

**Agenda Item 5.2**

**REPORT TO MANAGEMENT COMMITTEE 10<sup>th</sup> AUGUST 2023**

**SUBJECT: COVENANT COMPLIANCE TO 30TH JUNE 2023**

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

Covenant Compliance to 30<sup>th</sup> June 23

Report to Management Committee 10<sup>th</sup> August 2023

Standard **3.5** The RSL monitors, reports on and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.

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 30<sup>TH</sup> June 2023 as per the Management Accounts.

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## **TRIODOS LOAN COVENANT REPORT**

### **Triodos Covenants at 30th June 2023**

The Association will satisfy the loan covenants with Triodos as at 30.06.23

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

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

Operating Surplus	-49,768
Add back depreciation of housing properties	153,354
Add back gain/deduct loss on disposals of properties	0
Deduct amortisation of public sector grant	-78,081
Deduct any payment made in year towards Pension deficit	0
<b>Adjusted Operating Surplus</b>	<b><u>25,505</u></b>
Interest Payable	6,625
Interest Receivable	-1,283
<b>Net Interest payable</b>	<b><u>5,342</u></b>
Interest Cover	4.77
Covenant	1.1
Covenant satisfied	YES

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**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	25,505
Net Interest Paid	5,342
Loan Repayments	13,000
	18,342
<b>DSC</b>	1.39

**2. Asset Cover**

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

Bank Indebtedness	818,885
Security Cover MV-T	2,250,000
<b>Asset Cover</b>	<b>2.75</b>
Covenant	1.25
Covenant satisfied	YES

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