Optivo Finance plc

Financial Statements for the year ended 31 March 2020

Company number: 07933814

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DIRECTORS, ADVISERS AND REGISTERED OFFICE

Directors

David Clifford	Died 27 February 2020
Michelle Dovey	Appointed 12 March 2020
Paul Hackett	
Sarah Smith	
Tom Paul	

Secretary

Jo Robinson	Resigned 31 July 2019
Alison Wignall	Appointed 1 August 2019

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 2020.

Principal Activities and review of the business

Optivo Finance is a wholly owned subsidiary of Optivo. Optivo Finance plc is a special purpose funding vehicle, used to secure funding for Optivo. Optivo Finance plc 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. 4851.

On 13 March 2012, Optivo Finance plc issued a £150m bond and £50m was repurchased on the same day, for future issuance. During 2013/14 the retained £50m was issued. On 22 March 2018, Optivo Finance plc issued a further £250m bond and £100m was repurchased on the same day, for future issuance. During 2019/20 the retained £100m was issued.

Proceeds of all bond issues were on-lent to Optivo to help fund development and the refinancing of existing loans.

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 2020.

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.

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

On 7 April 2020 Optivo Finance plc issued a £250m bond with a coupon of 2.857% maturing in 2035. £100m was repurchased on the same day for future issuance.

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.

Report of the board of management (continued)

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 Covid-19 pandemic on the cashflows of the company until July 2021 as well as the 30 years financial plan. The Directors have considered 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 Optivo Finance Plc.

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 Group like changing tenure types, changes to development programme and additional loans if required.

The Directors have concluded that whilst the potential impact of the Covid-19 pandemic presents current 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.

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 16 September 2020.

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

M Dovey.

Michelle Dovey
Chair

STRATEGIC REPORT

Business review

The profit and loss account shows a profit of £379k for the year (2019: £88k). 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 mainly due to uncertainties relating to Covid-19 as mentioned on Page 4. 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 A2 Negative in November 2019.

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
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 2020.

Board decision	**Consideration**
The Board considered and agreed the long-term strategy for the sole customer, Optivo.	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 held talks outside the usual Board meeting cycle and discussed and agreed the need to inform the market of the impact of Covid-19.	The need for transparency and to ensure an accurate information flow to the market, particularly concerning the unexpected impact of Covid-19.
Review of Optivo group business plan and cash flow forecasts.	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.
Engaging with our investors	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 30 July 2020.

A J Wignall

Alison Wignall
Secretary

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 2020, which comprise the statement of comprehensive income, statement of changes in reserves, balance sheet and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom 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 2020 and of the result for the year then ended;
- the company 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.

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.

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.

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

Key audit matter	Our response to the key audit matter
Accounting treatment and disclosure of sale of bonds	
As disclosed in note 8 and in the accounting policies, Optivo Finance plc sold its remaining £100m 3.283% secured retained bonds during the financial year. Both sales include a premium. The net proceeds of the issue (i.e. including the premium) should be amortised over the life of the bond using the effective interest rate. As this is a non-recurring and significant transaction there is a risk that the bond sale and the premium received have not been accounted for and disclosed correctly and was therefore a key audit matter.	Our audit response included the following: • Agreeing each bond issue back to the related term sheets and the London Stock Exchange, with the premium on each bond being recalculated. • Recalculating the yearly amortisation for each bond and comparing to management's workings to confirm accuracy. • Obtaining the intercompany agreement between Optivo and Optivo Finance plc and confirming the amount on-lent as being the nominal amount of the bonds. We confirmed that Optivo Finance plc may make a qualifying charitable donation payment to Optivo in an amount equal to the bond premium. • Confirming that the sale of bonds is appropriately disclosed within the financial statements. *Key observations:* We noted no material exceptions through performing these procedures.
Going Concern and recoverability of related party debt	
As the entity on-lends to its ultimate parent, the principle risk facing the entity is that the parent will be unable to make its interest or principal payments when they fall due and this impacts on the entity's ability to service its debt and to conclude that it is a going concern. 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. As disclosed in note 1, following the outbreak of COVID-19, and the resultant impact on the overall economy, the directors have considered the appropriateness of the going concern basis of preparation for the entity by direct reference to their consideration of the ability of the parent to make interest payments. They have assessed that there are no factors or events that may cast doubt on the ability to recover related party debt and therefore to continue to operate for the foreseeable future. The assessment of the recoverability of the related party debt involves a number of 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 Optivo Finance Plc, which have been materially impacted by the current COVID-19 pandemic. 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.	Our audit response involved the following: • 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. • 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 September 2021. • Assessing scenarios modelled by the parent entity including a reverse 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. • Consideration of the adequacy of the disclosures in the financial statements against the requirements of the accounting standards. *Key observations:* With regards recoverability of intercompany debt, we noted no material exceptions through performing these procedures. With regard to going concern, our key observations are set out in the conclusions related to going concern section of our audit report.

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

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 £150,000 (2019 - £130,000) which represents 1.0% revenue (2019 – 1.0% of 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% (2019 – 70%) of materiality or specific materiality depending on the financial statement area being audited. 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 £3,000 (2019 - £3,000), 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.

Extent to which the audit is capable of detecting irregularities, including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

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 limited company in England.

We designed audit procedures to respond to the risk, 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 or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Company in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed that instances of non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

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 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.

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 the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors 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 parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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 group or the parent 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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Other matters on which we are required to report

We were appointed by the directors on 4 August 2015 to audit the financial statements for the year ending 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ending 31 March 2016 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the directors.

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

Elizabeth Kulczycki, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 14 August 2020

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 2020

	Notes	31 March 2020 £'000	31 March 2019 £'000
Turnover		**14,984**	12,842
Operating costs		(35)	(33)
Gross profit and profit on ordinary activities before interest and taxation		**14,949**	**12,809**
Interest payable and other finance costs	5	(14,570)	(12,721)
Profit on ordinary activities before tax	**2**	**379**	**88**
Taxation	6	-	-
Profit and comprehensive income for the financial year		**379**	**88**

STATEMENT OF CHANGES IN RESERVES

Statement of changes in reserves

	2020 £'000	2019 £'000
Balance at 1 April	101	100
Surplus for the year	379	88
Gift Aid paid in year	(90)	(87)
Balance at 31 March	**390**	**101**

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

BALANCE SHEET
at 31 March 2020

	Note	2020 £'000	2019 £'000
Current assets			
Debtors receivable after more than one year	7	415,946	302,588
Debtors receivable within one year	7	1,073	643
		417,019	303,231
Creditors:			
amounts falling due within one year	8	(906)	(1,394)
Total assets less current liabilities		**416,113**	**301,837**
Creditors:			
amounts falling due after more than one year	8	(415,723)	(301,736)
Total net assets		**390**	**101**
Capital and reserves			
Share capital	9	13	12
Reserves		377	89
Total reserves		**390**	**101**

The financial statements on pages 12 to 18 were approved by the Board and authorised for issue on 30 July 2020 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 2020

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 CRO 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). As per 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 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.

In making this assessment the Directors have made an assessment of the potential impact of the Covid-19 pandemic on the cashflows of the company until July 2021 as well as the 30 year financial plan. The Directors have considered 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 Optivo Finance Plc.

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 Group like changing tenure types, changes to development programme and additional loans if required.

The Directors have concluded that whilst the potential impact of the Covid-19 pandemic presents current 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.

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.

Notes to the financial statements for the year ended 31 March 2020 (continued)
1. Accounting policies (continued)

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 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.

There were no concessionary loans committed that had not been taken up at 31 March 2020.

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 a judgement about recoverability due to the uncertainties arising from Covid-19. This is mentioned on Page 4.

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.

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 £90k to mitigate the corporation tax liability reported in 2018/19. 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

	2020 £000	2019 £000
Auditor's remuneration - audit services	3	3

5. Interest payable and other finance costs

	2020 £000	2019 £000
Interest payable on the bond	14,953	12,812
Bond premium amortisation	(383)	(91)
	14,570	12,721

Notes to the financial statements for the year ended 31 March 2020 (continued)

6. Taxation on ordinary activities

The company paid no corporation tax in 2020 (2019: £0)

7. Debtors

Amounts receivable after more than one year measured at amortised cost:	2020 £000	2019 £000
Long term loan receivable (2043) from other group entities	248,556	148,525
Long term loan receivable (2048) from other group entities	150,000	150,000
Concessionary loan made to parent company	17,390	4,063
	415,946	302,588

Amounts receivable in less than one year	2020 £000	2019 £000
Amounts due from parent company	1,073	643

Amounts are receivable as follows:	2020 £000	2019 £000
In five years or more	415,946	302,588

Amounts due from parent company of £1,073k (2019: £643k) represents interest, repayments and setup costs in respect of loans.

8. Creditors

Amounts falling due in less than one year:	2020 £000	2019 £000
Interest payable	630	540
Amounts owed to parent company	276	854
	906	1,394

Amounts falling due after more than one year measured at amortised cost:	2020 £000	2019 £000
Fixed rate Bond payable 2043	150,000	150,000
Bond discount on issue	(1,444)	(1,475)
Bond premium on issue	17,552	4,066
	166,108	152,591
Fixed rate Bond payable 2048	250,000	150,000
Bond setup costs	(385)	(855)
	415,723	301,736

Loans are repayable, otherwise than by instalments as follows:	2020 £000	2019 £000
In five years or more	415,723	301,736

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 2020, based on a valuation at 10 July 2019, properties securing the first bond had a value of £186m, securing £162m.

Notes to the financial statements for the year ended 31 March 2020 (continued)

At 31 March 2020, based on a valuation at 11 July 2019, properties securing the second bond had a value of £328m, securing £288m.

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, especially following the uncertainties surrounding Covid-19. 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
- Optivo's credit rating from Moody's Investor Service which was affirmed as A2 Negative in November 2019.

The bond issued post year end 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.

9. Called-up share capital

At 31 March 2020 and 31 March 2019	50,000
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.

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

Covid 19 has not impacted on 2019/20 results but may have a more significant impact on 2020/21 results. The budget for 2020/21 has been stress tested and the adjusted surplus for the estimated impact of Covid-19 does not breach the covenants. More details of the implications and mitigations are mentioned on page 4.

On 7 April 2020 Optivo Finance plc issued a £250m bond with a coupon of 2.857% maturing in 2035. £100m was repurchased on the same day for future issuance.