

2012/2013  
FINANCIAL STATEMENTS



# HIGHLIGHTS

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30%

All our rents continue to be significantly lower than market rates with the average rent now less than 30 per cent of the market equivalent.







*The new Kensington Day centre. This is a representative CGI and may not be an exact representation of the finished building.*



## HIGHLIGHTS

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5

Over the last ten years **we have developed 5 extra care facilities providing specialist care.** We are currently working on two new care schemes and have plans in place to build a new intergenerational facility in the Royal Borough of Kensington and Chelsea.

# HIGHLIGHTS

96

Our development programme is enabling us to continue delivering affordable homes in the most expensive parts of the country. We are pleased to be partners of Exemplar and to have signed contracts during the year for **54 new homes for low cost rent at Fitzroy Place, Fitzrovia** and **42 more new homes at 3 Merchant Square, Paddington Basin**.









## HIGHLIGHTS

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130

130 local people, like young mother Mayo benefitted from employment and training advice through the Octavia Foundation.

# HIGHLIGHTS

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£4m

In the last few years we have spent over **£4m** on fire safety systems as we continue to put resident safety first.





Waites Court, Camden.

*The Greenhouses at Sulgrave Gardens.  
In its entirety the scheme will provide  
30 exceptionally energy efficient homes.*





## HIGHLIGHTS

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90%

During the year we exchanged on the sale of our first private homes, which will cross subsidise the social housing on our site at Sulgrave Gardens. These homes are built using Passivhaus principles, which will reduce resident energy bills by up to 90 per cent.

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# THE BOARD, EXECUTIVE OFFICERS, AUDITORS, BANKERS, LEGAL ADVISORS, REGISTERED OFFICE



Andrew Hertbert, Chairman

## THE BOARD

Andrew Herbert	Chairman
Aisha Ali	
Gwendoline Godfrey	
Grahame Hindes	
Annie Lathaen	
Simon Porter	
Jean Roch	
Laurie Soden	Resigned 25 September 2012
Angus Taylor	
Rajan Upadhyaya	Appointed 25 September 2012
Sylvia Warman-James	Vice Chair

## EXECUTIVE OFFICERS AT 31ST MARCH 2013

Grahame Hindes	Chief Executive
Noel Brosnan	Asset Management Director
Mark Gayfer	Finance Director
Maeve MacAvock	Housing and Care Services Director
David Woods	Development Director

## SECRETARY AND REGISTERED OFFICE

Colin Hughes, Secretary  
 Emily House  
 202-208 Kensal Road  
 London W10 5BN  
 Tel: 020 8354 5500  
 Fax: 020 8354 4280  
 Registered as an Industrial and Provident Society with the Financial Conduct Authority no. 13991R  
 Registered with Homes and Communities Agency no. L0717

## EXTERNAL AUDITORS

BDO LLP  
 2 City Place  
 Beehive Ring Road  
 Gatwick, West Sussex RH6 OPA

## BANKERS

HSBC  
 St John's Wood Branch  
 1 Finchley Road  
 London NW8 9TS

## PRINCIPAL LEGAL ADVISORS

Trowers & Hamlins  
 3 Bunhill Row  
 London EC1Y 8YZ

## INTERNAL AUDITORS

Mazars  
 Tower Bridge House  
 St Katherine's Way  
 London E1W 1DD

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# REPORT OF THE BOARD, INCLUDING STATEMENT ON INTERNAL CONTROLS

The Board is pleased to present its annual report together with the audited financial statements for Octavia Housing (“Octavia”) for the year ended 31 March 2013. These cover the association’s own accounts and also the consolidated accounts for Octavia and its subsidiaries (“the Group”).

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## OVERVIEW OF THE OCTAVIA GROUP

Octavia is a Registered Provider of social housing operating in central and west London. It is registered as an Industrial and Provident Society with the Financial Conduct Authority and as a social landlord with the Homes and Communities Agency (HCA). It reinvests all the surpluses it generates in its social housing portfolio and related activities and, as an exempt charity, enjoys the benefits of full charitable status.

Octavia is one of the oldest housing organisations in the UK with a history that originates with properties acquired in 1865 by Octavia Hill, the Victorian social pioneer whose original ambition – to make “lives noble, homes happy and

family life good” – remains at the heart of the organisation’s mission today.

With over 4,000 homes in ownership and management in central and west London (most of which are in the Royal Borough of Kensington and Chelsea and the City of Westminster) Octavia provides good quality accommodation to low income families and individuals at rents that are affordable. In addition, Octavia is actively engaged in developing new homes, providing care and support to some of its older and more vulnerable tenants and has invested in a portfolio of commercial properties and charity shops whose surpluses support its wider community engagement activities.

Its long standing portfolio of housing stock in the most expensive parts of London gives Octavia a significant level of underlying financial strength. At 31 March 2013 this portfolio was valued at £1.473bn on a vacant possession basis, an 8% increase from the previous year. Having been built up over 150 years, this portfolio is an irreplaceable asset for the local community and one which delivers a substantial social dividend.

Octavia is governed by a Board which comprises nine non executives (of whom three are residents) plus the

Chief Executive. These Board members are listed on page 15. Each non executive Board member holds one fully paid share. Octavia has adopted the National Housing Federation Code of Governance in so far as its recommendations are relevant and appropriate to the organisation.

The day to day operational responsibility for Octavia is delegated to a senior management team that includes the Chief Executive and Directors of Housing and Care Services, Asset Management, Development and Finance (Directors Group).

Octavia has four subsidiaries:

- a) **Octavia Living Limited** owns and develops homes for outright sale and other commercial properties on housing developments led by Octavia and provides related commercial advice.
- b) **Octavia Development Services Limited** provides development services to Octavia Housing.
- c) **Kensal Enterprises Limited** deals with the traded goods that are sold through Octavia's charity shops, and works closely with the Octavia Foundation.
- d) **Octavia Hill Limited** is a charitable subsidiary, which in the future is anticipated to provide social housing and related services.

In addition, Octavia works closely with the Octavia Foundation, a related yet independent Charity.

The association was rated by the Homes and Communities Agency under its regulatory review system in August 2013 as being grade one for both governance and viability.

## EXTERNAL ENVIRONMENT IN 2012/13

The financial year 2012/13 has seen a number of changes in the external environment with a mixture of outcomes.

The coalition government implemented a series of measures designed to reduce the cost of welfare. Amendments to Housing Benefit regulations include the introduction of deductions for claimants deemed to be under occupying. We estimate that approximately 120 of our tenants have been affected by these changes and we are working with them to try and manage the consequences of the changes.

Further reforms will be introduced during 2013/14 which will limit the maximum amount of benefit that any one household can receive to £500 per week for couples and families and £350 per week for single people. We do not have access to the full data to be certain of how many residents will be affected by this change but, based on information supplied to Octavia, we understand that five tenant households will have their incomes reduced as a result of these changes. The relatively small numbers affected by the benefit caps contrasts with the impact of Universal Credit, the new system for paying benefits in a single combined payment, which is being introduced in a phased manner starting in late 2013. Part of this new system will mean the end of the routine practice of direct payments of housing benefit to social landlords by local authorities – a move which may significantly increase rent arrears.



Elizabeth House, Wembley, a mixed tenure scheme providing 115 homes.

At the same time as these changes to the welfare system are being implemented there have been reductions in central government funding for local authorities. This has led to continuing pressure on care and support activities in many areas and, significant reductions have been made in the rates of Social Housing Grant paid by the Homes and Communities Agency for new social housing developments. The impact of this reduction in grants has been only partially offset by the new system of Affordable Rents, which came into force from December 2011.

On a broader front the continuation of the low interest rate regime that has been in place since early 2009 has been generally beneficial for Octavia. However, there have also been ongoing restrictions in the availability of credit from banks for both corporate borrowers like Octavia and also for individuals seeking a mortgage to buy property from us, although this market has become easier, at least in part due to the Funding For Lending initiative introduced during the year. Restrictions continue on the term of loan facilities available from banks – five year loans appear to have become the maximum available from that source.

Longer term funds remain available from the bond markets and increasingly from bilateral facilities from pension funds and insurance companies. The difficulties in the banking markets at several stages in the last few years have led the Board to conclude that it should hold a prudent level of liquidity available at short notice.

During the last year the level of the Retail Prices index fell back to 2.6%

in September 2012 – approximately half the level of a year previously. This level of RPI is the basis for rent increases in the year from 1 April 2013.

Finally, while the property market outside London has continued to be subdued, continuing high demand in the higher value areas of London where Octavia is based has led to a relatively buoyant market and to further increases in house prices and private sector rents in these areas. This makes Octavia's role in these areas even more important, but conversely one which is more difficult to achieve.

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## HIGHLIGHTS OF OCTAVIA'S PERFORMANCE IN 2012/13

The Board are pleased to report that Octavia and the Group had another very positive year in 2012/13. With an emphasis on cost control and Value for Money and aided by the continuation of low interest rates and the buoyant property market in central London, a consolidated surplus of £5.5m (2012: £2.5m) was made.

### Housing and Care Services

Creating homes, neighbourhoods and services that our residents really value continues to be the overall aim of our service delivery plans. We believe that we will achieve this only if we work in partnership with residents and give them real influence over the services they receive. This has continued to be a priority for this year.

During the year we continued to achieve high levels of resident satisfaction on both services overall and more specifically in



Building new homes for mixed communities.

respect of the repairs service.

We continue to place a high priority on resident safety and at the end of the year had 100% of domestic gas boilers with a current CP12 safety certificate. During the year we invested increased resources in fire safety systems spending over £4m in total on this activity. All of our properties continue to meet the Decent Homes standard and during the year we completed changes to 99 properties, at a cost of £0.2m to allow residents requiring various adaptations to remain in their homes. In total we added a further 35 new properties to our housing stock.

During the year average rents across all properties, increasing from £103.96 per week to £110.72 per week. This reflects the increase as a result of the application of the government formula and some additional increases as a result of properties moving to the new Affordable Rents regime. Overall Octavia's average rents continue to be well below the government target levels.

The new Affordable Rents regime was applied to 40 relet properties during the year but no newly developed Affordable Rent properties have yet been completed. The Affordable Rents could have been charged at up to 80% of market rents, but given the Board's concern to ensure that rented property remains affordable to those in low paid employment, rent caps of £136 per week for 2 bedroom apartments and up to a maximum of £175 per week for 4 bedroom accommodation were approved. For existing social tenants, the Board aims to keep the rentals at a level consistent with maintaining and developing the association's housing



stock. Accordingly, the association's rent policy is based on the Government's target rent regime and the option to add an additional 5% to the target rent has not been taken up. As a result, the Board continues to believe that the rents charged by Octavia represent extremely good Value for Money for tenants.

In addition to its housing activity the association has an expanding role in the provision of care. Over the last ten years we have developed five extra care facilities and we are in the process of developing a further unit for those with dementia in Maida Vale and on the construction of an additional scheme for 36 older residents in Hounslow. We have recently sought planning consent for the redevelopment of the Kensington Day Centre which will include the provision of 13 level access flats, again for older people. During the year we received consistently positive ratings from the independent regulator for all of our care schemes.

### Development Activity

With increasingly high levels of demand for social rented and low cost home ownership properties in our core areas of operation, the development of new homes for our portfolio and for other social landlords continues to be a high priority at Octavia.

The nature of the programme is that completions vary considerably year on year. In 2012/13 we completed 35 new homes for Octavia. Working with other social landlords in the Connected Partnership a further 152 homes for social rent were completed and 146 for Shared Ownership. During the year contracts were signed for the acquisition of 42 social housing units at Merchant Square, Paddington and 54 at Fitzroy Square, Fitzrovia.

The current development programme is for 361 new homes to be developed between April 2013 and mid 2016. The remaining development costs to be incurred are estimated at some £34m and Social Housing Grant of £8m is expected to be received following practical completions. These development costs will be covered by existing borrowing facilities of £34m and the proceeds from sale of 77 outright sale units under construction. As a result Octavia will increase its borrowing and gearing levels over this period.

### Non Social Housing Activities

Octavia has an active community development programme that is delivered through its associated but independent charity, the Octavia Foundation. This meets the needs of tenants and the wider community and focuses on five key themes:

- Young people
- Older and vulnerable people
- Employment and training
- Financial inclusion
- Community cohesion

Income generated through Octavia's 18 charity shops and from the commercial property portfolio is used to support the Foundation, along with external funding from a range of charitable sources.

Over the last year the Foundation has directly assisted some 1,200 people through the wide range of projects which have included the provision of advice on welfare benefits and debt advice, befriending support for vulnerable and isolated residents, employment and training projects and activities for young people including film-making and sports together with lunch clubs and support with gardening and small repairs for elderly residents.

120 Octavia tenants have also benefitted from welfare and educational grants awarded by the Friends of Octavia who continue to support our work, and the Board would like to express its thanks to them for this.



Octavia Foundation charity shop, Finchley Road. One of 18 across London.

# FINANCIAL REVIEW

Octavia's financial performance over the last five years is illustrated in the tables below

	2012/13	2011/12	2010/11	2009/10	2008/09
	£m	£m	£m	£m	£m
Turnover	32.5	32.9	36.9	33.2	33.2
Operating Costs	(25.9)	(26.6)	(31.4)	(28.5)	(29.5)
Operating surplus	<b>6.6</b>	<b>6.3</b>	<b>5.5</b>	<b>4.7</b>	<b>3.7</b>
Net interest payable	(3.1)	(4.3)	(4.6)	(4.6)	(4.2)
Interest breakage costs	-	(2.5)	-	-	-
Goodwill written off	-	-	-	(0.1)	(0.3)
Surplus on asset disposals	2.0	3.0	2.5	1.2	3.4
Surplus for the year	<b>5.5</b>	<b>2.5</b>	<b>3.4</b>	<b>1.2</b>	<b>2.6</b>
Borrowings – gross	140	119	119	114	96
Borrowings – net	126	109	107	106	92
Housing in ownership (units)	4,125	4,081	4,026	3,914	3,897

The Group's underlying financial strength arises from the quality of its portfolio of social housing, which has been built up over the last 100 years or so in areas which have come to be among the most highly valued in the country. This is reflected in an independent desktop valuation of the completed housing property portfolio at 31 March 2013 by Jones Lang LaSalle, which indicated the following:

	2013	2012
	£m	£m
Open Market Value with Vacant Possession (OMV-VP)	1,473	1,354
Market Value subject to existing Tenancies (MV-T)	733	668
Existing Use Value for Social Housing (EUV-SH)	353	324
Estimated annual market rent of General Needs social rented portfolio	70	68
Actual annual rent roll of General Needs social rented portfolio	21	20

This independent valuation indicates an average Vacant Possession value for each of our properties of approximately £400,000.

The social rents charged by Octavia on its general needs rented properties are equivalent to less than 30% of market levels. This represents a social dividend of some £49m per annum to the local community and the UK Exchequer, which has over the years provided some £198m in Social Housing Grant to assist Octavia to acquire and develop its social housing portfolio.

The property portfolio requires significant levels of reinvestment each year for both maintenance purposes and to respond to the requirements of health and safety legislation. The current financial plan adopted by the Board in March 2013 envisages spending just under £26m on such issues over the next five years. This includes a programme that includes bringing all homes up to a good energy efficiency standard (with a minimum SAP rating of 75) over the next ten years. In previous years, this level of reinvestment was achieved with the assistance of the proceeds of sale of peripheral and uneconomic housing stock, however again in 2012/13 the Board is pleased to note that operating cash flow was able to cover all such reinvestment needs and is planning for this to continue in the future.



Kensington Gardens Square.

## RISKS AND THEIR MANAGEMENT

The Directors Group formally reviews the key risks facing the association every eight weeks and reports regularly to the Board during the year on the outcomes of these reviews. The key risks facing the association include

Key risk	Principal mitigating actions
Reductions to income and tenant wellbeing from welfare reform	Working with tenants to identify acceptable alternative courses of action
Changes in regulatory regime have a negative impact on Octavia's business model	Improving net operating position to enable most potential changes to be absorbed without affecting tenants services
Loss of key staff/ failure to attract good candidates	Octavia acting as a good employer
Significant fall in sales values or levels of sales	New banking facilities to enable worst case cash shortfall to be covered and end to reliance on sales
Significant losses and bad PR from fraud	Strong financial controls in place and culture created where impropriety is not tolerated
Serious injury or loss of life from Health and Safety failing	Significant investment in improved Health and Safety coupled with additional monitoring and raised staff awareness
Significant cost overruns or contractual disputes on major contracts	Careful preparation of contracts and monitoring of progress throughout their course
Breach of banking covenants	Operating significantly above minimum requirements and contingencies in place to deal with potential issues
Insufficient funds to pay debts as they fall due	Significant buffer of secured bank facilities over expected needs
IT security or business continuity problems	Significant investment in IT on the basis of IT strategy that prioritises IT security as well as ease of use

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## VALUE FOR MONEY (“VFM”)

The Board has made VFM one of its principal priorities and has put in place a strategy to improve the value being obtained from the substantial sums spent each year. In summary, this strategy is for Octavia to produce top quartile levels of performance and customer satisfaction while incurring average levels of costs. The strategy currently has three main elements:

- a) The Smarter Working and Spending Projects – these are aimed at increasing the levels of automation and transparency in operations through better use of modern technology, reducing cost and improving quality through better procurement.
- b) The Service Charge Project – a multi year project aimed at bringing service charge income and expenditure into balance.
- c) Benchmarking – using results from our benchmarking exercise to identify where our costs are outliers and identify where action needs to be taken to address this.

Benchmarking has identified that Octavia generally has similar levels of expenditure per home in most areas compared with its peers and has good and rising levels of tenant satisfaction. Spending on reactive and cyclical repairs, component renewals and other major repairs and improvements is higher than at most peer associations but reflects the major renewal programme approved by the Board and the central London locations of most of the housing stock. Targets have been set for reductions

in unit costs for replacements of a number of principal components and the unit costs of day to day repairs, as well as for reductions in the net cost of providing services to tenants.

In line with the HCA’s Regulatory Standards, an increasing focus is being placed on operating efficiency through improvements being generated by the Smarter Working Project, where greater automation and transparency of information are being targeted, and savings in procurement through the Smarter Spending Project. More generally the Board and officers are increasing the focus on value for money throughout the organisation in line with regulatory expectations. An example of this is the move to using the HALA panel for legal work which enables group purchasing discounts to be achieved.

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## ACCOUNTING POLICIES AND IMPAIRMENT

As the accounts for 2011/12 were prepared on the basis of the Statement of Recommended Practice issued in 2010 (SORP Update 2010), no changes to Octavia’s accounting policies have been considered necessary in the production of these accounts for 2012/13.

We carry out an impairment review at the end of every financial year using calculations that are based on the Board’s estimate of the costs and market values of development schemes in progress. This year the review indicated that the sales values expected to be achieved over summer 2013 at the Elizabeth House development in Wembley were sufficient to make it appropriate to

write back £1m of the £1.6m provision previously charged in respect of this scheme. No new impairment provisions were considered necessary.

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## REMUNERATION POLICY

Octavia seeks to have both clarity and consistency in its remuneration policy which will:

- a) assist in recruiting and retaining staff;
- b) reward responsibility and performance at an appropriate rate in relation to the sector and the market; and
- c) provide terms and conditions that meet statutory obligations and better these where appropriate.

All posts other than Directors are graded within our salary scale, using a job evaluation scheme. The Chief Executive and Directors have spot salaries based on an independent salary survey of market rates. These salaries are set by the Remuneration Committee for Directors and by the Board for the Chief Executive. Octavia's policy is to offer fees to Board members.

Board members receive fees in line with the recommended scale of fees previously set by the Regulator. The level of fees was reviewed during 2011 and some increases agreed which were within the fee guidance applicable at the time.

Octavia has a staff forum where there is representation at all levels to ensure that staff are widely consulted on staffing policies and procedures. We also invest significantly in learning and development

and a structured management and development training programme for all managers was run during the year.

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## CAPITAL STRUCTURE, TREASURY POLICY AND GOING CONCERN

At 31 March 2013, Octavia's gross borrowings stood at £140m with a further £34m of borrowing facilities in place, £19m of which were fully secured and available to draw immediately. Since the year end the remaining £15m, facilities now have security in place which makes them available to draw immediately. These funds, together with the agreed Social Housing Grant on schemes under development, are sufficient to complete our current development and re-investment programmes.

Octavia's Treasury Strategy is set annually by the Board. During the year it was agreed that, in view of the turbulence in financial markets worldwide, more funds should be held available as short term deposits rather than as undrawn banking facilities. Accordingly, the level of short term deposits was increased to more than £20m but following more stable conditions in 2013 this has now been reduced back to some £10m.



Getting resident feedback at the annual involvement event, Westminster.

The review in May 2013 identified that it would be appropriate to fix the interest rates on more of the Association's long term borrowings, based on the proportions of short to long term fixed rate debt, which are summarised in the table below

Strategy	Target Balance of Total Debt Outstanding	At 31 March 2013	At 31 March 2012
Fixed for more than 10 years	At least 50%	44%	53%
Fixed for more than 1 year but less than 10 years	Between 0% and 50%	34%	38%
Variable	Less than 25%	22%	9%

Octavia's future development plans will involve increasing our borrowings. Due to the relatively low level of present borrowing and the location of our stock in central and west London, only 44% of our rented housing stock is used to secure our current facilities. The Board therefore considers that we have the capacity and security to support an increase in our borrowing.

The Board monitors loan covenants on a regular basis. At 31 March 2013 they stood at:

- Interest cover – 247% (lowest permitted level 110%)
- Gearing – 50% (highest permitted level 65%)

At 31 March 2013 Octavia had substantial levels of available liquidity comprising net cash and short term deposits of £9.2m and committed and secured un-drawn unrestricted banking facilities of £19m.

Net indebtedness for the Group at 31 March 2013 stood at £125m of which £19m was funding the construction of properties under the development programme, a further £5.4m funding shared ownership properties unsold at that date and £21m funding properties for out-right sale. The balance of borrowing of £80m funds completed social rented properties and represents an average debt of less than £22k per home. In addition to the housing property portfolio, Octavia has commercial properties shown in the balance sheet at cost at £5.2m (2012: £3.8m) which were last valued in July 2011 by Strettons at £8.2m, and have been funded through Octavia's reserves.

Based on the significant levels of cash and undrawn but secured loan facilities at 31 March 2013 and the planned levels of expenditure in its business plan, the Board has a reasonable expectation that Octavia will continue to have adequate resources to be considered as a Going Concern for the foreseeable future.

## HEALTH AND SAFETY

The Board accepts its legal and moral responsibilities relating to health and safety to ensure, so far as is reasonably practicable, the health, safety and welfare of all Octavia employees, residents and others affected by our activities.

Health and safety risks are regularly reviewed by the Directors Group and are periodically considered by the Audit Committee and the Board. Our Health and Safety Committee meets quarterly and has delegated authority from the Directors Group to oversee our strategic response to Health and Safety and reviews progress across all areas of activity.

During the past year we have expanded our in-house Health and Safety team, which now includes an experienced and qualified Health and Safety Advisor and a Fire Safety Officer. Particular emphasis has been placed on the management of health and safety risks within our residential property stock, including an extensive programme of fire safety works.

## BOARD STATEMENT ON INTERNAL CONTROLS

The Board has overall responsibility for establishing and maintaining Octavia's system of internal controls and for reviewing its adequacy and effectiveness. The system for internal control covers all aspects of Octavia's activities, not just internal financial control.

The Board recognises that no system of internal control can give absolute assurance against financial misstatement or loss. The system is designed to manage rather than eliminate risk, and

provide reasonable assurance that key business objectives will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information, and the safeguarding of Octavia's assets and interests.

The Board requires the Chief Executive to prepare a detailed report on Risk Management and Internal Control Systems. This report of the Board has been based on this statement.

Some of the key elements of the internal control framework that have been established by the Board are as follows:

- the adoption of a business plan and 30-year Long Term Financial Plan model which is regularly updated and reviewed by the Board;
- a comprehensive budgeting process, the production and review of monthly management accounts and key performance indicators for all areas of operational activity, including quarterly external reporting;
- the review and approval of the Governance Manual and Financial Regulations of the organisation and a clear set of delegated authorities detailing responsibilities for expenditure and authorisation of payments;
- the incorporation of key risks into a Risk Map and the consideration of this and significant risks on individual projects by the Board;
- a programme of internal audit work which is linked to the Risk Map and is reported regularly to the Audit Committee and annually to the Board. The Audit Committee also



Cherry Close, Wembley.  
33 homes for rent and shared ownership.

regularly monitors the implementation of external and internal audit recommendations;

- job descriptions which clearly allocate responsibilities to manage risk;
- a programme of Service Improvement Reviews to seek continuous improvement;
- an operational work plan which seeks to ensure that our IT systems are reliable and efficient; and
- processes and systems for appraising development projects via the officers' Project and Approvals Panel, Directors Group and the Board.

There is significant emphasis on the Board's internal control responsibilities with regard to fraud. Octavia's anti-fraud policy expresses a commitment to the highest ethical standards. The policy sets out:

- the importance of operating procedures and control systems for detecting and deterring fraud, reinforced by a culture of openness and honesty among staff;
- Octavia's policies on whistle-blowing and concerning the investigation of fraud (whether suspected, attempted or actual);
- the disciplinary procedures which may follow the discovery of a fraud or attempted fraud and reporting actions (including to the HCA and to the police where appropriate); and
- Octavia's policy to seek recovery of losses from those responsible, reporting them to the police and to maintain fidelity cover against fraud.

While the risk of fraud being committed can never be fully eliminated, a strong internal control system reduces the opportunity for fraud and increases the likelihood that attempted frauds will be detected. Octavia maintains a fraud register which is reviewed regularly by the Audit Committee and annually by the Board.

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## EXTERNAL REVIEW

The work of our internal and external auditors is an important part of the control environment. There is a programme of internal audit visits each year and the risk of fraud is always considered when deciding on the scope of work for each visit. During the year, Mazars carried out their planned programme of internal audit reviews and, following a tender process, BDO LLP were appointed as external auditors.

The Board confirms that for the year ended 31 March 2013 and up to the date of the approval of these financial statements, there have been no regulatory concerns which have led any regulatory authority to intervene in the affairs of Octavia, nor are there significant problems in relation to failures of internal controls which required disclosure in the financial statements.

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## AUDITORS

The Board will recommend the re-appointment of BDO LLP at the next Annual General Meeting, following their appointment for the current year to fill a vacancy arising from the resignation of KPMG after a tender process in early 2013.



Community fun at Charity shop opening, East Sheen.

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## LOOKING FORWARD

The next few years offer Octavia a number of opportunities but will also present some challenges.

The opportunities include:

- Building on the existing momentum for improving and developing services to residents, tenants and other customers.
- Working with developers in central London on new S106 development opportunities and with the Homes and Communities Agency to develop more cost effective and sustainable housing for Londoners.
- The ability to generate surpluses from developments of housing for sale by our subsidiary, Octavia Living Limited.
- The potential to improve our operating efficiency through the Smarter Working Project which is currently under way. This aims to improve information flows and reduce manual interventions in processes, taking advantage of modern technology.
- Taking advantage of the current competitive marketplace for development and maintenance work to procure on advantageous terms.

The challenges include:

- Supporting residents, many of whom are reliant on housing benefit and other support at a time of significant welfare reform. Part of the challenge on this front is to maintain a rent policy that remains affordable to our prospective tenants in the high value, but popular areas in which we operate.
- Adapting to the new higher levels of borrowing that will arise from the lower capital grant rates that will apply for future development and the pressures on gearing levels if development of social rented housing is to continue beyond 2015.
- The increasing interest charges that are expected over the next few years as market interest rates rise from the historically low levels we are experiencing at present, coupled with pressures from providers of loan finance to increase their margins.

The Board are optimistic about Octavia's ability to take advantage of these opportunities and deal with the challenges.

By order of the Board  
A Herbert, Chairman

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# STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE BOARD OF MANAGEMENT'S REPORT AND THE FINANCIAL STATEMENTS

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The board members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and group and of the surplus or deficit of the association and group for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers Update 2010 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association and group will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's and group's transactions and disclose with reasonable accuracy at any time the financial position of the association and group and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act



2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They are also responsible for safeguarding the assets of the association and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers Update 2010.

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

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTAVIA HOUSING

We have audited the financial statements of Octavia Housing for the year ended 31 March 2013 which comprise the consolidated and association income and expenditure accounts, the consolidated and association balance sheets, the consolidated statement of total recognised surpluses and deficits, the consolidated cash flow statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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## RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



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## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

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## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2013 and of the group's and parent association's surplus 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 Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

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## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**BDO LLP, statutory auditor**  
**Gatwick, West Sussex**  
**United Kingdom**

**15 July 2013**

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

# INCOME AND EXPENDITURE ACCOUNTS

For the year ended 31 March 2013

	Note	Octavia 2013	Group 2013	Octavia 2012	Group 2012
		£000	£000	£000	£000
				Restated	Restated
Turnover	2	32,332	32,516	32,902	32,947
Cost of sales	2	(1,674)	(1,674)	(3,773)	(3,773)
Operating costs	2	(25,254)	(24,196)	(22,717)	(22,840)
<b>Operating surplus</b>	2	<b>5,404</b>	<b>6,646</b>	6,412	6,334
Surplus on disposal of fixed assets	20	1,980	1,980	2,990	2,990
Interest payable and similar charges	6	(3,510)	(3,283)	(7,071)	(6,901)
Interest receivable		341	114	263	93
<b>Surplus for the year</b>	7/18	<b>4,215</b>	<b>5,457</b>	2,594	2,516

There is no difference between the surplus for the year reported above and its historical cost equivalent.

All results arise from continuing operations.

There are no gains or losses in the current or prior year other than those reported in the income and expenditure account.

Comparative values have been restated following the introduction of cost of sales analysis in these accounts.

# BALANCE SHEETS

As at 31 March 2013

		Octavia	Group	Octavia	Group
		2013	2013	2012	2012
	Note	£000	£000	£000	£000
<b>Tangible fixed assets</b>					
Housing properties	8	383,957	383,497	366,585	366,128
Social housing grant	8	(198,076)	(198,076)	(195,983)	(195,983)
Depreciation and impairment	8	(17,904)	(17,904)	(15,276)	(15,276)
	8	167,977	167,517	155,326	154,869
<b>Other tangible fixed assets</b>	9	13,122	13,122	11,708	11,708
<b>Investment in subsidiaries</b>	10	10	-	10	-
		181,109	180,639	167,044	166,577
<b>Current assets</b>					
Stock	11	18,941	26,536	10,645	15,789
Debtors – amounts receivable within one year	12	12,242	5,085	5,876	4,309
Debtors – amounts receivable after one year	12	-	-	3,555	-
Short term deposits	13	9,501	9,500	8,418	8,418
Cash at bank and in hand		4,446	4,530	1,495	1,563
		45,130	45,651	29,989	30,079
<b>Creditors: amounts falling due within one year</b>	14	(21,221)	(20,489)	(11,664)	(11,746)
<b>Net current assets</b>		23,909	25,162	18,325	18,333
<b>Total assets less current liabilities</b>		205,018	205,801	185,369	184,910
<b>Creditors: amounts falling due after more than one year</b>					
	15	134,129	134,129	118,695	118,695
<b>Capital and reserves</b>					
Non-equity share capital	17	1	1	1	1
Revenue reserve	18	70,888	71,671	66,673	66,214
		205,018	205,801	185,369	184,910

These financial statements were approved and authorised for issue by the Board on the 15 July 2013 and signed on its behalf by:

**A Herbert**  
Chairman

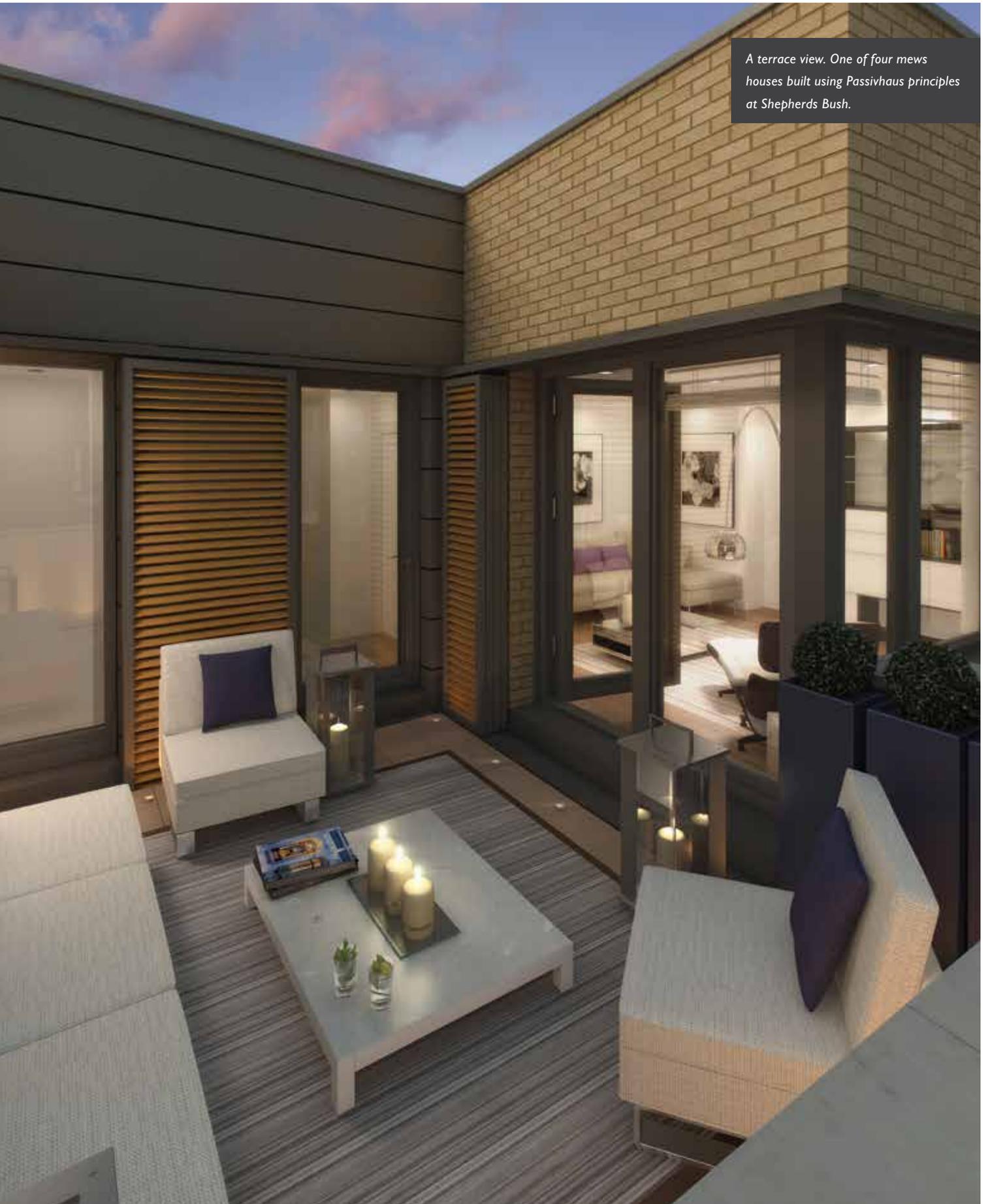
**C E Hughes**  
Secretary

**S Porter**  
Treasurer

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2013

		2013	2013	2012	2012
	Note	£000	£000	£000	£000
<b>Net cash inflow from operating activities</b>	21(a)		610		6,801
<b>Returns on investments and servicing of finance</b>					
Interest received		113		93	
Interest paid		(3,283)		(4,323)	
Interest rate breakage costs paid		-		(2,527)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(3,170)		(6,757)
			(2,560)		44
<b>Capital expenditure</b>					
Acquisition and improvement of housing property		(20,034)		(13,531)	
Social Housing Grant received		4,098		4,843	
Proceeds of sale of fixed assets		3,844		6,640	
Purchase of other fixed assets		(1,807)		(150)	
<b>Net cash outflow from capital expenditure</b>			(13,899)		(2,198)
<b>Management of liquid resources</b>					
Money market transactions			(1,082)		280
<b>Financing</b>					
Loan principal repaid		(4,347)		(10,343)	
Loan issue costs		(145)		(44)	
Loans advanced		25,000		10,000	
<b>Net cash inflow from financing</b>			20,508		(387)
<b>Increase/(decrease) in cash during period</b>	21(b)		2,967		(2,261)



*A terrace view. One of four mews houses built using Passivhaus principles at Shepherds Bush.*

# NOTES

(forming part of the financial statements)

## I PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under historic cost accounting rules and in accordance with applicable accounting standards and the Statement of Recommended Practice, 'Accounting by Registered Social Housing Providers, update 2010'. The financial statements also comply with the 'Accounting Direction for Private Registered Providers of Social Housing 2012'. The principal accounting policies have been consistently applied from one year to another and a summary of the principal accounting policies is set out below.

### Going concern

The Board have noted that the projected cash flow from operations and sales taken together with undrawn and secured loan facilities significantly exceed the projected cash requirements for operating expenditure and capital investment for at least the next 18 months. The Board have also noted that business planning forecasts show that Octavia will be operating comfortably within its loan covenants for the next 18 months. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Octavia Housing and its subsidiary undertakings, Kensal Enterprises Limited, Octavia Development Services Limited, Octavia Living Limited and Octavia

Hill Limited in accordance with FRS 2 'Accounting for Subsidiary Undertakings'. The consolidated financial statements have been prepared under the historic cost convention.

### Housing Properties

Housing properties are stated at cost less Social Housing Grant (SHG) and other grants, depreciation and impairment.

The cost of housing properties includes the following:

- (i) Cost of acquiring land and buildings.
- (ii) Development expenditure.
- (iii) Cost of replacing principal components.
- (iv) Interest charges incurred during the development period.
- (v) Adjustments, where appropriate, to scheme costs to reflect cross subsidy on mixed tenure development as required by the 2010 SORP (see Mixed Tenure Development accounting policy below).
- (vi) Cost of improvements.

Improvements are works which result in an increase in the net rental income, a reduction in future maintenance costs, or result in an extension of the useful economic life of the property and are capitalised accordingly. Only the direct overhead costs associated with new developments or improvements are capitalised.

Housing Properties are classified in Note 8 as being "completed properties" or "under construction". Scheme costs are transferred from "under construction" to "completed properties" at handover.

## Impairment

A review of properties for indicators of impairment is undertaken annually. If housing properties have suffered impairment, the appropriate fall in value is recognised after deducting any Social Housing Grant and is charged to the income and expenditure account. Impairment provisions are not made where a planned subsidy meets internal criteria set by the Group for approval of such schemes. Assessing impairment requires the use of estimation techniques. In making this assessment, management considers publicly available information, external valuations and internal forecasts on future activity.

## Depreciation

### (i) Housing land and buildings:

The Group depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component.

Freehold land is not depreciated. Social Housing Grant (and other capital grants) is allocated across the components for the purpose of calculating depreciation where appropriate.

Freehold housing properties are depreciated by component on a straight line basis over the estimated useful economic lives of the components as follows:

Boilers	15 years
Central heating systems	30 years
Kitchens	20 years
Bathrooms	30 years

Service chargeable components – short life	10 years
Service chargeable components – long life	30 years
Externals	30 years
Roofs	50 years
Windows & doors	30 years
Electrics	30 years
Structure	100 years

The costs of major repairs to replace or renew components in rental properties are fully capitalised and depreciated as components (see Works to existing properties accounting policy note). The remaining net book value, if any, when components are replaced or renewed is charged as accelerated depreciation in the income and expenditure account.

Octavia's retained investment in shared ownership properties are not depreciated as residual values are generally greater than the historic book cost.

### (ii) Other fixed assets:

Depreciation is charged on a straight-line basis from the month of purchase over the expected useful lives of the assets at the following rates:

- Office accommodation is depreciated at 1.33% per annum of the cost.
- Office furniture and fittings are depreciated at 10% per annum of the cost.
- Computer equipment is depreciated at 25% per annum of the cost.
- Computer software costing more than £10,000 is depreciated at 33.3% per annum of the cost.
- Motor vehicles are depreciated at 25% per annum of the cost.

(f) Commercial properties are depreciated at 2% per annum of the cost.

(g) Shop refurbishment costs are depreciated at 20% per annum or over the remaining term of the lease if longer than 5 years.

### **Social housing grant (SHG) and other grants**

Where developments have been financed wholly or partly by SHG and other grants, the cost of development is shown gross with the amount of grant as a deduction. This grant may become repayable when housing properties are sold. SHG released on the sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposals Proceeds Fund and is included in the balance sheet as creditors.

### **Mixed tenure development**

Octavia develops some schemes which comprise more than one tenure type (for example, schemes with properties both for rent and for shared ownership).

Where there is a surplus on one tenure type (i.e. the sales proceeds plus value in use exceeds the cost net of grant) and a shortfall on another (the cost net of grant exceeds the value in use), then only the overall net surplus on the scheme is recognised as properties are sold. This reflects the existence of cross-subsidy between scheme elements.

The surplus recognised on first tranche sales of shared ownership units is restricted to the overall surplus on that development scheme. This restriction is shown by an increase in the cost of sales and a reduction in the remaining fixed asset cost of the development in the balance sheet.

### **Capitalisation of development department costs**

The costs of the development team salaries (excluding overheads, time spent on abortive schemes and net of the relevant proportion of development fees earned) are capitalised in the costs of schemes developed each year.

### **Shared ownership properties**

Under Shared Ownership arrangements, the Group disposes of a long lease to the occupier; the lease premium paid is for between 25% and 75% of the value. The occupier has the right to purchase further proportions up to 100%. A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset and stated at the lower of cost and net realisable value; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties. Proceeds of sale for first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold ("staircasing") are reflected in the income and expenditure account as a surplus or deficit on sale of housing properties.

### **Works to existing properties**

The Association undertakes a major programme of principal component replacements which ensures that the stock meets or exceeds the Decent Homes Standard. The costs are fully capitalised according to the principles of component accounting. Any other major repair expenditure is currently capitalised to the extent that it extends

the useful life of the property or reduces future maintenance costs. Cyclical repair costs are charged to the Income and Expenditure account when incurred.

### Projects managed by agents

Octavia owns 90 properties used for specialist supported housing, which are run by outside agencies. Where the agencies carry the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association. Other income and expenditure of the hostels is excluded from the income and expenditure account.

### Investments

Investments in subsidiary undertakings are stated at cost less any impairment or write offs.

### Current assets – Stock – housing properties

Stock comprises the proportion of the cost of shared ownership properties that is expected to be sold in first tranche sales. These are split between completed properties and properties under construction. The cost of stock includes acquisition and development costs together with capitalised interest and administration costs. Stock is stated at the lower of cost and net realisable value.

### Current assets – Stock – charity shops

Donated goods are held at nil cost. Traded goods are shown at the lower of cost and net realisable value.

### Bad debts

A full provision is made against former tenant arrears. Provision against arrears of current tenancies is calculated based on the age of the outstanding arrears.

### Loan arrangement fees

The costs of arranging loan finance are treated as deferred financing costs and netted against the loan liability in the Balance Sheet. They are charged to the Income and Expenditure account over the term of the loan rather than in the year in which the cost is incurred.

### Pensions

Octavia participates in a multi employer defined benefits final salary scheme. Contributions to the scheme are charged to the Income and Expenditure Account so as to spread the costs over the members' working lives. Octavia also operates a defined contribution scheme. Pension costs payable to the scheme are charged to the income and expenditure account on an incurred basis.

### Provisions

Provisions have been included in the accounts only to the extent that there is a legal or constructive obligation to transfer economic benefits.

### Turnover

Turnover represents rental income receivable, service charges receivable, first tranche sales of Shared Ownership properties, fees, income from the Octavia charity shops and revenue grants, from local and central government.

### Value added tax

Octavia charges value added tax (VAT) on some of its income and is able to recover a small part of the VAT incurred on expenditure. The financial statements include VAT to the extent that it is incurred by Octavia and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

### Taxation

Octavia Housing is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### Interest payable

Interest payable is charged to the income and expenditure account on an accruals basis. Interest is capitalised on borrowings to finance developments during the period of construction prior to completion.

### Financial Instruments

The impact of financial instruments such as interest rate swaps is recorded in the Income and Expenditure account only in respect of current passing payments and on an accruals basis. Neither the market values of such instruments nor movements in them during the year are recorded in the Balance Sheet or the Income and Expenditure account, but disclosed by way of a note.

### Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying value or traded in an active market. Liquid resources comprise term deposits of less than one year.



## 2 TURNOVER AND OPERATING SURPLUS

### 2(a) Group

	2013	2013	2013	2013	2012	2012	2012	2012
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
					Restated	Restated	Restated	Restated
<b>Income and expenditure from social housing lettings</b>								
General needs housing (note 3)	20,879	-	(16,101)	4,778	19,448	-	(15,529)	3,919
Leasehold and shared ownership (note 3)	1,610	-	(564)	1,046	1,458	-	(579)	879
Supported housing (note 3)	3,156	-	(2,532)	624	2,854	-	(2,227)	627
	25,645	-	(19,197)	6,448	23,760	-	(18,335)	5,425
<b>Income and expenditure from non social housing lettings</b>								
Market renting activities	105	-	(48)	57	160	-	(19)	141
<b>Other income and expenditure</b>								
<b>Social housing activities</b>								
Shared ownership sales	2,789	(2,674)	-	115	5,186	(3,773)	-	1,413
Property development costs	47	-	(931)	(884)	280	-	(944)	(664)
Release of provision against properties for sale	-	1,000	-	1,000	-	-	-	-
Supporting People	315	-	(280)	35	236	-	(211)	25
<b>Non social housing activities</b>								
Commercial property	643	-	(364)	279	480	-	(284)	196
Community development	-	-	(52)	(52)	-	-	(70)	(70)
Lunch club and day centres	552	-	(498)	54	446	-	(461)	(15)
Octavia charity shops	2,420	-	(2,416)	4	2,399	-	(2,316)	83
Donation to Octavia Foundation	-	-	(410)	(410)	-	-	(200)	(200)
	32,516	(1,674)	(24,196)	6,646	32,947	(3,773)	(22,840)	6,334

## 2 TURNOVER AND OPERATING SURPLUS CONTINUED

### 2(b) Octavia Housing

	2013	2013	2013	2013	2012	2012	2012	2012
	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	£000	£000	£000	£000	£000	£000	£000	£000
					Restated	Restated	Restated	Restated
<b>Income and expenditure from social housing lettings</b>								
General needs housing (note 3)	20,879	-	(16,101)	4,778	19,448	-	(15,529)	3,919
Leasehold and shared ownership (note 3)	1,610	-	(564)	1,046	1,458	-	(579)	879
Supported housing (note 3)	3,156	-	(2,532)	624	2,854	-	(2,227)	627
	25,645	-	(19,197)	6,448	23,760	-	(18,335)	5,425
<b>Income and expenditure from non social housing lettings</b>								
Market renting activities	105	-	(48)	57	160	-	(19)	141
<b>Other income and expenditure</b>								
<b>Social housing activities</b>								
Shared ownership sales	2,789	(2,674)	-	115	5,186	(3,773)	-	1,413
Property development	47	-	(929)	(882)	280	-	(944)	(664)
Release of provision against properties for sale	-	1,000	-	1,000	-	-	-	-
Supporting People	315	-	(280)	35	236	-	(211)	25
Gift aid – Octavia Development Services Ltd	-	-	-	-	75	-	-	75
<b>Non social housing activities</b>								
Commercial property	643	-	(364)	279	480	-	(284)	196
Community development	-	-	(52)	(52)	-	-	(70)	(70)
Lunch club and day centres	552	-	(498)	54	446	-	(461)	(15)
Octavia charity shops	2,236	-	(2,231)	5	2,279	-	(2,193)	86
Donation to Octavia Foundation	-	-	(410)	(410)	-	-	(200)	(200)
Donation to Octavia Hill Limited	-	-	(1,245)	(1,245)	-	-	-	-
	32,332	(1,674)	(25,254)	5,404	32,902	(3,773)	(22,717)	6,412

### 3 INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

Octavia and Group

	2013	2013	2013	2013	2012
	General needs housing	Home ownership (inc shared ownership)	Supported and extra care housing	Total	Total
	£000	£000	£000	£000	£000
<b>Income</b>					
Rent receivable	19,241	1,300	1,246	21,787	20,156
Service charges income	1,638	310	322	2,270	1,952
	20,879	1,610	1,568	24,057	22,108
Supporting people fees receivable	-	-	173	173	197
Care fees receivable	-	-	1,415	1,415	1,455
<b>Income from Social Housing lettings</b>	<b>20,879</b>	<b>1,610</b>	<b>3,156</b>	<b>25,645</b>	<b>23,760</b>
<b>Expenditure on letting activities</b>					
Service charges costs	1,802	247	241	2,290	2,293
Extra care sheltered costs	-	-	1,555	1,555	1,456
Management	3,590	279	583	4,452	4,173
Routine maintenance	4,900	36	105	5,041	5,308
Cyclical maintenance	2,394	-	-	2,394	1,919
Major repairs	296	-	-	296	-
Rent losses from bad debts	89	2	-	91	51
Depreciation on housing properties	3,030	-	48	3,078	3,135
<b>Total expenditure on Social Housing lettings</b>	<b>16,101</b>	<b>564</b>	<b>2,532</b>	<b>19,197</b>	<b>18,335</b>
<b>Operating surplus on Social Housing lettings</b>	<b>4,778</b>	<b>1,046</b>	<b>624</b>	<b>6,448</b>	<b>5,425</b>
<b>Rent losses from voids</b>	<b>(146)</b>	<b>-</b>	<b>(23)</b>	<b>(169)</b>	<b>(176)</b>

## Housing Stock at 31 March

	Octavia and Group	Octavia and Group
	2013	2012
At 31 March	Number	Number
General needs		
Social Rented	3,294	3,304
Affordable Rented	44	4
Supported housing		
Managed by Octavia	283	270
Managed by agents	90	90
Shared ownership and Rent to Homebuy	255	261
Total social housing accommodation	3,966	3,929
Other leaseholder	148	138
Other properties	11	14
	4,125	4,081

## 4 BOARD AND EXECUTIVE OFFICERS' EMOLUMENTS

	Octavia and Group	Octavia and Group
	2013	2012
	£000	£000
Aggregate emoluments including pension contributions paid to 5 (2012: 5) executives officers.	558	559
Aggregate emoluments paid to 9 (2012: 8) Board members	55	37
Emoluments of highest paid officer excluding pension contributions	127	124
Contributions to pension fund	12	12

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of this scheme and no enhanced or special terms apply. Octavia does not make any further contribution to an individual pension arrangement for the Chief Executive.

## 5 EMPLOYEE INFORMATION

The average weekly number of persons (including the officers and senior executives) employed during the year were as follows

	2013	2012
	Number	Number
	£000	£000
Full time employment	223	235
Part time employment – full time equivalents	37	30
	260	265

Full time equivalents are based on a standard working week of 35 to 39 hours.

The total staff costs during the year were as follows

	Octavia	Group	Octavia and Group
	2013	2013	2012
	£000	£000	£000
Wages and salaries	7,431	7,440	7,039
Social security costs	676	696	658
Other pensions costs	303	303	306
	8,410	8,439	8,003

The remuneration paid to higher paid staff fell in the following bands

	Octavia and Group
	2013
£60,001 to £70,000	4
£80,001 to £90,000	1
£90,001 to £100,000	1
£100,001 to £110,000	2
£120,001 to £130,000	1

## 6 INTEREST PAYABLE AND SIMILAR CHARGES, INTEREST RECEIVABLE

	Octavia	Group	Octavia	Group
	2013	2013	2012	2012
	£000	£000	£000	£000
<b>Interest payable</b>				
Interest payable on bank and other loans	4,723	4,723	5,444	5,444
Less: Interest capitalised at an average rate of 4.5% (2012: 4.62%) on housing properties under construction	(1,213)	(1,440)	(900)	(1,070)
	3,510	3,283	4,544	4,374
Add: Amounts paid to break fixed interest rate arrangements	-	-	2,527	2,527
	3,510	3,283	7,071	6,901
<b>Interest receivable</b>				
Interest receivable on bank and building society deposits	114	114	93	93
Interest receivable from subsidiary	227	-	170	-
	341	114	263	93

## 7 SURPLUS FOR THE YEAR

	Octavia and Group	Octavia and Group
	2013	2012
	£000	£000
<b>The surplus for the year is stated after charging/(crediting):</b>		
Release of provision against properties for sale	(1,000)	-
Depreciation on housing properties		
– Annual charge	2,804	2,826
– Accelerated depreciation on component replacements	286	309
Depreciation on other fixed assets	393	380
Surplus on disposal of housing properties	(1,980)	(2,990)

	Octavia 2013	Group 2013	Octavia 2012	Group 2012
	£000	£000	£000	£000
<b>Auditors remuneration (excluding VAT)</b>				
Audit of these financial statements	40	45	48	58
Other services relating to taxation	-	-	6	6

## 8 FIXED ASSETS – HOUSING PROPERTIES

### Group

	Completed housing properties	Completed shared ownership properties	Housing properties under construction	Shared ownership properties under construction	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2012	310,210	36,292	14,267	5,359	366,128
Reclassifications	(3,539)	3,539	-	-	-
Additions during year					
– Construction	-	-	10,583	5,427	16,010
– Replaced components	3,000	-	-	-	3,000
– Improvements	1,023	-	-	-	1,023
Completions during year	9,643	1,702	(9,643)	(1,702)	-
Disposals during the year	(1,514)	(1,150)	-	-	(2,664)
At 31 March 2013	318,823	40,383	15,207	9,084	383,497
<b>Social Housing Grant</b>					
At 1 April 2012	173,436	13,124	7,097	2,326	195,983
Additions during year	7	166	2,308	111	2,592
Completions during year	5,460	1,077	(5,460)	(1,077)	-
Recycled on disposals	-	(208)	-	-	(208)
Written off on components replaced	(291)	-	-	-	(291)
At 31 March 2013	178,612	14,159	3,945	1,360	198,076
<b>Depreciation and Impairment</b>					
At 1 April 2012	14,589	68	440	179	15,276
Reclassifications	-	-	179	(179)	-
Annual charge	2,793	-	11	-	2,804
Accelerated depreciation on replaced components	286	-	-	-	286
Released on disposal	(460)	(2)	-	-	(462)
At 31 March 2013	17,208	66	630	-	17,904
<b>Net book value</b>					
At 31 March 2013	123,003	26,158	10,632	7,724	167,517
At 31 March 2012	122,185	23,100	6,730	2,854	154,869
				Group	Group
				2013	2012
				£000	£000
<b>Housing properties net book values comprise</b>					
Freehold land and buildings				132,229	127,177
Leasehold properties				35,288	27,692
				167,517	154,869

## 8 FIXED ASSETS – HOUSING PROPERTIES

Octavia

	Completed housing properties	Completed shared ownership properties	Housing properties under construction	Shared ownership properties under construction	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 April 2012	310,667	36,292	14,267	5,359	366,585
Reclassifications	(3,539)	3,539	-	-	-
Additions during year					
– Construction	-	-	10,583	5,427	16,010
– Replaced components	3,000	-	-	-	3,000
– Improvements	1,026	-	-	-	1,026
Completions during year	9,643	1,702	(9,643)	(1,702)	-
Disposals during the year	(1,514)	(1,150)	-	-	(2,664)
At 31 March 2013	319,283	40,383	15,207	9,084	383,957
<b>Social Housing Grant</b>					
At 1 April 2012	173,436	13,124	7,097	2,326	195,983
Additions during year	7	166	2,308	111	2,592
Completions during year	5,460	1,077	(5,460)	(1,077)	-
Recycled on disposals	-	(208)	-	-	(208)
Written off on components replaced	(291)	-	-	-	(291)
At 31 March 2013	178,612	14,159	3,945	1,360	198,076
<b>Depreciation and Impairment</b>					
At 1 April 2012	14,589	68	440	179	15,276
Reclassifications	-	-	179	(179)	-
Annual charge	2,793	-	11	-	2,804
Accelerated depreciation on replaced components	286	-	-	-	286
Released on disposal	(460)	(2)	-	-	(462)
At 31 March 2013	17,208	66	630	-	17,904
<b>Net book value</b>					
At 31 March 2013	123,463	26,158	10,632	7,724	167,977
At 31 March 2012	122,642	23,100	6,730	2,854	155,326
				Octavia	Octavia
				2013	2012
<b>Housing properties net book value comprise</b>				£000	£000
Freehold land and buildings				132,689	127,634
Leasehold properties				35,288	27,692
				167,977	155,326

During the year a number of reclassifications of property components were implemented to better reflect the underlying position.

Given Octavia's long held policy of capitalising the finance costs associated with carrying out development activity, it is not possible to disclose the aggregate amount of finance costs in the cost of housing properties prior to 2002. The cumulative interest capitalised since 2002 is £1,926k (2012: £1,156k).

Octavia's completed housing and equity in shared ownership properties were valued on a desktop basis as at 31st March 2013 by Jones Lang LaSalle LLP on the various different bases as follows:

	2013	2012
	£m	£m
Open Market Value with Vacant Possession (OMV-VP)	1,473	1,354
Market Value subject to existing Tenancies (MV-T)	733	668
Existing Use Value for Social Housing (EUV-SH)	353	324

## 9 OTHER TANGIBLE FIXED ASSETS

Octavia and Group

	Office accommodation	Commercial properties	Motor vehicles	Office equipment	Octavia shops	Octavia Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 April 2012	7,660	4,625	94	1,521	373	14,273
Additions for year	41	1,436	-	304	26	1,807
At 31 March 2013	7,701	6,061	94	1,825	399	16,080
<b>Depreciation</b>						
At 1 April 2012	499	756	69	1,080	161	2,565
Charged for year	82	62	8	190	51	393
At 31 March 2013	581	818	77	1,270	212	2,958
<b>Net book value</b>						
At 31 March 2013	7,120	5,243	17	555	187	13,122
At 31 March 2012	7,161	3,869	25	441	212	11,708

The office accommodation and commercial properties were valued by Strettons in 2011 at £8.2m.

## 10 INTANGIBLE FIXED ASSETS

### Investment in subsidiaries

	Octavia	Octavia
	2013	2012
	£000	£000
Cost and net book value at 1 April 2012	10	-
Invested during the year – Octavia Living Limited	-	10
Cost and net book value at 31 March 2013	10	10

Details of subsidiary undertakings are set out in Note 23.

## 11 STOCK

	Octavia	Group	Octavia	Group
	2013	2013	2012	2012
	£000	£000	£000	£000
<b>Housing properties</b>				
Properties under construction	17,071	24,619	8,647	13,745
Completed properties	1,870	1,870	1,998	1,998
	18,941	26,489	10,645	15,743
<b>Charity shops stock</b>				
	-	47	-	46
	18,941	26,536	10,645	15,789

Stock includes the proportion of the cost of shared ownership properties both completed and under construction that is expected to relate to first tranche sales and outright sale properties under construction, as follows:

Stock includes £963k (2012: £533k) of capitalised interest costs.

	Octavia	Group	Octavia	Group
	2013	2013	2012	2012
	£000	£000	£000	£000
<b>Shared ownership properties:</b>				
Completed properties	1,736	1,736	1,773	1,773
Properties under construction	3,679	3,679	2,556	2,556
	5,415	5,415	4,329	4,329
Properties developed for outright sale	13,459	21,007	6,091	11,189
Other properties for sale	67	67	225	225
	18,941	26,489	10,645	15,743

Goods donated to charity shops have no recorded book cost.

## 12 DEBTORS

	Octavia 2013	Group 2013	Octavia 2012	Group 2012
<b>Amounts receivable within one year:</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General needs rental and service charges	1,346	1,346	1,260	1,260
Provision for doubtful debts	(401)	(401)	(442)	(442)
	945	945	818	818
License debtors	16	16	16	16
Leasehold debtors	66	66	23	23
Other debtors	2,815	2,933	4,444	2,911
Prepayments and accrued income	1,125	1,125	540	540
Amounts due from Octavia Living Limited	7,275	-	34	-
Amounts due from related party – The Octavia Foundation	-	-	1	1
	12,242	5,085	5,876	4,309
<b>Amounts receivable after one year</b>				
Amounts due from subsidiary – Octavia Living Limited	-	-	3,555	-
	12,242	5,085	9,431	4,309

The amount due from Octavia Living Limited arises from a loan agreement to fund the construction of housing for sale at a site where Octavia is constructing social housing. Interest is payable at normal commercial rates and the loan is due to be fully repaid by December 2013.

## 13 SHORT TERM DEPOSITS

Included within short term deposits at 31 March 2013 are amounts subject to restrictions on use, totalling £4.8m (2012: £3.2m). These amounts comprise £186k (2012: £149k) which relates to funds held on trust for leaseholders, £2.1m (2012: £2.0m) held for the future development of social housing for older persons, £1.0m (2012: £1.0m) held as security for a financial derivatives transaction and £1.5m (2012: £nil) of social housing grant received for payment to other members of the Connected Partnership.

## 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Octavia	Group	Octavia	Group
	2013	2013	2012	2012
	£000	£000	£000	£000
Housing loan (see note 15)	5,572	5,572	367	367
Trade creditors	8,327	8,816	5,984	6,068
Rent received in advance	679	679	741	741
Accrued interest	816	816	1,021	1,021
Other creditors and accruals	193	193	379	377
Grant received in advance	4,099	4,099	2,979	2,979
Social security and other taxation	198	198	193	193
Amounts due to subsidiaries	1,221	-	-	-
Amounts due to related party – The Octavia Foundation	116	116	-	-
	21,221	20,489	11,664	11,746

## 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Octavia and Group	Octavia and Group
	2013	2012
	£000	£000
Housing loans:		
Due to banks	134,040	118,594
Less: Loan issue costs	(687)	(588)
	133,353	118,006
Recycled Capital Grant Fund	520	433
Disposal Proceeds Fund	231	231
Non housing loans:		
Due to loan stock holders with no redemption date	25	25
	134,129	118,695

Housing loans are secured by specific charges on 44% (2012: 40%) of Octavia's housing properties and are repayable at rates of interest varying between 0.75% and 11.50% (2012: 0.93% and 11.50%) due as follows

	Octavia and Group	Octavia and Group
	2013	2012
	£000	£000
Housing loans by instalments:		
Due within 1 year	5,572	367
Between one and two years	4,394	5,997
Between two and five years	11,666	14,059
In five years or more	112,449	93,004
	134,081	113,427
Advances under pre-1988 arrangements	34	34
Not by instalments:		
In five years or more	5,500	5,500
Total housing loans	139,615	118,961
Non housing loans by instalments:		
In five years or more	25	25
	139,640	118,986
Less: Loan issue costs	(687)	(588)
	138,953	118,398

#### Recycled grant and disposals proceeds funds

Octavia and Group	Recycled grant fund	Disposals proceeds fund
	£000	£000
At 1 April 2012	433	231
Social housing grant on disposals in the year:		
Staircasing of shared ownership properties	243	-
From sales of other properties	29	-
	705	231
Social housing grant applied to new properties in the year	(185)	-
At 31 March 2013	520	231

The balances outstanding at 31 March 2013 are due to the Greater London Authority. There are no amounts due to the Homes and Communities Agency.

## 16 INTEREST RATE DERIVATIVE TRANSACTIONS

Octavia Housing has entered into long term fixed rate borrowings and embedded interest rate swap contracts to fix the rates of £108m (2012: £101m) of its borrowing portfolio until various dates up to 2033. The negative fair value of these contracts at 31st March 2013 was £22.1m (2012: £16.3m).

Additionally, in the year to 31 March 2012 Octavia Housing entered into stand alone interest rate swap contracts to fix the rates on £36m of borrowings for two years from August 2012. The negative fair value of these contracts at 31 March 2013 was £0.3m (2012: £0.1m).

The fair values of these contracts have not been recognised in either the Income and Expenditure or the Balance Sheet.

One embedded interest rate swap contract with a notional principal of £5m is cancellable at the option of the bank counterparty in 2015.

### Hedging position

At 31st March 2013, Octavia Housing's borrowings were hedged as follows.

	Principal 2013		Principal 2012	
	£m	%	£m	%
Interest rates fixed for more than 12 months	103.4	74	91.5	77
Fixed interest rates with lender's option to cancel	5.0	4	5.0	4
	108.4	78	96.5	81
Floating rate (interest rates fixed for less than 12 months)	31.2	22	22.5	19
	139.6	100	119.0	100

A long term embedded interest rate swap hedging a further £10m of borrowings commenced in June 2013.

## 17 NON-EQUITY SHARE CAPITAL

Each member of Octavia Housing holds a non-equity share from one of the following classes of allotted, issued and fully paid shares

	Number of shares				2013	2012
	£1 ord	Class "A"	Class "B"	Class "C"	£	£
£1 ordinary	104	-	-	-	104	104
Class "A" £1	-	77	-	-	77	77
Class "B" £0.05	-	-	1	-	-	-
Class "C" £5	-	-	-	18	90	90
As at 31 March 2013	104	77	1	18	271	271

All shares carry equal voting rights but have no entitlement to interest, dividend or bonus and are cancellable on death, expulsion or withdrawal of a member from Octavia Housing.

## 18 RESERVES

	Octavia Revenue	Group Revenue
	£000	£000
At 1 April 2012	66,673	66,214
Surplus for the year	4,215	5,457
At 31 March 2013	70,888	71,671

## 19 CAPITAL COMMITMENTS

	Octavia 2013	Group 2013	Octavia 2012	Group 2012
	£000	£000	£000	£000
Expenditure contracted for but not provided	15,368	15,912	32,062	36,173
Expenditure authorised by the Board but not contracted for	15,873	15,873	10,262	10,262
	31,241	31,785	42,324	46,435

The capital commitments stated above are being funded by £7.2m of Social Housing Grant and £24.5m of receipts from sales of shared ownership and 100% leaseholder flats in the schemes being developed. Funding of these commitments during the development of the schemes is adequately covered by existing borrowing arrangements.

## 20 SURPLUS ON DISPOSAL OF FIXED ASSETS

	Octavia and Group 2013	Octavia and Group 2012
	£000	£000
Net proceeds of property sales	3,093	6,691
Disposal costs	(69)	(51)
Net book value of assets disposed	(1,044)	(3,650)
Net surplus on sales	1,980	2,990

In the year to 31 March 2013 there were 6 properties (2012: 9) sold as being unsuitable for social housing. There were no properties (2012: 20) developed on behalf of and sold to other Housing Associations. There were staircasing receipts on 5 shared ownership property sales (2012: 3) and 4 other properties let under the Rent to Homebuy scheme were sold.

## 21 GROUP CASH FLOW STATEMENT

### (a) Reconciliation of operating surplus to net cash inflow from operating activities

	Group 2013	Group 2012
	£000	£000
Operating surplus for the year	6,646	6,334
Depreciation on housing properties	3,078	3,135
Depreciation of other fixed assets	393	380
Amortisation of loan finance costs	45	26
(Increase) in stock	(10,617)	(1,904)
(Increase)/ decrease in debtors	(775)	921
Increase /(decrease) in creditors	1,840	(2,091)
<b>Net cash inflow from operating activities</b>	<b>610</b>	<b>6,801</b>

### (b) Reconciliation of net cash flow to movement in net debt

	2013	2012
	£000	£000
Increase/(decrease) in cash at bank during the year	2,967	(2,261)
Movements in short term deposits	1,082	(280)
Loans advanced	(25,000)	(10,000)
Loans repaid	4,347	10,343
Change in net debt	(16,604)	(2,198)
Net debt at start of period	(109,005)	(106,807)
Net debt at end of period	(125,609)	(109,005)

### (c) Change in net debt

	2012	Cash flow	2013
	£000	£000	£000
Bank balances and cash	1,563	2,967	4,530
Short term deposits	8,418	1,082	9,500
Debt due within 1 year	(367)	(5,205)	(5,572)
Debt due after 1 year	(118,619)	(15,448)	(134,067)
	(109,005)	(16,604)	(125,609)

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## 22 PENSIONS

### a) Defined contribution group personal pension

Octavia operates two defined group personal pension plans, one of which is closed to new members. Pension costs payable to the schemes are charged to the income and expenditure account on an incurred basis. Pension costs for the period in respect of the defined contribution schemes are £255k (2012: £253k).

### b) Defined benefit pension scheme

Octavia also participates in the Social Housing Pension Scheme (SHPS), a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme and is currently closed to new members of Octavia.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327m. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241m, equivalent to a past service funding level of 65%.

## 23 SUBSIDIARY UNDERTAKINGS

During the year ended 31 March 2013 Octavia wholly owned the following undertakings incorporated under the Companies Act

Name	Country of incorporation	Nature
Kensal Enterprises Limited	England	Trading company
Octavia Development Services Limited	England	Trading company
Octavia Living Limited	England	Trading company

In addition as at 31 March 2013 Octavia was a member of and controlled the composition of the Board of Management of the following Industrial and Provident Society

Name	Country of incorporation	Nature
Octavia Hill Limited	England	Housing charity

## 24 RELATED UNDERTAKINGS

During the year ended 31 March 2013 the Board of Octavia Housing was able to nominate two out of a total of nine members of the Trustee board of The Octavia Foundation

Name	Country of incorporation	Nature
The Octavia Foundation	England	Charity

During the year ended 31 March 2013, Octavia Housing had incurred costs and received revenues from and on behalf of its related undertakings as follows

	2013	2012
	£000	£000
<b>The Octavia Foundation</b>		
Amounts from/(to) at start of year	1	126
Donation paid by Octavia Housing	(410)	(200)
Monies received from The Octavia Foundation	(218)	(331)
The Octavia Foundation funding of Day Centre activities	-	60
Payments made on behalf of The Octavia Foundation	511	346
Amounts from/(to) at end of year	(116)	1

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## 25 RELATED PARTY TRANSACTIONS

At 31 March 2013 there were 3 (2012: 3) members of the Board who have tenancy agreements with Octavia. The tenancy agreements have been granted on the same terms as for all other tenants and the housing management procedures including those relating to the management of arrears, have been applied consistently to those tenants.

Octavia Housing, the Association, has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group.

Octavia Housing, a regulated entity, has lent £7.3m to Octavia Living Limited to finance its developments at Shepherds Bush and Cricklewood. This loan is expected to be repaid out of the proceeds of the sale of these developments and carries a market rate of interest. During the year, Octavia Housing made a donation to Octavia Hill Limited of 5 flats in development scheme to be completed in July 2013 at a value of £1.2m.

Octavia Development Services Limited provides development services to Octavia Housing. Sales to Octavia Housing include a 7.5% mark-up on the costs paid to suppliers to cover overheads. Any surpluses generated by Octavia Development Services Limited are donated to Octavia Housing.

The principal activity of Kensal Enterprises Limited is the purchase and sale of manufactured goods through charity shops in West London, owned by Octavia Housing. Kensal Enterprises Limited's activity in these shops is ancillary to Octavia Housing's sale of donated goods. Any surpluses generated by Kensal Enterprises Limited are donated to Octavia Housing.

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## 26 CONTINGENT LIABILITIES

Octavia and the Group had no contingent liabilities at 31 March 2013 (2012: £nil). Social Housing Grant of £4.4m (2012: £4.1m) attributed to housing property components replaced is potentially repayable on the sale of the relevant property.

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## 27 INCORPORATION

Octavia Housing is incorporated under the Industrial and Provident Societies Acts 1965 and is registered as a Registered Provider with charitable status – Registration Number 13991R. It is registered with the Homes and Communities Agency, the Regulator of Social Housing, number L0717, under the Housing and Regeneration Act 2008.





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T 020 8354 5500  
F 020 8354 4280  
E [info@octavia.org.uk](mailto:info@octavia.org.uk)  
[www.octavia.org.uk](http://www.octavia.org.uk)