

A2D FUNDING II PLC
STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024
REGISTERED NUMBER: 09136166

THURSDAY



AD8KXSXE

A12

01/08/2024

#295

COMPANIES HOUSE

TABLE OF CONTENTS

Company Information	2
Strategic Report	3-5
Directors' Report	6-7
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9-14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statements of Cash Flows	18
Notes to the Financial Statements	19-25

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 Office8th Floor

100 Bishopsgate

London EC2N 4AG

Registered Number

09136166

Auditor

BDO LLP

55 Baker Street

London

United Kingdom

W1U 7EU

STRATEGIC REPORT

The directors present their strategic report for A2D Funding II plc (the "Company") for the year ended 31 March 2024.

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 sole purpose of issuing retail bonds and lending the proceeds thereof to A2Dominion Housing Group Limited ("A2Dominion") or one or more of its subsidiaries.

On the 30 September 2014 the Company issued £150,000,000 of retail 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 using the effective interest rate method 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. The Company has the benefit of a financial guarantee from A2Dominion for the full and punctual payment of interest and principal of bonds.

Results and dividends

The Company's profit after tax for the year was £2k (2023: £2k). The directors do not recommend the payment of a dividend for the year ended 31 March 2024 (2023: £nil).

The Company had net equity shareholders' funds of £29k (2023: £27k) at the year end.

Key Performance Indicators (KPIs)

Financial KPIs - The key performance indicators of the business are considered to be the payment and receipt of interest. 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.

Financial risk management and objectives

Whilst the Board has the overall responsibility for the establishment and oversight of the Company's risk management framework, this obligation has been allocated and managed in accordance with the transaction documents surrounding the retail bond issuance.

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

Impacts of geopolitical tensions and macroeconomic factors are also considered as uncertainties and are considered within the Going Concern assessment included in the Director's report.

The Company is mainly exposed to credit risk, interest rate risk and liquidity risk. The principal nature of such risks is summarised below:

Credit risk

Credit risk is the risk that the borrower or other transaction parties will not meet their obligations as they fall due. 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 the going concern policy.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024 (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. As the interest rate on the loan to A2Dominion exactly matches the interest rate on the retail bonds 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.

Capital risk management

The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement. 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 to continue to operate. Shareholders' funds at the year end were £29k (2023: £27k).

Climate impact

The Company is out of the scope of the Streamlined Energy and Carbon Reporting (SECR) and also Climate-related Financial Disclosure Regulations 2022, as it does not meet the numerical thresholds in relation to turnover and number of employees.

Directors' statement of compliance with Section 172(1) of the Companies Act 2006

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:

- 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;
- 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;
- the Company has no employees;
- 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 securitised 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;
- as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
- 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
- the Company has a sole member, The Law Debenture Intermediary Corporation PLC, and the entire issued share capital of the Company is held under a discretionary trust for charitable purposes.

STRATEGIC REPORT (Continued)**Future developments and outlook**

The Company is a special purpose company established solely to issue retail bonds on the London Stock Exchange and lend the proceeds thereof to A2Dominion or one or more of its subsidiaries. The loan and the bonds are due for repayment on 30 September 2026. The directors expect the business will continue with these activities for the foreseeable future. Further details in relation to Going Concern are included in the Director's report.

Approval

This report was approved by the board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Mark Filer', with a stylized flourish at the end.

Mark Filer
For and on behalf of L.D.C. Corporate Director No.3 Limited
Director
30 July 2024

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2024.

Corporate Governance

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 of the bonds and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents associated with the bond issuance.

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.

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.

Directors and company shareholdings

The directors of the Company who held office during the year and up to the date of signing 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. The directors and their immediate relatives did not hold any interests in any shares of the Company or its ultimate controlling party.

Directors interest in contracts

The Company has no employees. 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 (including VAT) during the year was £30k (2023:£27k) and the amount prepaid at year end was £15k (2023:£12k). The Directors are not remunerated directly by the Company for their services.

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.

Financial Instruments

The Company entered into a transaction to raise finance through the issuance of a fixed rate retail bond issue and to on-lend the proceeds to A2Dominion.

Political and charitable donations

The Company made no political or charitable donations during the year (2023: £nil).

Future Developments

Details of future developments can be found in the Strategic Report and form part of this report by cross reference.

Events after Statement of Financial Position date

There have been no significant events after the Statement of Financial Position date upto the date of this report.

Going Concern

The directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet its obligations as they fall due.

It is the intention of the directors to continue the operations of the Company in accordance with the transaction documents. Ultimately due to the limited recourse nature of the retail bonds, any shortfall in the proceeds received from the repayment of the loan granted to A2 Dominion will be a risk to the holders of the retail bonds.

A2Dominion has provided a financial guarantee as part of the transaction documents. As such the Company's going concern depends primarily on the going concern of A2Dominion itself and its ability to service the debt. The directors of the Company have undertaken a financial assessment of A2 Dominion and have reviewed and discussed the information provided by A2Dominion with A2Dominion. On 3 January 2024, following a period under review, the Regulator of Social Housing (the "Regulator") downgraded A2Dominion's rating from G1/V2 to G3/V2. A2Dominion, with the assistance of the Regulator, has expressed commitment to improve its grading and has begun to implement remedial steps. The directors have reviewed assessments of the impact that the downgrade could have on the ability of A2Dominion to redeem the bonds on maturity and have concluded that this will not effect A2Dominion's ability to do so. The directors believe that the downgrading of A2Dominion's rating does not affect the assessment that A2Dominion will continue to be able to provide financial support to A2D Funding II Plc.

As part of the going concern assessment the directors have considered various geopolitical and macroeconomic conditions which may affect the Company's going concern status for a year of at least 12 months from the date of approval of these financial statements. Whilst the Company continues to monitor the situation it has not seen any material impact on income received from A2Dominion nor on its ability to pay principal and interest to date as a result of the financial market volatility caused by these events.

Under the terms of the transaction documents, the borrower may, at any time before the final maturity date of the bonds on 30 September 2026, and by giving not less than 45 nor more than 60 days' notice in writing to the Company, prepay the whole or (as the case may be) any part of the outstanding balance of the loan advanced by the Company, together with any interest accrued on such outstanding balance. Should that option be exercised, the Company would then eventually cease to trade and be placed into liquidation. As at the date of signing these financial statements the Company has not received any such written notice.

Based on the reviews undertaken, the directors are satisfied that the financial statements should be prepared on a going concern basis due to the ongoing performance of the loan advanced by the Company, the limited recourse nature of the bonds and the financial position of A2Dominion.

Statement of Disclosure to the Auditors

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.

Auditors

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

This report was approved by the board and signed on its behalf by:



Mark Filer
For and on behalf of L.D.C. Corporate Director No.3 Limited
Director
30 July 2024

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 period. 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; and
- 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' confirmations

Each of the directors listed in the directors report confirm, to the best of their knowledge that:

- 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; and
- 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.

Independent auditor's report to the members of A2D Funding II Plc**Opinion on the 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 2024 and of the Company's profit for the year then ended;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of A2D Funding II for the year ended 31 March 2024, which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statements of Cash Flows and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Board.

Independence

We were appointed by the Board of Directors on 30 September 2015 to audit the financial statements for the period ended 30 September 2015 and subsequent financial periods with the accounting period being changed to 31 March year end during 2016. The period of total uninterrupted engagement including tenders and reappointments is 8.5 years, covering the years ended 30 September 2015 to 31 March 2024. We remain 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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the Directors' going concern assessment, which includes an assessment of the recoverability of funds on lent to the parent entity, A2Dominion Housing Group Limited. As such, our work has focussed on the parent and group financial forecasts that underpin the Directors' assessment
- We considered the appropriateness of those forecasts by reviewing and assessing assumptions applied by management, and considered the reasonableness of the range of scenarios included in management's consideration of downside sensitivity analysis and the mitigating actions identified in their assessment.
- We reviewed the mathematical accuracy of the forecasted cash flows and confirmed they were in line with our expectations based on our understanding of the entity and Group.
- We assessed the financial stability of the Borrower ("A2Dominion Housing Group Limited") by reviewing the Borrower's financial position in relation to cash reserves, net asset position and forward looking financial forecasts to evaluate whether there are sufficient cash reserves available to meet their loan obligations at the maturity date, taking into account market and regulatory factors that could have an impact on the Borrower's asset position.
- We reviewed the impact of the Regulator of Social Housing's Regulatory Judgment issued in the year, which stated that the Borrower was non-compliant with the Governance elements of

the Regulatory Standards, on the Borrower's covenant compliance, loan presentation and loan repayment profiles. As part of this we reviewed and challenged the information provided by management, including the legal opinions they obtained. We reviewed the bond agreements for covenants and obtained supporting evidence to conclude none of these had been breached in the accounting period; and

- We challenged management with regards the borrower's intentions to exercise the early redemption clause included within the bond agreement and received written representations from the Directors of the Borrower that there was no intention to redeem the bonds ahead of the maturity date.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters	2024	2023
	Recoverability of the loan receivable ✓	✓
Materiality	£2,200,000 based on 1.5% of total assets (2023: £2,995,000 based on 2% of total assets)	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Climate change

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Recoverability of the loan receivable (Notes 1, 5 & 9)	Recoverability of the loan receivable is considered a significant risk and key audit matter because of its material nature and the uncertainty of the underlying cash flow forecast assumptions in determining the ability of the	<p>We obtained management's assessment and reviewed significant judgements made in relation to recoverability of the loan receivable, which was closely linked to the Going Concern assessment.</p> <p>The procedures performed over the Going Concern assessment are set out above.</p>

	<p>borrower to repay the interest and principal of the loan.</p> <p>Additionally, we reviewed the borrower's financial statements, industry information and external credit rating of the borrower.</p> <p>We performed an assessment of macroeconomic factors that could impact the guarantor's ability to provide for the bonds at the maturity date, potentially giving rise to an impairment indicator for the long term receivable recognised on the balance sheet.</p> <p>We examined post balance sheet events to identify whether the impairment assessment assumptions remain valid.</p> <p>Key observations: Based on the work performed we consider the judgements and assumptions made in considering the recoverability of the loan receivable to be reasonable.</p>
--	--

Our application of materiality

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2024 £	2023 £
Materiality	2,200,000	2,995,000
Basis for determining materiality	1.5% of total assets	2% of total assets
Rationale for the benchmark applied	<p>The Company is a funding vehicle for A2D Housing Group Limited, with a material loan receivable balance of £150m. This is considered the key metric for the users of the financial statements and, as such, total assets is considered the appropriate benchmark for both accounting periods.</p> <p>During both accounting periods the materiality benchmark has been capped at the percentage communicated by the auditors of the parent and group, being 1.5% in the current year and 2% in the prior year. This benchmark reduced in response to updated guidance regarding materiality thresholds for public interest entities.</p>	
Performance materiality	1,650,000	2,096,000
Basis for determining performance materiality	75% of materiality	75% of materiality

Rationale for the percentage applied for performance materiality	This was determined based on our consideration of the Company's overall control environment and consideration of the number of historical misstatements.
---	--

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £44,000 (2023: £59,900). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report, Directors' Report, Financial Statements and 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> 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 and the part of the Directors' remuneration report to be audited 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.

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, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, UK tax legislation and the Rules of the London Stock Exchange.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be HMRC regulations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the area most susceptible to fraud to be management override of controls.

Our procedures in respect of the above included:

- Documenting the nature and types of journals expected at the entity and performing a risk assessment to define which journals could indicate a risk of fraud; and
- Where journals were identified outside of our expectation, we substantively tested the journals against a defined criteria.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

C7998D5EC4924F4...

Elizabeth Kulczycki (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
30 July 2024

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 2024**

		Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
	Note		
Interest receivable and similar income		6,826	6,823
Interest payable and similar charges		(6,824)	(6,821)
Gross profit		2	2
Other operating income		74	69
Administrative expenses		(74)	(69)
Profit on ordinary activities before taxation	3	2	2
Taxation	4	-	-
Profit for the year		2	2

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

The above amounts relate exclusively to continuing operations.

The Notes on pages 19 to 25 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2024

	Note	2024	2023
		£000	£000
Non current assets			
Loans and receivables	5	149,799	149,725
Current assets			
Debtors: Amounts falling due within one year	6	57	47
Cash at bank		76	63
		133	110
Current liabilities: Amounts falling due within one year	7	(104)	(83)
Net current assets		29	27
Total assets less current liabilities		149,828	149,752
Non current liabilities: Amounts falling due after more than one year	8	(149,799)	(149,725)
Net assets		29	27
Capital and reserves			
Called up share capital	10	13	13
Profit and loss account		16	14
Shareholders' funds		29	27

The Notes on pages 19 to 25 form part of these financial statements.

Approved and authorised for issue by the directors on 30 July 2024 and signed on the Company's behalf by:



Mark Filer
For and on behalf of L.D.C. Corporate Director No.3 Limited
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2024

	Called up Share capital	Profit and Loss account	Total
	£000	£000	£000
Total equity as at 31 March 2022	13	12	25
Profit for the year	-	2	2
Total equity as at 31 March 2023	13	14	27
Profit for the year	-	2	2
Total equity as at 31 March 2024	13	16	29

The Notes on pages 19 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 March 2024

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Operating activities		
Profit on ordinary activities before taxation	2	2
Interest received	6,750	6,750
Interest paid	(6,750)	(6,750)
Increase in debtors	(10)	(14)
Increase in creditors	21	24
Cash flow from operating activities	13	12
Cash flow from investing activities	-	-
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	13	12
Cash and cash equivalents at beginning of the year	63	51
Cash and cash equivalents at end of year	76	63

The Notes on pages 19 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The Company is a public limited company with its registered office at 8th floor, 100 Bishopsgate EC2N 4AG.

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

The directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will have adequate funds available to meet its obligations as they fall due.

It is the intention of the directors to continue the operations of the Company in accordance with the transaction documents. Ultimately due to the limited recourse nature of the retail bonds, any shortfall in the proceeds received from the repayment of the loan granted to A2 Dominion will be a risk to the holders of the retail bonds.

A2Dominion has provided a financial guarantee as part of the transaction documents. As such the Company's going concern depends primarily on the going concern of A2Dominion itself and its ability to service the debt. The directors of the Company have undertaken a financial assessment of A2 Dominion and have reviewed and discussed the information provided by A2Dominion with A2Dominion. On 3 January 2024, following a period under review, the Regulator of Social Housing (the "Regulator") downgraded A2Dominion's rating from G1/V2 to G3/V2. A2Dominion, with the assistance of the Regulator, has expressed commitment to improve its grading and has begun to implement remedial steps. The directors have reviewed assessments of the impact that the downgrade could have on the ability of A2Dominion to redeem the bonds on maturity and have concluded that this will not effect A2Dominion's ability to do so. The directors believe that the downgrading of A2Dominion's rating does not affect the assessment that A2Dominion will continue to be able to provide financial support to A2D Funding II Plc.

As part of the going concern assessment the directors have considered various geopolitical and macroeconomic conditions which may affect the Company's going concern status for a year of at least 12 months from the date of approval of these financial statements. Whilst the Company continues to monitor the situation it has not seen any material impact on income received from A2Dominion nor on its ability to pay principal and interest to date as a result of the financial market volatility caused by these events.

Under the terms of the transaction documents, the borrower may, at any time before the final maturity date of the bonds on 30 September 2026, and by giving not less than 45 nor more than 60 days' notice in writing to the Company, prepay the whole or (as the case may be) any part of the outstanding balance of the loan advanced by the Company, together with any interest accrued on such outstanding balance. Should that option be exercised, the Company would then eventually cease to trade and be placed into liquidation. As at the date of signing these financial statements the Company has not received any such written notice.

Based on the reviews undertaken, the directors are satisfied that the financial statements should be prepared on a going concern basis due to the ongoing performance of the loan advanced by the Company, the limited recourse nature of the bonds and the financial position of A2Dominion.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (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. Please see the below policy of Deferred income and finance costs for further details. Interest income and expenses are considered operating cash flows in the cash flow statement.

Other operating income

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

Administrative expenses

All administrative expenses, which comprise primarily of 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 bond transaction 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 less impairment, if any. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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 retail bonds 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*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. 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 (2023: nil).

The directors received no emoluments in respect of their services to the Company during the year (2023: 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 2024 £000	Year ended 31 March 2023 £000
Auditor's remuneration for audit of the Company's annual financial statements	40	27
	<u>40</u>	<u>27</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (Continued)

4. TAXATION

(a) Analysis of charge in the year	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000

Current tax:

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

(b) Factors affecting the tax charge for the current year

The current tax for the year is the same as the standard rate of corporation tax in the UK of 25% (2023:19%).

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Profit on ordinary activities before taxation	2	2
Corporation tax levied at the standard rate of corporation tax in the UK of 25% (2023:19%)	-	-
	-	-
Total current tax charge for the year	-	-

The Corporation tax main rate (for all profits over £250k; excluding ring fence companies) was increased to 25% for the year starting 1 April 2023, and the Corporation tax small profits rate (companies with profits under £50,000) was introduced at 19%. The directors are of the opinion that the company does not satisfy the requirements to apply the small profits tax rate.

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 bond transaction documents.

5. NON CURRENT ASSETS: LOANS AND RECEIVABLES

	2024 £000	2023 £000
Loan to A2Dominion (see Note 9)	150,000	150,000
Deferred finance income	(201)	(275)
	149,799	149,725

Under the terms of the transaction documents, the borrower may, at any time before the final maturity date, and by giving not less than 45 nor more than 60 days' notice in writing to the Company, prepay the whole or (as the case may be) any part of the outstanding balance of the loan advanced by the Company, together with any interest accrued on such outstanding balance. As at the date of signing these financial statements the Company has not received any such written notice.

6. DEBTORS: amounts falling due within one year

	2024 £000	2023 £000
Accrued income	42	35
Prepayments	15	12
	57	47

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (Continued)

7. CURRENT LIABILITIES: amounts falling due within one year

	2024 £000	2023 £000
Accruals and deferred income	104	83
	<u>104</u>	<u>83</u>

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

	2024 £000	2023 £000
Retail bonds (due September 2026) (see Note 9)	150,000	150,000
Finance costs	(201)	(275)
	<u>149,799</u>	<u>149,725</u>

Under the terms of the transaction documents, the retail bonds may be redeemed early, at any time, at the option of the Company, at 100% of their principal amount or, if higher, an amount calculated by reference to the then current yield of the United Kingdom 5% Treasury Gilt 2025 plus a margin of 0.50%, together with any accrued interest. No such option has been exercised by the Company.

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 for the due and punctual payment of interest and principal. The financial instruments contract includes early redemption options available to the borrower. However, these options being non-separable from the host contracts, have no value as at the year end.

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 the going concern policy.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. As the rate on the loan to A2Dominion exactly matches the interest rate on the retail bonds there is no interest rate risk to the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (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.

31 March 2024	Less than 1 year £000	1-2 years £000	2- 5 years £000	5 years and over £000	Total 2024 £000
Loan to A2Dominion	-	-	150,000	-	150,000
Interest receivable	6,750	6,750	3,375	-	16,875
Total financial assets	6,750	6,750	153,375	-	166,875
Retail bonds	-	-	150,000	-	150,000
Interest payable	6,750	6,750	3,375	-	16,875
Total financial liabilities	6,750	6,750	153,375	-	166,875

31 March 2023	Less than 1 year £000	1-2 years £000	2- 5 years £000	5 years and over £000	Total 2023 £000
Loan to A2Dominion	-	-	150,000	-	150,000
Interest receivable	6,750	6,750	10,125	-	23,625
Total financial assets	6,750	6,750	160,125	-	173,625
Retail bonds	-	-	150,000	-	150,000
Interest payable	6,750	6,750	10,125	-	23,625
Total financial liabilities	6,750	6,750	160,125	-	173,625

Capital Management

The Company, which has been set up for the sole purposes of financing of the loan to A2Dominion, 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).

10. SHARE CAPITAL

	2024 £000	2023 £000
As at 31 March	13	13

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

The capital of the Company comprises share capital and retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024 (Continued)

11. ULTIMATE PARENT AND THE CONTROLLING PARTY

The Law Debenture Intermediary Corporation p.l.c. is the registered holder of 100% of the shares in the Company and holds the shares as share trustee under a Share Trust Deed dated 17 July 2014 for discretionary charitable purposes. The company was established for the sole purpose of issuing retail bonds and lending the proceeds thereof to A2Dominion Housing Group Limited or one or more of its subsidiaries. The Company is consolidated into A2Dominion Housing Group Limited in accordance with FRS 102 section 9 paragraph 11 on the basis that that A2Dominion Housing Group Limited retains the risks and receives the majority of the benefits of the Company in that it guarantees the principal and interest on the bonds issued by the Company. As such, in the opinion of the directors, A2Dominion Housing Group Limited is considered to be the controlling party notwithstanding the legal ownership of the shares. Copies of the accounts of A2Dominion Housing Group Limited can be obtained from A2Dominion Housing Group Limited, 113 Uxbridge Road, London, W5 5TL.

12. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under section 33 of FRS102, not to disclose transactions with other 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 (including VAT) during the year was £30k (2023:£27k) and the amount prepaid at year end was £15k (2023:£12k).

13. Net Debt Reconciliation

	2024	2023
	£000	£000
A reconciliation of net debt is shown below:		
Interest bearing liabilities	150,000	150,000
Deduct: cash as reported in financial statements	(76)	(63)
Net debt: borrowings less cash	149,924	149,937
Add: Accrued interest	-	-
Net debt	149,924	149,937

14. Events after the reporting date

There were no other reportable subsequent events between the balance sheet date and date of signing these financial statements that would meet the criteria to be disclosed or adjusted.