

**OPTIVO FINANCE PLC**

**Financial Statements for the year ended 31 March 2024**

Company number 07933814

**CONTENTS**

DIRECTORS, OFFICERS, ADVISORS AND BANKERS .....	1
DIRECTORS' REPORT .....	2
STRATEGIC REPORT .....	4
INDEPENDENT AUDITOR'S REPORT .....	7
STATEMENT OF COMPREHENSIVE INCOME .....	14
STATEMENT OF CHANGES IN RESERVES .....	14
STATEMENT OF FINANCIAL POSITION .....	15
NOTES TO THE FINANCIAL STATEMENTS .....	16

## DIRECTORS, OFFICERS, ADVISORS AND BANKERS

<b>Directors</b>	Michelle Dovey Paul Hackett Sarah Smith Tom Paul
<b>Secretary</b>	Puneet Rajput – Appointed 2 May 2023 Alison Wignall – Resigned 2 May 2023
<b>Registered office</b>	Fleet House 59-61 Clerkenwell Road London EC1M 5LA
<b>Auditor</b>	BDO LLP 2 City Place Gatwick RH6 0PA
<b>Principal solicitor</b>	Devonshires 30 Finsbury Circus London EC2M 7DT
<b>Principal banker</b>	Barclays Bank 1 Churchill Place Canary Wharf London E14 5HP

## **DIRECTORS' REPORT**

Management present their annual report together with the financial statements of the Optivo Finance Plc (Company) for the year ended 31 March 2024.

### **Directors and their interests**

The Directors who served during the year are as set out on page 1. None of the Directors held a beneficial interest in shares of the Company as at 31 March 2024.

### **Dividends**

No dividends were recommended by the Directors during the current or prior year. Profits are distributed to the parent by means of a qualifying charitable donation.

### **Going concern**

The Company has net assets of £794k (2023: £3,459k) at the balance sheet date. After reviewing the Company's budget for 2024/25 and cash forecasts for the next 12 months from the date the financial statements are approved, the Directors have a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent company's long term financial plan. Mitigations for the Southern Housing Group (Optivo Finance plc's parent and sister companies) include changing tenure types, changes to the development programme and obtaining further borrowing. The going concern risk for the Company is further mitigated because the on lent funding to Southern Housing is under a secured loan agreement, backed by housing assets owned by Southern Housing. If payments are not made to Optivo Finance, it has the right to enforce the security under the loan.

In making this assessment the Board have made an assessment of the current economic environment on the cashflows of the whole Group over the next 12 month period. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

### **Statement of the Board's financial responsibilities**

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102). 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 state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

## **OPTIVO FINANCE PLC - DIRECTORS' REPORT**

- 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Financial statements are published on Southern Housing's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **Existence of branches of the company outside of the United Kingdom**

The company has no branches outside of the United Kingdom.

### **Qualifying third party indemnity provisions**

The company has no qualifying third party indemnity provisions in place for the directors of Optivo Finance Plc.

### **Disclosure of information to auditors**

Each Director of the Company has confirmed in fulfilling their duties as a Board Member;

- they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

### **Auditors**

A resolution to re-appoint BDO LLP as the auditors will be proposed at the Southern Housing Board Meeting on 25 September 2024.

### **Approval**

The Directors' Report was approved by the Board on 5 August 2024 and signed on its behalf by:



**Michelle Dovey**  
Chair

## STRATEGIC REPORT

### Principal activities

Optivo Finance Plc is a wholly owned subsidiary of Southern Housing. Optivo Finance Plc is a special purpose funding vehicle, used to raise capital markets funding for Southern Housing. Optivo Finance plc obtains finance directly from capital markets and on-lends net proceeds to Southern Housing. Southern Housing is a registered society under the Cooperative and Community Benefit Societies Act 2014 with registration number 8983.

### Business Review

The profit and loss account shows a profit of £781k for the year (2023: £3,445k). The interest costs of issued bonds were fully recovered from Southern Housing as interest income on the bond on-lend loans.

On 31 March 2024 Optivo Finance plc had a total of £1.2 billion Bonds in issue (2023: £900 million). We held no unsold retained Bonds at year end (2023: £68.5 million retained).

Bond 2043 was issued on 13 March 2012 for £150 million.

- £50 million was repurchased on the same day and retained for future sale.
- During 2013/14 the retained £50 million was sold.
- On 17 September 2020 Optivo Finance plc entered into agreements to increase the size of this bond to £300 million in total and to sell £100 million of these on a deferred settlement basis for completion on 30 March 2022. £50 million was repurchased and retained for future sale.
- On 25 July 2022 Optivo Finance plc sold the £50 million retained.
- The Bond was increased by a further £100m on 13 September 2023, with £50 million sold on the same day, and the remaining £50 million initially retained and then sold on 29 September 2023.

Bond 2048 was issued on 22 March 2018 for £250 million.

- £100 million was repurchased on the same day and retained for future sale.
- During 2019/20 the retained £100 million was sold.
- The 2048 Bond was increased by £150m on 29 September 2023 and retained for sale.
- The entire £150 million retained bond was sold on 24 November 2023.

Bond 2035 was issued on 7 April 2020 for £250 million.

- £100 million was repurchased on the same day and retained for future sale. The retained £100 million was sold on 18 August 2021.
- On 24 June 2022 £100 million was issued and repurchased for future sale.
- On 10 August 2022 £16.5 million retained bonds were sold and on 18 August 2022 a further £15 million retained bonds were sold.
- The remaining £68.5 million unsold retained Bond was sold on 15 August 2023.

Net proceeds of all bond issues were on-lent to Southern Housing for its general corporate purposes including, but not limited to, financing, refinancing investments in new social and affordable housing and improving the energy efficiency and environmental sustainability of Southern Housing's homes.

## OPTIVO FINANCE PLC - STRATEGIC REPORT

### Principal risks and uncertainties

As Optivo Finance on lends to Southern Housing, the main risk facing Optivo Finance is Southern Housing being unable to make its interest or principal payments when they fall due. The risk is mitigated because the on lent funding to Southern Housing is under a secured loan agreement, backed by housing assets owned by Southern Housing. If there are any payments not made to Optivo Finance, it has the right to enforce the security under the loan.

A contribution to the assessment of the scale of risk is Southern Housing's credit ratings. Moody's Investors Service credit rating was A3 (stable outlook) and Fitch Ratings credit rating was A (stable) in October 2023.

The Company employs external advisors to ensure it is compliant with all relevant tax legislation.

### Value for money

The Group has published its value for money statement and use the Regulator of Social Housing's value for money metrics to review performance and target actions as disclosed in Southern Housing financial statements.

### Political and charitable contributions

The Company made no political contributions in the current and prior year.

Taxable profits are normally distributed to its parent Company by payment of qualifying charitable donations.

### Section 172 statement

The company was formed for the sole purpose of raising debt finance for Southern Housing. It is a wholly owned subsidiary and does not have any employees. The directors, accordingly, do not consider that the interests of the company's employees, the impact of the company's operations on the community and the environment or the need to act fairly between members of the company are relevant to the proper discharge of their duty under section 172. Each of these factors is considered by the wider group. Given the purpose of the company the relevant stakeholder groups are therefore the investors in the listed debt and the parent entity, Southern Housing.

The Board of Optivo Finance Plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of those stakeholders, and in doing so have regard (amongst other matters) to:

- i. the likely consequences of any decision in the long term;
- ii. the need to foster the company's business relationships with suppliers, customers and others; and
- iii. the desirability of the company maintaining a reputation for high standards of business conduct.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.

## OPTIVO FINANCE PLC - STRATEGIC REPORT

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2024.

### Board decision

The Board considered and agreed the long-term strategy.

### Consideration

The need to update long-term business plans. This impacts all stakeholders as a robust strategy is the foundation for maintaining the trust of all our external stakeholders.

Review of Southern Housing group business plan and cash flow forecasts.

The Board have monitored the operating surplus and cash flow forecasts of Southern Housing, and how they have performed against their business plan and covenants.

Engaging with our investors

We believe that communication with our investors is key and publish investor relations reports.

### Approval

The Strategic Report was approved by the Board on 5 August 2024 and signed on its behalf by:



**Michelle Dovey**  
Chair

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPTIVO FINANCE PLC**

### **Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Optivo Finance PLC for the year ended 31 March 2024, which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

### *Independence*

Following a tender process for the 31 March 2024 financial audit, we were the recommendation of the Audit and Risk Committee and we were re-appointed by the Board on 7 November 2023 to audit the financial statements for the year ending 31 March 2024. The period of total uninterrupted engagement including retenders and reappointments is 11 years, covering the years ending 2014 to 2024.

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

### **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. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's assessment that supports the Director's conclusions with respect to the disclosures provided around going concern;
- consideration of the forecasts prepared by the parent entity and challenge of the key assumptions based on our knowledge of that business, including availability of financing facilities and covenant

## OPTIVO FINANCE PLC - INDEPENDENT AUDITOR'S REPORT

compliance calculations through to March 2026 (due to the Company's going concern being dependent on the parent entity's ability to make its interest and principal loan payments).

- reviewing the wording of the going concern disclosures and assessing its consistency with management's forecasts.

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.

### Overview

<b>Key audit matters</b>	<table><thead><tr><th></th><th>2024</th><th>2023</th></tr></thead><tbody><tr><td>The recoverable amount of related party debt is materially misstated</td><td>✓</td><td>✓</td></tr></tbody></table>		2024	2023	The recoverable amount of related party debt is materially misstated	✓	✓
	2024	2023					
The recoverable amount of related party debt is materially misstated	✓	✓					
<b>Materiality</b>	<p><i>Financial statements as a whole</i></p> <p>£14,901,000 (2023: £312,000) based on 1.3% (2023: 1%) of total assets (2023: finance income).</p>						

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## OPTIVO FINANCE PLC - INDEPENDENT AUDITOR'S REPORT

Key audit matter		How the scope of our audit addressed the key audit matter
<p><b>The recoverable amount of related party debt is materially misstated</b></p> <p>As disclosed in note 1, as the entity on-lends to its ultimate parent (Southern Housing) the principal risk facing the entity is that the parent will be unable to make its interest or principal payments when they fall due.</p> <p>Recoverability of these balances is intrinsically linked to the future viability of the parent entity and needs to be reviewed at each reporting date.</p> <p>Receivable balance disclosed in note 6.</p>	<p>The assessment of the recoverability of the related party debt involves several subjective judgements including the impact of additional downside scenarios for Southern Housing with potential increased running and development costs, increased voids and bad debts and falling house prices, which in turn will affect interest receipts to the Company. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such this has been identified as a Key Audit Matter.</p>	<p>Our audit response involved the following:</p> <ul style="list-style-type: none"> <li>• Assessment of management's review of the recoverability of related party debt including their review of the parent entity's assessment of its going concern status.</li> <li>• Consideration of the forecasts prepared by the parent entity and challenge of the key assumptions based on our knowledge of that business, including availability of financing facilities and covenant compliance calculations through to March 2026.</li> <li>• Assessing scenarios modelled by the ultimate parent entity including a stress test to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the reverse stress test calculations.</li> <li>• Consideration of the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.</li> </ul> <p><i>Key observations:</i></p> <p>We noted no material exceptions through performing these procedures.</p>

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

## OPTIVO FINANCE PLC - INDEPENDENT AUDITOR'S REPORT

	Company financial statements	
	2024 £'000	2023 £'000
<b>Materiality</b>	£14,901	£312
<b>Basis for determining materiality</b>	1.3% of total assets	1% of finance income
<b>Rationale for the benchmark applied</b>	This is a change from the basis used in the prior year, where 1.0% of finance income was used. We reflected in the year on this approach and determined that a total asset basis aligns better with the areas of interest of users of the financial statements (the total assets represent the level of secured assets that underpin the funds raised in the capital markets) and have updated our approach accordingly.	
<b>Performance materiality</b>	£11,920	£250
<b>Basis for determining performance materiality</b>	80% of materiality	80% of materiality
<b>Rationale for determining performance materiality</b>	We have determined that 80% of materiality is an appropriate basis for performance materiality based on our previous experience of the audit and factors such as the low levels of misstatements previously identified and the limited areas of the financial statements subject to estimation uncertainty.	

### *Reporting threshold*

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £298,000 (2023: £16,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### **Other Companies Act 2006 reporting**

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

## OPTIVO FINANCE PLC - INDEPENDENT AUDITOR'S REPORT

<p><b>Strategic report and Directors' report</b></p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of 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 Strategic report or the Directors' report.</p>
<p><b>Matters on which we are required to report by exception</b></p>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>

### Responsibilities of Directors

As explained more fully in the Statement of the Board's financial responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 (UK) 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

## OPTIVO FINANCE PLC - INDEPENDENT AUDITOR'S REPORT

### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the applicable accounting framework, and the laws and regulations relating to the company's registration with Companies House.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be compliance with tax legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Involvement of tax experts in the audit.

### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance and internal audit reports for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management's assessment of the recoverability of the related party debt and management override in relation to the posting of journals.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of journal entries throughout the year which do not meet the defined risk criteria (non risky journals); and
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverability of related party debt (see key audit matter).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## OPTIVO FINANCE PLC - INDEPENDENT AUDITOR'S REPORT

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

DocuSigned by:

*Paula Willock*

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Paula Willock (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

*Date*

07 August 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## STATEMENT OF COMPREHENSIVE INCOME

### for the year ended 31 March 2024

	Notes	2024 £000	2023 £000
<b>Revenue</b>	3	39,451	31,241
Operating expenditure		(4)	(5)
<b>Operating profit</b>	3	<b>39,447</b>	<b>31,236</b>
Interest and financing costs	4	(38,666)	(27,791)
<b>Profit before taxation</b>		<b>781</b>	<b>3,445</b>
Taxation	5	-	-
<b>Profit for the year</b>		<b>781</b>	<b>3,445</b>

All the Company's activities are continuing. The Company has no recognised profits or losses other than those above and therefore no separate statement of other comprehensive income has been presented.

## STATEMENT OF CHANGES IN RESERVES

### for the year ended 31 March 2024

	General reserve £'000
<b>Balance as at 1 April 2022</b>	1,757
Profit for the year	3,445
Qualifying charitable donation	(1,756)
<b>Balance as at 1 April 2023</b>	<b>3,446</b>
Profit for the year	781
Qualifying charitable donation	(3,446)
<b>Balance as at 31 March 2024</b>	<b>781</b>

## STATEMENT OF FINANCIAL POSITION

### at 31 March 2024

Company number: 07933814

	Notes	2024 £000	2023 £000
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	6	10,638	11,865
Debtors: amounts falling due after one year	6	1,135,627	905,210
Cash and cash equivalents		14	14
<b>Total current assets</b>		<b>1,146,279</b>	<b>917,089</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(6,281)</b>	<b>(4,932)</b>
<b>Net current assets</b>		<b>1,139,998</b>	<b>912,157</b>
<b>Total assets less current liabilities</b>		<b>1,139,998</b>	<b>912,157</b>
<b>Creditors: amounts falling due after more than one year</b>	7	<b>(1,139,204)</b>	<b>(908,698)</b>
<b>Net assets</b>		<b>794</b>	<b>3,459</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	8	13	13
General reserves		781	3,446
<b>Total reserves</b>		<b>794</b>	<b>3,459</b>

The financial statements were approved and authorised for issue by the Board on 5 August 2024 and signed on its behalf by:



**Michelle Dovey**  
Chair



**Puneet Rajput**  
Secretary

The notes on pages 16 to 21 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### **Basis of preparation of financial statements**

Optivo Finance plc is a public company limited by shares and incorporated in the UK (company number 07933814).

The accounts have been prepared in accordance with applicable laws and UK accounting standards including FRS102 “the Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland”. Financial statements disclose the company's utilisation of concessionary loans with a public benefit entity, Southern Housing, under FRS 102.

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Registered address: Fleet House, 51-69 Clerkenwell Road, London, EC1M 5LA.

#### **Cash flow statement**

As a consolidated cash flow statement is prepared by the Company's parent Southern Housing, the Company has taken advantage of the exemption provided by FRS102 not to report a separate statement of cash flows.

#### **Going concern**

The Company has net assets of £794k (2023: £3,459k) at the balance sheet date. After reviewing the Company's budget for 2024/25 and cash forecasts for the next 12 months from the date the financial statements are approved, the Directors have a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future.

Current economic conditions have been factored into the budget and parent company's long term financial plan. Mitigations for the Southern Housing Group (Optivo Finance plc's parent and sister companies) include changing tenure types, changes to the development programme and obtaining further borrowing. The going concern risk for the Company is further mitigated because the on lent funding to Southern Housing is under a secured loan agreement, backed by housing assets owned by Southern Housing. If payments are not made to Optivo Finance, it has the right to enforce the security under the loan.

In making this assessment the Board have made an assessment of the current economic environment on the cashflows of the whole Group over the next 12 month period. The Board are confident our viability can be maintained having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. For these reasons, they continue to adopt a going concern basis for the preparation of the Financial Statements.

#### **Financial Instruments**

The Company has applied the requirements of sections 11 and 12 of FRS102. In accordance with the FRS, the Financial Instruments of the company have been assessed and have been classified as basic financial instruments. They are initially recorded at transaction price. On subsequent measurement of the financial instrument it will be measured at amortised cost using the effective interest method. The discount and premium on issue are therefore amortised over the life of the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## OPTIVO FINANCE PLC - NOTES TO THE FINANCIAL STATEMENTS

### Judgements in applying accounting policies

The key judgements made in preparing these financial statements and sources of estimation uncertainty are:

- Management has made a resolution that qualifying charitable donation payments will be made to the parent within nine months of the year end. In accordance with FRS102 the tax provision is assessed on the basis that the qualifying charitable donation payment is probable.

### Sources of estimation uncertainty:

- The on lent funding to Southern Housing is under a secured loan agreement, backed by housing assets owned by Southern Housing. There is judgement about recoverability due to the wider economic environment which links to the performance of Southern Housing. This is further considered in the Going Concern section.

## 2. EMPLOYEE AND DIRECTOR INFORMATION

No member of the Board received any remuneration for their role as member of the Board of Optivo Finance Plc during the current and prior year. No expenses were reimbursed to members of the Board during the current year and prior year.

The Group Chief Executive and the senior management team are employed by Southern Housing, with whom administration costs are shared; the relevant emoluments are dealt with in the financial statements of that organisation.

No staff were directly employed by the Company in the current or prior year.

## 3. PROFITS FOR THE YEAR

### Revenue

The revenue shown in the Profit and Loss account represents interest receivable on loans to Southern Housing. Interest receivable is recognised on an accruals basis.

During the current and prior years the Company recharged interest paid on loans to Southern Housing.

	2024	2023
	£000	£000

### Operating profit is stated after charging:

#### Auditors' remuneration:

- in respect of audit services	4	5
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## 4. INTEREST PAYABLE

	2024	2023
	£000	£000

Interest payable on the bond	38,067	31,087
Bond premium amortisation	(1,081)	(3,450)
Bond discount amortisation	1,384	154
Bond setup cost amortisation	296	-
	<b>38,666</b>	<b>27,791</b>

## 5. TAXATION

The Company is liable to corporation tax, and the charge is based on the Profits for the year taking into account differences between certain items for taxation and accounting purposes.

Taxable profits are normally distributed to its parent Company by payment of qualifying charitable donations. The tax effect of these payments relating to the period are recognised when a payment within 9 months of the year end is probable.

The Company is separately registered for Value Added Tax purposes, and therefore does not form part of the Group's VAT registration. Costs are shown inclusive of VAT where it is not recoverable.

### Tax charges

The standard rate of corporation tax in the UK remained at 19% in 2023. From 1 April 2023 the corporation tax rate increased to 25% on profits over £250k and 19% on profits under £50k with marginal relief applied for profits between the two limits.

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>Current Tax</b>		
Current tax on income for the period	-	-
<b>Total current tax</b>	-	-
<b>Reconciliation of tax recognised in income and expenditure</b>		
	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax reconciliation</b>		
profit on ordinary activities before taxation	781	3,445
Corporation tax charged at 25% (2023: 19%)	195	655
Effects of		
Qualifying charitable donations paid or to be paid within 9 months of the year end	(195)	(655)
<b>Total tax charge (see above)</b>	-	-

## 6. DEBTORS

### Concessionary loan

Per FRS102 accounting policy choice, concessionary loans are initially measured at the amounts paid and the carrying value in subsequent years is adjusted for accrued interest receivable and any impairment losses.

On 31 March 2018, a concessionary loan of £4.2 million was made to the parent. The loan bears no interest and is repayable by annual instalments. On 31 March 2022 an additional £50.7 million and on 31 March 2023 an additional £6.4 million was loaned to the parent. The loan is available until 13 March **2043**.

On 31 March 2020, a concessionary loan of £13.9 million was made to the parent. The loan bears no interest and is repayable by annual instalments. The loan is available until 22 March **2048**.

On 26 August 2021 a concessionary loan of £13.3 million was made to the parent. The loan bears no interest and is repayable by annual instalments. The loan is available until 7 October **2035**.

## OPTIVO FINANCE PLC - NOTES TO THE FINANCIAL STATEMENTS

On 31 March 2024, three concessionary loans were outstanding:

Maturity date	07 October <b>2035</b>	22 March <b>2048</b>	13 March <b>2043</b>
Size	£10.5m	£12.2m	£56.1m

The loans bear no interest and are repayable by annual instalments. There were no concessionary loans committed that had not been taken up at 31 March 2024.

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>Due within one year</b>		
Amounts due from parent company	10,638	11,865
	<b>10,638</b>	<b>11,865</b>
<b>Due after more than one year</b>		
Long term loan receivable (2043) from other group entities	400,000	298,661
Long term loan receivable (2048) from other group entities	400,000	250,000
Long term loan receivable (2035) from other group entities	350,000	281,500
Bond Discount	<b>(84,395)</b>	<b>(2,827)</b>
Concessionary loan made to parent company	75,152	78,737
Bond setup costs	<b>(5,130)</b>	<b>(861)</b>
	<b>1,135,627</b>	<b>905,210</b>
<b>Total debtors</b>	<b>1,146,265</b>	<b>917,075</b>
<b>Amounts are receivable as follows:</b>		
Two to five years	15,166	14,818
More than 5 years	1,120,461	890,392
	<b>1,135,627</b>	<b>905,210</b>

Long term loans receivable carry interest from the date of the initial advance payable in arrears. £350 million is due to be repaid in 2035, £400 million in 2043 and £400 million in 2048. Concessionary loans bear no interest, are repaid in instalments and will be fully repaid by 2048. Long term loan receivables from other group entities include discount on issue of £84.4 million (2023: £4.2 million). Loan premium is on-lent to Southern Housing and has been included in the Concessionary loan.

## 7. CREDITORS

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due in less than one year:</b>		
Interest payable	6,277	4,928
Accruals and deferred income	4	-
Amounts due to group undertakings	-	4
	<b>6,281</b>	<b>4,932</b>
<b>Amounts falling due after more than one year measured at amortised cost:</b>		
Fixed rate Bond payable 2043	400,000	300,000
Fixed rate Bond payable 2048	400,000	250,000
Fixed rate Bond payable 2035	350,000	281,500
Bond setup costs	<b>(5,130)</b>	<b>(861)</b>
Bond discount on issue	<b>(84,395)</b>	<b>(4,166)</b>

## OPTIVO FINANCE PLC - NOTES TO THE FINANCIAL STATEMENTS

Bond premium on issue	78,729	82,225
	<b>1,139,204</b>	<b>908,698</b>

### Loans are repayable, otherwise than by instalments as follows:

Two to five years	15,166	-
More than 5 years	1,124,038	908,698
	<b>1,139,204</b>	<b>908,698</b>

Retained Bonds sold in the year incurred a discount on each sale. The set up costs and discount on issue costs are being borne by Southern Housing over the term of the Bond. Loans are secured by fixed charges on housing properties owned by the parent and fellow subsidiaries.

An independent valuation of affordable housing units owned by Southern Housing relating to the issue of each secured Bond is obtained annually. At 31 March 2024, the security valuations were:

	2035	2043	2048
Maturity date	07 October 2035	13 March 2043	22 March 2048
Issue size (£m)	350	400	400
Remaining retained	-	-	-
Valuation date	May 2023	Jul 2023	Nov 2023
Valuation before asset cover (£m)	484	461	488
Valuation after asset cover (£m)	427	405	426
Coupon	2.86%	5.25%	3.28%

### Interest Rate Risk/Hedging

The Company currently borrows funds on a fixed rate basis from the capital markets and then on-lends to Southern Housing on the same fixed rate. As such the Company does not bear any interest rate risk, apart from the underlying credit risk with Southern Housing, which is discussed below. The Company does not undertake any hedging activities and it does not have any derivatives.

### Risk Management Objectives and Policies

Southern Housing's treasury function is responsible for the management of the funds and control of the associated risks. Its activities are governed by the Group's Board and Treasury Committee is responsible for all the treasury issues in all of the Group's legal entities including Optivo Finance plc.

### Credit Risks and Uncertainties

As Optivo Finance plc on lends to Southern Housing, the main risk facing Optivo Finance plc is that Southern Housing will be unable to make its interest payments when they fall due. The risk is mitigated in a number of ways:

- The on lent funding to Southern Housing is under a secured loan agreement and is backed by housing assets owned by Southern Housing. If there are any payments which are not made to Optivo Finance Plc, then it has the right to enforce the security under the loan
- Southern Housing's credit ratings, from Moody's Investor Service which was A3 (stable outlook) and from Fitch Ratings which was A (stable), in October 2023.

The carrying amount of assets and liabilities best represents the maximum exposure to credit risk.

## 8. SHARE CAPITAL

**Allotted and issued 50,000 ordinary shares of £1 each.**

At 31 March 2024 and 31 March 2023	50,000
Paid up share capital	12,500

The capital of Optivo Finance Plc consists solely of ordinary share capital and an accumulated reserve representing the undistributed profits of the company. The Company's capital is not subject to externally imposed capital requirements except for those imposed by loan covenants in relation to the net asset position. The Company has complied with all capital requirements during the period.

Optivo Finance has not made a call for the remaining £37,500 share capital to be paid up.

## 9. CONTROLLING PARTIES

The Company is a subsidiary of Southern Housing which is the ultimate parent company incorporated in the UK and registered in England as a Co-operative and Community Benefit Society. Southern Housing is the ultimate parent undertaking by virtue of holding all shares in the Company.

All intra-group transactions have taken place in the normal course of business and all intragroup lending, with the exception of the concessionary loan, is at the market rate. The Company has taken advantage of the exemption provided by FRS102 not to disclose transactions with the parent Company or other wholly owned subsidiaries within the group.

The largest and smallest group in which the results of the Company are consolidated is that headed by Southern Housing, incorporated in England. The consolidated accounts of this Company are available to the public and may be obtained from Fleet House, 59-61 Clerkenwell Road, London, EC1M 5LA or from Southern Housing website [www.southernhousing.org.uk](http://www.southernhousing.org.uk). No other group accounts include the results of the Company.