

**Optivo Finance plc**  
**Financial Statements for the year ended 31 March 2022**

Company number: 07933814

## CONTENTS

DIRECTORS, ADVISERS AND REGISTERED OFFICE .....	2
REPORT OF THE BOARD OF MANAGEMENT .....	3
STRATEGIC REPORT .....	5
INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF OPTIVO FINANCE PLC .....	7
STATEMENT OF COMPREHENSIVE INCOME .....	14
STATEMENT OF CHANGES IN RESERVES .....	14
STATEMENT OF FINANCIAL POSITION .....	15
NOTES TO THE FINANCIAL STATEMENTS .....	16

## **Optivo Finance plc**

### **DIRECTORS, ADVISERS AND REGISTERED OFFICE**

#### **Directors**

Michelle Dovey  
Paul Hackett  
Sarah Smith  
Tom Paul

#### **Secretary**

Alison Wignall

#### **Advisers**

#### **Bankers**

Barclays Bank  
1 Churchill Place  
Canary Wharf  
London E14 5HP

#### **Auditors**

BDO LLP  
2 City Place  
Gatwick RH6 0PA

#### **Solicitors**

Devonshires  
30 Finsbury Circus  
London  
EC2M 7DT

#### **Registered office**

Grosvenor House  
125 High Street  
Croydon CR0 9XP

## **REPORT OF THE BOARD OF MANAGEMENT**

Management presents its report and audited financial statements for Optivo Finance Plc for the year ended 31 March 2022.

### **Principal Activities and review of the business**

Optivo Finance Plc is a wholly owned subsidiary of Optivo. Optivo Finance Plc is a special purpose funding vehicle, used to raise capital markets funding for Optivo. Optivo Finance plc obtains finance directly from capital markets and on-lends net proceeds to Optivo. Optivo is a registered society under the Cooperative and Community Benefit Societies Act 2014 with registration number 7561.

On 31 March 2022 Optivo Finance plc had a total of £800 million Bonds in issue (2021: £550 million). £50 million of this was retained (2021: nil).

Bond 2043 was issued on 13 March 2012 for £150m. £50m 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.

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.

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.

Net proceeds of all bond issues were on-lent to Optivo 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 Optivo's homes.

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

The Directors who served during the year are as set out on page 2. None of the Directors held a beneficial interest in shares of the Company as at 31 March 2022.

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.

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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## **Optivo Finance plc**

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.

### **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.

### **Going Concern**

The Company has net assets of £1.8 million (2021: £0.5 million) at the balance sheet date. After reviewing the Company's budget for 2022/23 and cash forecasts for the next 12 months from the date the financial statement are approved, the Directors have a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future.

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.

In making this assessment the Directors have made an assessment of the potential impact of the war in Ukraine and rising cost inflation on the cashflows of the company until July 2023 as well as on the 30 year financial plan. The extent of the conflict and its longer term impacts are currently unknown. At present there is no impact on the property market in the United Kingdom. Rising build costs due to high inflation have been factored into the parent company's long term financial plan. The Directors have considered the impact of additional downside scenarios for Optivo parent with potential increased voids, bad debts and falling house prices, which in turn will affect interest receipts to Optivo Finance Plc. The Director's considers there to be sufficient headroom on Optivo parent's covenant compliance and liquidity.

In making their assessment the Directors have also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity which includes mitigations for the Optivo Group (Optivo Finance plc's parent and sister companies) like 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 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. Optivo Group has net assets of £870 million as at 31 March 2022.

The Directors have concluded that the Covid-19 pandemic is no longer impacting the business and the Company and parent company no longer record it as a risk. Having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Company 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. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

### **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 28 September 2022.

## **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



**Michelle Dovey**  
Chair

## **STRATEGIC REPORT**

### **Business review**

The profit and loss account shows a profit of £1,758k for the year (2021: £441k). The interest costs of issued bonds were fully recovered from Optivo as interest income on the bond on-lend loans.

### **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 affirmed as A3 Stable in October 2020.

### **Section 172 statement**

The company was formed for the sole purpose of raising debt finance for Optivo. 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, Optivo.

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:

- a) the likely consequences of any decision in the long term,
- b) the need to foster the company's business relationships with suppliers, customers and others, and

## Optivo Finance plc

c) 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.

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2022.

### **Board decision**

The Board considered and agreed the long-term strategy for the sole customer, Optivo.

Review of Optivo group business plan and cash flow forecasts.

Engaging with our investors

### **Consideration**

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

The Board have monitored the operating surplus and cash flow forecasts of Optivo, as the sole customer, and how they have performed against their business plan and covenants.

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

## **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 4 August 2022.



**Alison Wignall**  
**Secretary**

Company number: 07933814

## **INDEPENDENT AUDITOR'S REPORT TO 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 2022 and of its profit 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 2022, which comprise the statement of comprehensive income, statement of changes in reserves, 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 the recommendation of the Audit and Risk committee, we were appointed by the directors on 17 July 2013 to audit the financial statements for the year ending 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 9 years, covering the years ending 31 March 2014 to 31 March 2022.

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 compliance calculations through to March 2024 (due to the Company's going concern being dependent on the parent entity's ability to make its interest and principal loan payments).

## Optivo Finance plc

- assessing scenarios modelled by the 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; and
- reviewing the wording of the going concern disclosures and assessed 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>		2022	2021
	The recoverable amount of related party debt is materially misstated	✓	✓
<b>Materiality</b>	<i>Financial statements as a whole</i> £220k (2021: £200k) based on 1% (2021: 1%) of income		

### 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.

Key audit matter		How the scope of our audit addressed the key audit matter
<p><b><i>The recoverable amount of related party debt is materially misstated</i></b></p> <p>As disclosed in note 1, as the entity on-lends to its ultimate parent (Optivo) 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 balance sheet date.</p> <p>Receivable balance disclosed in note 7</p>	<p>The assessment of the recoverability of the related party debt involves several subjective judgements including the impact of additional downside scenarios for Optivo with potential increased voids, 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 2024.</li> <li>• Assessing scenarios modelled by the 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>With regards recoverability of intercompany debt, 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.

## Optivo Finance plc

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

	Company financial statements	
	2022 £	2021 £
<b>Materiality</b>	220,000	200,000
<b>Basis for determining materiality</b>	1% of income	1% of income
<b>Rationale for the benchmark applied</b>	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	
<b>Performance materiality</b>	176,000	150,000
<b>Basis for determining performance materiality</b>	80%	

### *Reporting threshold*

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £12k (2021: £4k). 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 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.

<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.

## Optivo Finance plc

### *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.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and other laws and regulations application to a public limited company in England.

We have made an assessment of the susceptibility of the entity's financial statements to material misstatement, including how fraud may occur. In addressing the risk of fraud through management override of controls we have tested the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management and privileged users.

Audit procedures capable of detecting irregularities including fraud performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance, internal audit reports, reviewing correspondence with HMRC and the other regulators to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing items included in the fraud and theft register for any potential weaknesses in internal control which could result in fraud susceptibility;
- Challenging assumptions made by management in their significant accounting estimates and judgements in particular in relation to the recoverability of related party debt;
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- We updated our understanding of the entity's current activities, the scope of its authorisation and the effectiveness of its control environment;

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. In order to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, we made enquiries of management and those charged with Governance about whether the entity is in compliance with such laws and regulations and we inspected any relevant regulatory and legal correspondence.

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:  
*E Kulczycki*  
C7998D5EC4924F4...

Elizabeth Kulczycki (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Gatwick  
United Kingdom  
Date 26 August 2022

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 2022

	Notes	2022 £'000	2021 £'000
Turnover		22,144	20,331
Operating expenditure		(4)	(3)
<b>Operating surplus</b>		<b>22,140</b>	<b>20,328</b>
Interest and financing costs	5	(20,382)	(19,887)
<b>Surplus before taxation</b>	2	<b>1,758</b>	<b>441</b>
Taxation	6	-	-
<b>Surplus on ordinary activities after taxation and total comprehensive income for the year</b>		<b>1,758</b>	<b>441</b>

**STATEMENT OF CHANGES IN RESERVES**

	Share capital	Income & expenditure reserve	Total
	£'000	£'000	£'000
<b>Balance as at 1 April 2020</b>	13	378	391
Surplus for the year	-	441	441
Payment of qualifying charitable donations in the year	-	(379)	(379)
<b>Balance as at 1 April 2021</b>	<b>13</b>	<b>440</b>	<b>453</b>
Surplus for the year	-	1,758	1,758
Payment of qualifying charitable donations in the year	-	(441)	(441)
<b>Balance as at 31 March 2022</b>	<b>13</b>	<b>1,757</b>	<b>1,770</b>

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

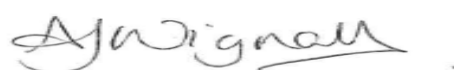
**STATEMENT OF FINANCIAL POSITION  
at 31 March 2022**

	Notes	2022 £'000	2021 £'000
<b>Current assets</b>			
Trade and other debtors	7	833,341	568,161
Cash and cash equivalents		12	123
		<b>833,353</b>	<b>568,284</b>
<b>Creditors: amounts falling due within one year</b>	8	<b>(4,361)</b>	<b>(2,702)</b>
<b>Net current assets</b>		<b>828,992</b>	<b>565,582</b>
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(827,222)</b>	<b>(565,129)</b>
<b>Net assets</b>		<b>1,770</b>	<b>453</b>
<b>Capital and reserves</b>			
Share capital - non equity	9	13	13
Income & expenditure reserve		1,757	440
<b>Total reserves</b>		<b>1,770</b>	<b>453</b>

The financial statements on pages 14 to 22 were approved by the Board and authorised for issue on 4 August 2022 and signed on its behalf by:



Michelle Dovey  
Chair



Alison Wignall  
Secretary

Company number: 07933814

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2022**

**1. Accounting policies**

**Basis of preparation**

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

Registered address: Grosvenor House, 125 High Street, Croydon, Surrey CR0 9XP

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).

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.

In making this assessment the Directors have made an assessment of the potential impact of the war in Ukraine and rising cost inflation on the cashflows of the company until July 2023 as well as the 30 year financial plan. The Directors have considered the impact of additional downside scenarios for Optivo parent with potential increased voids, bad debts and falling house prices, which in turn will affect interest receipts to Optivo Finance Plc. The Director’s considers there to be sufficient headroom on Optivo parent’s covenant compliance and liquidity.

In making their assessment the Directors have also considered the potential mitigations available to manage the potential impact on its cashflows and liquidity which includes mitigations for the Optivo Group (Optivo Finance plc’s parent and sister companies) like 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 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. Optivo Group has net assets of £870 million as at 31 March 2022.

The Directors have concluded that the Covid-19 pandemic no longer presents uncertainty, having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Company 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. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

**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.

## Optivo Finance plc

### 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. On 31 March 2022 an additional £50,700k was loaned to the parent. On 31 March 2020, a concessionary loan of £13,869k was made to the parent. The loan bears no interest and is repayable by annual instalments. The loan is available until 31 March 2048. On 26 August 2021 a concessionary loan of £13,269k was made to the parent. The loan bears no interest and is repayable by annual instalments. The loan is available until 7 October 2035.

On 31 March 2022, three concessionary loans were outstanding:

Maturity date	07 October 2035	22 March 2048	13 March 2043
Size	£13.3m	£13.2m	£54.6m

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 2022

### 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

The on lent funding to Optivo is under a secured loan agreement, backed by housing assets owned by Optivo. There is judgement about recoverability due to the uncertainties arising from the war in Ukraine This is further considered in the Going Concern section in Note 1.

### Revenue

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

## Optivo Finance plc

### 2. Profit and loss account

During the period the Company recharged interest paid on loans to Optivo.

### 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

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Auditor's remuneration - audit services	4	3

### 5. Interest payable and other finance costs

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Interest payable on the bond	22,109	20,297
Bond premium amortisation	(1,762)	(444)
Bond discount amortisation	35	34
	<u>20,382</u>	<u>19,887</u>

### 6. Taxation on ordinary activities

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Analysis of tax charge for the period</b>		
Current Tax	-	-
UK corporation tax at 19.00% (2021: 19.00%)	-	-
<b>Reconciliation of current tax charge</b>		
Profit on ordinary activities before tax and Gift Aid distribution	<u>1,758</u>	<u>441</u>
Tax on profit on ordinary activities at the standard corporation tax rate of 19.00% (2021: 19.00%)	334	84
Effects of: Gift aid donation to be made to parent undertaking by 31 December 2022	<u>(334)</u>	<u>(84)</u>
<b>Current tax charge / (credit) for period</b>	<u>-</u>	<u>-</u>

7. Debtors

<b>Amounts receivable after more than one year</b>	<b>2022</b>	<b>2021</b>
Measured at amortised cost:	<b>£000</b>	<b>£000</b>
Long term loan receivable (2043) from other group entities	248,625	148,589
Long term loan receivable (2048) from other group entities	250,000	250,000
Long term loan receivable (2035) from other group entities	250,000	150,000
Concessionary loan made to parent company	76,931	16,652
Bond setup costs	(719)	(569)
	<u>824,837</u>	<u>564,672</u>
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts receivable in less than one year</b>		
Amounts due from parent company	8,504	3,489
	<u>8,504</u>	<u>3,489</u>
Total debtors	<u>833,341</u>	<u>568,161</u>
	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts are receivable as follows:</b>		
Two to five years	13,567	1,966
More than five years	811,270	562,706
	<u>824,837</u>	<u>564,672</u>

Long term loans receivable carry interest from the date of the initial advance payable in arrears. £250,000 million is due to be repaid in 2035, £248,625 in 2043 and £250,000 million in 2048. Concessionary loans bear no interest, are repaid in instalments and will be full repaid by 2048.

Amounts due from parent company in less than one year of £8,504k (2021: £3,489k) represents interest and concessionary loan repayments.

8. Creditors

Amounts falling due in less than one year:	2022 £000	2021 £000
Interest payable	4,115	2,702
Amounts owed to parent company	4	-
Other creditor	242	-
	<u>4,361</u>	<u>2,702</u>

Amounts falling due after more than one year measured at amortised cost:	2022 £000	2021 £000
Fixed rate Bond payable 2043	250,000	150,000
Fixed rate Bond payable 2048	250,000	250,000
Fixed rate Bond payable 2035	250,000	150,000
Bond setup costs	(719)	(569)
Bond discount on issue	(1,375)	(1,411)
Bond premium on issue	79,316	17,109
	<u>827,222</u>	<u>565,129</u>

Loans are repayable, otherwise than by instalments as follows:	2022 £000	2020 £000
In five years or more	<u>827,222</u>	<u>565,129</u>

Each Bond has incurred a premium upon sale of a retained element. Bond 2043 incurred a discount on the first issue of £100 million. The set up costs and discount on issue costs are being borne by Optivo 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 Optivo relating to the issue of each secured Bond is obtained annually. At 31 March 2022, the security valuations were:

	2035	2043	2048
Maturity date	07 October 2035	13 March 2043	22 March 2048
Issue size	£250m	£300m	£250m
Remaining retained	-	£50m	-
Valuation date	28 April 2021	23 June 2021 1 Sept 2021 8 Dec 2021	12 July 2021
Valuation before asset cover	£386m	£365m	£377m
Valuation after asset cover	£340m	£321m	£330m
Coupon	2.86%	5.25%	3.28%

## Optivo Finance plc

### Interest Rate Risk/Hedging

The Company currently borrows funds on a fixed rate basis from the capital markets and then on-lends to Optivo on the same 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.

### 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 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 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 Plc, then it has the right to enforce the security under the loan
- Optivo's credit rating from Moody's Investor Service which was affirmed as A3 Stable in October 2020.

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

### 9. Called-up share capital

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

At 31 March 2022 and 31 March 2021	50,000
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Allotted and issued 50,000 ordinary shares of £1 each	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.

### 10. 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 or other wholly owned subsidiaries within the group. No other related party transactions have been identified.

## **Optivo Finance plc**

### **11. 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

### **12. Legislative provisions**

Optivo Finance plc is incorporated under the Companies Act 2006.

### **13. Ultimate parent undertaking**

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

### **14. Post Balance sheet events**

In June 2022 Optivo Finance PLC issued and retained £100 million bonds. This was a tap of the 2035 bond and will form a single series, taking the total size to £350 million.

In July 2022 Optivo Finance PLC sold £50 million of the 2043 bonds. This was the entire retained amount of the 2043 bonds.

In August 2022, up to the date of accounts sign off, Optivo Finance PLC sold £16.5 million of the 2035 bonds. This left £83.5 million retained at 4 August 2022.