

**A2D FUNDING II PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD 17 JULY 2014 TO 30 SEPTEMBER 2015**  
**REGISTERED NUMBER: 09136166**



**A2D FUNDING II PLC**  
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**Directors**

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

**Secretary & Registered Office**

Law Debenture Corporate Services Limited  
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 30 September 2015.

**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 (“A2Dominion”) or one or more of its subsidiaries. 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 £1,490 and the directors do not recommend the payment of a dividend.

The Company had net equity shareholders’ funds of £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 £13,990.

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 8. 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



**Law Debenture Corporate Services Limited**

Secretary

7 January 2016

The directors present their report and the audited financial statements of the Company for the period ended 30 September 2015.

**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 8 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 a subsidiary of A2Dominion Housing Group.

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



**Law Debenture Corporate Services Limited**

Secretary

7 January 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 of all the directors are stated on page 4.

**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 30 September 2015 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 30 September 2015 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 year 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

7 January 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 30 September 2015**

**REGISTERED NUMBER: 09136166**

	Note	Period 17 July 2014 to 30 September 2015 £000
Interest receivable and similar income		6,817
Interest payable and similar charges		(6,815)
Gross profit		2
Other operating income		44
Administrative expenses		(45)
Profit on ordinary activities before taxation	3	1
Taxation	4	-
Profit for the period		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 12 to 16 form part of these financial statements.

**A2D FUNDING II PLC**  
**BALANCE SHEET**  
**As at 30 September 2015**

**REGISTERED NUMBER: 09136166**

	Note	30 September 2015 £000
<b>Financial assets</b>		
Loans and receivables	5	149,281
<b>Current assets</b>		
Cash at bank		30
		30
<b>Financial liabilities:</b> Amounts falling due within one year	6	(16)
Net current assets		14
Total assets less current liabilities		149,295
<b>Financial liabilities:</b> Amounts falling due after more than one year	7	(149,281)
<b>Net assets</b>		14
<b>Capital and reserves</b>		
Called up share capital	9	13
Profit and loss account		1
<b>Shareholders' funds</b>		14

The notes on pages 12 to 16 form part of these financial statements.

Approved and authorised for issue by the directors on 7 January 2016 and signed on the  
Company's behalf by:



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

**A2D FUNDING II PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the period ended 30 September 2015**

**REGISTERED NUMBER: 09136166**

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

**CASH FLOW STATEMENT**  
**For the period ended 30 September 2015**

Period  
17 July 2014 to  
30 September  
2015  
£000

<b>Operating activities</b>	
Profit on ordinary activities before taxation	1
Increase in creditors	16
<b>Cash flow from operating activities</b>	<b>17</b>
<b>Investing activities</b>	
Loan granted	(149,296)
<b>Cash flow from investing activities</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>149,309</b>
<b>Net increase in cash and cash equivalents</b>	<b>30</b>
Cash and cash equivalent at beginning of period	-
<b>Cash and cash equivalent at end of period</b>	<b>30</b>

**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. FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015 but may be applied early to periods ending on or after 31 December 2012. A2D Funding II has taken the option to apply the standard early in preparation of these financial statements. 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.

**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.

**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, are 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.

**Operating cashflows**

Operating cashflows are stated after receipt and payment of interest receivable and interest payable.

**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 substantively 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 assets are initially recognised after deduction of relevant costs at their fair value.

**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. Financial liabilities are initially recognised after deduction of relevant costs at their fair value.

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

There were no employees in the Company during the period.

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

**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 17 July 2014 to 30 September 2015 £000</b>
Auditor's remuneration for audit of the Company's annual accounts	<hr/> 15

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30

September 2015 (Continued)

## 4. TAXATION

(a) Analysis of charge in the period

Period  
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 20.5%.

Period  
17 July 2014  
to 30  
September  
2015  
£000

Profit ordinary activities

1

Corporation tax levied at the standard rate of  
corporation tax in the UK of 20.5%

-

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 amounts falling due after one year

2015  
£000

Loan to A2Dominion

149,281

**6. FINANCIAL LIABILITIES: amounts falling due within one year**

	<b>2015</b>
	<b>£000</b>
Other creditors	1
Accruals and deferred income	15
	<u>16</u>

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

	<b>2015</b>
	<b>£000</b>
Retail bonds (due September 2026)	<u>149,281</u>

In accordance with FRS 102 section 11 the financial liability meets the definition of a non-basic financial instrument therefore the bond could be fair valued. However as permitted by FRS 102 we have adopted IAS 39 for the recognition and measurement of the financial liability.

**8. 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, £149,296,000 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 of which 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 of which 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.



**8. FINANCIAL INSTRUMENTS (Continued)****Liquidity risk**

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 Loan Note holders to the extent that amounts have been received from A2Dominion.

**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**

Although A2Dominion is the only client of the Company, the directors are satisfied that A2Dominion will be able to fulfil their obligations. The Company has the benefit of a financial guarantee from A2Dominion Housing Group Limited for the due and punctual payment of interest and principal.

**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.

**9. SHARE CAPITAL**

	<b>2015</b>
	<b>£000</b>
50,000 ordinary £1 shares, each a quarter paid, issued in period	13
As at 30 September 2015	13

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.

**10. RELATED PARTY TRANSACTIONS**

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 ("A2Dominion") or one or more of its subsidiaries. A2D Funding II plc's results will be included in the consolidated A2Dominion Housing Group's financial statements.

Interest receivable from A2Dominion in the year amounted to £6,750,000, none of which was outstanding at the year end. During the year the Company incurred costs of £44,576 which were reimbursed by the controlling party (see note 11). The Company also amortised £65,381 which comprises of commission costs £58,629 and issue costs £6,752 which were fully reimbursed by the controlling party. These amounts are reflected in the loan balance.

The Company has the benefit of a financial guarantee from A2Dominion Housing Group Limited for the due and punctual payment of interest and principal.

**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 II plc's results will be included in the consolidated A2Dominion Housing Group's financial statements.