

Connswater Homes Limited
Annual report and Financial statements for the year ended 31 March 2025

Report of the Board of Management for the Year Ended 31 March 2025

The Board of Management present their report and the audited financial statements for the year ended 31 March 2025 of Connswater Homes Limited (the "Association"). This report is also known as the Trustees' report for Charity law purposes.

Principal activities

The Association is an Industrial and Provident Society and is registered with the Department for Communities ("DfC") providing housing accommodation for those in need. It has charitable status with HM Revenue and Customs and is a registered charity with the Charity Commission for Northern Ireland.

Board of Management

The Board of Management meets regularly throughout the year. There are also various committees who meet regularly throughout the year. The Committees have responsibility for development, housing management, maintenance and audit. Financial matters are reported directly to the Board. The Board carries out an annual appraisal of its own performance and an annual appraisal of individual of individual Board Members. The Board of Management are the directors of the company and are the trustees of the charity.

The Board of Management, who served the Association during the year, and up to the date of signing the financial statements, were:

Mr Robbie Davis (Chairman)
Dr Sara Templar (Vice Chairman)
Mr Alan Hill (Honorary Secretary)
Mrs Kelly Andrews (Honorary Treasurer)
Mr John Beattie
Mr Michael Graham
Professor Paddy Gray
Mr Martin Leahy
Mr Gerard McGarry
Mr Alex Ward

Performance for the year ended 31 March 2025

During the year the number of homes in ownership increased to 1,320 from 1,262 at the end of the prior year representing a 4.6% increase in stock size for the Association. Turnover increased by 7.4% from £9,372,108 in 2023/24 to £10,064,903 in 2024/25. This increase is as a result of new homes added to the Association's stock during the year. An average annual inflationary rent increase of 5.7% on much of our existing stock also helped to boost turnover.

Operating costs of £7,541,586 represent 75% of turnover (2024: 69%). The Association generated a surplus for the year of £1,040,423 giving a net margin of 10% (2024: 16%).

The Association continuously invests in the maintenance of our existing stock of properties, ensuring our homes remain in great condition. To this end £1,382,789 was spent on planned maintenance (including capital) during the year. These works included 55 window and door replacements, 30 kitchen replacements and 6 complete property refurbishments as well as internal decoration at one apartment scheme.

A programme of health and safety inspections was also completed including boiler servicing, smoke and carbon monoxide alarms testing, asbestos monitoring, legionella testing, periodic fixed wire testing and fire risk assessments.

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The Board has a set number of key performance indicators monitoring the operations of the Association on regular basis.

Performance Indicator	Actual 24/25	Target 24/25
Emergency repairs carried out within 24 hours	95%	>85%
Urgent repairs carried out within 4 days	97%	>80%
Routine repairs carried out within 28 days	93%	>80%
Operating margin	27%	>30%
Net margin	10%	>10%
Gearing ratio	35%	<60%
Interest cover ratio	1.67	>1
Net debt per unit	£29,787	<£38,000
Voids as a % of Stock	0.5%	<4%
Board members attendance at Board meetings	88%	>75%

Housing management staff assisted tenants struggling on low incomes by offering welfare and general money management advice, including assistance with universal credit applications.

Expected performance in the year ending 31 March 2026 – Connswater Homes Ltd & Choice Housing Merger

In March 2024, Connswater Homes Ltd's Chair and Chief Executive met with their counterparts in Choice Housing Ireland Limited. It was clear from the discussion that both parties would be open in principle to a more detailed assessment of the potential benefits of merger. It was agreed at that point to embark on some exploratory work to assess the basis for a more formal process. The exploratory work was completed and the case for a more formal (and public) process then existed.

The Board of Choice Housing Ireland Limited, at its meeting on 21st August 2024 approved an approach to the Board of Connswater Homes Ltd to commence a formal due diligence process. The Chair and CEO of Choice Housing Ireland Ltd attended a meeting with Connswater Board on 18th September 2024 and set out a case for moving forward.

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Choice Housing

Choice Housing was formed in 2015 following the merger of several housing associations but has its origins in legacy organisations dating back to the 1970s. The Association owns and manages c12,000 homes (including a small joint venture in ROI) and employs 420 people. In its financial statements to 31st March 2024, it had a Group Turnover of c£83m, Net Surplus of £15m, Gross Assets of £1bn and Reserves of £180m. It generates a healthy annual net cash surplus and has routinely received the highest regulatory rating.

Its customer profile spans general needs, sheltered, supported and a small number of private rented homes (through Maple & May). It has strong operating performance metrics and has maintained high customer satisfaction levels before, throughout and post Covid. It supports tenants through its in-house repairs' contractor (Choice Services), financial inclusion team, maintenance assistants and community investment programme. Choice is committed to shared housing and mixed tenure provision and the tenant engagement infrastructure is increasingly about community empowerment. It manages 7 'Housing for All' projects with more in the pipeline. Choice invests in its people, systems and culture to maximise the social and economic value of its work to their tenants, their neighbourhoods and to society as a whole.

Potential Benefits

The respective Chairs and CEOs articulated several potential benefits of merger, for tenants, staff and partners, including:

- Enhanced skills development and career progression opportunities for staff.
- Operational efficiencies through delivery of existing services through the Choice SMT.
- Access to value for money repairs and maintenance through Choice Services.
- Sufficient resources to address a more proactive regulatory regime.
- Scale to manage expanding tenant and public expectations around services including compliance. (damp, mould, fire etc.), decarbonisation and digital transformation.

Post merger, the combined organisation would also benefit from:

- Access to additional skilled staff in a tight labour market.
- Innovation around service expansion in community development, planned maintenance, sustainability, mixed tenure, in-sourced maintenance etc.
- Supplementing cash surpluses to fund broader tenant and community empowerment initiatives.
- Scale to deliver enhanced value for money (and hence affordability) for existing tenant services (including through further digital engagement).

In short... to do **more, better** and **add value**.

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Potential Risks

There are a number of potential risks in any merger process, including:

- Ensuring that staff are reassured about their role, job security and prospects in a combined organisation.
- Assuring tenants that we retain their interests at the core of the merger process and that they will derive positive outcomes from a larger social landlord.
- Maintaining the trust of our regulators (DfC and CCNI), funders (public and private sector) and service partners (including NIHE, contractors, developers etc.).

Preliminary Considerations

As initial conversations and high-level exploration of the financial position of both organisations raised no red flags, and based on the case set out by Choice, Connswater Board agreed that discussions between both organisations should progress to formal due diligence and open communication with stakeholders.

The due diligence process comprised three externally commissioned elements, namely:

- Financial due diligence
- Legal due diligence
- Compliance due diligence

In parallel with these external workstreams, colleagues in Choice worked with Connswater to:

- Understand the profile of Connswater tenants and stock and how this might align with Choice housing and property management structures.
- Consider the skills and expertise of the Connswater team and how staff resources could be successfully integrated with Choice should the merger proceed, considering also the NILGOSC position of Connswater staff.
- Assess the nature of existing contractual commitments at Connswater and if there are any priorities for transition following merger.

Stakeholders (in both organisations) with whom early engagement and ongoing communication would be important focussed around:

- Staff and tenants - who would be interested in the perceived benefits of the potential merger. Whilst neither staff nor tenant approval is required, it would be essential to highlight the positive impact of merger on service capacity and value for money.
- Shareholders - ultimately, both sets of members would need to approve the merger through Special General Meetings.
- Funders - who need to approve transfer of loan agreements at Connswater and Choice.
- Regulators at DfC and the Charities Commission - who would need to approve the transfer of assets/engagements.

Choice and Connswater agreed shared statements for public issue prior to due diligence commencing, putting the process into the public domain and affirming the principle that Connswater tenants should see no diminution of service delivery post-merger.

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Merger Decision

- At a board meeting of Connswater Homes on 28th November 2024, the Chair reported to board members that no significant risks or issues had been identified through the diligence processes and that the positive case for proceeding with a merger with Choice was compelling, there being no legal or financial impediment to indicate against a final decision in favour of merger. The Board voted in favour of merger and this put Connswater on a trajectory to a transfer of engagements on 30th April 2025.
- The following resolution was put to shareholders of Connswater Homes Ltd at a Special General Meeting on 19th February 2025:
'To transfer all of the stock, property and assets and all engagements of Connswater Homes Ltd to Choice Housing Ireland Ltd ("Choice") in consideration of the acceptance in full by Choice of all of the liabilities and engagements of Connswater with effect from the date the transfer is registered by the Financial Conduct Authority.'
There was a unanimous vote to approve the resolution.
- The following resolution was put to shareholders of Connswater Homes Ltd at a Special General Meeting on 10th March 2025:
'To confirm the transfer of engagements from Connswater Homes Ltd to Choice Housing Ireland Ltd, subject to all necessary approvals having been obtained and with effect from the date the transfer is registered by the Financial Conduct Authority.'
There was a unanimous vote to approve the resolution.

Outcome

All necessary approvals having been received, all engagements have been transferred from Connswater Homes Ltd to Choice Housing Ireland Ltd, effective from the 30th April 2025.

Going Concern

The stock, property and assets and all engagements of Connswater Homes Limited were transferred to Choice Housing Ireland Limited on 30 April 2025, in consideration of the acceptance in full by Choice Housing Ireland Limited of all of the liabilities and engagements of Connswater Homes Limited with effect from the date of transfer. The Board of Management intend to wind up the affairs of Connswater Homes Limited and therefore these financial statements have been prepared on a basis other than going concern.

Regulation

The Association's principal regulator is the Department for Communities (DfC). Their regulatory judgement for the year 2023/24 gave the Association the highest rating of Level 1 assessing the three standards: Governance, Finance and Consumer. As a registered charity the Association is also subject to regulation by the Charity Commission for Northern Ireland.

Environmental matter

The Association recognises its corporate responsibility to carry out its operations and development programme whilst minimising environmental impacts. The Board's continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

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Internal Financial Control

The Board of Management is responsible for establishing and overseeing a risk management framework in order to safeguard the assets of the Association and for the Association's systems of internal financial control and along with senior management is responsible for establishing and operating detailed control and report procedures. The systems of internal financial control can provide over reasonable, and not absolute, assurance against material misstatement and loss.

The Board of Management have reviewed the effectiveness of the Association's system of internal financial control. The review included consideration of the business risks facing the Association and of the existing internal financial control procedures.

The key elements of the control system in operation are:

- The Board has adopted a formal schedule of matters reserved for its approval ensuring it maintains responsibility for overall strategy, approval of all property transactions and other major capital expenditure projects.
- There is an organisation structure with clearly defined lines of responsibility and delegation of authority.
- Detailed budgets are prepared covering the Association's businesses which are reviewed and approved by the Board. Actual results are compared against budget and appropriate action identified and initiated.
- The Audit Committee review matters relating to internal control and receives reports on a regular basis from the external and internal auditors and from senior management.

Statement of the Board's responsibilities in respect of the financial statements

The Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and Registered Housing Association legislation require the members of the Board of Management to prepare the financial statements for each financial year which give a true and fair view of the state of the Association's affairs and of its surplus or deficit for that period. In preparing these statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue to operate.

The members of the Board of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 and the Registered Housing Associations (Accounting Requirements) Order (Northern Ireland) 1993. They have general responsibility for the taking of reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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Events after the Balance Sheet date

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Charitable donations

Donations totalling £5,763 (2024: £2,385) were made by the Association during the year. No donations for political purposes were made during the year (2024: £nil).

Statement of disclosure of information to auditors


So far as each of the members of the Board of Management at the date of approval of these financial statements is aware:

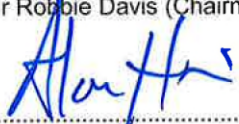
- there is no relevant audit information of which the Association's auditors are unaware, and
- that each Board member has taken all the steps that ought to have been taken as a Board member in order to be aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Independent Auditors

The auditors, RBCA Limited, have indicated their willingness to continue in office.

This report was approved by the Board of Management on 10/10/25 and signed on its behalf by:


.....
Mr Robbie Davis (Chairman)


.....
Mr Alan Hill (Honorary Secretary)


.....
Mrs Kelly Andrews (Honorary Treasurer)