

**A2D FUNDING II PLC**

**STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR END 31 MARCH 2020**

**REGISTERED NUMBER: 09136166**



**TABLE OF CONTENTS**

Company Information	2
Strategic Report	3
Directors' Report	5
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8
Statement of Comprehensive income	13
Statement of Financial Position	14
Statement of Changes in Equity	15
Statements of Cash Flows	16
Notes to the Financial Statements	17

**A2D FUNDING II PLC****REGISTERED NUMBER: 09136166****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

**STRATEGIC REPORT**

The directors present their strategic report for A2D Funding II plc (the "Company") for the year ended 31 March 2020.

**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 of bonds.

On the 30 September 2014 the Company issued £150,000,000 bonds, listed on the London Stock Exchange. The proceeds of the issue were loaned to A2Dominion. Both the bonds and the loan to A2Dominion bear 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 through the statement of comprehensive income over the loan term as deferred income. The loan and the bonds are due for repayment on 30 September 2026.

**Results**

The Company's profit after tax for the year was £1k (2019: £2k) and the directors do not recommend the payment of a dividend.

The Company had net equity shareholders' funds of £21k (2019: £20k) at the year end.

**Performance and position of the business**

Financial KPIs - The key performance indicators of the business are considered to be the payment and receipt of interest and the net equity shareholders' funds, which at the year end was £21k (2019: £20k). The loan receivable and payable balances are matched and interest receivable and payable are broadly matched as they are both at the same fixed rate.

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. This includes the full 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.

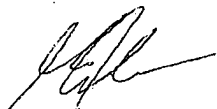
## STRATEGIC REPORT (continue)

## Section 172(1) of the companies Act 2016

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time the Company issued the bonds which are listed on the London Stock Exchange. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- a) the transaction documents, which cannot be changed without bondholder consent, have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed in note 1;
- b) the transaction documents only allow the Company to retain a minimal profit and due to the limited recourse nature of the structure, the returns to bond holders are limited by the cashflows received;
- c) the company has no employees;
- d) the Company is a securitisation vehicle and therefore a key stakeholder are the bondholders. The transaction documents determine the nature and quality of assets that can be securitized and how the cash flows from securitised assets are distributed. Relationships are also fostered with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers;
- e) as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- f) the Company maintains a reputation for high standards of business conduct via professional third parties who have contracted with the Company to provide specific operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a priority of payments, if applicable; and
- g) the Company has a sole member The Law Debenture Intermediary Corporation and entire issued share capital on a discretionary trust basis for the benefit of certain charities.

By order of the Board



Mark Filer  
Director  
29 July 2020

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020. The Company is a special purpose company established to issue retail bonds on the London Stock Exchange and lend the proceeds thereof to A2Dominion Housing Group Limited or one or more of its subsidiaries ("A2Dominion"). The loan and the bonds are due for repayment on 26 September 2026.

The directors have considered the annual report and financial statements to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

**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

M.H. Filer

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**

Please refer to note 1 where going concern is explained in details. 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**

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.

**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.

**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, they managed to meet all their obligations on the loan during the year. Based on the performance of the loan during the year as well as the existence of the financial guarantee, the directors believe that A2Dominion will be able to fulfil their obligations as they fall due. Please also see Note 1 for detail going concern.

A discussion of the Company's risks with regard to financial instruments can be found in Note 9

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

**Directors' Indemnities**

Adequate third party indemnity provisions for the benefit of the directors were in place during the year and remain in force at the date of this report.

**DIRECTORS' REPORT (CONTINUED)****Statement of Disclosure to Auditor**

In so far as the directors are aware there is no relevant audit information of which the Company's auditor is 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 auditor is 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.

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued on the London Stock Exchange, the directors are satisfied that there is no requirement to publish a corporate governance statement as the Company is exempt from the disclosure requirements of the provisions of the UK Corporate Governance Code.

**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



Mark Filer  
Director  
29 July 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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****Opinion**

We have audited the financial statements of A2D Funding II plc (the 'Company') for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of the 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report to the Members of A2D Funding II plc (continued)

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT
<p><b>Measurement and recoverability of the loan receivable</b></p> <p>Measurement and recoverability of the loan receivable is considered a significant risk and key audit matter because of its material nature and the complexity of the underlying calculations. It has a significant impact on the allocation of resource and directing the efforts of the audit team.</p> <p>In accordance with Section 11 of Financial Reporting Standard 102 (FRS102), the provisions of IAS 39 have been adopted in full in respect of the recognition, measurement and presentation of financial assets and liabilities. Referring to Note 1 Summary of Significant Accounting Policies, the loan receivable is initially recognised at fair value and then carried at amortised cost.</p>	<p><b><u>Measurement</u></b></p> <p>We audited the year end measurement of the loan receivable by re-performing the amortised cost calculation to gain assurance over the closing loan balance and interest income. Furthermore, we validated the completeness, accuracy and integrity of the amortised model, using specialist Excel tools.</p> <p><b><u>Recoverability</u></b></p> <p>To assess loan recoverability we have reviewed significant assumptions and judgements made in relation to impairment of assets, specifically financial information and guarantees from the borrower. Our macroeconomic analysis took place with reference to relevant external economic and market data, specifically the housing development market and inflation.</p> <p>We examined post balance sheet events to identify whether the impairment assessment assumptions remain valid. We challenged the assumptions and judgement made with regard to the economic consequences of COVID-19 on the Borrower's ability to continue servicing and repaying the loan asset.</p> <p>As part of our procedures, we challenged management's impairment assessment by examining the financial performance of the borrower in addition to inspecting the external credit rating of the borrower.</p> <p><b><u>Key Observations</u></b></p> <p>Based on the procedures above, we did not find any material exceptions in respect of impairment on the measurement of the loan.</p>
<p><b>Going Concern</b></p> <p>Refer to Note 1 of the financial statements.</p> <p>As at the date of issue of this audit report, the outbreak of COVID-19 continues to have global disruption to businesses and economic activities.</p> <p>Going Concern is a key audit matter due to the level of significant judgement made by management in determining the level and scale of impact on its available funds to meet the bond liabilities following the pandemic's adverse effect on the loan borrower's activities and the strength of its cash flows.</p>	<p>Management's going concern forecasts include a number of assumptions regarding the timing of loan repayments, anticipated levels of future cash flows, and compliance with covenants. The COVID-19 pandemic has placed increased pressure on the loan borrower and bond guarantor's cash flows and their ability to fulfil the contractual obligations.</p> <p>We have reviewed management's assessment of going concern and challenged the relevant assumptions made, through agreement of assumptions such as CPI and LIBOR forecasts to independent external sources.</p> <p>We examined management's future cash flow forecasts that took into account the impact of COVID-19 and estimated the likely impact on 2020 revenues, through re-calculation of impact of collection levels on income of the borrower.</p> <p>We have recalculated management's assessment of ongoing costs until the end of December 2021, based on the forecasts provided.</p> <p>We have reviewed the entity's liquid cash reserves and the extent to which it will be able to meet the bond liability in accordance to the covenants set out in the bond prospectus.</p> <p>Furthermore, we focused on the adequacy of the disclosures as included in the Strategic Report and Note 1 and 12 of the financial statements.</p>
	<p><b><u>Key observation:</u></b></p> <p>Our key observations are set out in the Conclusions relating to going concern of our audit report.</p>

**Independent Auditor's Report to the Members of A2D Funding II plc (continued)**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality	£2,692,000
Reporting threshold	£53,000

**Materiality**

We determined the materiality for the Company financial statements as a whole to be £2,692,000 (2019: £2,692,000), which was set at 1.8% of total assets due to this being an asset based entity (2019: 1.8% of total assets).

We also determined that for other classes of transactions, balances or disclosures relating to the trading performance, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. As a result, we determined that a materiality for these areas should be £121,000 (2019: £122,000), representing 1.8% (2019: 1.8%) of interest receivable and similar income. This specific materiality applies to those items which may affect the company's trading results (being the loss before tax excluding fair value movement on financial instruments).

**Performance materiality**

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality has been set at £2,019,000 (2019: £2,019,000), being 75% (2019: 75%) of the above materiality levels, based on our risk assessment together with our assessment of the company's overall control environment and history of misstatements. For the specific materiality this was set at £90,000 (2019: £91,000), being 75% (2019: 75%) of the total specific materiality level.

**Reporting threshold**

An amount below which identified misstatements are considered as being clearly trivial. We agreed with the directors that we would report all individual audit differences in excess of £53,000 (2019: £53,000) and any other differences that, in our view, warranted reporting on qualitative grounds. For the specific materiality this was set at £2,000 (2019: £2,000), being 2% (2019: 2%) of the total specific materiality level.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

**An overview of the scope of our audit**

Our audit approach was developed by obtaining an understanding of the Company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement. The Company is managed from one location in the United Kingdom and all operations take place within the United Kingdom.

**Independent Auditor's Report to the Members of A2D Funding II plc (continued)***Extent to which the audit is capable of detecting irregularities including fraud*

We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements. These included United Kingdom Generally Accepted Accounting Practice, and Companies Act 2006, the FCA listing rules and the Disclosure and Transparency Rules. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Director's Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Independent Auditor's Report to the Members of A2D Funding II plc (continued)****Responsibilities of directors**

As explained more fully in the Statement of directors' responsibilities in respect of the director's report and the financial statements set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Other matters which we are required to address**

We were appointed by the directors in December 2015 to audit the financial statements for the period from 17 July 2014 to 30 September 2015 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the period 17 July 2014 to 31 March 2020.

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

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

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Daniel Taylor (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
29 July 2020

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 March 2020**

	Note	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Interest receivable and similar income		6,752	6,822
Interest payable and similar charges		(6,750)	(6,820)
Gross profit		2	2
Other operating income		47	59
Administrative expenses		(48)	(59)
Profit on ordinary activities before taxation	3	1	2
Taxation	4	-	-
Profit for the period		1	2

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 17 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION  
As at 31 March 2020

	Note	2020 £000	2019 £000
<b>Financial assets</b>			
Loans and receivables	5	149,523	149,523
<b>Current assets</b>			
Debtors: Amounts falling due within one year	6	32	34
Cash at bank		45	42
		77	76
<b>Financial liabilities: Amounts falling due within one year</b>	7	(56)	(56)
<b>Net current assets</b>		21	20
<b>Total assets less current liabilities</b>		149,544	149,543
<b>Financial liabilities: Amounts falling due after more than one year</b>	8	(149,523)	(149,523)
<b>Net assets</b>		21	20
<b>Capital and reserves</b>			
Called up share capital	10	13	13
Profit and loss account		8	7
<b>Shareholders' funds</b>		21	20

The notes on pages 17 to 23 form part of these financial statements.

Approved and authorised for issue by the directors on 29 July 2020 and signed on the Company's behalf by:

  
Mark Filer  
Director

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2020**

	Share capital	Retained income	Total
	£000	£000	£000
Total equity as at 31 March 2018	13	5	18
Profit for the period	-	2	2
Total equity as at 31 March 2019	13	7	20
Profit for the year	-	1	1
<b>Total equity as at 31 March 2020</b>	<b>13</b>	<b>8</b>	<b>21</b>

The notes on pages 17 to 23 form part of these financial statements.



**STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2020**

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Operating activities</b>		
Profit on ordinary activities before taxation	1	2
Interest received	6,750	6,750
Interest paid	(6,750)	(6,750)
(Increase)/decrease in debtors	2	(3)
Increase in creditors	-	2
<b>Cash flow from operating activities</b>	<b>3</b>	<b>1</b>
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>3</b>	<b>1</b>
Cash and cash equivalents at beginning of the year	42	41
<b>Cash and cash equivalents at end of year</b>	<b>45</b>	<b>42</b>

The notes on pages 17 to 23 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Background**

The Company is a public limited company with its registered office at Fifth floor, 100 Wood Street London EC2V 7EX.

**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 financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The modified Companies Act format has been used for the financial statements due to the special nature of the entity.

**Going concern**

Since 31 December 2019, the development and spreads of COVID-19 has resulted in the occurrence of a multitude of associated events. Among these are the identification of the virus, its spreads in the terms of number of infected and geographical prevalence, action taken by government and non-governmental organizations, actions taken by private entities, and the resulting economic effects of these.

The World Health Organization ("WHO") classified the COVID-19 outbreak as a pandemic; this event is categorized as a Type II subsequent event. The pandemic has caused significant volatility and declines in the global markets. While macroeconomic conditions may affect the Company in general, the Company does not currently anticipate any material effect on revenue. The Company is monitoring the evolving situation closely and will continue to evaluate its potential exposure. The extent of the impact to the financial performance will depend on future developments, including the duration and spread of the outbreak, the restrictions and advisories, the effects on the financial markets, and the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

In the opinion of the directors, Company's going concern depends on the going concern of A2Dominion Housing Group Limited, a controlling party and the Guarantor of the Company. The Board of A2Dominion Housing Group Limited needing to consider its potential impact on the going concern and the longer term viability of the Group and its subsidiary, A2D Funding Plc. As part of the Board's going concern assessment, that is for 12 months from the date of signing, the potential assumptions to be modelled within the financial forecast and its implications on the Group and its subsidiaries were considered, reviewed and approved by the board. These assumptions included a delay and a reduction in rent collection levels, and where relevant delays and reductions in sales of properties.

The results of the worst case indicated that the Group could sustain the impact of significant prudent assumptions and is able to continue to operate, with adequate cash resources available and comply with all banking covenants. Mitigating actions which could be taken at the Group's discretion should the impact exceed the worst case scenario were explored and include property disposals, delaying uncommitted expenditure and reviewing costs with a view to achieving further savings.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (Continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 and have therefore classified it as interest receivable. 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.

**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**

The Company has applied the recognition and measurement requirements of IAS 39 as permitted under 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**

The Company has applied the recognition and measurement requirements to IAS 39 as permitted under 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.

**Deferred income/Finance costs**

The costs of issuing the bond amounted to £784,573. These costs are amortised at EIR through the statement of comprehensive income over the life of the loan/bond and are classified as deferred income or finance costs respectively. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the loan/bond, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (Continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deferred income/Finance costs**

The costs of issuing the bond amounted to £784,573. These costs are amortised at Effective Interest Rate ("EIR") through the statement of comprehensive income over the life of the loan/bond and are classified as deferred income or finance costs respectively. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the loan/bond, or, where appropriate, a shorter period, to the net carrying amount on initial recognition

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with FRS 102 requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

*Critical accounting judgements*

There are no critical accounting judgements.

*Key sources of estimation uncertainty*

The key source of estimation uncertainty is in relation to impairment of assets. The key assumptions included in the measurement of impairment are the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. These assumptions are based on observed historical data as well as the financial guarantee in place, and are updated as management considers appropriate to reflect current conditions, including COVID 19. The accuracy of the impairment provision would therefore be affected by unexpected changes in these assumptions.

## 2. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

There were no employees in the Company during the year (2019: nil).

The directors received no emoluments in respect of their services to the Company during the year (2019:nil).

## 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 2020	Year ended 31 March 2019
	£000	£000
Auditor's remuneration for audit of the Company's annual financial statements	24	22
Under accrual of prior year fees	-	5
	<u>24</u>	<u>27</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (Continued)

## 4. TAXATION

(a) Analysis of charge in the period	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
<b>Current tax:</b>		
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 19% (2019:19%).

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit on ordinary activities	2	2
Corporation tax levied at the standard rate of corporation tax in the UK of 19% (2019:19%)	-	-
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

	2020 £000	2019 £000
Loan to A2Dominion (see Note 9)	150,000	150,000
Deferred finance income	(477)	(477)
	<u>149,523</u>	<u>149,523</u>

## 6. DEBTORS: amounts falling due within one year

	2020 £000	2019 £000
Accrued income	22	22
Prepayments	10	12
	<u>32</u>	<u>34</u>

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

	2020 £000	2019 £000
Accruals and deferred income	56	56
HMRC creditor for corporation tax	-	-
	<u>56</u>	<u>56</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (Continued)

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

	2020	2019
	£000	£000
Retail bonds (due September 2026) (see Note 9)	150,000	150,000
Finance costs	(477)	(477)
	<u>149,523</u>	<u>149,523</u>

## 9. FINANCIAL INSTRUMENTS

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

The Company granted a loan to A2Dominion of £150,000,000 which was financed by a bond issue. The loan and the bond bear interest at a fixed rate of 4.50% payable semi-annually in March and September. The costs of issuing the bond amounted to £784,573. These costs are amortised over the loan and bond term as deferred income and finance costs respectively, using the effective interest rate (EIR) of 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.

**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, they managed to meet all their obligations on the loan during the year. Based on the performance of the loan during the year as well as the existence of the financial guarantee, the directors believe that A2Dominion will be able to fulfil their obligations as they fall due. Please also see note 1 for detail going concern.

**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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (Continued)

## 9. FINANCIAL INSTRUMENTS (Continued)

## Liquidity risk (continued)

31 March 2020	Less than 1 year £000	1-2 years £000	2- 5 years £000	5 years and over £000	Total 2020 £000
Loan to A2Dominion	-	-		150,000	150,000
Interest received	6,750	6,750	20,250	6,750	40,500
<b>Total financial assets</b>	<b>6,750</b>	<b>6,750</b>	<b>20,250</b>	<b>156,750</b>	<b>190,500</b>
Retail bonds	-	-		150,000	150,000
Interest payable	6,750	6,750	20,250	6,750	40,500
<b>Total financial liabilities</b>	<b>6,750</b>	<b>6,750</b>	<b>20,250</b>	<b>156,750</b>	<b>190,500</b>

31 March 2019	Less than 1 year £000	1-2 years £000	2- 5 years £000	5 years and over £000	Total 2019 £000
Loan to A2Dominion	-	-		150,000	150,000
Interest received	6,750	6,750	20,250	16,875	50,625
<b>Total financial assets</b>	<b>6,750</b>	<b>6,750</b>	<b>20,250</b>	<b>166,875</b>	<b>200,625</b>
Retail bonds	-	-		150,000	150,000
Interest payable	6,750	6,750	20,250	16,875	50,625
<b>Total financial liabilities</b>	<b>6,750</b>	<b>6,750</b>	<b>20,250</b>	<b>166,875</b>	<b>200,625</b>

## Capital Management

The Company has no externally imposed capital requirements other than a minimum share capital of £50,000 as required by the Company's Act 2006 (of which £12,500 has been paid up). This has been set up for the sole purposes of financing of the loan to A2Dominion.

## 10. SHARE CAPITAL

	2020 £000	2019 £000
As at 31 March	13	13

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 and retained earnings.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (Continued)****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 otherwholly owned 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 £25k (2019:£22k) and the amount prepaid at year end was £10k (2019:£11k).

**13. Events after the reporting date**

Since 31 March 2020, the Covid-19 pandemic has meant that economic conditions in the UK have deteriorated and the continued government imposed lockdown conditions have effectively shut down many industries and sectors. There has been some loosening of restrictions prior to the approval of these financial statements and more will be lifted in the forthcoming weeks but there remains a high level of uncertainty on the length of the lockdown and the long-term effects on the economy such that any financial impacts are difficult to model.

The impact and potential future impact of Covid-19 is assessed at Group level. The business model of the Group has been, and will continue to be, appropriately adjusted to reflect the level of risk in the economy.