

Circle Voluntary Housing Association
Company Limited by Guarantee

Reports and Financial Statements
for the financial year ended
31 December 2020

Company Number 374693

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Chris Ellison (Chair, Appointed on 1 January 2021)
Aoife Watters (Resigned on 31 December 2020)
Brian Shefflin
Chris White
Damian Kennedy (Appointed on 20 November 2020)
Garret Tynan
Gráinne Ní Dhubhghaill (Resigned on 1 April 2020)
Jane Doyle
Jerome Casey (Resigned on 20 October 2020)
Joan Green
Máirín Ó Cuireáin (Resigned on 29 March 2021)

PATRON

Fr. Patrick Carolan

COMPANY SECRETARY

Gerry Egan (Resigned on 31 December 2020)
Colin Creedon (Appointed on 1 January 2021)

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
Walsh and Partners
Ferry Solicitors
Arthur Mc Clean Solicitors
OBH Partners
Kane Tuohy LLP
CC Solicitors

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 2020.

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's 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 Approved Housing Body (AHB), 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.

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. 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 2020, the Board considered progress on Circle VHA's strategic direction and confirmed 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 and other external stakeholders in the delivery of new social housing as outlined in the Government's 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 Authority areas.

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. The directors are satisfied that Circle VHA adhere to these requirements. Circle VHA recognises and also welcomes the creation of the AHB Regulatory Authority that has been enacted in 2021. This enacts statutory regulation for Approved Housing Bodies.

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

ASSET MANAGEMENT

The stock condition data was reviewed in 2019 and an Asset Management Strategy completed which includes the period 2020-2023. This strategy acts as a basis for planning how we will approach asset management over the coming three years. The focus for 2021 will be on establishing an effective Asset Management System for the ongoing collection and review of asset data and further Stock Condition Surveying to support the procurement of programmes for planned refurbishment works from 2021 onwards. In 2020 we procured contracts for the provision of Repairs & Maintenance and Gas 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 our delivery.

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 were 40 persons employed by Circle VHA at the year end.

Since Covid-19 took hold of the country in early 2020, all staff have shown tremendous dedication and resilience to keep the operations of the Company running smoothly throughout the year. It is a testament to the efforts of our staff and continued positive engagement with our existing and new tenants during the year that Circle VHA ended the year in a stronger position than it had started. The Directors would like to express their sincere gratitude to all staff members for their successful contributions to the Company in this very challenging year.

KEY PERFORMANCE INDICATORS

The key performance indicators in housing management such as rent arrears levels, maintenance services, and empty homes are actively monitored and managed by the Management team 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. Circle VHA aims to provide the best service possible to our tenants. From late 2021 tenant satisfaction surveys will be carried out on a quarterly basis. The findings from these surveys will provide insight into how satisfied tenants are with their homes and the services provided.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to financial risks. 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. We have 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 some 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 2020, 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.

OTHER RISKS

The Board and management have identified these risks, and the risks 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 and reported to the Board for their consideration twice a year.

1. Economic Risk

Circle VHA recognises the current economic context and the changed housing policy framework as stated by the DHPCLG and the Government in Rebuilding Ireland Policy. This policy provides a 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.

COVID-19 continues to present a new set of challenges to the business, particularly with regard to differential rent income streams and the delivery of new homes. These risks, and their impacts, are being closely monitored and managed by the Management Team and the Board.

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 AHB's) and a number of Tier 2 AHB's, 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. The potential impact on future growth may 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 is a move to have more funding provided by private sector lenders and 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 entered into a Facilities Agreement with AIB in November 2019 for Term Loan facilities of €20m. 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.

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 has implemented new software and hardware, to drive a modern approach to tenant engagement, service streamlining and service development.

In 2021 tenants will see a benefit from these new systems and processes, 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. 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 of 31st December 2020 the Directors are of the view that the company is adhering to the 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.

FINANCIAL REVIEW

RESULTS FOR THE FINANCIAL YEAR AND REVIEW OF OPERATIONS IN 2020

Circle VHA continued to increase the number of properties in its housing and facilities management during 2020 primarily via loan finance and capital grants. The scale of increase is outlined below.

	2020 No.	2019 No.
Dwelling homes owned	618	523
Dwelling homes managed	<u>707</u>	<u>715</u>
Total Social Housing homes	<u>1,325</u>	<u>1,238</u>
Dwelling homes provided with estate management services	1,275	1,319

The scale of the increase in housing management during 2020 was 87 additional homes which increased the homes available for social housing to 1,325 in total at the financial year end.

In 2020, following a review of all roles across housing and property management we strengthened our structures to allow Circle VHA to grow our provision of housing and services beyond the Leinster Region. This included delivering tenancy and property management services to new homes and tenancies in Cork, Limerick, Tipperary, Waterford, and Wexford.

Our intention over the coming three years is to develop social housing in Local Authority areas 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. We continue to work closely with the RTB to ensure our responsibilities as a social landlord meet the legislation set out in the Residential Tenancies Act.

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 work 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 a 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, with the intention of ensuring a long-term matching of Circle VHA's assets and liabilities.

In 2020, the Board considered the valuation of the properties in our portfolio, and given current market conditions, the Board are satisfied that no impairment adjustment is required in the financial year to 31st December 2020.

Total comprehensive income for the financial year €1,813,329 (2019: €1,659,353). In 2020, Circle VHA shows an operating surplus of €901,913 on a turnover of €7,278,085 (operating surplus of €97,553 on a turnover of €5,742,883 in 2019).

TURNOVER

The income of the Company increased to €7,278,085 from €5,742,883 in 2019, an increase of 26.7%. 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 €3,745,602 for the financial year, an increase of 9.6% on 2019 rental income and service charges. Payment and Availability payments continued to increase, in 2020 this income type amounted to €2,421,410, an increase of 53.8% on the 2019 figure.

EXPENDITURE

Expenditure in the financial year was €6,376,172 compared to €5,645,330 in 2019 which was an increase of 12.9%. This increase was in line with budget and demonstrates the commitment of the Board to continue to invest in the Company. 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.

Total staff costs were €2,197,762 compared to €1,952,753 in 2019 which was an increase of 12.5%. The increase is due to the planned programme of investment in the resource base and infrastructure of Circle VHA. 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.

RESERVES

At the financial year end, total reserves were €23,687,693 compared to €21,874,364 at 31 December 2019.

The increase in reserves is attributed to the net adjustments for amortisation of CAS and CLSS loans of €3,186,258 and cumulative depreciation on CAS and CLSS properties of €583,437. This is offset against the operating surplus for the financial year of €901,913 net interest expense of €874,507 and cumulative depreciation on other properties of €816,898.

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).

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT (CONTINUED)

EVENTS AFTER BALANCE SHEET DATE

There were no subsequent events noted post year end.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future and 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 2 to the financial statements.

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 2020, Circle VHA was governed by a Board of eleven Directors (two of whom resigned during the year) who are not paid for their services. In quarter four 2020, 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, housing policy, housing management, human resources, information technology, legal affairs, strategy, leadership and planning to bear on guiding the company. Matters such as policy, strategic planning, financial reporting and forecasts, budgets, and operational delivery of our housing services are reported to the Board for their consideration and approval.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT (CONTINUED)

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

In 2020, eight Board meetings were held, including one full day meeting.

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

Aoife Watters (Chair and resigned on 31 December 2020)	8
Brian Shefflin	7
Chris Ellison (Appointed Chair on 1 January 2021)	6
Chris White (Appointed on 1 March 2021)	5
Damian Kennedy (Appointed on 20 November 2020)	1
Garret Tynan	7
Gráinne Ní Dhubhghaill (Resigned on 1 April 2021)	8
Jane Doyle	7
Jerome Casey (Resigned on 20 October 2020)	4
Joan Green	6
Máirín Ó Cuireáin (Resigned on 29 March 2021)	8

The Directors, who served at any time during the financial year, are as disclosed above. The Company Secretary was Anne O'Meara who resigned on 14 September 2020. Gerry Egan was appointed company secretary on 23 April 2020 and resigned on 31 December 2020. Colin Creedon was appointed company secretary on 1 January 2021.

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 VHA is signed up to the Governance Code.

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

1. Finance Audit and Risk Committee

(Chair: Brian Shefflin)

The committee members in 2020 were Brian Shefflin, Jerome Casey (who resigned in October 2020) and Damian Kennedy. 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 eight occasions in 2020. It reviewed our existing financial controls and our corporate risk register. They also met with our auditors and reviewed the financial statements for 2019.

2. Development Committee

(Chair: Jane Doyle)

The committee members in 2020 were Jane Doyle, Jerome Casey (who resigned in October 2020), Fr. Patrick Carolan, Máirín Ó Cuireáin, Keith Gillmor and Colette Downey (appointed on 29 January 2020). Keith Gillmor and Colette Downey are external members. The role of the committee is to review proposed development opportunities and specific projects and new funding opportunities. The committee met on seven occasions in 2020.

3. Remuneration and Nomination Committee

(Chair: Chris White)

The committee members in 2020 were Chris White, Aoife Watters, Amanda Snee, and Eamonn McGee. Eamonn McGee and Amanda Snee are external members. The role of the committee is to review the Company's human resource policies, manage succession planning, review staffing levels and remuneration of the CEO. The committee met five times in 2020.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT (CONTINUED)

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

4. Strategic Purpose Group (SPG)

(Chair: Chris Ellison)

The SPG members in 2020 are Aoife Watters, Chris Ellison, Garret Tynan, Gráinne Ní Dhubhghaill and Joan Green. The role of the SPG is to ensure the appropriate implementation of the action plan agreed by the Board for organisational transformation and the adherence to the strategic plan delivery. The SPG reviews and consider matters of strategic importance to Circle. It will continue to monitor the delivery of the strategic plan targets but will widen its purpose to consider other strategic partnerships and alliances, merger, takeover and other proposals put to it by the Leadership Team that fall outside of the remit of the other committees. The SPG met five times in 2020.

The Board recognises that to ensure good governance a renewal of Board Membership is an important facet of its considerations. The Board recruited one new Board Member in 2020 with an additional one external member 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 2020, there were no transactions involving Directors. (2019: €Nil).

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 (2019: €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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT (CONTINUED)

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 330 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:



Chris Ellison
Director



Brian Shefflin
Director

Date: 1st July 2021

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 31 December 2020 and of the surplus 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 Flows; and
- the related notes 1 to 25, 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" issued by the Financial Reporting Council ("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 Auditing and Accounting 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the reports and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the reports and financial statements. 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

Other information (continued)

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.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

Auditor's responsibilities for the audit of the financial statements (continued)

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.

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.

Matters on which we are required to report by exception

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.

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.

Use of our report

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.



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

Date: 6 September 2021

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	2020 €	2019 €
Turnover	4	7,278,085	5,742,883
Administrative expenses		(6,376,172)	(5,645,330)
Operating surplus before interest, amortisation and depreciation		901,913	97,553
Interest payable and similar charges	7	(874,507)	(379,544)
Amortisation of Local Authority Loans	16	3,186,258	3,087,458
Depreciation of housing properties	10	(1,400,335)	(1,146,114)
Surplus on ordinary activities before taxation	8	1,813,329	1,659,353
Tax on surplus on ordinary activities	9	-	-
Total comprehensive income for the financial year		1,813,329	1,659,353

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

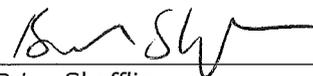
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 €	2019 €
Fixed Assets			
Tangible assets	10	130,964,128	107,698,722
Intangible assets	11	585,606	556,282
Work in progress	12	525,064	425,246
		132,074,798	108,680,250
Current Assets			
Debtors: Amounts falling due within one financial year	13	1,487,525	1,727,715
Cash and cash equivalents	14	1,118,723	505,006
		2,606,248	2,232,721
Creditors: Amounts falling due within one financial year	15	(3,589,666)	(3,006,051)
Provision for liabilities		-	(3,068)
Net current liabilities		(983,418)	(776,398)
Total assets less current liabilities		131,091,380	107,903,852
Creditors: Amounts falling due after more than one financial year	16	(107,403,687)	(86,029,488)
NET ASSETS		23,687,693	21,874,364
Reserves			
Retained earnings	18	1,380,144	2,169,636
Capital reserves	18	22,307,549	19,704,728
		23,687,693	21,874,364

The financial statements were approved and authorised for issue by the Board of Directors on 1st July 2021 and signed on its behalf by:



Chris Ellison
Director



Brian Shefflin
Director

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE**STATEMENT OF CHANGES IN RESERVES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Retained Earnings (see note 18) €	Capital Reserves (see note 18) €	Total €
At 1 January 2019	2,451,627	17,763,384	20,215,011
Total comprehensive income for the financial year	1,659,353	-	1,659,353
Transfer amortisation and depreciation of housing property depreciation to capital reserves	<u>(1,941,344)</u>	<u>1,941,344</u>	<u>-</u>
At 31 December 2019	2,169,636	19,704,728	21,874,364
Total comprehensive income for the financial year	1,813,329	-	1,813,329
Transfer amortisation and depreciation of housing properties	<u>(2,602,821)</u>	<u>2,602,821</u>	<u>-</u>
At 31 December 2020	<u>1,380,144</u>	<u>22,307,549</u>	<u>23,687,693</u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	2020 €	2019 €
Net cash flows from operating activities	19	1,870,599	1,238,424
Cash flows used in investing activities			
Purchase of tangible fixed assets	10	(24,749,585)	(26,038,775)
Purchase of intangible assets	11	(93,429)	(414,788)
Additions in work in progress	12	(99,818)	(149,776)
Net cash flows used in investing activities		(24,942,832)	(26,603,339)
Cash flows from financing activities			
Interest paid		(628,427)	(254,504)
Increase in bank and HFA loans		16,055,032	12,113,281
Increase in local authority (CALF) loans		5,295,346	5,944,098
Increase in CLSS and CAS loans		2,963,999	6,576,042
Net cash flows from financing activities		23,685,950	24,378,917
Net increase/(decrease) in cash and cash equivalents		613,717	(985,998)
Cash and cash equivalents at beginning of financial year		505,006	1,491,004
Cash and cash equivalents at end of financial year		1,118,723	505,006
Reconciliation to cash and cash equivalents:			
Cash at bank and in hand		754,498	505,006
Retentions held on behalf of third parties		364,225	-
Cash and cash equivalents at end of financial year		1,118,723	505,006

Analysis of changes in net Debt

	At 1 January 2020 €	Cash flows €	Other non-cash changes	At 31 December 2020 €
Cash and Cash equivalents				
Cash at bank and in hand	505,006	613,717	-	1,118,723
Borrowings				
Debt due within one year	(318,063)	(132,489)	-	(450,552)
Debt due after one year	(86,029,488)	(24,560,457)	3,186,258	(107,403,567)
Total	(85,842,545)	(24,079,229)	3,186,258	(106,735,516)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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

Despite the COVID-19 pandemic the financial position of the company has improved in 2020. The directors have considered the likely impact of COVID-19 on the company in 2021. In 2020 the company received 47% (2019: 38%) of its income directly from the State through government departments and local authorities which will not reduce. Tenant rents and service charge is 51% (2019: 59%) of company income where rental collections have remained stable and consistent in 2020 with this trend continuing into 2021. Consequently, this has minimal impact on cash flow and profitability.

The Directors are required to make a statement on the adequacy of the Company's cash reserves over a 12-month period from the date of signing the Financial Statements, and its ability to continue as a going concern. A cashflow projection was undertaken to inform the statement being made by the Directors. The cashflow was prepared based on assumptions appropriate to the operating environment expected over the period to the end of June 2022. This cashflow projection showed that the Company should have adequate resources to operate effectively, without the need to rely on a €1m overdraft facility available to it. In addition, a cashflow was prepared on a significant negative stress scenario basis. This scenario demonstrated that the company's cash position would remain well within the resources and facilities available to it.

Based on these factors, the Directors believe the Company has adequate resources to continue its operational existence for the foreseeable future.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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.

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. The Company perform rolling stock condition surveys to ensure their assessment of residual value remains appropriate.

In addition, under the terms of the Company's funding and loan agreements with respective local authorities, government departments and the HFA, the Company 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.

Intangible Assets

The cost of development or acquisition of new software is recognised as an intangible asset and will be amortised on a straight-line basis over five to eight years. The measurement of intangible assets is to carry these at cost less depreciation and impairment.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

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.

Any initial costs relating to raising finance are amortised over the period of the loan.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

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 Company. 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. GOING CONCERN

Despite the COVID-19 pandemic the financial position of the company has improved in 2020. The directors have considered the likely impact of COVID-19 on the company in 2021. In 2020 the company received 47% (2019 38%) of its income directly from the State through government departments and local authorities which will not reduce. Tenant rents and service charge is 51% (2019 59%) of company income where rental collections have remained stable and consistent in 2020 with this trend continuing into 2021. Consequently, this has no impact on cash flow and profitability.

The Directors are required to make a statement on the adequacy of the Company's cash reserves over a 12-month period from the date of signing the Financial Statements, and its ability to continue as a going concern. A cashflow projection was undertaken to inform the statement being made by the Directors. The cashflow was prepared based on assumptions appropriate to the operating environment expected over the period to the end of June 2022. This cashflow projection showed that the Company should have adequate resources to operate effectively, without the need to rely on a €1m overdraft facility available to it. In addition, a cashflow was prepared on a worst-case scenario basis. This scenario demonstrated that the company's cash position would remain well within the resources and facilities available to it. Based on this cashflow exercise, the Directors believe the Company has adequate resources to continue its operational existence for the foreseeable future.

3. 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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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.

(iii) Going Concern Basis

The financial statements are prepared on a going concern basis after the management's assessment of the company's cashflow projections that requires management's critical judgment.

4. TURNOVER

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

	2020 €	2019 €
Rent and service charges	3,745,602	3,416,475
Payment and availability income	2,421,410	1,574,425
Management and maintenance fees	161,021	168,830
Other income	950,052	583,153
	<u>7,278,085</u>	<u>5,742,883</u>

All turnover arises in the Republic of Ireland.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

5. EMPLOYEES AND REMUNERATION

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

	2020	2019
	Number	Number
Management and staff	40	37

The aggregate payroll cost of these persons was as follows:

	2020	2019
	€	€
Wages and salaries	2,002,518	1,723,915
Termination payments	-	8,867
Social welfare costs	200,649	166,036
Pension costs	58,563	53,935
Total Payroll costs before Capitalisation	2,261,730	1,952,753
Capitalised labour	63,968	-
Amounts charged to the Profit and Loss	2,197,762	1,952,753

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):

	2020	2019
€60,000 - €70,000	3	1
€70,000 - €80,000	2	2
€80,000 - €90,000	-	1
€90,000 - €100,000	1	1

6. KEY MANAGEMENT COMPENSATION

The total remuneration for key management personnel for the financial year amounted to €455,638 (2019: €441,877). 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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

7. INTEREST PAYABLE AND SIMILAR CHARGES	2020	2019
	€	€
Bank loans	687,213	286,004
CALF loans	187,294	93,540
	<u>874,507</u>	<u>379,544</u>
8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	2020	2019
	€	€
The surplus for the financial year is stated after charging/ (crediting):		
Directors' remuneration (note 6)	-	-
Depreciation - Land and buildings (note 10)	1,400,335	1,146,114
Depreciation - Other assets (note 11)	83,845	90,761
Depreciation - Intangible assets (note 12)	64,105	21,940
Amortisation (note 16)	(3,186,258)	(3,087,458)
Auditors' remuneration	41,405	22,755
Operating lease payments	915,937	912,980
	<u>915,937</u>	<u>912,980</u>

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 2020**

10. TANGIBLE ASSETS

	Long leasehold land and housing properties €	Equipment €	Fixtures and fittings €	Total €
Cost:				
At 1 January 2020	118,731,351	259,051	226,227	119,216,629
Additions	24,681,524	62,735	5,326	24,749,585
At 31 December 2020	143,412,875	321,786	231,553	143,966,214
Depreciation:				
At 1 January 2020	9,386,069	169,710	145,147	9,700,926
Charge for the financial year	1,400,335	55,578	28,266	1,484,179
At 31 December 2020	10,786,404	225,288	173,413	11,185,105
Impairment:				
At 1 January 2020	1,816,981	-	-	1,816,981
Charge for the financial year	-	-	-	-
At 31 December 2020	1,816,981	-	-	1,816,981
Carrying Amount:				
At 31 December 2020	130,809,490	96,498	58,140	130,964,128
At 31 December 2019	107,528,301	89,341	81,080	107,698,722

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 2020, the directors are of the view that there are no impairment charges due to the conditions of the residential property market.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

11. INTANGIBLE ASSETS

	Computer Software €
Cost:	
At 1 January 2020	578,222
Additions	93,429
At 31 December 2020	671,651
Depreciation:	
At 1 January 2020	21,940
Charge for the financial year	64,105
At 31 December 2020	86,045
Carrying Amount:	
At 31 December 2020	585,606
At 31 December 2019	556,282

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

12. WORK IN PROGRESS	2020 €	2019 €
Opening balance	425,246	275,470
Additions	99,818	149,776
Closing balance	525,064	425,246

Work in progress relate to the cost spent on uncompleted development properties. These assets are stated at cost.

13. DEBTORS: Amounts falling due within one financial year	2020 €	2019 €
Trade debtors	484,687	533,502
Other debtors	401,893	761,075
Prepayments and accrued income	600,945	433,138
	1,487,525	1,727,715

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

14. CASH AND CASH EQUIVALENTS	2020	2019
	€	€
Cash in hand and at bank	754,498	505,006
Retentions held on behalf of third parties (note 15)	364,225	-
	<u>1,118,723</u>	<u>505,006</u>

15. CREDITORS: Amounts falling due within one financial year	2020	2019
	€	€
Trade and other creditors	1,394,463	1,645,629
Retentions payable to third parties (note 14)	364,225	-
Accruals	516,969	478,941
Taxation and social welfare (see below)	277,153	101,763
Deferred income and rents paid in advance	369,131	268,568
Rent deposits held	4,450	4,450
Financing liability	212,723	188,637
Bank and Housing Finance Agency loan (note 16)	450,552	318,063
	<u>3,589,666</u>	<u>3,006,051</u>
 Taxation and social welfare comprise of the following:		
PAYE/PRSI	189,373	45,538
VAT	87,632	52,421
RCT	148	3,804
	<u>277,153</u>	<u>101,763</u>

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

16. CREDITORS: Amounts falling due after more than one-year	2020	2019
	€	€
Bank and Housing Finance Agency loan	31,098,612	14,797,500
Local authority (CALF) loan	12,994,382	7,699,036
Local Authority CLSS and CAS loans	63,310,693	63,532,952
Loans at 31 December	<u>107,403,687</u>	<u>86,029,488</u>

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

Bank and HFA Loans:

	2020	2019
	€	€
Amounts falling due within one financial year (note 15)	450,552	318,063
Amounts falling due after more than one financial year	31,098,612	14,797,500
	<u>31,549,164</u>	<u>15,115,563</u>

Local Authority CLSS and CAS Loans:

	2020	2019
	€	€
Local Authority CLSS and CAS loans at 1 January 2020	63,532,952	56,956,910
Additions	2,963,999	9,663,500
Amortisation	(3,186,258)	(3,087,458)
Local Authority CLSS and CAS loans at 31 December 2020	<u>63,310,693</u>	<u>63,532,952</u>

Allied Irish Bank and HFA bank loans are secured by a series of first legal charges over specific housing properties. 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 2020

17. FINANCIAL INSTRUMENTS

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

	2020 €	2019 €
Financial assets		
<i>Measured at undiscounted amount receivable</i>		
- Trade debtors (note 13)	484,687	649,620
- Other debtors (note 13)	401,893	761,075
	<hr/>	<hr/>
Financial liabilities		
<i>Measured at amortised cost</i>		
- Bank & Housing Finance Agency loan (note 16)	(31,549,164)	(15,115,563)
- Local authority (CALF) Loan (note 16)	(12,994,382)	(7,699,036)
	<hr/>	<hr/>
<i>Measured at undiscounted amount payable</i>		
- Trade and other creditors (note 15)	(1,394,463)	(1,645,629)
- Deferred income and rents paid in advance (note 15)	(369,131)	(268,568)
- Rental deposits held (note 15)	(4,450)	(4,450)
- Financing liability (note 15)	(212,723)	(188,637)
- Local Authority CLSS and CAS loans (note 16)	(63,310,693)	(63,532,952)
	<hr/>	<hr/>

18. RESERVES

The categories of reserves are designated as follows:

Retained Earnings

The company's policy is to maintain unrestricted reserves to ensure the long-term viability and future growth of the company. 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.

CIRCLE VOLUNTARY HOUSING ASSOCIATION COMPANY LIMITED BY GUARANTEE

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

19. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
	€	€
Surplus for the financial year	1,813,329	1,659,353
Adjustments for:		
Depreciation (note 10 and 11)	1,548,284	1,258,815
Amortisation (note 16)	(3,186,258)	(3,087,458)
Effects of:		
Decrease/(Increase) in debtors	240,190	(17,514)
Increase in creditors	583,615	1,130,855
Increase /(Decrease) in provisions	(3,068)	(85,171)
Interest payable and similar charges (note 7)	874,507	379,544
Net cash flows from operating activities	1,870,599	1,238,424

20. LEASE COMMITMENTS	2020	2019
	€	€
<i>Operating lease commitments</i>		
Total future contracted lease commitments which exist under non-cancellable operating leases as follows:		
Within one financial year	1,097,190	894,571
Between two to five financial years	4,372,877	3,578,284
More than five financial years	9,874,251	9,512,282

21. PENSION

The Company operates a defined contribution pension scheme. The contribution for the financial year amounted to €58,563 (2019: €53,935). The amount of pension contributions outstanding at 31 December 2020 was €21,742 (2019: €9,675).

22. CAPITAL COMMITMENTS

The Company had no commitments authorised but not contracted at 31 December 2020 (2019: €Nil).

23. EVENTS AFTER BALANCE SHEET DATE

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

24. RELATED PARTY TRANSACTIONS

During the financial year ended 31st of December 2020 there were no related party transactions (2019: Nil).

25. COMPARATIVE FIGURES

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