

**Agenda Item 4.2**

**REPORT TO GOVERNANCE, FINANCE AND STAFFING SUB-COMMITTEE**

**26<sup>th</sup> JANUARY 2023**

**SUBJECT: COVENANT COMPLIANCE TO 31<sup>ST</sup> DECEMBER 2022**

**PREPARED BY: G. WATSON, FINANCE MANAGER**

### **Purpose of report**

This report informs the Management Committee of the Associations compliance with our banking covenants, as set out in our loan agreements with the Triodos Bank.

A Covenant is a condition of a loan that lender uses to monitor a borrower's performance during the period covered by the loan.

The covenants are reviewed annually to ensure compliance and monitored quarterly.

### **Recommendation**

1. The Management Committee is asked to note the Association's compliance with its banking covenants to 31<sup>st</sup> December 2022 as per the Management Accounts.

## **TRIODOS LOAN COVENANT REPORT**

### **Triodos Covenants at 31st December 2022**

The Association will satisfy the loan covenants with Triodos as at 31 December 2022

#### **1. Interest Cover**

The interest cover ratio is the measure of the Association's ability to meet its interest payments:

Operating Surplus	173,913
Add back depreciation of housing properties	379,174
Add back gain/deduct loss on disposals of properties	0
Deduct amortisation of public sector grant	-213,994
Deduct Payments towards deficit	-49,098
<b>Adjusted Operating Surplus</b>	<b><u>289,995</u></b>
Interest Payable	20,811
Interest Receivable	-1,522
<b>Net Interest payable</b>	<b><u>19,289</u></b>
Interest Cover	15.03
Covenant	1.1

#### **2. Debt Service Cover**

The debt service coverage ratio is the ration of cash available for debt servicing to interest, principal and lease:

Adjusted Operating Surplus	289,995
Net Interest Paid	19,289

Loan Repayments	12,748
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	32,037
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**DSC** 9.05

### **3. Asset Cover**

Asset Cover shows that the valuation of properties cover the loan balances outstanding.

Bank Indebtedness 845,104

Security Cover MV-T 2,250,000

**Asset Cover 2.66**

Covenant 1.25