

Circle Voluntary Housing Association
Company Limited by Guarantee

Reports and Financial Statements
for the financial year ended
31 December 2018

Company Number 374693

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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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 Gráinne Ní Dhubhghaill Brian Shefflin Dave Williams (retired 8 th May 2018)
COMPANY SECRETARY	Anne O'Meara
REGISTERED OFFICE	Phoenix House 32-34 Castle Street Dublin 2
INDEPENDENT AUDITORS	Deloitte Ireland LLP 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 & 10 Molesworth Street, Dublin 2 Bank of Ireland College Green Dublin 2
SOLICITORS	Mason Hayes and Curran Byrne Wallace OBH Partners Devonshires Beauchamps Ferry Solicitors Cullen Tyrell O'Beirne McCann Fitzgerald
CHARITY REGISTRATION NUMBER	15529
COMPANY REGISTRATION NUMBER	374693
CHARITIES REGULATORY AUTHORITY NUMBER	20053840
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 2018.

PURPOSE, OBJECTIVES AND ACTIVITIES

Circle Voluntary Housing Association's ("Circle VHA" or the "Company") 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 purpose 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, 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.

REFERENCE AND ADMINISTRATIVE DETAILS - LEGAL STATUS

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 2018 the new constitution for the Company was approved by the Board and filed with the Companies Registration Office.

ACHIEVEMENTS AND PERFORMANCE STRATEGIC PLANNING AND DIRECTION

The Board at its meetings reviews the strategic direction of the Company 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, regulation and housing environment, the strategic objectives and our performance in achieving the delivery of the stated objectives. Each year, the Board considers and approves a 5 Year Business Plan and a 30-year financial plan which incorporates an Asset Management Plan.

During 2018, the Board considered Circle VHA's strategic direction for the period 2018 to 2020 and set out the following strategic goals for the Company:

1. To improve and develop the quality of housing and estate management services;
2. To continue to develop the quality and effectiveness of internal processes;
3. To promote Circle VHA as a trusted social housing provider of quality social and affordable housing;
4. To grow strength, through the delivery of excellent housing and excellent services; and
5. 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.

Circle VHA works actively with the Department of Housing, Planning and Local Government (DHPLG), 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.

We want to grow our current social housing provision in the existing Local Authority areas and seek appropriate development opportunities in other Local Authorities

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT (CONTINUED)

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

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

ASSET MANAGEMENT

Our policy is to maintain our properties to a very high standard and meet all our statutory compliance requirements to keep our residents safe. 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. The stock condition data now acts as a basis for planning how we will approach asset management over the coming years. The focus for 2019 will be on the procurement of services and gaining value for money in the delivery of planned refurbishment works in 2020 and beyond. Further to this, in 2018 we started reviewing how we will deliver our repairs and maintenance services going forward along with our provision for delivering annual compliance and servicing. Our aim is to gain an overall improvement in all our services to residents, ensure better value for money and drive efficiencies and innovation in the way we deliver.

MANAGEMENT AND STAFF

We acknowledge with appreciation the committed work of our staff. Our continuing growth and delivery of our housing services due to their professionalism, dedication and commitment. There are 30 persons employed by Circle VHA at the year end.

KEY PERFORMANCE INDICATORS

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.

FINANCIAL RISK MANAGEMENT

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 by management and the Finance Audit and Risk Committee.

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 Company. To reflect this, in 2018 Circle VHA created specific roles in Housing Management for Income Management Officers, whose purpose is to ensure the effective and efficient collection of rents and to support tenants in arrears to achieve agreements for the proactive reduction of arrears and sustainable tenancies.

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.

ACHIEVEMENTS AND PERFORMANCE(CONTINUED)

INTEREST RATE RISK

At the end of 2018, all long-term loans held by Circle VHA were on a fixed interest rate either for the first 20 years of the loan, with a further 5-year period at variable rate or at a fixed interest rate for the full period of the loan.

In 2018, Circle VHA established a revolving credit facility, the first of its kind in the AHB sector, this facility is at a variable interest rate. The intention is that this facility is utilised on a short-term basis, to deliver housing, with funds refinanced into long term finance within months.

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.

RISKS

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 and is further considered at each Finance Audit and Risk Committee meeting.

1. Economic Risk

Circle VHA 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 and other risks.

2. Reclassification of Approved Housing Bodies("AHB")

One of the most substantial risks to the sector, and therefore for Circle VHA, is the reclassification of the AHB in Tier 3 (the largest AHBs), by the Central Statistics Office and Eurostat, as Government Sector Bodies. This brings the funding of capital projects into the realm of public expenditure thus leading to the competing of social housing delivery with roads, hospitals and other strategic infrastructure projects. While this was not a significant issue in 2017 and 2018 the potential impact on future growth will 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.

3. Financing

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 VHA is 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 VHA has sufficient Board and management knowledge and expertise on these issues to ensure that we benefit from the potential growth in this form of funding.

4. Growth

Growing the Company 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 VHA.

DIRECTORS' REPORT (CONTINUED)

RISKS (CONTINUED)

5. Technology

Aligned to this growth is the adoption of new technological systems to drive efficiency and effectiveness in the delivery of our services. Circle VHA 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 VHA 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 2019 and processes within Circle VHA will continue to improve as a result of the effective adoption of the software.

6. General Data Protection Requirements ("GDPR")

The requirement to be compliant with GDPR, imposed by the European Union, from 25th of May 2018 has been a focus for Circle VHA 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. As at the 31st of December 2018, Circle were fully compliant with the new legislation.

We recognise the risks that are being placed upon the AHB sector and we are very conscious of the importance of our Risk Management Framework

The Risk Register is managed by the management team and then reviewed and approved by the Board on two occasions each calendar year. The Finance, Audit and Risk Committee review the Corporate Risk Register at each of their meetings.

FINANCIAL REVIEW

RESULTS FOR THE FINANCIAL YEAR AND REVIEW OF OPERATIONS IN 2018

Circle VHA continued to increase the number of properties in its housing and facilities management during 2018 primarily via loan finance and capital grants. The scale of increase is outlined below.

	2018 No.	2017 No.
Dwelling homes owned	427	406
Dwelling homes managed	651	642
Total Social Housing homes	1,078	1,048
Dwelling homes provided with estate management services	1,319	1,319

The scale of the increase in housing management during 2018 was 30 additional homes which increased the units available for social housing to 1,078 in total at the financial year end.

In 2018 we secured capital funding approval from the Department of Housing, Planning, Community and Local Government ("DHPCLG") for 8 Capital Assistance Scheme ("CAS") homes. A further 16 were delivered using a mixture of CALF Loan (from the DHPCLG) and loan finance. The remaining 6 units were added through management agreements with Local Authorities.

Circle VHA is primarily a general needs housing provider and all the families and individuals 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 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.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Our current tenant population is primarily in the 31-45 (56.5%) age group, followed by 23% in the 46-55 age group and 12% are aged over 56, less than 8.5% of our tenants are under the age of 30. 66% of our accommodation is for families with children. Some 74% of our tenant population are Irish born citizens. The remaining 26% representative of 36 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.

Our 2018 review of roles across housing and property management allowed us to strengthen our approaches to how we work with people in securing and managing their new home and accessing and being part of a wider community. The Tenancy Service Officer is the first point of contact for all matters relating to tenancy and estate management. The role covers lettings and allocations, management of tenancies, including breach of tenancies, antisocial behaviour and all aspects of estate and neighbourhood management. The Tenancy Service Officers work with tenants, internal colleagues and external partners in designing and delivering high-quality services that are tailored to meet the tenants and community needs. This approach allows each department and staff member to focus on a customer led and centered approach to their work.

Our Tenancy Service Officers have the capacity to focus on community-based initiatives which encourages higher levels of participation and in doing so reduces the risk of tenants feeling isolated in their homes and communities.

This process should enable the future growth of our housing delivery in 2018 and beyond. In 2018 we have been added to the panels for housing delivery in Kildare, Waterford, Meath, Louth and Wicklow County Councils. We have also committed to extending our housing provision beyond these existing Local Authority areas where we currently operate with plans for expansion in Cork, Limerick and Galway. Our intention over the coming three years is to develop social housing in Local Authorities that offer an appropriate opportunity to create sustainable communities.

Circle VHA, as a general needs housing provider comes 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. All Circle VHA tenancies are registered with the RTB. 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.

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 much of its housing stock 95.5% (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.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL PERFORMANCE (CONTINUED)

In 2018, the Board considered the valuation of the properties in our portfolio, having undertaken formal valuations in September 2018 and given current market conditions, the Board are satisfied that no impairment adjustment is required in the financial year to 31st December 2018.

Total comprehensive income for the financial year €1,042,780 (2017: €18,897). In 2018, Circle VHA shows an operating deficit of €662,749 (operating surplus of €98,976) on a turnover of €4,966,202 (€4,456,394 2017). There were two main drivers of this operating deficit in the period.

At the end of Financial Year 2017, it was acknowledged by both the Management Team and the Board that considerable investment in the Company was required during 2018. The two main areas of investment were in our staff and in our IT systems and both investment programs were approved in setting the budget for the financial year 2018.

In 2018 we undertook a full organisational restructure, with a specific focus on our staff. The sequencing of this investment was front loaded on the first 6-month period where additional expertise was contracted in to assist in implementing this restructure.

This was done to ensure that the most appropriate work practices and systems be embedded into the new structure. Brining in external expertise also allowed us to address areas of skills deficits that had been identified immediately. The restructure considered all areas of the business and additional posts were approved for the finance and development teams.

A new corporate services team was established with new resources appointed in human resources, IT and data governance. On the operational side of the business, housing management was restructured into two distinct teams, the tenancy management team and the income management team, this allows team members to have a more specialised and focused roles. Finally, a new repairs and maintenance team was established which deals with response repairs, contractors management and long-term maintenance planning. The restructure of the Company is now complete. The additional work around creating the new structures has led to additional costs both in terms of consultant's fees and temporary support staff required to supplement resources during this period.

From a control and IT systems perspective, we have undertaken a full review and update of all policies, procedures and process in place throughout the Company. We have also undertaken a complete overhaul of our IT system, including the introduction of an integrated software platform which will drive efficiencies across the Company over the coming two years.

The second driver of the operating deficit was a delay in the number of properties we delivered during 2018. In our budget for the year, a strong development pipeline showed an expected delivery of 362 properties in the second half of 2018. It was expected that the additional income from these properties would fund the investment requirements for the year. Delays in delivery have pushed a large portion of these properties into 2019 delivery, which resulted in reduced income for the financial year.

TURNOVER

The income of the Company increased to €4,966,202 from €4,546,394 in 2017 an increase of 9.2%. 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 €3,249,405 for the financial year, an increase of 6.8% on 2017 rental income and service charges. Payment and Availability payments continue to increase, in 2018 this income type amounted to €1,263,363, an increase of 14.7% on the 2017 figure.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL PERFORMANCE (CONTINUED)

EXPENDITURE

Expenditure in the financial year was €5,628,951 compared to €4,447,418 in 2017 which was an increase of 26.6%. 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. The restructuring of the Company and investment in IT and process improvement directly accounted for €545,696 of this expenditure.

Staff payroll increased by €376,326 (29%), due to the planned program of investment in the resource base and infrastructure of Circle VHA. This increase is due to the restructure of the Company, with the addition of new teams and resourcing of these teams. This investment was 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 areas of marked increase were in development related costs, increasing from €23,903 in 2017 to €173,519, this is reflective of the increase in our development activity. In 2018 property related costs increased by €107,444 (4.9%) to €2,314,135.

RESERVES

At the financial year end, total reserves were €20,215,011 compared to €19,172,231 at 31 December 2017.

The increase in reserves is attributed to an adjustment for amortisation of CAS and CLSS loans of €2,765,342 and depreciation on tangible fixed assets of €929,380. This is offset against the operating deficit (for the financial year of €662,749; net interest of (€130,439).

It is Circle VHA's policy to maintain unrestricted reserves to ensure the long-term viability and future growth of the Company. 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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT (CONTINUED)

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.

STRUCTURE, GOVERNANCE AND MANAGEMENT

During 2018 Circle VHA was governed by a Board of nine Directors (one retired during the year) who are not paid for their services. In quarter four 2018 and quarter one of 2019 Circle VHA undertook a programme of recruiting additional directors to the Board and additional non-executive committee members to the sub-committees to the Board.

The Board is responsible for providing leadership, approving strategy for the Company to achieve its vision and purpose, 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.

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 2018, seven Board meetings were held, this includes 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	7	- Chair
• Fr. Pat Carolan	7	
• Jerome Casey	6	
• Jane Doyle	7	
• Chris Ellison	7	
• Jim Murphy	7	
• Gráinne Ní Dhubhghaill	6	
• Brian Shefflin	6	
• Dave Williams	2	- retired on 8 th of May 2018

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 purpose. 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 board members, 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.

DIRECTORS' REPORT (CONTINUED)

STRUCTURE, GOVERNANCE AND MANAGEMENT(CONTINUED)

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

1. Finance Audit and Risk Committee

(Chair Brian Shefflin)

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 five occasions in 2018. The committee reviewed our existing financial controls and our corporate 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.

2. Development Committee

(Chair Jim Murphy)

The committee members are Jim Murphy, Jerome Casey and David Williams, an external member. The role of the committee is to review proposed development opportunities and specific projects and new funding opportunities. The committee met on six occasions in 2018.

3. Remuneration and Nomination Committee

(Chair, Jane Doyle)

The committee members are Jane Doyle, Fr. Pat Carolan, 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 met two times in 2018.

4. Implementation Group Committee(Chair, Chris Ellison)

The committee members are Chris Ellison, Aoife Watters, Gráinne Ni Dhubhghail. The role of this committee is to ensure the appropriate implementation of the action plan agreed by the Board for organizational transformation and the adherence to the strategic plan delivery. The committee met 6 times in 2018.

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

The Board recognises that to ensure good governance a renewal of Board Membership is an important facet of its considerations. The Board has set a target of recruiting four new Board Members in 2019 with an additional 4 external members of sub-committees. This is to ensure that there is sufficient scope for Board renewal and succession over the coming years.

TRANSACTIONS INVOLVING DIRECTORS

During the financial year ended 31 December 2018, there were no transactions involving Directors.

In 2017, Circle VHA engaged Campbell Tickell to undertake consultancy work, to the value of €49,235, 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.

During the financial year ended 31st of December 2018, Campbell Tickell continued to provide consultancy support to Circle VHA the value of which was €123,641 (2017: €49,235). Mr. D Williams resigned as a director of Circle VHA until the 18th of May 2018.

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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT (CONTINUED)

POLITICAL AND CHARITABLE CONTRIBUTIONS

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

EXEMPTIONS FROM DISCLOSURES

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

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

Circle VHA does not act as a custodian trustee on behalf of others.

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 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 Ireland LLP, 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
Date: 19 June 2019

Brian Shefflin
Director

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**

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 2018 and of the total comprehensive income 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 Statement of Financial Position;
- the Statement of Changes in Reserves;
- the Statement of Cash Flow; and
- the related notes 1 to 23, 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.

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**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.
- 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.

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

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.

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

20 June 2019

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	2018 €	2017 €
Turnover	3	4,966,202	4,546,394
Administrative expenses		(5,628,951)	(4,447,418)
Operating (deficit)/surplus		(662,749)	98,976
Interest receivable	6	6	435
Interest payable and similar charges	7	(130,439)	(77,939)
Amortisation of Local Authority Loans	10/14	2,765,342	2,695,341
Depreciation of housing properties	10	(929,380)	(880,935)
Impairment of housing properties	10	-	(1,816,981)
Surplus on ordinary activities before taxation	8	1,042,780	18,897
Tax on surplus on ordinary activities	9	-	-
Total comprehensive income for the financial year		1,042,780	18,897

There are no other recognised gains or losses other than those listed above and the total comprehensive income for the financial year. All income and expenditure derives from continuing activities.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	<i>Notes</i>	2018 €	2017 €
Fixed Assets			
Tangible assets	10	83,335,726	78,150,492
Current Assets			
Debtors: Amounts falling due within one financial year	11	1,710,201	889,652
Cash at bank and in hand		1,491,004	1,666,934
		3,201,205	2,556,586
Creditors: Amounts falling due within one financial year	12	(1,875,196)	(999,640)
Provision for liabilities	13	(88,239)	(148,656)
Net current assets		1,237,770	1,408,290
Total assets less current liabilities		84,573,496	79,558,782
Creditors: Amounts falling due after more than one financial year	14	(64,358,485)	(60,386,551)
NET ASSETS		20,215,011	19,172,231
Reserves			
Retained earnings	16	2,451,627	3,244,809
Capital reserves	16	17,763,384	15,927,422
		20,215,011	19,172,231

The financial statements were approved and authorised for issue by the Board of Directors on 19 June 2019 and signed on its behalf by:

Aolfe 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 2018**

	Retained Earnings (see note 16) €	Capital Reserves (see note 16) €	Total €
At 1 January 2017	5,040,318	14,113,016	19,153,334
Total comprehensive income for the financial year	18,897	-	18,897
Transfer amortisation and depreciation of housing property depreciation to capital reserves	<u>(1,814,406)</u>	<u>1,814,406</u>	<u>-</u>
At 31 December 2017	3,244,809	15,927,422	19,172,231
Total comprehensive income for the financial year	1,042,780	-	1,042,780
Transfer amortisation and depreciation of housing properties	<u>(1,835,962)</u>	<u>1,835,962</u>	<u>-</u>
At 31 December 2018	<u>2,451,627</u>	<u>17,763,384</u>	<u>20,215,011</u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	2018 €	2017 €
Net cash flows from operating activities	<i>17</i>	(783,392)	926,196
Cash flows used in investing activities			
Purchase of tangible fixed assets	<i>10</i>	(6,197,009)	(7,609,486)
Interest received	<i>6</i>	6	435
Net cash flows used in investing activities		(6,197,003)	(7,609,051)
Cash flows from financing activities			
Interest paid	<i>7</i>	(103,810)	(60,774)
Increase in bank (HFA) loans		4,074,392	(55,778)
Increase in local authority (CALF) loans		733,883	147,500
Decrease in CLSS and CAS loans		2,100,000	4,537,118
Net cash flows from financing activities		6,804,465	4,568,066
Net decrease in cash and cash equivalents		(175,930)	(2,114,789)
Cash and cash equivalents at beginning of financial year		1,666,934	3,781,723
Cash and cash equivalents at end of financial year		1,491,004	1,666,934
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		1,491,004	1,666,934

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

Depreciation of Tangible Assets (Continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

(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.

(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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****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:

	2018	2017
	€	€
Rent and service charges	3,249,405	3,041,416
Payment and availability income	1,263,363	1,101,273
Management and maintenance fees	169,379	168,367
Other income	284,055	235,338
	4,966,202	4,546,394

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:

	2018	2017
	Number	Number
Management and staff	30	25

The aggregate payroll cost of these persons was as follows:

	2018	2017
	€	€
Wages and salaries	1,447,245	1,127,273
Termination Payments	20,616	-
Social welfare costs	117,077	96,770
Pension costs	39,303	69,791
	1,624,241	1,293,834

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, employer's PRSI and any termination payments):

	2018	2017
€60,000 - €70,000	-	-
€70,000 - €80,000	1	1
€80,000 - €90,000	-	1
€90,000 - €100,000	1	-

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018****5. KEY MANAGEMENT COMPENSATION**

The total remuneration for key management personnel for the financial year amounted to €357,750 (2017: €377,375). Remuneration includes basic pay, PRSI employer pension contributions.

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	2018 €	2017 €
Interest receivable	6	435

7. INTEREST PAYABLE AND SIMILAR CHARGES	2018 €	2017 €
Bank loans	103,810	60,774
CALF loans	26,629	17,165
	130,439	77,939

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	2018 €	2017 €
The surplus for the financial year is stated after charging/(crediting):		
Directors' remuneration (note 5)	-	-
Depreciation – Land and Buildings (note 10)	929,380	880,935
Depreciation – Other Assets (note 10)	82,395	60,080
Amortisation (note 14)	(2,765,342)	(2,695,342)
Impairment – Land and Buildings (note 10)	-	1,816,981
Auditors' remuneration	38,505	13,948
Operating lease payments	899,909	898,339

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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

10. TANGIBLE ASSETS

	Long leasehold land and housing properties €	Equipment €	Fixtures and fittings €	Total €
Cost:				
At 1 January 2018	87,096,146	194,159	209,431	87,499,736
Additions	5,936,902	228,520	31,587	6,197,009
Fully written off at cost	-	(60,027)	(19,960)	(79,987)
At 31 December 2018	93,033,048	362,652	221,058	93,616,758
Depreciation:				
At 1 January 2018	7,310,575	129,364	92,324	7,532,263
Charge for the financial year	929,380	46,549	35,846	1,011,775
Fully written off assets	-	(60,027)	(19,960)	(79,987)
At 31 December 2018	8,239,955	115,886	108,210	8,464,051
Impairment:				
At 1 January 2018	1,816,981	-	-	1,816,981
Charge for the financial year	-	-	-	-
At 31 December 2018	1,816,981	-	-	1,816,981
Carrying Amount:				
At 31 December 2018	82,976,112	246,766	112,848	83,335,726
At 31 December 2017	77,968,589	64,796	117,108	78,150,493

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

In the financial year ended 31 December 2017, Circle VHA recognised an impairment amount of €1,816,981 arising from the valuation of 40 apartments/duplexes out of Circle VHA's portfolio of 427 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	2018	2017
	€	€
Trade debtors	262,942	128,356
Other debtors	833,806	420,545
Prepayments and accrued income	613,453	340,751
	1,710,201	889,652

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

12. CREDITORS: Amounts falling due within one financial year	2018 €	2017 €
Trade and other creditors	691,421	321,051
Accruals	469,499	241,171
Taxation and social welfare (see below)	115,835	67,329
Deferred income and rents paid in advance	179,266	156,552
Rent deposits held	4,450	4,450
Financing liability	96,662	87,398
Bank overdraft	-	1,254
Bank Housing Finance Agency loan (note 14)	318,063	120,435
	1,875,196	999,640
Taxation and social welfare comprise of the following:		
PAYE/PRSI	39,631	24,450
VAT	61,864	27,926
RCT	14,340	14,953
	115,835	67,329

13. PROVISION FOR LIABILITIES:

	2018 €	2017 €
Provision for Remedial Works	88,239	148,656
	88,239	148,656

During the financial year 2017, Circle VHA recognised a provision in the amount of €148,656. This provision related to building defects that had been identified in several units which are owned by the Company. A program of remedial works has been agreed for these properties and work commenced on same during 2018. The program of works spans a three-year period. The remaining balance of the provision at the 31st of December 2018 was €88,239.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

14. CREDITORS: Amounts falling due after more than one-year	2018 €	2017 €
Bank & Housing Finance Agency loan	5,740,177	1,863,413
Local authority (CALF) loan	1,661,398	900,886
Local Authority CLSS and CAS loans	56,956,910	57,622,252
Loans at 31 December	64,358,485	60,386,551

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

Bank and HFA Loans:

	2018 €	2017 €
Amounts falling due within one financial year (note 12)	318,063	120,435
Amounts falling due after more than one financial year	5,740,177	1,863,413
	6,058,240	1,983,848

Local Authority CLSS and CAS Loans:	2018 €	2017 €
Local Authority CLSS and CAS loans at 1 January 2018	57,622,252	55,780,477
Additions	2,100,000	4,537,117
Amortisation	(2,765,342)	(2,695,342)
Local Authority CLSS and CAS loans at 31 December 2018	56,956,910	57,622,252

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018
14. CREDITORS: Amounts falling due after more than one financial year (continued)

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.

15. FINANCIAL INSTRUMENTS

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

	2018	2017
	€	€
Financial assets		
<i>Measured at undiscounted amount receivable</i>		
- Trade debtors (note 11)	262,942	128,356
- Other debtors (note 11)	833,806	420,545
	<hr/>	<hr/>
Financial liabilities		
<i>Measured at amortised cost</i>		
- Bank & Housing Finance Agency loan (note 14)	(6,058,240)	(1,983,848)
- Local authority (CALF) Loan (note 14)	(1,661,398)	(900,887)
	<hr/>	<hr/>
<i>Measured at undiscounted amount payable</i>		
- Trade and other creditors (note 12)	(691,421)	(321,051)
- Deferred income and rents paid in advance (note 12)	(179,266)	(156,552)
- Rental deposits held (note 12)	(4,450)	(4,450)
- Financing liability (note 12)	(96,662)	(87,398)
- Bank overdraft (note 12)	-	(1,254)
- Local Authority CLSS and CAS loans (note 14)	(56,956,910)	(57,622,252)
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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. The future costs of planned and cyclical maintenance programmes will be funded through 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.

17. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2018 €	2017 €
Surplus for the financial year	1,042,780	18,897
Depreciation	1,011,775	947,015
Amortisation	(2,765,342)	(2,695,342)
Impairment	-	1,816,981
(Increase)/Decrease in debtors	(820,549)	642,624
Increase in creditors	677,928	118,517
Decrease in provisions	(60,417)	-
Interest receivable	(6)	(435)
Interest payable and similar charges	130,439	77,939
Net cash flows from operating activities	<u>(783,392)</u>	<u>926,196</u>

18. LEASE COMMITMENTS

	2018 €	2017 €
<i>Operating lease commitments</i>		
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>10,411,852</u>	<u>11,289,590</u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

19. PENSION

The Company operates a defined contribution pension scheme. The contribution for the financial year amounted to €39,303 (2017: €69,791). The amount of pension contributions outstanding at 31 December 2018 was €7,326 (2017: €5,267).

20. CAPITAL COMMITMENTS

The Company had no commitments authorised but not contracted at 31 December 2018 (2017: €Nil).

21. SUBSEQUENT EVENTS

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

22. RELATED PARTY TRANSACTIONS

During the financial year ended 31st of December 2018, Campbell Tickell continued to provide consultancy support to Circle VHA the value of which was €123,641 (2017: €49,235). Campbell Tickell a Company in which Mr. D Williams, who was a director of Circle VHA until the 18th of May 2018, is a partner. This contract was awarded in 2017, through a restricted tendering process and was on an arm's 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 were no amounts outstanding to Campbell Tickell at the period end (2017: €Nil).

23. COMPARATIVE FIGURES

Comparative figures have been restated where necessary to ensure consistency with current year presentation.