

**Agenda Item 5.2**

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

**05<sup>TH</sup> MAY 2023**

**SUBJECT: COVENANT COMPLIANCE TO 31<sup>ST</sup> MARCH 2023**

**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> March 2023 as per the Management Accounts.

**TRIODOS LOAN COVENANT REPORT****Triodos Covenants at 31st March 2023**

The Association will satisfy the loan covenants with Triodos as at 31 March 2023

**1. Interest Cover**

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

Operating Surplus	36,519
Add back depreciation of housing properties	506,565
Add back gain/deduct loss on disposals of properties	0
Deduct amortisation of public sector grant	-285,325
Deduct Payments towards deficit	-49098
<b>Adjusted Operating Surplus</b>	<b><u>208,661</u></b>
Interest Payable	27,542
Interest Receivable	-6,235
<b>Net Interest payable</b>	<b><u>21,307</u></b>
Interest Cover	9.79
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	208,661
Net Interest Paid	21,307
Loan Repayments	51,610

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72,917

**DSC** 2.86

**3. Asset Cover**

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

Bank Indebtedness 832,047

Security Cover MV-T 2,250,000

**Asset Cover** 2.70

Covenant 1.25