

**A2D FUNDING II PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD 1 OCTOBER 2015 TO 31 MARCH 2016**

**REGISTERED NUMBER: 09136166**

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**COMPANY INFORMATION**

**Directors**

L.D.C. Corporate Director No. 3 Limited  
L.D.C. Corporate Director No. 4 Limited  
I.K. Bowden

**Secretary**

Law Debenture Corporate Services Limited

**Registered Office**

Fifth Floor  
100 Wood Street  
London EC2V 7EX

**Registered Number**

09136166

**Auditor**

**BDO LLP**

London  
United Kingdom

The directors present their strategic report for A2D Funding II plc (the “Company”) for the period ended 31 March 2016 (“the period”).

The directors elected to shorten the Accounting Reference Date (“ARD”) in line with the ARD of the A2Dominion Housing Group Limited, the Company’s controlling party (see Note 1).

### **Activity, Objective, Business Model and Review of the Year**

The Company was incorporated in England and Wales on 17 July 2014 as a public limited company. The principal activity of the Company is to carry on the business of a finance and investment company. The Company is a special purpose company established for the purpose of issuing retail bonds (including further retail bonds issued in accordance with the Conditions) and lending the proceeds thereof to A2Dominion Housing Group Limited or one or more of its subsidiaries (“A2Dominion”). The Company has the benefit of a financial guarantee from A2Dominion for the full and punctual payment of interest and principal.

The directors consider the financial position of the Company to be satisfactory.

### **Results**

The Company’s profit after tax for the period was £754 (year to 30 September £1,490) and the directors do not recommend the payment of a dividend.

The Company had net equity shareholders’ funds of £14,744 (year to 30 September £13,990) at the period end.

### **Key Performance Indicators**

Financial KPIs - The key performance indicators of the business is considered to be the payment and receipt of interest and the net equity shareholders’ funds, which at the year-end was £14,744.

The directors have monitored the actual receipts and payments of interest to and from the Company through the bank statements to ensure these obligations are met. The directors believe that all conditions of the transaction documents have been met.

Non-financial KPIs – as the purpose of the business is entirely finance related, the directors are of the view that there are no meaningful non-financial KPIs that could be adopted.

### **Principal Risk and Uncertainty**

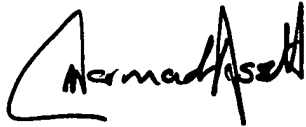
The principal risk and uncertainty for the Company is primarily credit rate risk as described more fully in note 9. These include the correct and timely receipt of interest and principal on the loan due from A2Dominion and, to that effect during the period under review, all amounts were paid completely and timely when they were due.

The directors have considered the nature and structure of the Company and are satisfied that there is sufficient capital in relation to the business activities of the Company and levels of planned financial performance.

**Future Developments**

The directors consider the financial position of the Company to be satisfactory and that the Company will continue to operate in its principal activities.

By order of the Board

A handwritten signature in black ink, appearing to read 'M. Marshall', is written over a large, stylized capital letter 'L'.

**Law Debenture Corporate Services Limited**

Secretary

05 August 2016

The directors present their report and the audited financial statements of the Company for the period 1 October 2015 to 31 March 2016.

**Directors**

The directors of the Company who held office during the period since incorporation were:

L.D.C. Corporate Director No. 3 Limited	(since incorporation)
L.D.C. Corporate Director No. 4 Limited	(since incorporation)
I.K. Bowden	(since incorporation)

The directors are not subject to retirement by rotation.

**Directors' Interests**

The Directors have no interests in any shares in the Company or its ultimate controlling party.

**Going Concern**

The directors consider that the Company has adequate capital and liquid resources, an appropriate business model and financial structure and suitable arrangements in place for it to be able to continue in operational existence for the foreseeable future. Therefore the directors believe it appropriate for the financial statements to be prepared on a going concern basis.

**Financial Instruments and Borrowings**

A discussion of the Company's objectives, policies, strategies and risks with regard to financial instruments can be found in Note 9 to the financial statements.

The Company is party to an agreement which raised finance through a fixed rate retail bond issue, the proceeds of which were advanced to A2Dominion Treasury Limited.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities.

**Statement of Disclosure to Auditor**

In so far as the directors are aware there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all steps that they ought to have taken, as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Financial Reporting, Risk and Internal Controls**

The Company has outsourced the financial reporting function to Law Debenture Corporate Services Limited.

**Corporate Governance and Audit Committee**

Due to the Company's limited scope and nature of its activities, the Company's Board is itself responsible for all aspects of the Company's corporate governance. The Company does not, therefore, have a separate audit committee.

**Auditors**

The auditors, BDO LLP, have expressed their willingness to continue in office and a resolution to support them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

By order of the Board

A handwritten signature in black ink, appearing to read 'M. Madh...' followed by a stylized flourish.

**Law Debenture Corporate Services Limited**  
Secretary  
05 August 2016

**Registered Office**

Fifth Floor  
100 Wood Street  
London EC2V 7EX

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, STRATEGIC REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the strategic report, the directors' report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

**Directors' responsibility statement pursuant to DTR 4**

The directors confirm, to the best of their knowledge:

- the financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the annual report includes a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the directors are stated on page 5.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A2D FUNDING II PLC**

We have audited the financial statements of A2D Funding II plc for the period ended 31 March 2016 which comprises the income statement, the balance sheet, statement of changes in equity, the 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), including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

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.

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Councils (FRC's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A2D FUNDING II PLC (Continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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.

*BDO LLP*

**Michelle Carroll** (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

05 August 2016

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

**A2D FUNDING II PLC**  
**INCOME STATEMENT**  
**For the period ended 31 March 2016**

**REGISTERED NUMBER: 09136166**

	Note	Period 1 October 2015 to 31 March 2016 £000	Period 17 July 2015 to 30 September 2015 £000
Interest receivable and similar income		3,427	6,811
Interest payable and similar charges		(3,426)	(6,809)
Gross profit		1	2
Other operating income		32	44
Administrative expenses		(32)	(45)
Profit on ordinary activities before taxation		1	1
Taxation	4	-	-
Profit for the period		1	1

There are no other comprehensive income items other than the result for the period stated above. Accordingly, no statement of other comprehensive income is given.

The above amounts relate exclusively to continuing operations.

The notes on pages 14 to 19 form part of these financial statements.

**A2D FUNDING II PLC**  
**BALANCE SHEET**  
**As at 31 March 2016**

**REGISTERED NUMBER: 09136166**

	<b>Note</b>	<b>31 March 2016 £000</b>	<b>30 September 2015 £000</b>
<b>Financial assets</b>			
Loans and receivables		<b>149,313</b>	149,281
<b>Current assets</b>			
Debtors: Amounts falling due within one year	6	<b>41</b>	-
Cash at bank		<b>23</b>	30
		<b>64</b>	30
<b>Financial liabilities:</b> Amounts falling due within one year	7	<b>(49)</b>	(16)
Net current assets		<b>15</b>	14
Total assets less current liabilities		<b>149,328</b>	149,295
<b>Financial liabilities:</b> Amounts falling due after more than one year	8	<b>(149,313)</b>	(149,281)
Net assets		<b>15</b>	14
<b>Capital and reserves</b>			
Called up share capital	10	<b>13</b>	13
Profit and loss account		<b>2</b>	1
Shareholders' funds		<b>15</b>	14

The notes on pages 14 to 19 form part of these financial statements.

Approved and authorised for issue by the directors on 05 August 2016 and signed on the Company's behalf by:



Representing L.D.C. Corporate Director No.3 Limited  
Director

**STATEMENT OF CHANGES IN EQUITY****For the period ended 31 March 2016**

	Share capital	Profit and loss account	Total
	£000	£000	£000
Total equity as at 30 September 2015	13	1	14
Net profit for the period	-	1	1
<b>Total equity as at 31 March 2016</b>	<b>13</b>	<b>2</b>	<b>15</b>

For the period from 17 July 2014 to 30 September 2015

	Share capital	Profit and loss account	Total
	£000	£000	£000
Net profit for the period	-	1	1
Issue of shares	13	-	13
Total equity as at 30 September 2015	13	1	14

**CASH FLOW STATEMENT**  
**For the period ended 31 March 2016**

	Period 1 October 2015 to 31 March 2016 £000	Period 17 July 2014 to 30 September 2015 £000
<b>Operating activities</b>		
Profit on ordinary activities before taxation	1	1
Increase in debtors	(41)	-
Increase in creditors	33	16
<b>Cash flow from operating activities</b>	<b>(7)</b>	<b>17</b>
<b>Investing activities</b>		
Loan granted	-	(149,296)
<b>Cash flow from investing activities</b>	<b>-</b>	<b>(149,296)</b>
<b>Financing activities</b>		
Proceeds on issued share capital	-	13
Proceeds from retail bond issuance	-	150,000
Commission costs	-	(704)
<b>Cash flow from financing activities</b>	<b>-</b>	<b>149,309</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(7)</b>	<b>30</b>
Cash and cash equivalent at beginning of period	30	-
<b>Cash and cash equivalent at end of period</b>	<b>23</b>	<b>30</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The financial statements are prepared under the historical cost convention.

During the period under review, the accounting period was shortened to 31 March 2016, to be co-terminus with the Company's controlling party.

**Going concern**

The directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for it to continue in operational existence for the foreseeable future and therefore believe it appropriate for the financial statements to be prepared on the going concern basis.

**Functional and presentational currency**

The financial statements are presented in sterling, which is the Company's functional and presentational currency.

**Income recognition**

The Company's principal source of income is interest receivable. The directors consider it would be misleading to classify this source as turnover. All income derives from the company's principal activity, wholly within the UK, and is accounted for on an accruals basis.

**Other operating income**

Other operating income, which comprises amounts received from the borrower to finance professional fees incurred in the period and subsequent administration costs of the Company, is accounted for on an accruals basis.

**Administrative expenses**

All administrative expenses, which comprise primarily professional fees and other overheads, are accounted for on an accruals basis.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Taxation**

Corporation tax is payable on profits based on the applicable tax law and is recognised as an expense in the period in which profits arise. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the reporting date.

**Financial assets**

In applying FRS 102 the Company has made an accounting policy choice by applying the recognition and measurement requirements to IAS 39 instead of Section 11 and 12 of FRS 102 and accordingly the loan to A2Dominion is classified as loans and receivables and is initially recognised at fair value and then carried at amortised cost. The measurement is under IAS 39 but the presentation is under FRS 102.

**Financial liabilities**

In applying FRS 102 the Company has made an accounting policy choice by applying the recognition and measurement requirements to IAS 39 instead of Section 11 and 12 of FRS 102 and accordingly the retail bonds issued are also initially recognised at fair value and subsequently measured at amortised cost. The measurement is under IAS 39 but the presentation is under FRS 102.

**2. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS**

There were no employees in the Company during the periods.

The directors received no emoluments in respect of their services to the Company during the periods.

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The following amounts have been included in arriving at the result on ordinary activities before taxation.

	<b>Period</b>	<b>Period</b>
	<b>1 October</b>	<b>17 July 2014</b>
	<b>2015 to</b>	<b>to 30</b>
	<b>31 March</b>	<b>September</b>
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Auditor's remuneration for audit of the Company's annual accounts	<b>17</b>	<b>15</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016 (Continued)

## 4. TAXATION

(a) Analysis of charge in the period	Period	Period
	1 October 2015 to 31 March 2016 £000	17 July 2014 to 30 September 2015 £000

**Current tax:**

Corporation tax charge for the period	-	-
Total taxation charge for the period	-	-

## (b) Factors affecting the tax charge for the current period

The current tax for the period is the same as the standard rate of corporation tax in the UK of 20%.

	Period	Period
	1 October 2015 to 31 March 2016 £000	17 July 2014 to 30 September 2015 £000
Profit ordinary activities	1	1
Corporation tax levied at the standard rate of corporation tax in the UK of 20%	-	-
Total current tax charge for the period	-	-

The Company is taxed under the permanent regime of taxation of securitisation companies. As a result the Company will be subject to tax on its 'retained profits' as determined in the securitisation documents.

## 5. FINANCIAL ASSETS

	31 March 2016	30 September 2015 £000
Loan to A2Dominion	149,313	149,281

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31

MARCH 2016 (Continued)

## 6. CURRENT ASSETS: amounts falling due within one year

	31 March 2016 £000	30 September 2015 £000
Accrued income	27	-
Prepayments	14	-
	<u>41</u>	<u>-</u>

## 7. FINANCIAL LIABILITIES: amounts falling due within one year

	31 March 2016 £000	30 September 2015 £000
Other creditors	1	1
Accruals and deferred income	48	15
	<u>49</u>	<u>16</u>

## 8. FINANCIAL LIABILITIES: amounts falling due after more than 5 years

	31 March 2016 £000	30 September 2015 £000
Retail bonds (due September 2026)	<u>149,313</u>	<u>149,281</u>

## **9. FINANCIAL INSTRUMENTS**

The Company's financial instruments comprise borrowings, loan receivable and cash to provide finance for the Company's operations.

The Company has granted a loan to A2Dominion of £150,000,000 which has been financed by fixed rate retail bond issue. In accordance with the terms of the loan agreement, £149,297,000 was paid to A2Dominion, being the proceeds of the retail bond issue. The loan bears interest at a fixed rate of 4.50% payable semi-annually in March and September. The principal is due for repayment on 30 September 2026. The Company has the benefit of a financial guarantee from A2Dominion Housing Group Limited for the due and punctual payment of interest and principal.

Interest on the retail bond is fixed at 4.50% payable semi-annually in March and September. The principal is due for repayment on 30 September 2026.

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities.

A description of the principal risks relating to financial instruments and their relevance to the Company and how they are managed is given below.

### **Liquidity risk**

Liquidity risk is the risk that the Company will default on its obligations to its creditors. As noted above, the retail bonds are repayable in 2026. Repayment of the interest and principal on the loan to A2Dominion matches exactly the interest payment dates and repayment of the retail bonds payable. In the event of a delay or default in the payment of interest by the borrower, the terms of the fixed rate retail bond make it clear that the Company is only obligated to pay interest and capital to retail bond holders to the extent that amounts have been received from A2Dominion.

	<b>Less than 1 year £000</b>	<b>1-2 years £000</b>	<b>2- 5 years £000</b>	<b>5 years and over £000</b>	<b>Total £000</b>
Loan to A2Dominion	-	-		149,313	149,313
Interest received	6,750	6,750	20,250	33,750	67,500
<b>Total financial assets</b>	<b>42,750</b>	<b>6,750</b>	<b>20,250</b>	<b>183,063</b>	<b>216,813</b>
Retail bonds	-	-	-	149,313	149,313
Interest payable	6,750	6,750	20,250	33,750	67,500
<b>Total financial liabilities</b>	<b>6,750</b>	<b>6,750</b>	<b>20,250</b>	<b>183,063</b>	<b>216,813</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016 (Continued)****9. FINANCIAL INSTRUMENTS (CONTINUED)****Currency risk**

The Company entered into no foreign currency transactions during the year and therefore there are no currency risks for the company.

**Credit risk**

Credit risk is the risk that the borrower will not be able to repay its deemed loan. Although A2Dominion II is the only client of the Company, the directors are satisfied that A2Dominion II will be able to fulfil their obligations.

**Interest rate risk**

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The rate on the loan to A2Dominion, matches the interest rate on the retail bonds exactly.

**Capital Management**

The Company has no externally imposed capital requirements and has been set up for the sole purposes of financing of the loan to A2Dominion II.

**10. SHARE CAPITAL**

	<b>31 March 2016</b>	30 September 2015 £000
AS at 30 September 2015	<b>13</b>	<u>13</u>
As at 31 March 2016	<b>13</b>	<u>13</u>

On the 17 July 2014, the Company issued 50,000 ordinary £1 shares, each a quarter, consideration for which was £12,500.

The capital of the Company comprises share capital only.

**11. ULTIMATE PARENT AND THE CONTROLLING PARTY**

Under the Trust Deed dated 17 July 2014, The Law Debenture Intermediary Corporation p.l.c. acts as share trustee, holding the member's rights on a discretionary basis for charitable purposes.

In the opinion of the directors, A2Dominion Housing Group Limited is the controlling party and A2D Funding plc's results are included in the consolidated A2Dominion Housing Group's financial statements. Copies of these can be obtained from A2Dominion Housing Group Limited, The Point, 37 North Wharf Road, London, W2 1BD.

**12. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under section 33 of FRS102, not to disclose transactions with other group companies consolidated by A2Dominion Housing Group Limited.

The Company granted a £150,000,000 loan to A2Dominion Treasury all of which was outstanding at the balance sheet date (2015: £150,000,000).

Interest of £3,393,342 (2015:£6,750,000) of which £18,342 (2015: £0) was outstanding at period end.

Reimbursable expenses of £31,783 (2015: £44,969) of which £8,658 (2015: £0) was outstanding at period end.

