.

In April 2016, all general needs housing associations came under the remit of the Residential Tenancies Board ("RTB") for all landlord tenant relationship and disputes that may arise.

Being under the RTB remit provides tenants with greater rights in terms of complaint and dispute resolution over matters relating to rent arrears, the condition of the property and antisocial behavior incidents. The RTB is an independent body which adjudicates on such landlord tenant matters and makes determinations as per its legislative basis. Circle VHA has registered all our tenancies in 2016 with the RTB and have availed of its hearings and tribunal to address tenant landlord issues in 2017. We welcome being under the Residential Tenancies Board remit as it provides greater clarity on landlord tenant responsibilities. It is also providing a speedier process for the resolution of disputes by an independent body whose sole remit is to address landlord tenant disputes.

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DIRECTORS' REPORT CONT'D

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As per our responsibilities as a social housing landlord and as a duty of good governance and care to our tenants, we inform all of our tenants of the remit of the Residential Tenancies Board and how its processes works both for the tenant and the landlord. This ensures that our tenants are more informed of their rights as tenants.

In our role as a managing agent for Owner Management Companies we are approved and hold the Property Services Regulatory Authority license to deliver such services.

FINANCIAL PERFORMANCE

Circle VHA's accounting policy for the measurement of its housing stock is to carry these at cost less provision for impairment. The basis for selecting this accounting cost policy over the alternative of a revaluation policy, is

- 1) Circle VHA is a long-term provider of housing for people deemed to be in housing need. The housing stock is carried for this long-term purpose, temporary fluctuations in the value of the underlying housing stock do not impact the delivery of Circle VHA's primary objective.
- 2) Circle VHA benefits from having secured long term finance in place for the majority of its housing stock 96.8% (A) (the non-financed stock has been funded by Circle VHAs own funds), therefore ensuring a long-term matching of Circle VHA's assets and liabilities.

For the financial year ended 31 December 2017, Circle VHA recognised an impairment amount of €1,816,891 arising from the valuation of 40 apartments/duplexes out of Circle VHA's portfolio of 406 owned housing units.

Circle VHA undertook a third-party desktop valuation of the entire portfolio as at 31 December 2017 resulting in an overall aggregate portfolio valuation surplus over the carrying cost. Notwithstanding this overall valuation surplus position, FRS 102 requires assets to be measured at the "smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets" - for Circle VHA an asset therefore represents an individual apartment, duplex or house and this removing the benefit of the aggregate surplus position.

The Directors are of the view that this is a temporary impairment, subject to market conditions. The valuation of these 40 apartments/duplexes has no impact on their long-term funding and the continued usage of these units to deliver Circle VHA's primary objective of providing housing for persons deemed in housing need.

Total comprehensive income for the financial year, prior to recognition of this impairment was €1,835,878 (2016: €1,998,560). After the adjustment of the impairment of the 40 units, surplus for the financial year was €18,897. Operating surplus was €98,976 on a turnover of €4,546,394 resulting in an operating surplus of 2.2%.

TURNOVER

The income of the company increased to €4,546,394 from €3,895,634 in 2016 an increase of 16.7%. The primary sources of income are rental income, payment and availability payments and management and maintenance allowances. Rental income and service charges remained as the main source of income at €3,041,416 for the financial year, an increase of 10.84% on 2016 rental income and service charges. Payment and Availability payments continue to increase, in 2017 this income type amounted to €1,101,271, an increase of 55.0% on the 2016 figure.

EXPENDITURE

Expenditure before impairment in the financial year was €4,447,418 compared to €3,614,690 in 2016 which was an increase of 23%. This increase was in line with budget and demonstrates the commitment of the Board to continue to invest in the Association. This investment, in both our people and our technology, will ensure that Circle VHA continues to provide a service which exceeds the expectations of our stakeholders.

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DIRECTORS' REPORT CONT'D

Staff payroll increased by €261,903 (20.1%), due to the planned program of investment in the resource base and infrastructure of Circle VHA. This program began in 2016 and is undertaken with a view to ensuring Circle VHA can deliver its' ambitious 5-year development plan while maintaining current tenant and stakeholder satisfaction levels.

The other area of marked increase was in property related costs, which increased by €458,658 (26.2%) to €2,206,692. Within this amount was an increase in lease payments in the year of €172,718, which directly links back to an increase in payment and availability income of €191,774.

RESERVES

At the financial year end, total reserves were €19,172,231 compared to €19,153,334 at 31 December 2016. The increase in reserves is attributed to the operating surplus (for the financial year of €98,976; net interest of (€77,504) and an adjustment for Amortisation of CAS and CLSS loans and Depreciation on tangible fixed assets of €1,814,406 as well as the adjustment for the impairment of (€1,816,981).

It is the Associations policy to maintain unrestricted reserves to ensure the long-term viability and future growth of the Organisation. The capital reserve comprises capital assistance scheme and capital loan and subsidy scheme funding which has been amortised over the term of the scheme (30 years).

RESERVE FOR FUTURE MAINTENANCE

A Stock Condition Survey was completed in 2015 by Fairthorn Farrell & Timms and an asset management plan was prepared and approved by the Board. This asset management plan has projected the costs of replacing building components over a 30-year period. The component replacement costs will be manageable via our cash flow as per the financial projections made under our 30-year financial plan. Circle VHA housing stock has been constructed in the past 10-year period and as such is relatively new. The replacement of housing components such as gas boilers and kitchen units will commence from 2020.

Further details on reserves policy is provided in the notes section of the Financial Statements.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

EVENTS AFTER BALANCE SHEET DATE

There have been no significant events affecting the company since the balance sheet date.

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at 32-34 Castle Street, Dublin 2.

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DIRECTORS' REPORT CONT'D

4. STRUCTURE, GOVERNANCE AND MANAGEMENT GOVERNANCE

Circle VHA is governed by a Board of eight Directors, who are not paid for their services. The Board is responsible for providing leadership, approving strategy for the company to achieve its vision and mission, reviewing the performance and management of our services, reviewing risk and ensuring proper probity and compliance with required governance and legal requirements. There is a clear division of responsibility between the Board and the Chief Executive with the Chief Executive being responsible for implementing the strategy and policy decisions made by the Board.

The Directors bring their experience in architecture, corporate finance, economics, housing policy, housing management, human resources, information technology, legal affairs and planning to bear on guiding the Association. Matters such as policy, strategic planning, financial results and forecasts, budgets, and operational delivery of our housing services are reported on to the Board for their consideration and approval. In 2017, eight Board meetings were held, this includes a one full day meeting where the Board reviewed the strategic direction of the company and the internal and external environment.

The attendance of the directors at these Board were as follows:

• Aoife Watters	8 – Chair
• Jerome Casey	7
• Fr. Pat Carolan	8
• Tom Corcoran	1 – retired on 1st October 2017
• Jane Doyle	8
• Chris Ellison	7
• Jim Murphy	7
• Dave Williams	6 – retired on 8th of May 2018
• Grainne Ní Dhubhghaill	8
• Brian Shefflin	8

The directors, who served at any time during the financial year, are as disclosed above. The company secretary is Anne O'Meara.

The Board takes seriously its responsibilities as a charitable body and the absolute requirement for the Board to act with probity and diligence to achieve the company's vision and mission. We are very aware of the necessity for excellence in governance in view of external events relating to a small number of charitable bodies and we will continue to demand probity from all our employees, contractors and external stakeholders.

The Board has reviewed its performance annually and its governance on a regular basis during the calendar year. The Board reviewed its governance and compliance with the Voluntary Code of Governance as per the principles established in the code in late 2017. Circle is signed up to the Governance Code. The company is registered with the Charity Regulators Office. We are registered with the Voluntary Regulators for Approved Housing Bodies and have provided the required information to them for an annual return and assessment of our capacity.

The Board is assisted by three committees who are authorised to make recommendations to the Board.

1. Audit and Risk

(Chair, Brian Shefflin – From February 2017)

The committee members are Brian Shefflin Jerome Casey and Larry Tuomey who is an external member. The role of this committee is to review the internal control systems and reporting and to review the external audit and risk management policies. The committee met on four occasions in 2017. The committee reviewed our existing financial controls and our risk register and the revised Constitution for compliance with the 2014 Companies Act. They also met with our auditors and reviewed the financial statements for 2017.

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DIRECTORS' REPORT CONT'D

2. Finance and Strategy

(Chair Jim Murphy)

The committee members are Jim Murphy and Jerome Casey. The role of the committee is to review the proposed strategic and business plans, examine budgets for each calendar year and proposed acquisitions via loan finance. The committee met on five occasions in 2017. They reviewed the proposed 2018 budget, the feasibility of proposed development acquisitions.

3. Human Resources and Succession

(Chair, Jane Doyle)

This committee members are Jane Doyle, Fr. Pat Carolan, Gráinne Ní Dhubhghaill and Aoife Watters. The role of the committee is to review the company's human resource policies, manage succession planning, review staffing levels and remuneration of staff. The committee was tasked with appointing a new CEO on the retirement of Justin O'Brien in September 2017.

The Board of Circle VHA believes that there are good governance's structures and processes in place within the Organisation. Our Board members are aware of the changing regulatory and compliance frameworks for the social housing sector as well as the wider charities sector. Our Board members believe that poor governance practices significantly damage the reputation of all charitable Organisations. Furthermore, our Board members acknowledge that there is an ongoing requirement to maintain and enhance our governance processes. Each financial year the Board undertakes a review of its key competency requirements and its performance during the previous twelve months.

The three committees of the Board are very important in terms of undertaking their respective remit and making recommendations to the Board for consideration and decision.

TRANSACTIONS INVOLVING DIRECTORS

During the financial year ended 31 December 2017, Circle VHA engaged Campbell Tickell to undertake consultancy work, to the value of €49,235 (2016 - €NIL) a company in which Mr David Williams is a partner. This process was managed through a restricted tender process and was on an arms-length basis. Mr. D Williams did not participate in the decision to invite this company to tender or in the decision to appoint this company to carry out this work. There was no contract in relation to the activities of the company in which the directors had any interest as defined in the Companies Act 2017, at any time during the financial year ended 31 December 2016.

5. REFERENCE AND ADMINISTRATIVE DETAILS LEGAL STATUS

Circle Voluntary Housing Association ("Circle VHA") is a company limited by guarantee incorporated in Ireland in 2003, registered number 374693.

The company has also been granted charitable status, for taxation purposes by the Revenue Commissioners, charity number CHY 15529. All income is applied only for the promotion of the charitable objectives of the company.

In relation to the Companies Act 2014, effective from 1 June 2015, the Board had decided to opt to remain a company limited by guarantee ("CLG"). In 2016 the new constitution for the company was approved by the Board and filed with the Companies Registration Office.

PENSIONS

The company operates a defined contribution pension scheme which employees are eligible to join. The company matches staff contribution up to 7% of salary. The assets of the scheme are managed by Zurich Pensions and BHP Insurances Brokers and are held separately from the company. The company is compliant with all requirements under pension legislation.

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable contributions made by Circle VHA during the financial year (2017: €Nil).

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT CONT'D

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6. EXEMPTIONS FROM DISCLOSURES

The board of directors did not avail of exemptions from disclosures when preparing this director's report.

7. FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

Circle Voluntary Housing Association does not act as a custodian trustee on behalf of others.

8. DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors at the time the directors' report and financial statements are approved:

- a) So far as the Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- b) Each Director has taken all steps that ought to have been taken by the Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 350 of the Companies Act 2014.

AUDITORS

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by:

Aoife Watters
Director

Brian Shefflin
Director

Date: 26th of September 2018

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent auditor's report to the members of Circle Voluntary Housing Association Company Limited by Guarantee

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Report on the audit of the financial statements

Opinion on the financial statements of Circle Voluntary Housing Association Company Limited by Guarantee (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at financial year end 31 December 2017 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Cash Flow Statement; and
- the related notes 1 to 21, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Continued on next page/

Independent auditor's report to the members of Circle Voluntary Housing Association Company Limited by Guarantee

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Continued on next page/

Independent auditor's report to the members of Circle Voluntary Housing Association Company Limited by Guarantee

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 26th September 2018

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €	2016 €
Turnover	3	4,546,394	3,895,634
Administrative expenses		<u>(4,447,418)</u>	<u>(3,614,690)</u>
Operating surplus		98,976	280,994
Depreciation and amortisation	10/13	1,814,406	1,730,608
Impairment of housing properties	10	(1,816,981)	0
Interest receivable	6	435	1,266
Interest payable and similar charges	7	(77,939)	(14,258)
Surplus on ordinary activities before taxation	8	18,897	1,998,560
Tax on surplus on ordinary activities	9	<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>18,897</u>	<u>1,998,560</u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €	2016 €
Fixed Assets			
Tangible assets	10	78,150,492	73,305,002
Current Assets			
Debtors: Amounts falling due within one financial year	11	889,652	1,532,276
Cash at bank and in hand		1,666,934	3,781,723
		2,556,586	5,313,999
Creditors: Amounts falling due within one financial year	12	(999,640)	(1,029,780)
Provision for liabilities		(148,656)	-
Net current assets		1,408,290	4,284,219
Total assets less current liabilities		79,558,782	77,589,221
Creditors: Amounts falling due after more than one financial year	13	(60,386,551)	(58,435,887)
NET ASSETS		19,172,231	19,153,334
Reserves			
Retained earnings	15	3,244,809	5,040,318
Capital reserves	15	15,927,422	14,113,016
		19,172,231	19,153,334

The financial statements were approved and authorised for issue by the Board of Directors on and signed on its behalf by:

Aoife Watters
Director

Brian Shefflin
Director

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
STATEMENT OF CHANGES IN RESERVES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Retained Earnings (see note 15) €	Capital Reserves (see note 15) €	Total €
At 1 January 2016	4,772,366	12,382,408	17,154,774
Total comprehensive income for the financial year	1,998,560	–	1,998,560
Transfer amortisation and housing property depreciation to capital reserves	(1,730,608)	1,730,608	–
At 31 December 2016	5,040,318	14,113,016	19,153,334
Total comprehensive income for the financial year	18,897	–	18,897
Transfer amortisation and housing property depreciation to capital reserves	(1,814,406)	1,814,406	–
At 31 December 2017	3,244,809	15,927,422	19,172,231

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €	2016 €
Net cash flows from operating activities	16	<u>3,621,538</u>	<u>2,808,110</u>
Cash flows used in investing activities			
Purchase of tangible fixed assets	10	(7,609,486)	(7,740,507)
Interest received	6	<u>435</u>	<u>1,266</u>
Net cash flows used in investing activities		<u>(7,609,051)</u>	<u>(7,739,241)</u>
Cash flows from financing activities			
Interest paid	7	(60,774)	(13,411)
Increase / (decrease) in bank (HFA) loans		(55,778)	2,039,624
Increase in local authority (CALF) loans		147,500	735,375
Increase / (decrease) in CLSS and CAS loans		<u>1,841,776</u>	<u>2,380,465</u>
Net cash flows from/(used in) financing activities		<u>1,872,724</u>	<u>5,142,053</u>
Net increase in cash and cash equivalents		(2,114,789)	210,922
Cash and cash equivalents at beginning of financial year		<u>3,781,723</u>	<u>3,570,801</u>
Cash and cash equivalents at end of financial year		<u><u>1,666,934</u></u>	<u><u>3,781,723</u></u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		<u>1,666,934</u>	<u>3,781,723</u>
		<u><u>1,666,934</u></u>	<u><u>3,781,723</u></u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial year and to the preceding financial year.

General Information and Basis of Accounting

The company is limited by guarantee and has no share capital. Circle VHA is a company incorporated in Ireland under the Companies Act 2014. The address of the registered office is noted on page 2. The nature of the company's operations and its principal activities are set out in the directors' report. The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2014 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of Circle VHA is considered to be euro because that is the currency of the primary economic environment in which the company operates.

Going Concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The directors' report describes the financial position of the company; its cash flows, liquidity position; the company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to interest rate risk and credit risk. The company meets its day to day working capital requirements through accumulated reserves, bank and other debt. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental income from third parties, development allowances and revenue grants receivable from local authorities and the Department of the Housing, Planning, Community and Local Government and other government departments, management fees, payments and availability income, service charges and other income. Where income is received from tenants, local authorities or other funders in advance, the amounts are recorded as deferred income and included as part of creditors due within one financial year.

Development Allowances

Development allowances receivable are credited to income in the period in which the development work is undertaken and the administrative expenses are incurred in respect of the relevant project.

Tangible Assets - Housing Properties

Housing properties and other fixed assets are stated at cost. The cost of housing properties comprises the following:

- a) Cost of acquiring land and buildings
- b) Construction and development expenditure

Depreciation of Tangible Assets

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. Depreciation is provided on a straight-line basis to write off the cost of the assets over their estimated useful lives at the following rates:

In accordance with the depreciation policy of the company, the Board Members consider that the land and structures' residual value is considered not less than the cost capitalised and therefore is not depreciated. The significant components of tangible fixed assets include: Roof Structure and Coverings, Windows and External Doors, Gas Boilers, Kitchens, Bathrooms, Heating, Ventilation and Plumbing Systems, Electrics and Lifts. These components are depreciated over a period of 15 to 70 years to write off the components over their estimated useful economic lives. In accordance with the depreciation policy of the Association, the Board Members consider that the land and structure's residual value is not less than the cost capitalised. The company perform rolling stock condition surveys to ensure their assessment of residual value remains appropriate.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

.....

1. ACCOUNTING POLICIES (CONTINUED)

Depreciation of Tangible Assets (continued)

In addition, under the terms of the Association's funding and loan agreements with respective local authorities, government departments and the HFA, the Association is required to keep the properties in good structural order, repair and condition and not to permit the funded/mortgaged properties to depreciate by neglect or mismanagement. Detailed reviews for impairment are therefore only carried out if Board Members are satisfied that there are definite indicators that impairment has occurred. The Board Members are satisfied that in the current market, land and the residual value of structures is an appreciable asset and that an annual charge for depreciation would be inappropriate.

Housing Loans

Funding was primarily advanced by local authorities and the DHPCLG, CLSS and CAS. Funds advanced under CLSS and CAS have been amortised over the period of the scheme from the date of advance, which is 30 years and transferred to a Capital reserve. On completion of the funding period, provided certain conditions are met, the balances are relieved in full and will be released from the capital reserve to the retained earnings reserve. Specific loans are advanced by the DHPCLG under CALF, subject to the terms of individual loan agreements. Interest and capital repayments are required. These facilities, together with other housing loans, are measured at amortised cost.

Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires. Balances that are classified as payable or receivable within one financial year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Pensions

The company operates a defined contribution pension scheme for certain employees who opt to participate in the scheme. The assets of the scheme are held separately from those of the company. The pension cost charge represents contributions paid in the period by the company to the fund.

Finance Leasing

Assets obtained under finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

Operating Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Provision for Irrecoverable Debts

Provision is made for rent arrears balances existing at the financial year end, which by the date of signing, have not reduced and where a reasonable level of doubt exists as to whether these amounts remain recoverable.

Reserves Policy

Circle VHA classifies reserves into two categories. The retained earnings reserve, represents both the reserve for future maintenance and the general reserve. The purpose of the general retained earnings reserve is to facilitate Circle VHA's program of growth over the coming financial years while ensuring the long-term viability of the Association. There is a minimum working capital reserve in place within this reserve.

The portion of reserves which have been identified as required to meet the future costs of planned and cyclical maintenance programmes are subject to annual review by the Board Members. A program of rolling stock condition surveys (every 3 financial years), commenced in 2015, with 18% of the current stock inspected by a suitably qualified third party. Over the coming financial years, the aim is to have precise data on the entire portfolio. This will provide the required intelligence to the Board in assessing the component replacement and upgrade requirements of Circle VHA in the longer term. The capital reserve is represented by CAS and CLSS funding which is being amortised over the term (30 financial years) of the scheme from the date of advance and the related depreciation on housing properties. At the end of the term of the scheme the related funding and the related housing properties depreciation will be released to the retained earnings reserve.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the financial period in which the estimate is revised if the revision affects only that financial period or in the financial period of the revision and future financial periods if the revision affects both current and future financial periods. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the accounting policies and the notes to the financial statements.

Critical judgements in applying the Company's accounting policies

In the opinion of the directors, there were no critical judgements, apart from those involving estimations (which are dealt with separately below), made in the process of applying the company's accounting policies.

Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the company's financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical accounting estimates and assumptions (continued)

(i) Residual Value

Land and structures' residual value is considered not less than the cost capitalised and therefore is not depreciated for the majority of Circle VHA's housing units.

Circle VHA undertook a third-party desktop valuation of the entire portfolio as at 31 December 2017 resulting in an overall aggregate portfolio valuation surplus over the carrying cost. Notwithstanding this overall valuation surplus position, FRS 102 requires assets to be measured at the "smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets" - for Circle VHA an asset therefore represents an individual apartment, duplex or house and this removing the benefit of the aggregate surplus position.

A further full red-book valuation was conducted on 40 units where the desktop valuation indicated possible impairment. This exercise was carried out by qualified valuers at Lisney, in accordance with the RICS Valuation – Global Standards 2017, published by The Royal Institute of Chartered Surveyors. This valuation, following a review by Circle VHA, was the basis for the impairment provision of (€1,816,981) which was accounted for during the financial year ended 31 December 2017.

(ii) Useful economic lives of tangible fixed assets

The annual depreciation on tangible fixed assets is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are reviewed annually. They are amended when necessary to reflect current estimates, based on economic utilisation, technological advancements and the physical condition of the assets.

3. TURNOVER

The turnover and surplus before taxation are attributable to the principal activities of the company. An analysis of the turnover is as follows:

	2017 €	2016 €
Rent and service charges	3,041,416	2,912,504
Payment and availability income	1,101,273	710,094
Management and maintenance fees	168,367	231,568
Other income	235,338	41,468
	<u>4,546,394</u>	<u>3,895,634</u>

All turnover arises in the Republic of Ireland.

4. EMPLOYEES AND REMUNERATION

The average monthly numbers of persons employed by the Association during the financial year was as follows:

	2017 Number	2016 Number
Management and staff	<u>25</u>	<u>23</u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The aggregate payroll cost of these persons was as follows:

	2017	2016
	€	€
Wages and salaries	1,127,273	932,926
Social welfare costs	96,770	91,667
Pension costs	69,791	52,338
	<u>1,293,834</u>	<u>1,076,931</u>

4. EMPLOYEES AND REMUNERATION (CONTINUED)

Salary banding for all employees earning over €60,000 (including salaries, benefit in kind and performance-related pay but excluding pension contributions paid by the employer, employers PRSI and any termination payments):

	2017	2016
€60,000 - €70,000	-	1
€70,000 - €80,000	1	-
€80,000 - €90,000	1	-
€90,000 - €100,000	<u>-</u>	<u>1</u>

5. KEY MANAGEMENT COMPENSATION

The total remuneration for key management personnel for the financial year amounted to €377,375 (2016 €338,554). Remuneration includes basic pay, employer pension contributions, travel and car allowances.

Board Member Expenses

No member of the Board receives payment other than the reimbursement of direct expenses incurred as a result of their duties for the association.

6. INTEREST RECEIVABLE

	2017	2016
	€	€
Interest receivable	435	1,266

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	€	€
Bank Loans	60,774	13,411
CALF Loans	17,165	847
	<u>77,939</u>	<u>14,258</u>

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017	2016
	€	€

The surplus for the financial year is stated after charging/(crediting):

Directors' remuneration	-	-
Depreciation – Land and Buildings (note 10)	880,935	813,469
Depreciation – Other Assets (note 10)	60,080	56,374
Amortisation (note 13)	(2,695,342)	(2,544,104)
Impairment – Land and Buildings (note 10)	1,816,981	-
Operating lease payments	898,339	727,819
	<u>898,339</u>	<u>727,819</u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. TAXATION

Circle Voluntary Housing Association Company Limited by Guarantee (CHY No.15529) has charitable objectives and has been granted charitable status by the Irish Revenue Commissioners and is exempt from corporation tax, under the provision of section 207 of the Taxes Consolidation Act 1997.

10. TANGIBLE ASSETS

	Long leasehold land and housing properties €	Equipment €	Fixtures and fittings €	Total €
Cost:				
At 1 January 2017	79,560,582	159,495	170,173	79,890,250
Additions	7,535,564	34,664	39,258	7,609,486
At 31 December 2017	87,096,146	194,159	209,431	87,499,736
Depreciation:				
At 1 January 2017	6,429,640	91,703	63,905	6,585,248
Charge for the financial year	880,935	37,661	28,419	947,015
Impairment:				
At 1 January 2017	-	-	-	-
Charge for the financial year	1,816,981	-	-	1,816,981
At 31 December 2017	77,968,590	67,795	117,107	73,150,492
Carrying Amount:				
At 31 December 2016	73,130,942	67,792	106,268	73,305,002

Circle VHA's accounting policy for the measurement of its housing stock is to carry these at cost less provision for impairment.

For the financial year ended 31 December 2017, Circle VHA recognised an impairment amount of €1,816,891 arising from the valuation of 40 apartments/duplexes out of Circle VHA's portfolio of 406 owned housing units. This was based on a full red-book valuation was conducted by qualified valuers at Lisney, in accordance with the RICS Valuation – Global Standards 2017, published by The Royal Institute of Chartered Surveyors.

The Directors are of the view that this is a temporary impairment, subject to market conditions. The valuation of these 40 apartments/duplexes has no impact on their long-term funding and the continued usage of these units to deliver Circle VHA's primary objective of providing housing for persons deemed in housing need.

11. DEBTORS: Amounts falling due within one financial year	2017 €	2016 €
Trade debtors	128,356	429,418
Other debtors	420,545	731,107
Prepayments and accrued income	340,751	371,751
	889,652	1,532,276

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. CREDITORS: Amounts falling due within one financial year	2017	2016
	€	€
Trade and other creditors	321,051	268,293
Accruals	241,171	381,829
Taxation and social welfare (see below)	67,329	84,615
Deferred income and rents paid in advance	156,552	120,423
Rent deposits held	4,450	–
Financing liability	87,398	54,185
Bank overdraft	1,254	–
Bank (HFA) loan	120,435	120,435
	999,640	1,029,780

Taxation and social welfare comprises of the following:

PAYE/PRSI	24,450	23,330
VAT	27,926	48,119
RCT	14,953	13,166
	67,329	84,615

13. PROVISION FOR LIABILITIES:

	2017	2016
	€	€
Provision for Remedial Works	148,656	–

In January 2017, Circle VHA were notified that building defects had been identified in a number of units which are owned by the Organisation. At the time of signing the financial statements for year ended 31 December 2016, it was unclear what the cost of remedying these defects would be or whether these costs may be covered by a third party.

It was therefore, not possible to reliably measure the costs and therefore no provision was recognised in the 2016 financial statements. Rather a contingent liability was noted in the Financial Statements.

By year end 31 December 2017, Circle Voluntary Housing had established a reliable estimate of the cost of the works and this amount if provided for in full in these Financial Statements in the amount of €148,656 (2016 €NIL).

14. CREDITORS: Amounts falling due after more than one year	2017	2016
	€	€
Bank (HFA) loan	1,863,413	1,919,189
Local authority (CALF) loan	900,887	736,221
Local Authority CLSS and CAS loans	57,622,252	55,780,477
Loans at 31 December	60,386,552	58,435,887

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. CREDITORS: Amounts falling due after more than one year (Cont'd)

Bank loans and Local Authority CALF loans are comprised of amounts payable as follows:

Bank and HFA Loans:

	2017 €	2016 €
Amounts falling due within one financial year	120,435	120,435
Amounts falling due after more than one financial year	1,818,413	2,655,410
	<u>1,983,848</u>	<u>2,775,845</u>
	2017 €	2016 €
Within one financial year	120,435	120,435
Between one and two financial years	120,646	120,435
Between two and five financial years	361,937	361,304
After five financial years	1,380,830	2,173,671
	<u>1,983,848</u>	<u>2,775,845</u>

14. CREDITORS: Amounts falling due after more than one financial year (continued)

Local Authority CLSS and CAS Loans:	2017 €	2016 €
Local Authority CLSS and CAS loans at 1 January	55,780,477	53,400,012
Additions	4,537,117	4,924,569
Amortisation	(2,695,342)	(2,544,104)
Local Authority CLSS and CAS loans at 31 December	<u>57,622,252</u>	<u>55,780,477</u>

HFA bank loans are secured by a series of first legal charges over specific housing properties. Interest is fixed for the first twenty years of the loan period at 3%, for the remaining five years the interest rate applicable is variable. A detailed list of all relevant charges is available on the Companies Registration Office website.

Local Authority CALF loans refer to loans from Local Authorities where no first charge is secured against the properties for which the monies were advanced. These loans are subject to the terms of the individual loan agreements; interest accrues on these amounts at 2% simple interest per annum and principal and accrued interest are repayable on completion of the loan agreement term.

Housing funding is primarily advanced by local authorities and the DHPCLG, under CLSS and CAS funding schemes. Loans under CLSS and CAS have been amortised on the basis that they are grants in substance and on completion of the funding period, provided certain conditions are met, the balances are relieved in full and will be released to the retained earnings reserve. The DHPCLG hold charges against the company until the conditions and funding period of the agreement have been met. Specific loans are advanced by the DHPCLG under CALF, subject to the terms of individual loan agreements. No interest or capital repayments are required to be made in respect of these loans.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. FINANCIAL INSTRUMENTS

The carrying value of the company's financial assets and liabilities are summarised by category below:

	2017 €	2016 €
Financial assets		
Measured at undiscounted amount receivable		
- Trade debtors	128,356	429,418
- Other debtors	420,545	731,107
Financial liabilities		
Measured at amortised cost		
-Bank (HFA) loan	(1,983,848)	(2,039,624)
-Local authority (CALF) Loan	(900,887)	(736,221)
Measured at undiscounted amount payable		
- Trade and other creditors	(321,051)	(268,293)
- Deferred income and rents paid in advance	(156,552)	(120,423)
- Rental deposits Held	(4,450)	-
- Financing liability	(87,398)	(54,185)
- Bank overdraft	(1,254)	-
- Local Authority CLSS and CAS loans	(57,622,252)	(55,780,477)

16. RESERVES

The categories of reserves are designated as follows:

Retained Earnings

The Association's policy is to maintain unrestricted reserves to ensure the long-term viability and future growth of the Association. A portion of reserves have been set aside in designated funds to meet the future costs of planned and cyclical maintenance programmes, this reserve forms part of the Retained Earnings reserve and are subject to annual review by the Board Members. A program of rolling stock condition surveys will inform the Board of the adequacy of this reserve.

Capital Reserves

The capital reserve is represented by capital assistance scheme and capital loan and subsidy scheme funding which has been amortised over the term (30 years) of the scheme from the date of advance and the related depreciation on housing properties. At the end of the term of the scheme the related funding and the related housing properties depreciation will be released to the retained earnings reserve.

There are certain conditions attaching to funds received under capital assistance scheme and capital loan and subsidy scheme funding and deeds of charge have been registered by Local Authorities and the Department of the Environment, Community and Local Government. This funding may become repayable in the event that the conditions of the related agreements are not adhered to.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**17. RECONCILIATION OF OPERATING SURPLUS TO NET CASH
 INFLOW FROM OPERATING ACTIVITIES**

	2017	2016
	€	€
Surplus for the financial year	18,897	1,998,560
Depreciation	947,015	869,869
Impairment	1,816,981	-
Decrease/(Increase) in debtors	642,624	(302,987)
Increase in creditors	118,517	229,676
Interest receivable	(435)	(1,266)
Interest payable and similar charges	77,939	14,258
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>3,621,538</u>	<u>2,808,110</u>

18. LEASE COMMITMENTS

	2017	2016
	€	€
Operating lease commitments		
Total future contracted lease commitments which exist under non-cancellable operating leases as follows:		
Within one financial year	894,571	894,571
Between two to five financial years	3,578,284	3,578,284
More than five financial years	<u>11,289,590</u>	<u>12,167,328</u>

19. PENSION

The company operates a defined contribution pension scheme. The contribution for the financial year amounted to €69,791 (2016: €52,338). The amount of pension contributions outstanding at 31 December 2016 was €5,267 (2016: €802).

20. CAPITAL COMMITMENTS

The company had no commitments authorised but not contracted at 31 December 2017 (2016: €Nil).

21. SUBSEQUENT EVENTS

There have been no significant events affecting the company since the balance sheet date.

22. RELATED PARTY TRANSACTIONS

During the Circle VHA engaged Campbell Tickell to undertake consultancy to the value of €49,235 (2016 - €NIL), a company in which Mr. D Williams (director) is a partner. This process was managed through a restricted tendering process and was on an arm's length basis and specifically Mr. D Williams did not participate in the decision to invite this company to tender or in the decision to appoint this company to carry out this work. There were no amounts outstanding to Campbell Tickell at the period end (2017 - €0).

NOTES

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