

Optivo Finance plc
Financial Statements for the year ended 31 March 2018

Company number: 07933814

Optivo Finance plc

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Optivo Finance plc

Directors, Advisers and registered office

Directors

David Clifford Chair
Paul Hackett
Sarah Smith
Tom Paul

Secretary

Jo Robinson

Advisers

Bankers

Barclays Bank
1 Churchill Place
Canary Wharf
London E14 5HP

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Devonshires
30 Finsbury Circus
London
EC2M 7DT

Registered office

Grosvenor House
125 High Street
Croydon CR0 9XP

Optivo Finance plc

Report of the Board of Management

Management presents its report and audited financial statements for Optivo Finance plc for the year ended 31 March 2018.

Principal Activities and review of the business

Optivo Finance plc (Optivo Finance) was incorporated on 2 February 2012 as AmicusHorizon Finance plc (AHF). AHF was renamed Optivo Finance plc on 13 February 2018. Optivo Finance is a wholly owned subsidiary of Optivo. Optivo Finance is a special purpose funding vehicle, used to secure funding for the Optivo. Optivo Finance obtains finance directly from capital markets and on-lends to Optivo. Optivo is a registered society under the Cooperative and Community Benefit Societies Act 2014, registered no. 7561.

On 13 March 2012, Optivo Finance issued a £150m bond and £50m was repurchased on the same day, for future issuance. This bond issue was raised to help fund the development of new homes due to complete by 2015, and refinancing of existing loans. There was a £1.7m discount on issue which is being written off over the life of the loan. The coupon on the bond is 5.25%. At issue the yield was 5.362%. Optivo Finance therefore received £98.3m and on-lent this to Optivo. During 2013/14 the retained £50m was issued. At issue the yield was 4.681%. There was a £4.5m premium on issue which is being released over the life of the loan on an effective interest basis.

On 22 May 2017, the group of which this entity is a part amalgamated with Viridian Housing to become Optivo.

On 22 March 2018, Optivo Finance plc issued a further £250m bond and £100m was repurchased on the same day, for future issuance. This bond issue was raised to help fund Optivo's increased development of new homes between 2018 and 2020, and the refinancing of existing loans. The coupon on the bond is 3.283%. Optivo Finance received £150m and on-lent this to Optivo.

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).

The financial statements are required by law to 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.

Optivo Finance plc

Report of the Board of Management (continued)

Statement of the Board's financial responsibilities (continued)

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments 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
- 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.

Post balance sheet events

There are no post balance sheet events.

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 – Registered Social Housing Provider.

Dividends

No dividends were recommended during the current or prior year.

Annual general meeting

A resolution to re-appoint BDO LLP as auditors for the ensuing year will be proposed at the Annual General Meeting on 19 September 2018.

Optivo Finance plc

Report of the Board of Management (continued)

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish the Company's auditors are aware of that information.

By order of the Board



David Clifford
Chair

2 August 2018

Optivo Finance plc

Strategic report

Financial position at the year end

The profit and loss account shows a profit of £118k for the year (2017: £95k profit).

Principal risks and uncertainties

As Optivo Finance on lends to Optivo, the main risk facing Optivo Finance is Optivo being unable to make its interest or principal payments when they fall due. The risk is mitigated because the on lent funding to Optivo is under a secured loan agreement, backed by housing assets owned by Optivo. 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 Moody's Investor Services credit rating which was amended to A2 in March 2018.

Employees

Optivo Finance plc does not employ any staff.

Political and charitable contributions

The Company made no political donations nor did it incur any political expenditure during the period.

Approval

This Strategic Report was approved by order of the Board on 2 August 2018.



Jo Robinson
Secretary
2 August 2018

Company number: 07933814

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF OPTIVO FINANCE PLC

Opinion

We have audited the financial statements of Optivo Finance PLC ("the Company") for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 are 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 and public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF OPTIVO FINANCE PLC
(CONTINUED)**

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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) 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.

Due to the nature of the entity and its activities no key audit matters were identified.

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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into 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.

We determined materiality to be £80,000 which represents 1% revenue.

We used revenue as our chosen benchmark to determine materiality as the entity on lends funds raised in the capital markets to group companies and therefore the revenue generated from these activities is the area that will have greatest impact on decisions made by users of the accounts.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £2,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the accounting processes and controls, the complexity of operations and the degree of estimation and judgement in the financial results.

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF OPTIVO FINANCE PLC
(CONTINUED)**

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 and Director's report.

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;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF OPTIVO FINANCE PLC
(CONTINUED)**

Responsibilities of Directors

As explained more fully in the Statement of Directors' 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://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.

BDO LLP

Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date *29 August 2018*

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

Optivo Finance plc

Statement of comprehensive income for the period ended 31 March 2018

		Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
	Notes		
Turnover		8,040	7,918
Operating costs		(31)	(30)
Gross profit and profit on ordinary activities before interest and taxation		8,009	7,888
Interest payable and other finance costs	5	(7,908)	(7,792)
Profit on ordinary activities before tax	2	101	96
Taxation	6	17	(1)
Profit on ordinary activities after tax		118	95
Profit and comprehensive income for the financial year		118	95

Statement of changes in reserves for the period ended 31 March 2018

Balance at 1 April 2017	78	75
Surplus for the year	118	95
Gift Aid paid in year	(96)	(92)
Balance at 31 March 2018	100	78

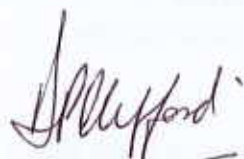
All activities in the statement of comprehensive income relate to continuing operations.

Optivo Finance plc

Balance sheet at 31 March 2018

	Notes	2018 £000	2017 £000
Current Assets			
Debtors receivable after more than one year	7	302,562	148,466
Debtors receivable within one year	7	338	4,746
Cash and cash equivalents	8		-
		<u>302,900</u>	<u>153,212</u>
Creditors			
Amounts falling due within one year	9	(526)	(424)
		<u>302,374</u>	<u>152,788</u>
Total Assets less Current Liabilities			
		<u>302,374</u>	<u>152,788</u>
Creditors			
Amounts falling due after more than one year	9	(302,274)	(152,710)
		<u>100</u>	<u>78</u>
Total net assets			
		<u>100</u>	<u>78</u>
Capital and reserves			
Share capital	10	12	12
Reserves	11	88	66
		<u>100</u>	<u>78</u>
Total reserves			
		<u>100</u>	<u>78</u>

The financial statements on pages 10 to 18 were approved by the Board and authorised for issue on 2 August 2018 and signed on its behalf by:



David Clifford
Chair



Jo Robinson
Secretary

Company number: 07933814

Optivo Finance plc

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and in accordance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102). As permitted by the March 2018 edition of the accounting standard, the requirements therein in relation to the tax consequences of gift aid payments expected within 9 months of the balance sheet date have been early adopted.

The financial statements have been prepared under the historic cost convention.

Going Concern

On the basis of their assessment of the Company's financial position and available resources, and the position and available resources of the group of which this company is a part, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

Disclosure exemptions adopted

As a consolidated cash flow statement is prepared by Optivo, as parent entity, the Directors have taken advantage of the exemption provided by FRS102 not to report a separate statement of cash flows.

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.

Concessionary loan

On 31 March 2018, a concessionary loan of £4,159k was made to the parent. The loan bears no interest and is repayable by annual instalments. The loan is available until 13 March 2043. There were no concessionary loans committed that had not been taken up at 31 March 2018.

1. Accounting policies (continued)

Taxation

The charge for taxation is based on the profit or loss for the financial year. The current tax charge is based on the taxable profit for the year having taken account of any payments of profit under gift aid to the parent charitable entity expected within 9 months of the balance sheet date. Taxable profit differs from net profit as reported in the profit and loss accounts because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Key sources of estimation or uncertainty

There is no estimation or uncertainty. The on lent funding to Optivo is under a secured loan agreement, backed by housing assets owned by Optivo.

Revenue

The revenue shown in the Profit and Loss account represents interest receivable on loans to Optivo, plus amounts invoiced for administrative expenses during the period. Interest receivable is recognised on an accruals basis.

2. Profit and loss account

During the period the Company recharged interest paid on loans to Optivo. The gift aid payment made in the year included £83k to mitigate the corporation tax liability reported in 2016/17. After loan premium amortisation, the Company made a profit.

3. Directors' emoluments

The Directors are employed by Optivo. They do not receive remuneration for their duties as Directors of the Company. Any employment costs are retained by Optivo and disclosed as appropriate.

4. Auditor's remuneration

	2018	2017
	£000	£000
Auditor's remuneration – audit services	<u>2</u>	<u>2</u>

Optivo Finance plc

Notes to the financial statements for the year ended 31 March 2018 (continued)

5. Interest payable and other finance costs

	2018 £000	2017 £000
Interest payable on bond	7,995	7,875
Bond premium amortisation	<u>(87)</u>	<u>(83)</u>
	<u>7,908</u>	<u>7,792</u>

6. Taxation on ordinary activities

	2018 £000	2017 £000
Current tax:		
UK corporation tax based on the results for the year	-	17
Adjustment in respect of prior periods	<u>(17)</u>	<u>(16)</u>
Total current tax	<u>(17)</u>	<u>1</u>
Profit chargeable to corporation tax	<u>-</u>	<u>83</u>

7. Debtors

Amounts receivable after more than one year measured at amortised cost:	2018 £000	2017 £000
Long term loan receivable (2043) from other Group entities	148,494	148,466
Long term loan receivable (2048) from other Group entities	150,000	-
Loan made to parent company	<u>4,068</u>	<u>-</u>
	<u>302,562</u>	<u>148,466</u>
Amounts receivable in less than one year:	2018 £000	2017 £000
Amounts due from parent company	<u>338</u>	<u>4,746</u>

As a wholly owned subsidiary of Optivo, Optivo Finance plc gifts some or all of its annual distributable profits to Optivo and claims charitable donations relief under the Corporation Tax Act 2010. Amounts due from parent company of £338k (2017: £4,746k) represents interest, repayments and setup costs in respect of loans. The amounts due from parent company of £4,746k at 31 March 2017 represented amounts recoverable from the parent following a distribution in the year to 31 March 2014 from reserves not available for distribution.

Optivo Finance plc

Notes to the financial statements for the year ended 31 March 2018 (continued)

7. Debtors (continued)

A concessionary loan of £4,159k was made to the parent during the year. Loan repayments due in 2018/19 are included within amounts receivable within one year.

8. Cash at bank and in hand

	2018	2017
	£000	£000
Cash and cash equivalents	<u>-</u>	<u>-</u>

9. Creditors

Amounts falling due in less than one year:	2018	2017
	£000	£000
Corporation tax	-	17
Interest payable	<u>526</u>	<u>407</u>
	526	424

Amounts falling due after more than one year measured at amortised cost:	2018	2017
	£000	£000
Fixed rate Bond payable 2043	150,000	150,000
Bond discount on issue	(1,504)	(1,534)
Bond premium on issue	<u>4,157</u>	<u>4,244</u>
	152,652	152,710
Fixed rate Bond payable 2048	150,000	-
Bond setup costs	<u>(378)</u>	<u>-</u>
	302,274	152,710

	2018	2017
	£000	£000
Loans are repayable, otherwise than by instalments as follows:		
In five years or more	<u>302,274</u>	<u>152,710</u>

The set up costs and discount on issue costs are being borne by Optivo over the 30 year term. Loans are secured by fixed charges on housing properties owned by the parent and fellow subsidiaries. At 31 March 2018, based on a valuation at 20 June 2017, properties securing the first bond had a value of £185m, securing £161m.

At 31 March 2018, based on a valuation at 16 March 2018, properties securing the second bond had a value of £311m, securing £274m.

Optivo Finance plc

Notes to the financial statements for the year ended 31 March 2018 (continued)

9. Creditors (continued)

The bonds mature in 2043 and 2048 with interest charged at a fixed annual rate of 5.25% and 3.283%, respectively.

Interest Rate Risk/Hedging

Risk Management Objectives and Policies

Optivo'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 the Finance Committee is responsible for all the treasury issues in all of the Group's legal entities including Optivo Finance plc.

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

Credit Risks and Uncertainties

As Optivo Finance plc on lends to Optivo, the main risk facing Optivo Finance plc is that Optivo 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 Optivo is under a secured loan agreement and is backed by housing assets owned by Optivo. If there are any payments which are not made to Optivo Finance, then it has the right to enforce the security under the loan
- As evidenced by Optivo's credit rating from Moody's Investor Service which was amended to A2 in March 2018, the financial performance of Optivo is deemed to be strong.

The bond issued in the year was assigned an A2 rating by Moody's Investor Service.

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

10. Called-up share capital

	2018
	£
Allotted and issued 50,000 ordinary shares of £1 each.	
At 31 March 2018 and 31 March 2017	<u>50,000</u>
£12,500 of issued share capital was paid up.	

Optivo Finance plc

Notes to the financial statements for the year ended 31 March 2018 (continued)

10. Called-up share capital (continued)

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.

11. Reserves

	2018	2017
	£000	£000
At 1 April	66	63
Profit for the year	118	95
Gift aid paid in year	(96)	(92)
At 31 March	<u>88</u>	<u>66</u>

12. Prior year adjustment

The payment of gift aid by the Company to the parent, Optivo, was previously accounted for within operating surplus. The prior year figures have been restated to include gift aid payments as a direct distribution from reserves. The surplus for the prior year has increased by £92k as a result.

13. Related party transactions

All intra-group transactions have taken place in the normal course of business and all intragroup lending, with the exception of the concessionary loan explained in Note 1, is at the market rate.

The Company is a wholly owned subsidiary of Optivo. The Company has taken advantage of the exemption provided by FRS102 not to disclose transactions with Optivo, as the parent entity, prior to its amalgamation to form Optivo, or other wholly owned subsidiaries within the group. No other related party transactions have been identified.

14. Group structure

Optivo Finance plc is a wholly owned subsidiary undertaking of Optivo. The results of the Company have been consolidated within Optivo, as parent entity, prior to its amalgamation to form Optivo, which are available on request from:

The Secretary
Optivo
Grosvenor House
125 High Street
Croydon CR0 9XP

15. Legislative provisions

Optivo Finance plc is incorporated under the Companies Act 2006.

16. Ultimate parent undertaking

Optivo is the ultimate parent undertaking and controlling entity of Optivo Finance plc by virtue of a 100% shareholding.