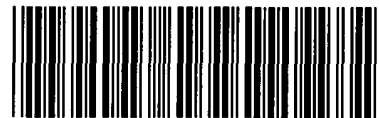


A2D FUNDING II PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR END 31 MARCH 2017
REGISTERED NUMBER: 09136166

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COMPANY INFORMATION

Directors

L.D.C. Corporate Director No. 3 Limited
L.D.C. Corporate Director No. 4 Limited
M.H. Filer

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 year ended 31 March 2017.

During the prior 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. As a result, the comparatives in the Statement of Comprehensive Income are for six months.

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. It is a special purpose company established for the purpose of issuing retail bonds on the London Stock Exchange (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 year was £2k (2016:£1k) and the directors do not recommend the payment of a dividend.

The Company had net equity shareholders’ funds of £16k (2016: £15k) at the year 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 £16k (2016:£15k).

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

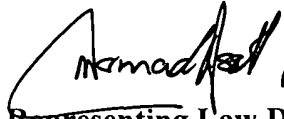
The principal risk and uncertainty for the Company is primarily credit rate risk as described more fully in Note 9. These include the correct and timely receipt of interest and principal on the loan due from A2Dominion. During the current and prior period, all such amounts were paid on their due dates.

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



M. CORMACK-Ossett

Representing Law Debenture Corporate Services Limited

Secretary

1 August 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2017.

Directors

The directors of the Company who held office during the year and up to the date of this report were:

L.D.C. Corporate Director No. 3 Limited
L.D.C. Corporate Director No. 4 Limited
I.K. Bowden (resigned 22 May 2017)
M.H. Filer (appointed 22 May 2017)

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.

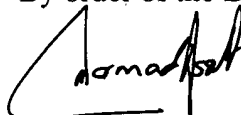
Corporate Governance and Audit Committee

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



M. COLMACK-BISSETT

Representing Law Debenture Corporate Services Limited

Secretary

1 August 2017

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.

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 year ended 31 March 2017 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 12. 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 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 Council's (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.

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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and directors' report for the financial year ended 31 March 2017 for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



Michelle Carroll (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
1 August 2017

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

STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 March 2017**

	Note	Year ended 31 March 2017	Period 1 October 2015 to 31 March 2016
		£000	£000
Interest receivable and similar income		6,817	3,427
Interest payable and similar charges		(6,815)	(3,426)
Gross profit		2	1
Other operating income		45	32
Administrative expenses		(45)	(32)
Profit on ordinary activities before taxation	3	2	1
Taxation	4	-	-
Profit for the period		2	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.

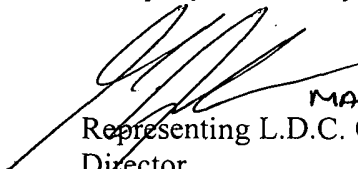
A2D FUNDING II PLC
STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

REGISTERED NUMBER: 09136166

	Note	2017	2016
		£000	£000
Financial assets			
Loans and receivables	5	149,378	149,313
Current assets			
Debtors: Amounts falling due within one year	6	32	41
Cash at bank		39	23
		71	64
Financial liabilities: Amounts falling due within one year	7	(54)	(49)
Net current assets		17	15
Total assets less current liabilities		149,395	149,328
Financial liabilities: Amounts falling due after more than one year	8	(149,378)	(149,313)
Net assets		17	15
Capital and reserves			
Called up share capital	10	13	13
Profit and loss account		4	2
Shareholders' funds		17	15

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

Approved and authorised for issue by the directors on 1 August 2017 and signed on the Company's behalf by:


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

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 March 2017**

	Share capital	Retained income	Total
	£000	£000	£000
Total equity as at 1 September 2016	13	1	14
Profit for the period	-	1	1
Total equity as at 31 March 2016	13	2	15
Profit for the year	-	2	2
Total equity as at 31 March 2017	13	4	17

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

A2D FUNDING II PLC
STATEMENT OF CASH FLOWS
For the year ended 31 March 2017

REGISTERED NUMBER: 09136166

	Year ended 31 March 2017 £000	Period 1 October 2015 to 31 March 2016 £000
Operating activities		
Profit on ordinary activities before taxation	2	1
Decrease/(increase) in debtors	9	(41)
Increase/(decrease) in creditors	5	33
Cash flow from operating activities	16	(7)
Cash flow from investing activities	-	-
Cash flow from financing activities-	-	-
Net increase/(decrease) in cash and cash equivalents	16	(7)
Cash and cash equivalent at beginning of period	23	30
Cash and cash equivalent at end of period	39	23

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

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 under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

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 pound 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Continued)

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

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

Financial assets

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

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. Accordingly the retail bonds issued are also initially recognised at fair value and subsequently measured at amortised cost.

2. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

There were no employees in the Company during the year (2016: nil).

The directors received no emoluments in respect of their services to the Company during the year (2016:nil).

Under the terms of a corporate services agreement entered into by the Company at arm's length, Law Debenture Corporate Services Limited is contracted to provide certain corporate services including a registered office, corporate administration and directors amongst other services for which it charges a corporate service fee. The amount charged for these services during the year was £21k (2016:£21k) and the amount prepaid at year end was £11k (2016:£11k).

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 31 March 2017	Period 1 October 2015 to 31 March 2016
	£000	£000
Auditor's remuneration for audit of the Company's annual financial statements	16	17

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Continued)

4. TAXATION

(a) Analysis of charge in the period	Year ended 31 March 2017	Period 1 October 2015 to 31 March 2016
	£000	£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 year is the same as the standard rate of corporation tax in the UK of 20%.

	Year ended 31 March 2017	Period 1 October 2015 to 31 March 2016
	£000	£000
Profit on ordinary activities	2	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. LOANS AND RECEIVABLES

	2017 £000	2016 £000
Loan to A2Dominion (see Note 9)	149,378	149,313

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Continued)**6. DEBTORS: amounts falling due within one year**

	2017	2016
	£000	£000
Accrued income	18	27
Prepayments	14	14
	32	41

7. FINANCIAL LIABILITIES: amounts falling due within one year

	2017	2016
	£000	£000
Other creditors	-	1
Accruals and deferred income	54	48
	54	49

8. FINANCIAL LIABILITIES: amounts falling due after more than one year

	2017	2016
	£000	£000
Retail bonds (due September 2026) (see Note 9)	149,378	149,313

9. FINANCIAL INSTRUMENTS

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

The Company has granted a loan to A2Dominion of £150,000,000 which has been financed by fixed rate retail bond issue. The loan bears interest at a fixed rate of 4.50% payable semi-annually in March and September. The loan was issued net of transaction costs of \$784,573, which are amortised over the loan term. The effective interest rate (EIR) on the loan is approximately 4.56%. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Continued)

9. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will default on its obligations to its creditors. 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.

	Less than 1 year 2017 £000	1-2 Years 2017 £000	2- 5 Years 2017 £000	5 years and over 2017 £000	Total 2017 £000
Loan to A2Dominion	-	-		149,379	149,379
Interest received	6,750	6,750	20,250	27,000	60,750
Total financial assets	6,750	6,750	20,250	176,379	210,129
Retail bonds	-	-		149,379	149,379
Interest payable	6,750	6,750	20,250	27,000	60,750
Total financial liabilities	6,750	6,750	20,250	176,379	210,129

	Less than 1 year 2016 £000	1-2 Years 2016 £000	2- 5 Years 2016 £000	5 years and over 2016 £000	Total 2016 £000
Loan to A2Dominion	-	-		149,313	149,313
Interest received	6,750	6,750	20,250	33,750	67,500
Total financial assets	42,750	6,750	20,250	183,063	216,813
Retail bonds	-	-	-	149,313	149,313
Interest payable	6,750	6,750	20,250	33,750	67,500
Total financial liabilities	6,750	6,750	20,250	183,063	216,813

Currency risk

All transactions and financial instruments are denominated in the Company's functional currency (pound sterling) and consequently no currency exposure arises.

Credit risk

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



9. FINANCIAL INSTRUMENTS (Continued)**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 therefore there is no interest rate risk to the Company.

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.

10. SHARE CAPITAL

	2017	2016
	£000	£000
As at 31 March 2016	<u>13</u>	<u>13</u>
As at 31 March 2017	<u>13</u>	<u>13</u>

The Company issued 2 ordinary £1 shares, fully paid, on the 17 July 2014, consideration for which was £2.00 and a further 49,998 ordinary £1 shares, each a quarter paid on the 12 September 2013, consideration for which was £13k.

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.

Under the terms of a corporate services agreement entered into by the Company at arm's length, Law Debenture Corporate Services Limited is contracted to provide certain corporate services including a registered office, corporate administration and directors amongst other services for which it charges a corporate service fee. The amount charged for these services during the year was £21k (2016:£21k) and the amount prepaid at year end was £11k (2016:£11k).