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PROSPECTUS DATED 8TH SEPTEMBER, 2014

A2D FUNDING II PLC
STERLING BONDS

FIXED INTEREST RATE OF 4.50% PER ANNUM

MATURITY DATE OF 30TH SEPTEMBER 2026

JOINT LEAD MANAGERS

Canaccord Genuity Limited **Lloyds Bank**

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. YOU SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN SECTION 2 (*RISK FACTORS*) OF THIS PROSPECTUS. YOU SHOULD ALSO READ CAREFULLY SECTION 12 (*IMPORTANT LEGAL INFORMATION*).

IMPORTANT NOTICES

Use of defined terms in this Prospectus

Certain terms or phrases in this Prospectus are defined in bold and subsequent references to that term are designated with initial capital letters. The locations in this Prospectus where these terms are first defined are set out in Appendix 1 of this Prospectus.

About this document

This document (this **Prospectus**) has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the **FCA**) and relates to the offer by A2D Funding II plc of its sterling denominated 4.50% guaranteed bonds due 2026 (the **Bonds**) at 100% of their principal amount. A2D Funding II plc's payment obligations under the Bonds are irrevocably and unconditionally guaranteed (the **Guarantee**) by A2Dominion Housing Group Limited. The Bonds are transferable, unsecured debt instruments and are to be issued by A2D Funding II plc on 30th September, 2014. The principal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100. The aggregate principal amount of the Bonds to be issued will be specified in the Sizing Announcement published by the Issuer on a Regulatory Information Service.

This Prospectus contains important information about A2D Funding II plc, A2Dominion Housing Group Limited, the A2Dominion Group (as defined below), the terms of the Bonds, the terms of the Guarantee and details of how to apply for the Bonds. This Prospectus also describes the risks relevant to A2D Funding II plc, A2Dominion Housing Group Limited and their respective businesses, and risks relating to an investment in the Bonds generally. You should read and understand fully the contents of this Prospectus before making any investment decisions relating to the Bonds.

The Issuer and the Guarantor are responsible for the information contained in this Prospectus

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In this Prospectus, references to the **Issuer** are to A2D Funding II plc, which is the issuer of the Bonds. References to the **Guarantor** are to A2Dominion Housing Group Limited, which is the guarantor of the Bonds. All references to the **A2Dominion Group** are to the Guarantor and its subsidiaries taken as a whole. See Section 7 (*Description of the Issuer*) for further details of the Issuer. See Section 8 (*Description of the Guarantor and the A2Dominion Group*) for further details of the Guarantor and the A2Dominion Group.

The A2Dominion Group has been assigned a credit rating of "AA- (Outlook Negative)" by Fitch Ratings Ltd (**Fitch**). It is expected that the Bonds will be rated "AA- (Outlook Negative)" by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

The Bonds are not protected by the Financial Services Compensation Scheme

The Bonds are not protected by the Financial Services Compensation Scheme (the **FSCS**). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer and the Guarantor. If the Issuer and the Guarantor go out of business or become insolvent, you may lose all or part of your investment in the Bonds.

How to apply

Applications to purchase Bonds cannot be made directly to the Issuer or the Guarantor. Bonds will be issued to you in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you.

After the closing time and date of the Offer Period no Bonds will be offered for sale (a) by or on behalf of the Issuer or the Guarantor or (b) by any of the Authorised Offerors, except with the permission of the Issuer.

See Section 5 (*How to apply for the Bonds*) for more information.

Queries relating to this Prospectus and the Bonds

If you have any questions regarding the content of this Prospectus and/or the Bonds or the actions you should take, you should seek advice from your financial adviser or other professional adviser before deciding to invest.

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Appendix

1. SUMMARY

SUMMARY

The following is a summary of information relating to the Issuer, the Guarantor and the Bonds.

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities, issuer and guarantor. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities, issuer and guarantor, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

SECTION A – INTRODUCTIONS AND WARNINGS	
A.1	This summary must be read as an introduction to this Prospectus. Any decision to invest in the Bonds should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.
A.2	Each of the Issuer and the Guarantor consents to the use of this Prospectus in connection with any Public Offer of Bonds in the United Kingdom during the period commencing from, and including, 9th September, 2014, 2014 until 12.00 noon (London time) on 23rd September, 2014 or such earlier time and date as may be agreed between the Issuer, the Guarantor and Lloyds Bank plc and Canaccord Genuity Limited (the **Joint Lead Managers**) and announced via a Regulatory Information Service (the **Offer Period**) by: (i) the Joint Lead Managers; and (ii) any financial intermediary (an **Authorised Offeror**) which satisfies the Authorised Offer Terms and other conditions as set out below. The **Authorised Offeror Terms** are that the relevant financial intermediary represents and agrees that it: (a) is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (**MiFID**) (in which regard, you should consult the register of authorised entities maintained by the Financial Conduct Authority (**FCA**) at www.fca.org.uk/firms/systems-reporting/register). MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors; (b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**), including the Rules published by the FCA (including its guidance for distributors in "The Responsibilities of Providers and Distributors for the Fair Treatment of Customers") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential investor; (c) complies with the restrictions set out under "*Subscription and Sale*" in this Prospectus which would apply as if it were a Joint Lead Manager;

(d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and is fully and clearly disclosed to investors or potential investors;

(e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under the Financial Services and Markets Act 2000 (**FSMA**) and/or the Financial Services Act 2012;

(f) complies with applicable anti-money laundering, anti-bribery and "know your client" Rules, and does not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;

(g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the Joint Lead Managers, the Issuer and the Guarantor or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Guarantor and/or the Joint Lead Managers in order to enable the Issuer and/or the Guarantor and/or the Joint Lead Managers to comply with anti-money laundering, anti-bribery and "know your client" Rules applying to the Issuer and/or the Guarantor and/or the Joint Lead Managers;

(h) does not, directly or indirectly, cause the Issuer or the Guarantor or the Joint Lead Managers to breach any Rule or subject the Issuer or the Guarantor or the Joint Lead Managers to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

(i) agrees and undertakes to indemnify each of the Issuer, the Guarantor and the Joint Lead Managers (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor or the Joint Lead Managers;

(j) will immediately give notice to the Issuer, the Guarantor and the Joint Lead Managers if at any time such Authorised Offeror becomes aware or suspects that they are or may be in violation of any Rules or the Authorised Offer Terms, and will take all appropriate steps to remedy such violation and comply with such Rules and the Authorised Offer Terms in all respects;

(k) will not give any information other than that contained in this document (as may be amended or supplemented by the Issuer from time to time) or the information booklet prepared by the Issuer, the Guarantor and the Joint Lead Managers or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Bonds;

(l) agrees that any communication in which it attaches or otherwise includes the Prospectus or any announcement published by the Issuer via a Regulatory Information Service at the end of the Offer Period will be consistent with the Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and the Guarantor and must expressly confirm that neither the Issuer nor the Guarantor accepts any responsibility for content of any such communication;

(m) will not use the legal or publicity names of the Joint Lead Managers, the Issuer, the Guarantor (other than to describe such entity as the Joint Lead Managers, the Issuer or the Guarantor of the Bonds (as applicable)) or any other name, brand or logo registered by the Guarantor or any of its subsidiaries or any material over which any member of the Guarantor or its subsidiaries retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Bonds; and

(n) agrees and accepts that:

(i) the contract between the Issuer, the Guarantor and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Prospectus with its consent in connection with the relevant Public Offer (the **Authorised Offeror Agreement**), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Agreement, shall be governed by, and construed in accordance with, English law;

(ii) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Agreement) and accordingly submits to the exclusive jurisdiction of the English courts; and

(iii) the Joint Lead Managers will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Agreement which are, or are expressed to be, for their benefit, including the agreements, representations, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any financial intermediary who wishes to use this Prospectus in connection with a Public Offer as set out above is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Issuer and the Guarantor and the conditions attached thereto in the following form (with the information in square brackets completed with the relevant information):

"We, [insert legal name of financial intermediary], refer to the offer of 4.50% sterling denominated guaranteed Bonds due 2026 of A2D Funding II plc. In consideration of A2D Funding II plc and A2Dominion Housing Group Limited offering to grant their consent to our use of the Prospectus dated 8th September, 2014 relating to the Bonds in connection with the offer of the Bonds in the United Kingdom (the ***Public Offer****) and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by A2D Funding II plc and A2Dominion Housing Group Limited in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and confirm that we are using the Prospectus accordingly".*

A Public Offer may be made during the Offer Period by any of the Issuer, the Guarantor, the Joint Lead Managers or the other Authorised Offerors. The Issuer shall procure that any new information with respect to the other Authorised Offerors appointed after the date of this Prospectus shall be published on the website of the Guarantor (www.a2dominion.co.uk).

Other than as set out above, none of the Issuer, the Guarantor or the Joint Lead Managers have authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Prospectus in connection with any offer of Bonds. Any such offers are not made on behalf of the Issuer or by the Guarantor, the Joint Lead Managers or the other Authorised Offerors and none of the Issuer, the Guarantor, the Joint Lead Managers or the other Authorised Offerors has any responsibility or liability for the actions of any person making such offers.

	None of the Issuer, the Guarantor or the Joint Lead Managers have any responsibility for any of the actions of any Authorised Offeror (except for the Joint Lead Managers, where they are acting in the capacity of an Authorised Offeror), including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer. **If you intend to acquire or do acquire any Bonds from an Authorised Offeror, you will do so, and offers and sales of the Bonds to you by such an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and you including as to price, allocations and settlement arrangements. Neither the Issuer nor the Guarantor will be a party to any such arrangements with you in connection with the offer or sale of the Bonds and, accordingly, this Prospectus does not contain such information. The information relating to the procedure for making applications will be provided by the relevant Authorised Offeror to you at the relevant time. None of the Issuer, the Guarantor, the Joint Lead Managers or the other Authorised Offerors has any responsibility or liability for such information.**

SECTION B – THE ISSUER AND THE GUARANTOR		
B.1 **(B.19)**	**Legal and commercial name.**	The Issuer's legal and commercial name is A2D Funding II plc (the **Issuer**). The Guarantor's legal and commercial name is A2Dominion Housing Group Limited (the **Guarantor**).
B.2 **(B.19)**	**The domicile and legal form of the issuer and the guarantor, the legislation under which they operate and their respective countries of incorporation.**	The Issuer is a public limited company incorporated in England and Wales under the Companies Act 2006. The Guarantor is registered in England as a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014. It is also a Registered Provider of Social Housing with the Homes and Communities Agency and is an exempt charity.
B.4b **(B.19)**	**A description of any known trends affecting the issuer and the guarantor and the industries in which they operate.**	There are no known trends affecting the Issuer and the industry in which it operates. In respect of the Guarantor, due to a combination of higher unemployment, the impact of the recession on household incomes, lack of new homes being built and a shortage of affordable homes, there is continued demand for social housing. Demand is particularly strong in London and the south east of England, markets in which the Guarantor operates, and where affordability issues are greatest. Traditional bank debt, which currently accounts for around 75% of funding, is in short supply and funding costs are higher than pre-2008 rates, particularly in relation to long-term bank finance. For this reason, Registered Providers of Social Housing are looking to alternative funding sources such as private placements and bond issues in the capital markets. Recent legislation has set out significant changes to the provision of welfare benefits. These changes include: a total household benefit cap of £26,000 per household per year; a reduction in the amount of housing benefit received for those claimants who are under occupying; and the introduction of Universal Credit, which will result in the direct payment of housing benefit to claimants rather than Registered Providers of Social Housing as the default position.

B.5 **(B.19)**	**If the issuer or the guarantor is part of a group, a description of the group and their position within the group.**	The Issuer is not a member of a group. The entire issued share capital of the Issuer is held by The Law Debenture Intermediary Corporation P.L.C. (the **Share Trustee**) on trust for the benefit of such charities as the Share Trustee may determine from time to time. The Guarantor is the parent holding entity of the A2Dominion Group. Its only assets are shares in other entities within the A2Dominion Group and loan facilities which it has on-lent to A2Dominion South Limited. The A2Dominion Group is one of the largest housing providers operating across London and south east England, owning or managing around 34,800 homes and developing approximately a further 4,600 homes. The Guarantor is responsible for the A2Dominion Group's overall strategy and performance and provides the strategic direction, and central and development services for the A2Dominion Group. The principal activities of the A2Dominion Group are the provision of social housing, housing management and development and it is regulated by the Regulation Committee of the Homes and Communities Agency.
B.9 **(B.19)**	**Where a profit forecast or estimate is made, state the figure.**	Not applicable; as at the date of this Prospectus no financial statements have been prepared in respect of the Issuer and the Guarantor has not made any profit forecast or profit estimate.
B.10 **(B.19)**	**A description of the nature of any qualifications in the audit report on the historical financial information.**	Not applicable; as at the date of this Prospectus no financial statements have been prepared in respect of the Issuer and neither of the audit reports on the Guarantor's audited consolidated financial statements for the years ended 31st March, 2013 and 31st March, 2014 included any qualifications.
B.12 **(B.19)**	**Selected historical key financial information regarding the issuer and the guarantor, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year end balance sheet information.**	As at the date of this Prospectus no financial statements have been prepared in respect of the Issuer. There has been no significant change in the financial or trading position of the Issuer, and no material adverse change in the prospects of the Issuer, since the date of its incorporation. The following summary financial data as of, and for each of the years ended, 31st March, 2013 and 31st March, 2014, has been extracted, without any adjustment, from the Guarantor's consolidated financial statements in respect of those dates and periods.

Income and Expenditure Account
for the year ended 31st March

	2014 £m	2013 £m
Turnover including share of joint venture	274.2	258.6
Less: share of joint venture turnover	(2.1)	-
Group turnover	272.1	258.6
Cost of sales	(56.4)	(58.1)
Operating costs	(138.0)	(145.6)
Group operating surplus	77.7	54.9
Share of joint venture operating profit	0.3	-
Operating surplus including joint ventures	78.0	54.9
Surplus on sale of fixed assets – housing properties	8.8	15.8
Operating surplus before interest	86.8	70.7
Interest receivable and other income	0.3	0.7
Interest payable and similar charges	(48.2)	(43.3)
Other finance costs	-	(0.1)
Surplus on ordinary activities before taxation	38.9	28.0
Tax on surplus on ordinary activities	-	-
Surplus on ordinary activities after taxation	38.9	28.0
Minority interest	(0.8)	-
Surplus for the financial year	38.1	28.0

All amounts relate to continuing activities.

Statement of total recognised surpluses and deficits
for the year ended 31st March

	2014 £m	2013 £m
Surplus for the financial year	38.1	28.0
Unrealised surplus on revaluation of investments	7.3	0.7
Actuarial surplus/(deficit) relating to pension schemes	(1.5)	0.5
Total recognised surpluses and deficits relating to the year	43.9	29.2

Consolidated balance sheet at 31st March		
	2014	**2013**
	£m	**£m**
Tangible fixed assets		
Housing properties: Cost or valuation	2,851.8	2,821.2
Social housing grant	(1,157.2)	(1,157.8)
Depreciation	(133.6)	(116.3)
Total housing properties	1,561.0	1,547.1
Other tangible fixed assets	16.9	11.6
Homebuy investments		
Homebuy loans	3.3	3.6
Social housing grant	(3.3)	(3.5)
	-	0.1
Investments	72.0	38.0
Investment in joint ventures		
Share of gross assets	8.5	6.2
Share of gross liabilities	(0.9)	(2.1)
	7.6	4.1
	1,657.5	1,600.9
Current assets		
Properties for sale	171.6	172.7
Debtors	28.5	43.4
Investments	1.3	0.3
Cash at bank and in hand	30.0	17.3
	231.4	233.7
Creditors: Amounts falling due within one year	(79.3)	(84.6)
Net current assets	152.1	149.1
Total assets less current liabilities	**1,809.6**	**1,750.0**
Creditors: Amounts falling due after more than one year	1,158.6	1,139.9
Provision for liabilities and charges	4.6	9.8
Net pension liability	4.6	3.2
	1,167.8	1,152.9
Capital and reserves		
Non-equity share capital	-	-
Revaluation reserves	9.3	2.0
Revenue reserves	566.6	550.0
Designated reserves	64.6	44.6
Restricted reserve	0.5	0.5

		Consolidated funds	641.0	597.1
		Minority interest	0.8	-
			1,809.6	**1,750.0**
		Cash flow statement for the year ended 31st March		
			2014 £m	**2013 £m**
		Net cash inflow from operating activities	80.7	88.0
		Returns on investments and servicing of finance		
		Interest received	0.2	0.7
		Interest paid	(54.1)	(51.3)
			(53.9)	(50.6)
		Taxation paid		
		Corporation tax paid	-	-
		Capital expenditure and financial investment		
		Purchase and construction of housing properties	(47.4)	(83.2)
		Social housing grant – received (net)	7.3	12.8
		Purchase of other fixed assets	(8.3)	(1.7)
		Purchase of investments	(14.3)	(3.2)
		Sales of housing properties	35.3	60.2
			(27.4)	(15.1)
		Net cash inflow/(outflow) before management of liquid resources and financing	(0.6)	22.3
		Management of liquid resources		
		Money market deposit	(1.0)	-
		Financing		
		Loans received	237.4	26.3
		Loan repayments	(213.5)	(66.6)
		(Decrease)/ increase in cash	22.3	(18.0)
		There has been no significant change in the financial or trading position of the Guarantor, and no material adverse change in the prospects of the Guarantor, since 31st March, 2014.		
B.13 **(B.19)**	**A description of any recent events particular to the issuer or the guarantor which are to a material extent relevant to the**	Not applicable; there have been no recent events particular to the Issuer or the Guarantor which are to a material extent relevant to the evaluation of either the Issuer's or the Guarantor's solvency.		

	evaluation of the issuer's and/or the guarantor's solvency.	
B.14 **(B.19)**	**If the issuer or the guarantor is part of a group, a description of the group and the issuer's and guarantor's position within the group. If the issuer or the guarantor is dependent upon other entities within the group, this must be clearly stated.**	The Issuer is not a member of a group. The entire issued share capital of the Issuer is held by the Share Trustee on trust for the benefit of such charities as the Share Trustee may determine from time to time. The Guarantor is the parent holding entity of the A2Dominion Group. Its only assets are shares in other entities within the A2Dominion Group and loan facilities which it has on-lent to A2Dominion South Limited. The A2Dominion Group is one of the largest housing providers operating across London and south east England, owning or managing around 34,800 homes and developing approximately a further 4,600 homes. The Guarantor is responsible for the A2Dominion Group's overall strategy and performance and provides the strategic direction, and central and development services for the A2Dominion Group. The Guarantor is dependent on other members of the A2Dominion Group as its income derives from fees paid to it by its subsidiaries for the provision of services to them on a cost recovery basis.
B.15 **(B.19)**	**A description of the issuer's and the guarantor's principal activities.**	The Issuer is a special purpose company established for the purpose of issuing the Bonds (and any further bonds issued in accordance with the Conditions of the Bonds) and lending the proceeds thereof to members of the A2Dominion Group. The Guarantor is the parent holding entity of the A2Dominion Group. Its only assets are shares in other entities within the A2Dominion Group and loan facilities which it has on-lent to A2Dominion South Limited. The A2Dominion Group is one of the largest housing providers operating across London and south east England, owning or managing around 34,800 homes and developing approximately a further 4,600 homes. The Guarantor is responsible for the A2Dominion Group's overall strategy and performance and provides the strategic direction, and central and development services for the A2Dominion Group.
B.16 **(B.19)**	**To the extent known to the issuer and the guarantor, state whether the issuer or the guarantor is directly or indirectly owned or controlled and by whom and describe the nature of such control.**	The entire issued share capital of the Issuer is held by the Share Trustee on trust for the benefit of such charities as the Share Trustee may determine from time to time. The Guarantor is not directly or indirectly owned or controlled by another entity.
B.17 **(B.19)**	**Credit ratings assigned to either the issuer or the guarantor or its debt securities at the request or with the co-operation of the issuer in the rating.**	The Issuer has not been assigned a credit rating by a credit rating agency. The A2Dominion Group has been assigned a credit rating of "AA- (Outlook Negative)" by Fitch Ratings Ltd (**Fitch**). It is expected that the Bonds will be rated "AA- (Outlook Negative)" by Fitch. Fitch placed the whole social housing sector in England on negative outlook in May 2013, following developments that it viewed as potentially detrimental to the credit profile of Registered Providers of Social Housing. Fitch has stated that it will review the sector outlook before the end of the 2014.

		A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.
B.18	**Guarantee.**	Pursuant to the Trust Deed (the **Trust Deed**) to be dated on or around 30th September, 2014 (the **Issue Date**) between the Issuer, the Guarantor and Prudential Trustee Company Limited (the **Trustee**), the Guarantor will unconditionally and irrevocably guarantee the payment of principal and interest in respect of the Bonds and all other moneys payable by the Issuer under or pursuant to the Trust Deed (the **Guarantee**).

SECTION C – BONDS		
C.1	**A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.**	The 4.50% Guaranteed Bonds due 2026 (the **Bonds**) will be issued in bearer form. The principal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100. The International Securities Identification Number (**ISIN**) for the Bonds is XS1103286305 and the Common Code is 110328630.
C.2	**Currency of the securities issue.**	The currency of the Bonds will be pounds sterling.
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable; there are no restrictions on the free transferability of the Bonds.
C.8	**A description of the rights attached to the securities including:** • **ranking** • **limitations to those rights**	***Status of the Bonds and the Guarantee****:* The Bonds constitute unsecured debt obligations of the Issuer. The Bonds will rank *pari passu* (i.e. equally in right of payment), without any preference between themselves, with all other outstanding unsecured and unsubordinated debt obligations of the Issuer. The Guarantee constitutes an unsecured obligation of the Guarantor. The payment obligations of the Guarantor under the Guarantee will rank *pari passu* (i.e. equally in right of payment) with all other outstanding unsecured and unsubordinated debt obligations of the Guarantor. ***Financial covenant*** The Guarantor has agreed that, so long as any Bond remains outstanding, it shall ensure that either each of the non-finance vehicle members of the A2Dominion Group to whom the Issuer lends directly or indirectly the proceeds of the issue of the Bonds, or the A2Dominion Group as a whole, will maintain unsecured assets of a specified value. ***Events of default***

		An event of default is a breach by the Issuer or the Guarantor of certain provisions in the Terms and Conditions of the Bonds, or the occurrence of certain events with respect to a material subsidiary (which includes A2Dominion Homes Limited, A2Dominion South Limited, any subsidiary which represents not less than 5% of the consolidated assets at historic cost, or turnover of the A2Dominion Group and any member of the A2Dominion Group which is at the relevant time borrowing directly or indirectly a portion of the net proceeds of the issue of the Bonds). Events of default under the Bonds include non-payment of any principal and interest due in respect of the Bonds and failure of the Issuer or the Guarantor to perform or observe any of its other obligations under the Conditions and the Trust Deed (in each case, upon the expiry of the relevant grace period), insolvency, unlawfulness and acceleration, or non-payment, in respect of other indebtedness in an aggregate amount equal to or in excess of £10,000,000 (or its equivalent). In addition, Trustee certification that certain events would be materially prejudicial to the interests of the holders of the Bonds (the **Bondholders**) is required before certain events will be deemed to constitute Events of Default. ***Optional early repayment by Issuer*** The Bonds may be redeemed (i.e. repaid) early, at any time, if the Issuer chooses to do so, 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. ***Optional early repayment by Issuer for tax reasons*** In the event of any actual or proposed change in tax law after the Bonds have been issued that would result in the Issuer being required to make a withholding or deduction on account of tax in respect of payments to be made by it in respect of the Bonds and the Issuer not opting to pay any additional amount in respect of such withholding or deduction or, having so opted, notifying the Trustee of its intention to cease paying such additional amounts, the Bonds shall be repaid. The redemption price in these circumstances is at the principal amount of the Bonds plus accrued interest. ***Meetings of Bondholders*** The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting the interests of the Bondholders. These provisions permit certain majorities to bind all Bondholders including Bondholders who did not vote on the relevant resolution and Bondholders who did not vote in the same way as the majority did on that resolution. ***Modification, waiver and substitution*** The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of Bondholders, agree to:

		(a) modify any of the provisions of the Trust Deed that is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error (which is an indisputable error) or an error which, in the opinion of the Trustee, is proven; (b) waive, modify or authorise any proposed breach or breach by the Issuer of a provision of the Trust Deed if, in the opinion of the Trustee, such modification is not prejudicial to the interests of the Bondholders; or
		(c) the substitution of the Guarantor or any of its subsidiaries as principal debtor under the Bonds in place of the Issuer, in certain circumstances and subject to the satisfaction of certain conditions.
C.9	**A description of the rights attached to the securities including:** • **the nominal interest rate** • **the date from which interest becomes payable and the due dates for interest** • **where the rate is not fixed, description of the underlying on which it is based** • **maturity date and arrangements for the amortisation of the loan, including the repayment procedures** • **an indication of yield** • **name of representative of debt security holders**	***Interest rate*** The Bonds will accrue interest from and including the Issue Date at the fixed rate of 4.50% per annum. The interest on the Bonds is payable twice a year at the end of the interest period to which the payment relates. It is payable in equal instalments of £2.25 per £100 in principal amount of the Bonds on 30th March and 30th September in each year commencing on 30th March, 2015. The final payment of interest will be made on the Maturity Date. ***Maturity Date*** Unless previously redeemed or purchased and cancelled in accordance with the Terms and Conditions of the Bonds, the Bonds will mature on 30th September, 2026 (the **Maturity Date**). ***Indication of yield*** On the basis of the issue price of the Bonds being 100% of their principal amount, the initial yield of the Bonds on the Issue Date is 4.50% on an annual basis. This initial yield is not an indication of future yield. ***Trustee*** The Trustee is Prudential Trustee Company Limited.
C.10	**If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s),**	Not applicable; the interest rate on the Bonds is fixed and there is no derivative component in the interest payments made in respect of the Bonds. This means that the interest payments are not linked to specific market references, such as inflation, an index or otherwise.

	especially under the circumstances when the risks are most evident.	
C.11	**An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question.**	It is expected that the admission of the Bonds to the Official List will be granted on or about 1st October, 2014, after the publication of the Sizing Announcement subject only to the issue of the Global Bond. Application will be made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for such Bonds to be admitted to trading on the Regulated Market and through its electronic order book for retail bonds. Admission of the Bonds to trading is also expected to occur on 1st October, 2014.

	SECTION D – RISKS	
D.2	**Key information on the key risks that are specific to the issuer.**	• The Issuer is a special purpose company established to issue the Bonds (and any further bonds issued in accordance with the Conditions of the Bonds) and is dependent on the A2Dominion Group to make payments on the Bonds. • The Guarantor does not own any assets (other than shares in other entities within the A2Dominion Group and loan facilities which it has on-lent to A2Dominion South Limited) and its income is dependent on other members of the A2Dominion Group. • Members of the A2Dominion Group are not legally committed to making any contributions to the Guarantor.
D.3	**Key information on the key risks that are specific to the securities.**	• The Bonds are unsecured obligations of the Issuer. • The Bonds are not protected by the Financial Services Compensation Scheme. • The Bonds may be repaid early at the Issuer's option in certain circumstances. • Defined majorities may be permitted to bind all the Bondholders with respect to modification and waivers of the terms and conditions of the Bonds. • A market for the Bonds may not develop, or may not be very liquid (i.e. the bonds may not be easily tradable) and such illiquidity may have a severely adverse effect on the market value of the Bonds. • The realisation from a sale of the Bonds at any time prior to their maturity may be below the investment price. • The Bonds bear interest at a fixed rate and the Issuer will pay principal and interest on the Bonds in pounds sterling, which potentially exposes you to interest rate risk, inflation risk and exchange rate risk.

SECTION E – OFFER		
E.2b	**Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks.**	The offer of the Bonds is being made in order to raise funding for the A2Dominion Group to be applied for its general corporate purposes. The offer of the Bonds is being made in order to increase the number of sources from which the A2Dominion Group obtains its funding and to spread the debt maturity profile of the A2Dominion Group. The proceeds from the issue of the Bonds (after deduction of expenses incurred in connection with the issue) will be advanced by the Issuer to one or more members of the A2Dominion Group to be applied for on-lending to other members of the A2Dominion Group or for their general corporate purposes including, without limitation, the acquisition and development of housing properties.
E.3	**A description of the terms and conditions of the offer.**	The Offer is expected to open on 9th September, 2014 and close at 12.00 noon (London time) on 23rd September, 2014 or such earlier time and date as may be agreed between the Issuer and the Joint Lead Managers and announced via a Regulatory Information Service. You will be notified by the relevant Authorised Offeror of your allocation of Bonds and instructions for delivery of and payment for the Bonds. You may not be allocated all (or any) of the Bonds for which you apply. The Bonds will be issued at the issue price (which is 100% of the principal amount of the Bonds) and the aggregate principal amount of the Bonds to be issued will be specified in the Sizing Announcement published by the Issuer on a Regulatory Information Service. The issue of Bonds is conditional upon a subscription agreement being signed by the Issuer, the Guarantor and the Joint Lead Managers on or about 26th September, 2014 (the **Subscription Agreement**). The Subscription Agreement will include certain conditions, customary for transactions of this type (including the issue of the Bonds and the delivery of legal opinions and comfort letters from the independent auditors of the Guarantor satisfactory to the Joint Lead Managers). The minimum subscription amount per investor is for a principal amount of £2,000 of the Bonds.
E.4	**A description of any interest that is material to the issue/offer including conflicting interests.**	So far as the Issuer and the Guarantor is aware, no person involved in the offer of the Bonds has an interest material to the offer. There are no conflicts of interest which are material to the offer of the Bonds.
E.7	**Estimated expenses charged to the investor by the issuer or the offeror.**	Neither the Issuer, the Guarantor or the Joint Lead Managers will charge you any expenses relating to an application for or purchase of any Bonds. Expenses may be charged to you by an Authorised Offeror. These expenses are beyond the control of the Issuer and are not set by the Issuer. The Issuer estimates that, in connection with the sale of Bonds to you, the expenses charged to you by one of the Authorised Offerors known to it as at the date of this Prospectus will be between 0% and 7% of the aggregate principal

		amount of the Bonds sold to you.

2. RISK FACTORS

RISK FACTORS

The following is a description of the principal risks and uncertainties which may affect the Issuer's or the Guarantor's, as the case may be, ability to fulfil its obligations under the Bonds.

Before applying for any of the 4.50% guaranteed bonds due 2026 (the **Bonds**), you should consider whether the Bonds are a suitable investment for you. There are risks associated with an investment in the Bonds, many of which are outside the control of A2D Funding II plc (the **Issuer**) and A2Dominion Housing Group Limited (the **Guarantor**) who irrevocably and unconditionally guarantees the Issuer's payment obligations under the Bonds (the **Guarantee**). These risks include those in this Section.

You should carefully consider the risks described below and all other information contained in this Prospectus and reach your own view before making an investment decision. Each of the Issuer and the Guarantor believe that the factors described below represent the principal risks and uncertainties which may affect its ability to fulfil its obligations under the Bonds, but the Issuer or the Guarantor may face other risks that may not be considered significant risks by the Issuer or the Guarantor based upon information available to them at the date of this Prospectus or that they may not be able to anticipate. Factors which the Issuer or the Guarantor believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that the Issuer or the Guarantor thinks are immaterial at the date of this Prospectus, actually occur, then these could have a material adverse effect on the Issuer's or Guarantor's ability to fulfil its obligations to pay interest, principal or other amounts in connection with the Bonds.

You should note that the risks relating to the Issuer, the Guarantor, the Guarantor's industry and the Bonds summarised in Section 1 (*Summary*) are the risks that the Issuer and the Guarantor believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Bonds. However, as the risks which the Issuer and the Guarantor face relate to events and depend on circumstances that may or may not occur in the future, you should consider not only the information on the key risks summarised in Section 1 (*Summary*) but also, among other things, the risks and uncertainties described below.

Risks which may affect the Issuer's ability to fulfil its obligations under the Bonds

The Issuer is a special purpose company established to issue the Bonds (and any further bonds issued in accordance with the Conditions of the Bonds) and is dependent on the A2Dominion Group to enable it to make payments on the Bonds: The Issuer is a special purpose finance entity with no business operations other than the issuance of Bonds (including any further bonds issued in accordance with the Conditions of the Bonds) and the on-lending of the proceeds thereof to members of the A2Dominion Group pursuant to one or more Loan Agreements. The Issuer's only source of income will be monies received from members of the A2Dominon Group to whom it has lent the issue proceeds of the Bonds. As such, the Issuer is entirely dependent upon receipt of funds from such members of the A2Dominon Group in order to fulfil its obligations under the Bonds.

The funds to be received from the relevant members of the A2Dominion Group will originate from cash-flow generated from their wider business. Therefore the ability of such members to make such payments and, accordingly, the ability of the Issuer to pay interest on, and repay, the Bonds, will be subject to all the risks to which the A2Dominion Group is subject and, where the relevant member of the A2Dominion Group is a Registered Provider, it will also be subject to all of the risks referred to below that relate only to Registered Providers in the A2Dominion Group. See further "*Risks affecting the whole of the A2Dominion Group*" and "*Factors which may affect the ability of the Group Registered Providers to fulfil their obligations generally*" below for a further description of those risks.

The Bonds will constitute unsecured obligations of the Issuer and the Bondholders will not have direct recourse to any subsidiary of the Guarantor: The Bonds will be not be secured on any of the assets of the Issuer or the Guarantor and the holders of the Bonds (the **Bondholders**) will not have direct recourse to any member of the A2Dominion Group other than the Guarantor (in the event that the Guarantee is called). In the event of a default by any member of the A2Dominion Group to whom the Issuer has on-lent all or part of the issue proceeds from the Bonds, the Issuer will have an unsecured claim against such member and, in the event that it does not recover sufficient funds from such member, Bondholders will be reliant upon payments by the Guarantor under the Guarantee.

Risks relating to the Guarantee

If both the Issuer and the Guarantor default on their obligations to make payments on or to repay the Bonds or to make payments under the Guarantee, as applicable, and there are insufficient funds to repay all amounts outstanding under the Bonds, as well as having an unsecured claim against the Issuer, Bondholders will have unsecured claims for any outstanding amount against the Guarantor under the Guarantee. Those unsecured claims will rank behind the claims of any secured creditors of the Issuer and the Guarantor. Bondholders will not have any direct claim for such outstanding amount against any subsidiary of the Guarantor.

Generally, creditors of a subsidiary will be entitled to the assets of that subsidiary before any of those assets can be distributed to its direct or indirect shareholders (in this case including the Guarantor) upon its liquidation or winding up. These creditors may include secured creditors who have the benefit of security over the assets of the relevant subsidiary in priority to unsecured creditors. Although the Issuer will be a creditor of each subsidiary of the Guarantor to which it has on-lent any of the issue proceeds of the Bonds, it will not be a secured creditor and therefore its right to repayment of any loans made by it to those subsidiaries will rank behind the claims of any secured creditors of those subsidiaries. However, Condition 4.2 (*Financial Covenant of the Guarantor*) of the Bonds contains an obligation of the Guarantor to maintain a certain minimum level of uncharged assets within the A2Dominion Group. In addition, the Issuer is not permitted to have any other material creditors.

The Guarantor's claims to the assets of the subsidiaries that generate its income are subordinated to the creditors of those subsidiaries (including the Issuer in respect of issue proceeds on-lent to any relevant subsidiary). 'Subordinated' in this context means that, in the event of a winding up or insolvency of any of the Guarantor's subsidiaries, any creditors of that subsidiary would have preferential claims to the assets of that subsidiary ahead of any creditors of the Guarantor. In the event that members of the A2Dominion Group are unable or unwilling to remit funds to the Guarantor, the Guarantor's ability to fulfil its commitments to Bondholders to make payments under the Guarantee may be adversely affected. Whilst the Guarantor believes that members of the A2Dominion Group would consider it in their commercial interests to meet a claim under the Guarantee, there is no legal commitment by them to do so.

Risks relating to the Guarantor

The Guarantor does not own any assets and its income is dependent on other members of the A2Dominion Group: The Guarantor's main activity is to provide services to asset-owning entities within the A2Dominion Group and it derives only a modest surplus from this activity. As at 31st March, 2014 the Guarantor had £245.5 million of loan facilities, all of which have been on-lent to A2Dominion South. All of its other assets and liabilities are inter-company balances relating to transactions which the Guarantor undertakes on behalf of other members of the A2Dominion Group. Whilst the Guarantor holds the shares in its asset-owning subsidiaries, the Guarantor itself does not own substantial assets and its income is dependent on other members of the A2Dominion Group providing fees to it. If members of the A2Dominion Group do not make any contributions to the Guarantor to assist it to meet any claim under the Guarantee, the Guarantor is unlikely to be able to meet a call under the Guarantee.

In practice, there are very close operational ties between the Guarantor and the other members of the A2Dominion Group. The board of the Guarantor acts as a common board for the A2Dominion Group's asset-owning subsidiaries who are Registered Providers of Social Housing (**Registered Providers**). In particular, the Guarantor employs 84% of the staff of the A2Dominion Group and all receipts of rental income and payments to suppliers are made by the Guarantor and allocated to the relevant members of the A2Dominion Group through intra-group transactions. In view of this, the solvency of the Guarantor is important both to Registered Providers who are members of the A2Dominion Group (**Group Registered Providers**) and to members of the A2Dominion Group who are non-Registered Providers.

The Guarantor is also a Registered Provider and its importance within the A2Dominion Group is recognised by the Regulator (as defined below), who regulates the Group Registered Providers. The A2Dominion Group has been assigned a G1/V1 regulatory grading, which is the highest grading in the Regulator's scale of Governance and Viability scores based on the governance and management provided by the Guarantor.

The Guarantor therefore believes that members of the A2Dominion Group would consider that it is in their commercial interests to assist the Guarantor to meet a claim under the Guarantee so as to avoid a default occurring on the Bonds. Whilst there is technically no legal commitment by any member of the A2Dominion Group to do so, should the Guarantor default on the Bonds or become insolvent, this would trigger cross-defaults in a number of the other A2Dominion Group members' loans meaning that it is a commercial necessity for A2Dominion Group members to continue to support the Guarantor. As the board of the Guarantor acts as a common board for itself and the Group Registered Providers, the Guarantor is able to appoint and remove board members of the Group Registered Providers and is also able to appoint and remove the directors of A2Dominion Residential and A2Dominion Developments through their parent, A2Dominion Homes Limited (**A2D Homes**). In light of this, the financial viability of the A2Dominion Group as a whole and risks affecting the A2Dominion Group as a whole may affect the Guarantor's ability to fulfil its obligations under the Guarantee.

Risks affecting the whole of the A2Dominion Group

Members of the A2Dominion Group may be impacted by market and development risk in relation to residential properties: Residential property investment is subject to varying degrees of market and development risks. Market risks which may impact upon both the rental market and the development of residential properties include the economic environment, the risk of changes to Government regulation, including, but not limited to, regulation relating to planning, taxation, landlords and tenants and welfare benefits which could affect positively and negatively tenant trends in the United Kingdom. Furthermore, the maintenance of existing properties, development of existing sites and acquisition of additional sites may be subject to economic and political conditions, the availability of finance facilities and the costs of facilities where interest rates and inflation may also have an effect.

Among other things, these market risks may impact upon the expenses incurred by members of the A2Dominion Group associated with existing residential properties, rental income produced by these properties, the value of their existing investments, their ability to develop land that they have acquired, fluctuations in the cost of developing property and also associated services and new materials, their ability to sell properties and their ability to acquire additional sites.

These factors could, in turn, impact upon the A2Dominion Group's cash flow and the ability of members of the A2Dominion Group to meet their payment obligations in a timely manner or to satisfy any payment obligations or covenants which they are required to maintain pursuant to the terms of any financing arrangements. In turn, in respect of the members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or to whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively. However, as the A2Dominion Group operates in London and the south east of England, areas of high property value and market value and there is strong demand for housing, the A2Dominion Group does not consider market and development risk to be as significant as for Registered Providers in other areas of the country.

Rent and levels of demand for private rented properties may fluctuate and impact on the income of the A2Dominion Group: It is intended that a significant proportion of the net proceeds of the issue of the Bonds may be applied directly or indirectly to entities within the A2Dominion Group that are not Registered Providers and which engage in the acquisition and management of homes in the private rental sector. The risk profile of private market renting of housing is different to the risk profile of social housing activities. The entities receive rental income, the level of which may fluctuate in line with amounts attainable in the open market. The level of occupancy of property for market rent also depends on the level of demand in the market. These market forces in turn are influenced by political and general economic factors.

Private market renting could have an adverse impact on the cashflows of members of the A2Dominion Group which could affect their ability to meet their payment obligations on a timely basis and their other financing arrangements. In turn, in respect of the members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or to whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively.

However, private market renting activity only accounts for a relatively small element of the activities of the A2Dominion Group as a whole. Currently, just over 500 units in the A2Dominion Group are let at market rent, out of an overall property portfolio of over 34,800 units.

The A2Dominion Group is exposed to risks in relation to outright sales: A significant portion of income of the A2Dominion Group is derived from the development and sale of housing. Delays in planned sales would delay sales receipts. This could, in turn, impact upon the A2Dominion Group's cash flow and the ability of members of the A2Dominion Group to comply with their payment obligations and/or to satisfy any covenants which they are required to maintain pursuant to the terms of any financing arrangements. In turn, in respect of the members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or to whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively. As the A2Dominion Group operates in London and the south east of England, areas of high property value and market value and there is strong demand for housing, the A2Dominion Group does not consider market and development risk to be as significant as for Registered Providers in other areas of England.

Significant falls in sales values caused through a deterioration in the housing market could cause schemes to become loss making. This could, in turn, impact upon the A2Dominion Group's cashflow and the ability of members of the A2Dominion Group to comply with their payment obligations and/or to satisfy any covenants which they are required to maintain pursuant to the terms of any financing arrangements. As the A2Dominion Group operates in London and the south east of England, areas of high property value and market value and there is strong demand for housing, the A2Dominion Group does not consider market and development risk to be as significant as for Registered Providers in other areas of England.

The A2Dominion Group participates in a number of joint ventures, the profitability of which depends on their activities: As noted on page 62 of this Prospectus, the A2Dominion Group has participated in a number of joint ventures engaged in a variety of activities including estate regeneration, repairs services, development for market sale and rent and refurbishment and letting of garages. There is the risk that a joint venture might fail to deliver returns because of financial difficulty or insolvency of the other member(s) of the joint venture or the A2Dominion Group could be required to take over the joint venture in its entirety in such circumstances. In addition, the returns which the A2Dominion Group receives from these joint ventures are influenced by the profitability of the activities of the joint venture entities. This in turn is affected by market, economic and political factors.

Materially lower than expected returns from joint ventures could have an adverse impact on cashflows of certain members of the A2Dominion Group which in turn could affect their ability to meet their payment obligations on a timely basis under their other financing arrangements. In turn, in respect of the members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or to whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively.

Members of the A2Dominion Group are regulated by the Regulation Committee of the Homes and Communities Agency (the HCA) and may be impacted by regulatory changes: The Localism Act significantly amends parts of the Housing and Regeneration Act 2008 which established the objectives and certain powers of the Regulation Committee of the Homes and Communities Agency (the **Regulator**). The provisions of the Localism Act that make these changes are now largely in force as of 1st April, 2012.

Pursuant to the Localism Act, responsibility for social housing regulation passed from the Tenant Services Authority to the HCA Regulation Committee. The new regulatory framework, "The regulatory framework for social housing in England from April 2012" came into force on 1st April, 2012 and revisions were made to the previous regime in order to meet the revised statutory requirements, the powers the Government has given to the Regulator in the Localism Act and directions that the Government has issued or intends to issue to the Regulator. The framework sets out the regulatory standards applying to all registered private and local authority providers from 1st April, 2012, including those within the A2Dominion Group. The standards are similar to those under the previous regime but they are now classified as either "standards relating to economic matters" or "standards relating to consumer matters".

Standards relating to economic matters apply to the A2Dominion Group and the board of the Guarantor (the **Group Board**) is responsible for ensuring that the A2Dominion Group meets the economic standards. These standards cover governance and viability, rent and value for money (which places an increased onus on the Group Board to develop and deliver a clear strategy to drive value for money improvements). The Regulator has a proactive role in relation to economic standards and will engage with providers to obtain assurance that they are being met. Regulation is carried out in a risk-based and proportionate way and the Regulator has a new statutory duty to minimise interference.

Standards relating to consumer matters apply to the A2Dominion Group and the Group Board is responsible for ensuring that the A2Dominion Group meets the consumer standards. These standards cover tenant involvement and empowerment (which has a greater focus on local mechanisms to resolve complaints and disputes, and an increased scope for tenant involvement in repairs and maintenance), home standard (i.e. quality of accommodation, repairs and maintenance), tenancy standard (reflecting changes in Government policy, allowing different lengths of tenancy and setting out expectations to promote mutual exchange arrangements) and the neighbourhood and community standard. The Regulator's role is limited to setting the consumer standards and intervening only where the standard has failed and there are reasonable grounds to suspect that the failure has resulted in serious harm or could lead to the risk of serious harm to tenants (the 'serious detriment test').

In setting all standards, the Regulator must have regard to the desirability of Registered Providers being free to choose how to provide services and conduct business. Standards are to be set largely with a focus on outcomes, avoiding detailed prescription where possible. If the A2Dominion Group is in breach of the standards set by the Regulator, the Regulator has the power to take action. These powers range from directing the A2Dominion Group to review its governance arrangements to appointing new board members and/or a manager or requiring the transfer of all the rights and obligations of the A2Dominion Group entities to another Registered Provider. The risk to investors is that the Regulator may not be as aware of the risks faced by the A2Dominion Group as previously. However, the A2Dominion Group has more flexibility to manage its business in the way that suits it best than under the previous regime and has a sound system of internal control to manage those risks, which has at its core, governance. The Regulator recently assessed the A2Dominion Group as amongst those Registered Providers with the highest rating for governance.

The Regulator also launched a discussion paper entitled "Protecting Social Housing Assets in a more Diverse Sector" on 9th April, 2013 as part of a consultation with the social housing sector and stakeholders as to proposed changes to the regulatory framework. The paper discussed the risks associated with diversification of activities and commercial activities being undertaken by Registered Providers, the need to protect social housing assets and their embedded public value being used for public benefit. Consultation on the discussion paper was open until 4th June, 2013 and a summary of responses received was published in October 2013.

The Regulator is continuing to work with key stakeholders to continue to develop policy and practicalities on how the Regulatory Framework is amended. A formal statutory consultation entitled "Consultation on Changes to the Regulatory Framework" was launched on 27th May, 2014 which sets out a range of proposals designed to ensure Registered Providers are managing the risks to their social housing assets (the **HCA Statutory Consultation**). These proposals were: changes to the Governance and Viability standards against which Registered Providers are assessed to focus on risk management and risk mitigation; introducing a new code of practice; and requiring the Regulator's consent for transferring assets between the not-for-profit and for-profit sectors. The current consultation closed on 19th August, 2014 and the publication of responses is anticipated in the next few months following such date.

There has been no indication from the Regulator as to when any changes to the regulatory framework are likely to become effective, what the changes are likely to be and whether they will apply to the A2Dominion Group. Therefore, it is not possible at this stage to assess how changes to the regulatory framework will impact on the A2Dominion Group.

The A2Dominion Group may be unable to continue to rely on existing sources of financing: To increase funds available and ensure the A2Dominion Group has sufficient funds on a day to day basis, the A2Dominion Group currently relies on financing through secured loan facilities. However, the A2Dominion Group could find itself unable to access sources of financing if bank or building society lines become unavailable to the A2Dominion Group (for example, if banks and building societies are unable to provide new facilities, or extend existing facilities, or are unable to meet commitments to provide funds under existing loan facilities) or if a reduction in the A2Dominion Group's credit rating makes the cost of accessing the public and private debt markets prohibitive. However, the A2Dominion Group has obtained funding from a wide range of banks as well as through the public debt markets, including a retail bond issue in October 2013, in order to mitigate this risk as much as possible.

The A2Dominion Group is also subject to interest rate risk in respect of its variable rate borrowing although the A2Dominion Group's treasury management strategy seeks to reduce interest rate risk volatility and uncertainty by allowing for a balance of fixed and variable rate interest rate debt. The risk of interest rate increases is, in certain instances, reduced through entering into fixed rate interest arrangements. Some of these arrangements are secured by property security. A reduction in rates can result in an obligation to provide cash and/or further property security which may need to be satisfied in a short timescale.

Any upwards movements in interest rates could impact upon the A2Dominion Group's cash flow and the ability of members of the A2Dominion Group to comply with their payment obligations and/or to satisfy any agreed performance levels (often referred to as covenants) which they are required to maintain pursuant to the terms of any financing arrangements. In turn, in respect of the members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or to whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively. As at March 2014, approximately 95% of the A2Dominion Group's borrowings were fixed rate debt and therefore upward movements in interest rates in the future would have a limited impact on cashflows of the A2Dominion Group.

The A2Dominion Group participates in a number of pension schemes which are in deficit and it may be required to contribute to other pension schemes to which it is connected or associated with:

The A2Dominion Group participates in the following final salary pension schemes:

- The Local Government Pension Scheme administered by Oxfordshire County Council, the Oxfordshire County Council Pension Fund (**OCCPF LGPS**);

- The Local Government Pension Scheme administered by Surrey County Council, the Surrey County Council Pension Fund (**SCCPF LGPS**); and

- The Social Housing Pension Scheme administered by the Pensions Trust (**SHPS**).

<u>OCCPF</u>

The FRS17 Valuation Report for the year ending 31st March, 2014 for A2Dominion Homes produced by the Scheme Actuary, applying the assumptions used by the Scheme Actuary, shows that the cumulative amount of actuarial gains and losses recognised in the statement of total recognised surpluses and deficits is a net liability of £2,353,000 and, as such, full provision for this liability has been made within the audited accounts.

<u>SCCPF</u>

As at March 2014, the A2Dominion Group had 3 active, 8 deferred and 19 pensioner members in the SCCPF.

The FRS17 Valuation Report for the year ending 31st March, 2014 for the A2Dominion Group produced by the Scheme Actuary, applying the assumptions used by the Scheme Actuary, shows that the cumulative amount of actuarial gains and losses recognised in the statement of total recognised surpluses and deficits is a net liability of £2,274,000 and as such, full provision for this liability has been made within the audited accounts.

<u>SHPS</u>

The valuation results at 30th September, 2011 were completed in 2012. The market value of the scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million equivalent to a past service funding level of 67%.

Following the 2011 Valuation SHPS has implemented a new Recovery Plan. This new Recovery Plan is on a "share of liabilities" basis and will cover a 15 year period from the 30th September, 2011 valuation date.

Under the Recovery Plan, in addition to employer contributions to fund future service, from 1st April, 2014 the A2Dominion Group has paid an annual deficit contribution of £1,549,473 in monthly instalments of £129,122.80.

The total employer contributions (in respect of the defined benefits structure only) that the A2Dominion Group made to SHPS during the financial year ended 31st March, 2014 were £2,320,952. This figure includes the deficit contributions payable during this period.

<u>General points</u>

There may be certain circumstances in which the sponsoring employers of the pension arrangements listed above are required to make good the funding deficit in short order. Certain forms of restructuring of the A2Dominion Group may result in circumstances in which a funding deficit has to be met. For example, a transfer of engagements or a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) could trigger a net pension liability. However, the A2Dominion Group always carefully considers the pension implications of restructuring proposals and wherever possible ensures that such restructurings are organised to avoid pension liabilities crystallising.

There is also a risk that the A2Dominion Group could be required to contribute to pension schemes on the basis that they are parties "connected to" or "associated with" the relevant employers, whether or not they themselves are classified as "employers".

The regulator of pensions (known as the Pensions Regulator) may require certain parties to make contributions to certain pension schemes that have a deficit. A financial support direction could be served on the relevant member of the A2Dominion Group if the relevant member of the A2Dominion Group is connected to/associated with a defined benefit scheme (which could include SHPS) which is insufficiently resourced.

If a contribution notice or financial support direction were to be served on the relevant member of the A2Dominion Group, this could have an adverse impact on the cashflows of the certain members of A2Dominion Group. If the amount payable under a contribution notice or support direction was material, this could adversely affect their ability to meet their payment obligations on a timely basis under their financing arrangements. In turn, in respect of the members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or to whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively.

Factors which may affect the ability of Group Registered Providers to fulfil their obligations generally

The Group Registered Providers are, in part, dependent on housing grant and there is a risk that the amount of grant funding available may vary: The A2Dominion Group receives grant funding from a variety of sources, including the HCA, the government housing and regeneration agency that provides funding for affordable housing development in England. Due to the nature of grant funding, there is a risk that the amount of funding available and the terms of grants will vary. Following approval of a grant there is a risk that the HCA may revise the terms of a grant and reduce entitlement, suspend or cancel any instalment of such a grant. In certain circumstances, including but not limited to, failure to comply with conditions associated with the grant or a disposal of the property funded by a grant, change of use or insolvency, the grant may be required to be repaid or reused. Any such reduction in, withdrawal of, repayment or re-use of grant funding could adversely impact the future development plans of the A2Dominion Group.

Since 2005, bids for social housing grants to supply new affordable housing have been accepted from unregistered bodies in addition to Registered Providers. This includes private developers and arm's length management organisations established by local authorities. One of the aims of the measure was to increase competition. In September 2008, as part of a package of measures announced to stimulate the housing market and deliver new social housing, the previous Government announced that local authorities who directly manage houses will also be invited to bid for grants.

In 2010 the Government announced a new funding framework: the 2011-2015 Affordable Homes Programme (the **Framework**). The Framework largely replaced the previous social housing grant programme, although outstanding grants agreed under the previous arrangements will be paid to Registered Providers. The Framework is designed to offer more flexibility to registered housing providers, enabling them to use existing assets to support new development programmes, and to offer a wider range of housing options to people accessing social housing.

Under the Framework, the level of Government grant has been reduced significantly. To compensate for this, Registered Providers are able to charge rents, known as Affordable Rents, which are capped at 80% of market rents and, as such, are generally higher than existing target social housing rents. This additional rental income can be used to service additional funding requirements as a result of the reduced grant levels. The consequence of this for Registered Providers is an increase in debt and gearing levels, the scale of which varies depending on the areas of operation.

It is the A2Dominion Group's development strategy to develop 900 units in 2014, 1,200 in 2015 and up to 1,500 units per annum from 2016 onwards. The development strategy aims to result in reduced reliance by the A2Dominion Group on HCA grant. To achieve this, the A2Dominion Group has a large on-going development programme, which includes homes for rent, shared ownership, market rent and outright sale. Under the Framework, the A2Dominion Group has received a grant allocation of £13.94 million for the delivery of 344 rented and 144 shared ownership properties in Greater London and the south east of England. The A2Dominion Group also has a significant number of developments in progress which were grant funded under the previous capital funding programme.

As at 31st March, 2014, the A2Dominion Group had entered into building contracts for the construction of 1,489 properties, which are scheduled to be completed over the next 4 years. The approved grant allocation for these developments is £36 million, of which £17 million has already been received.

In addition, the board of management of the Guarantor has approved expenditure of £646.7 million for the development of a further 3,152 properties over the next 5 years, although contracts are not yet in place for these development schemes. The A2Dominion Group has been allocated £7.8 million of grant on 290 of these properties under the 2015/18 Affordable Housing Programme.

The reduced amount of grant available means that Group Registered Providers have an increased exposure to rental income and housing benefit risk which could affect their ability to meet their payment obligations on a timely basis under their other financing arrangements. In turn, in respect of members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively.

The ability of Group Registered Providers to increase rents may be impacted by Government policy on regulated rents: The framework for regulated rents which Registered Providers are able to charge is set by the Government. For the last 11 years this has been linked to inflation using the Retail Price Index (**RPI**) and annual rent increases have been limited to RPI plus 0.5% based on RPI published in September of the previous year. In addition, there are rent caps which limit the amount of rent that can be charged on a property in a specific location, which are also linked to RPI.

In 2011 the Chancellor confirmed that housing benefit would be adjusted upwards in line with the Consumer Price Index (**CPI**), rather than RPI, from the financial year 2013-2014. On 26th June, 2013, the Chancellor announced that rent settlement for social housing will be CPI plus 1% for 10 years from 2015.

Both RPI and CPI measure inflation by measuring the changes in the cost of buying a "basket" of products and services within the United Kingdom. The prices are then checked for increases. RPI, however, does not cover all of the same items as CPI. For example, CPI includes items such as charges for financial services which the RPI does not include. Likewise, the CPI does not include charges for mortgage interest payments and other costs.

The CPI is typically lower than RPI, for example in the case of council tax payments. The decision to increase benefits in accordance with CPI may therefore increase the risk of rent shortfalls occurring.

The move to CPI (which is typically lower than RPI) plus 1% could have an adverse impact on the amount by which the A2Dominion Group is able to increase rents (when compared to RPI linked increases) and could have an adverse impact on the cashflows of the A2Dominion Group. This may impact on the Group Registered Providers' ability to meet their payment obligations under their financing arrangements. This in turn, in respect of members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or whom the Guarantor is depending upon for contributions, could adversely affect the ability of the Issuer to meet its payment obligations under the Bonds. There would also be a risk that the A2Dominion Group's costs could increase at a higher rate than the A2Dominion Group could increase its revenue.

The A2Dominion Group will apply future rent increases, or decreases in the case of negative RPI or CPI, in accordance with the Government regulated rent regimes (if any) in place at that time. The former regime for regulated rents allows for increases at RPI plus 0.5%. The Group Registered Providers' regulated rental income sensitivity to a 1% increase or decrease in CPI is circa £1,917,000 per annum based on its current year's rental income, which the Group Registered Providers do not deem material to their ability to meet their obligations generally.

Some Group Registered Providers are exposed to market risks and staircasing risks in relation to their shared ownership properties: A2Dominion Homes, A2Dominion South and A2Dominion Housing Options also generate revenue from their shared ownership programme. Shared ownership programmes are exposed to market risk in relation to housing for sale, including both demand and pricing risks.

Shared ownership income is generated on the initial sale of the property (known as the "first tranche") which is sold to the "shared owner"; on subsequent sales of further "tranches" or portions of the property to the shared owner (known as "staircasings"); and in the form of subsidised rent on the part of the property which the shared owner does not own until the property is fully owned by the shared owner.

There is a risk that if a purchaser of a shared ownership property borrows monies through a mortgage from a commercial lender (having obtained consent from A2Dominion Homes, A2Dominion South or A2Dominion Housing Options) then that lender's mortgage may take priority ahead of any security arrangements that are in place. However, if that commercial lender were to enforce its security following a purchaser defaulting on its mortgage, such lender could staircase (i.e. purchase a portion of the property) up to 100% in order to be able to sell the whole leasehold interest, in which case A2Dominion Homes, A2Dominion South or A2Dominion Housing Options as landlord would receive such staircasing payments from the commercial lender. If the price for the full 100% receivable on sale is not sufficient to meet the principal outstanding (plus 12 months interest and other statutorily permitted costs) then the shortfall will remain as a debt due to the landlord from the defaulting leaseholder. Under current HCA rules, any shortfall not recovered is borne first by the provider of any grant in respect of the property, and thus A2Dominion Homes, A2Dominion South and A2Dominion Housing Options are only affected to the extent that the shortfall cannot be covered by grant monies. This only applies where shared ownership units are grant-funded. If a commercial lender did enforce its security by staircasing up to 100% and there was such a shortfall, A2Dominion Homes, A2Dominion South and A2Dominion Housing Options would no longer receive rent for their retained share of the property which could have an impact upon their respective rental income.

A material reduction in rental income could impact on the Group Registered Providers' ability to meet their payment obligations generally under their other financing arrangements. This in turn, in respect of members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or whom the Guarantor is depending upon for contributions, could adversely affect the ability of the Issuer to meet its payment obligations under the Bonds.

However, shared ownership units comprise 13.2% of the A2Dominion Group's housing stock and 11.7% of A2Dominion Group's total lettings turnover for the financial year ending 31st March, 2014. The A2Dominion Group has plans to add 560 shared ownership units being added to its housing stock over the next 5 years and is seeking opportunities to increase this by a further 500.

Rent received by Group Registered Providers may be impacted by welfare reform: A proportion of the rent received by the A2Dominion Group from its tenants is derived from housing benefit payable by local authorities. If there is a reduction or termination by the Government of housing benefit, then this may accordingly have an adverse impact on the payment of rent, as the tenants would have to pay a higher proportion of the rent themselves.

Payments of housing benefit by local authorities may also be delayed as a result of, among other things, the need to establish a new claimant's entitlement thereto. The receipt of rental payments by the Group Registered Providers, as landlords, may be delayed by the failure of the claimant to regularly pay rent which is due in addition to the housing benefit and/or, in circumstances where the housing benefit is not paid direct to the landlord, a failure to pass on the housing benefit payments to the landlord.

The Welfare Reform Act 2012, which received royal assent on 8th March, 2012, sets out significant changes in the provision of welfare benefits. The Act provides for the introduction of a number of reforms including a total household benefit cap, which has been set at £26,000 per household per year, new size criteria for those in receipt of housing benefit, which sees a reduction in the amount of housing benefit (or the housing credit which will replace it) received by those who are under occupying, and the introduction of Universal Credit. Caps have already been introduced to the Local Housing Allowance, which applies to those living in the private rented sector.

For those in social housing, the benefit cap has been implemented nationally from July 2013 and was fully implemented by the end of September 2013. Prior to this, the benefits cap was trialled in the London Boroughs of Bromley, Croydon, Haringey and Enfield from April 2013. As a result, 42,200 households had their benefits capped by March 2014. It is anticipated that a review of the cap will be published in autumn 2014. Registered Providers are anticipating that in practice, local authorities may not pay out benefit above the level of the caps and are setting their Affordable Rent accordingly.

The under-occupation penalty (bedroom tax) was brought into force from April 2013. Some Registered Providers are already reporting that arrears are slowly creeping up, as those tenants who are unable or unwilling to move to a smaller property are struggling to pay the extra rent that they are now liable for. This may ultimately lead to increased costs in terms of income collection and court action being taken by Registered Providers.

Universal Credit has been phased in since October 2013 and is expected to be completed in 2017. Universal Credit is a single means-tested benefit paid to those of working age (in and out of work) which includes an amount in respect of housing costs which will replace housing benefit. At present housing benefit is often paid directly to Registered Providers and it has been acknowledged by the Government that some households may go into rent arrears as a consequence of the introduction of Universal Credit and the related plans to introduce direct payment of housing benefit to claimants as the default position.

In order to allay the fears of Registered Providers and their lenders, the Department of Work and Pensions (the **DWP**) has agreed to safeguard landlords' income by putting in place protection mechanisms to allow for the payment of rent direct to landlords if tenants are vulnerable or fall into arrears of rent. The DWP has announced that when arrears reach the equivalent of two months (the trigger), direct payments to the tenant will be stopped and payments made to the landlord instead, and also that decisions about whether the tenants should receive direct payments will be made in collaboration with Registered Providers.

Whilst existing regulated tenancies and rent levels remain unchanged, the Localism Act which received royal assent on 15th November, 2011 introduces new tenancies that allow Registered Providers to charge intermediate rents up to a maximum of 80% of the market rent level on both newly developed stock and new lettings of a proportion of existing stock and to grant assured shorthold tenancies for a fixed term, rather than a full assured tenancy for an indefinite term. This new rent and tenancy combination is known as Affordable Rent. There is a risk that those tenants on Affordable Rent will find it harder to pay their rent and that this may have a corresponding effect on the ability of the Group Registered Providers to meet their payment obligations on a timely basis. The use of assured shorthold tenancies is also likely to increase the turnover of tenants and, as rent is re-set at the start of each assured shorthold tenancy, the Group Registered Providers are exposed to any reduction in the market rental value and, thereby, in the affordable rent which can be charged.

Non-payment or delays in payment of material amounts of rent could adversely impact the cashflows of the Group Registered Providers which could affect their ability to meet their payment obligations under their other financing arrangements. In turn, in respect of members of the A2Dominion Group to whom issue proceeds of the Bonds have been lent or whom the Guarantor is depending upon for contributions, this could have an adverse impact on the ability of the Issuer and the Guarantor to comply with its obligations under the Bonds and the Guarantee, respectively.

The A2Dominion Group set up a Welfare Reform Project Group in July 2012 to assess and mitigate the impact of the Welfare Reform Act changes on the A2Dominion Group. The key responsibilities of the Welfare Reform Project Group are to:

- identify areas of risk to the A2Dominion Group and the quantum of potential bad debts;
- review changes in rent payments to the A2Dominion Group as a result of direct payments being made to tenants;
- identify required changes the A2Dominion Group's Finance and IT processes and resources; and
- manage staff and tenants in implementing any proposed changes.

As a result of the work carried out by the Welfare Reform Project Group, the A2Dominion Group has been able to maintain its general needs rent arrears at 4.14% (March 2014), as well as reducing the number of under occupied units from 1,322 to 1,000. The Welfare Reform Project Group is also exploring the financial effects of the potential increased rental arrears and the cost of investment into administrative resources and advice to tenants. As at March 2014, 78% of the A2Dominion Group's tenants already have a direct paying relationship with the A2Dominion Group and 56% of the A2Dominion Group's rental income is already paid directly by tenants.

Operational risks could result in financial loss to the A2Dominion Group: Operational risks may result from major systems failure or breaches in systems security (although the A2Dominion Group has prepared business continuity plans in order to mitigate against this, they are dependent upon its technology in order to deliver business processes) and the consequences of theft, fraud, health and safety and environmental issues, natural disaster and acts of terrorism. These events could result in financial loss to the A2Dominion Group and therefore impact on the payments the Guarantor's subsidiaries make to the Guarantor.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as an entity with securities admitted to the Official List.

Factors which are material for the purpose of assessing the market risks associated with the Bonds

Risks related to the Bonds

The Bonds are not protected by the Financial Services Compensation Scheme (FSCS): Unlike a bank deposit, the Bonds are not protected by the FSCS. As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer and the Guarantor to pay amounts owing under the Bonds. If the Issuer and the Guarantor go out of business or become insolvent, the Bondholders may lose all or part of their investment in the Bonds.

The value of the Bonds could be adversely affected by a change in English law: The structure of the issue of the Bonds is based on English law, regulatory and administrative practice in effect as at the date of this Prospectus, and has due regard to the expected tax treatment of all relevant entities under United Kingdom tax law and the published practice of HM Revenue & Customs in force or applied in the United Kingdom as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the United Kingdom, or to United Kingdom tax law, or the interpretation or administration thereof, or to the published practice of HM Revenue & Customs as applied in the United Kingdom after the date of this Prospectus.

Risk of early repayment: In the event that a change in law relating to taxation results in the Issuer becoming obliged to withhold or deduct tax in respect of amounts payable under the Bonds pursuant to Condition 8 (i.e. on account of tax) and the Issuer does not opt to pay additional amounts in respect of such withholding or deduction, the Issuer shall repay outstanding amounts under the Bonds early pursuant to Condition 7.2.

In addition, the Bonds may be repaid early, at any time, if the Issuer chooses to do so pursuant to Condition 7.3, 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.

Upon repayment of the Bonds, if you chose to reinvest the repayment proceeds from the Bonds, you may not be able to reinvest those proceeds at an effective interest rate as high as the interest rate on the Bonds being repaid and may only be able to do so at a significantly lower rate. At the time you invest in the Bonds, you should consider this reinvestment risk in light of other investments available at that time.

The Terms and Conditions of the Bonds contain provisions which may permit their modification, waiver and substitution without the consent of all Bondholders: The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit majorities of certain sizes to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a different manner than the majority did.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to: (a) any modification of any of the provisions of the trust deed constituting the Bonds (which includes the Guarantee) dated 30th September, 2014 (the **Trust Deed**) that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven; (b) any other modification of, and any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Trust Deed if, in the opinion of the Trustee such modification is not materially prejudicial to the interests of the Bondholders; or (c) the substitution of the Guarantor or a subsidiary of the Guarantor as principal debtor under the Bonds in place of the Issuer, in the circumstances described in Condition 14 and subject to the satisfaction of certain conditions.

The EU Directive on the taxation of savings income may result in the imposition of withholding taxes in certain jurisdictions: Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**) Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24th March, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1st January, 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

Holding CREST depository interests: You may hold the Bonds through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) (**CREST**). CREST allows bondholders to hold bonds in a dematerialised form, rather than holding physical bonds. Instead of issuing physical bonds, CREST issues what are known as depositary interests which are held and transferred through CREST (**CDIs**), representing the interests in the relevant Bonds underlying the CDIs (the **Underlying Bonds**). Holders of CDIs (the **CDI Holders**) will not be the legal owners of the Underlying Bonds. The rights of CDI Holders to the Underlying Bonds are represented by the relevant entitlements against CREST Depository Limited (the **CREST Depository**) through which CREST International Nominees Limited (the **CREST Nominee**) holds interests in the Underlying Bonds. Accordingly, rights under the Underlying Bonds cannot be enforced by CDI Holders directly against the Issuer; instead they must be enforced through CREST. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Bonds in the event of any insolvency or liquidation of any of CREST, in particular where the Underlying Bonds held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of CREST.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer, including the global deed poll dated 25th June, 2001 (as subsequently modified, supplemented and/or restated) (**CREST Deed Poll**). You should note that the provisions of the CREST Deed Poll, the CREST International Manual dated 14th April, 2008 as amended, modified, varied or supplemented from time to time (the **CREST Manual**) and the CREST Rules contained in the CREST Manual applicable to the CREST International Settlement Links Service (the **CREST Rules**) contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Bonds which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service (the **CREST International Settlement Links Service**). These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Bonds through the CREST International Settlement Links Service.

You should note that none of the Issuer, the Joint Lead Managers, the Trustee or the Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

There may not be a liquid secondary market for the Bonds and their market price may be volatile: The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, neither the Joint Lead Managers nor any other person is under an obligation to maintain such a market for the life of the Bonds and the market may not be liquid. Therefore, you may not be able to sell your Bonds easily or at prices that will provide you with a then current yield comparable to similar investments that have a developed secondary (i.e. after the Issue Date) market. The Bonds are sensitive to interest rate, currency or market risks and are designed to meet the investment requirements of limited categories of investors. For these reasons, the Bonds generally will have a limited secondary market. This lack of liquidity may have a severely adverse effect on the market value of Bonds.

The Joint Lead Managers are expected to be appointed as registered market-makers on the Order for Retail Bonds in respect of the Bonds from the date of admission of the Bonds to trading. Market-making means that a person will quote prices for buying and selling the Bonds during trading hours. However, the Joint Lead Managers may not continue to act as market-makers for the life of the Bonds. If a replacement market-maker was not appointed in such circumstances, this could have an adverse impact on your ability to sell the Bonds.

Global economic disruption: In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue to an extent at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. The Issuer cannot predict when these circumstances will change and, if and when they do, whether conditions of general market illiquidity for the Bonds and instruments similar to the Bonds will be available in the future.

Legal investment considerations may restrict certain investments: The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Bonds are legal investments for it. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

A credit rating is only an opinion and is subject to change: One or more independent credit rating agencies may assign credit ratings to the A2Dominion Group or the Bonds. The ratings may not reflect the potential impact of all risks related to the structure, market and other factors which may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the assigning rating agency at any time.

In particular, on 30th May, 2013, Fitch issued a press release revising the outlooks of two Registered Providers from stable to negative. However, it kept their rating unchanged. Fitch also revised the outlook of the sector to negative while it assesses the sector's risk factors relating to regulation, direct payment and increased development activities and gearing. On 14th July, 2014, Fitch issued a further press release updating the market on its assessment, stating that they will review the sector's outlook before the end of 2014. The outcome may place the sector on stable outlook or may lower the rating of certain housing associations, depending on Fitch's assessment of the sector's risk factors. Fitch also identified positive developments in the sector including: the HCA Statutory Consultation; the improved performance of individual Registered Providers rated by Fitch; the outcome of the merger between Cosmopolitan Housing Group and Sanctuary Housing Group; and that the sector as a whole remains financially robust. As with any rated entity, the rating of the A2Dominion Group (and, accordingly, the rating of the Bonds) may be susceptible to further adjustments (whether upward or downward) and, in particular, any adjustments which may be made as a result of a rating agency's methodology as applied to the A2Dominion Group.

Yield: The indication of yield (i.e. the income return on the Bonds) stated within this Prospectus (see Section 4 (*Information about the Bonds – What is the yield on the Bonds?*)) applies only to investments made at (as opposed to above or below) the issue price of the Bonds. If you invest in the Bonds at a price other than the issue price of the Bonds, the yield on the investment will be different from the indication of yield on the Bonds as set out in this Prospectus.

Realisation from sale of the Bonds may be less than your original investments: If you choose to sell the Bonds at any time prior to their maturity, the price received from such sale could be less than the original investment you made. Factors that will influence the price may include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and the current financial position and an assessment of the future prospects of the Issuer and the Guarantor.

Exchange rate fluctuations and exchange controls may adversely affect your return on your investments in the Bonds and/or the market value of the Bonds: The Issuer will pay principal and interest on the Bonds in Sterling. This presents certain risks relating to currency conversions if your financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease: (a) the Investor's Currency-equivalent yield on the Bonds; (b) the Investor's Currency equivalent value of the principal payable on the Bonds; and (c) the Investor's Currency equivalent market value of the Bonds.

Changes in interest or inflation rates may adversely affect the value of the Bonds: The Bonds bear interest at a fixed rate rather than by reference to an underlying index. Accordingly, you should note that if interest rates rise, then the income payable on the Bonds might become less attractive and the price that you could realise on a sale of the Bonds may fall. However, the market price of the Bonds from time to time has no effect on the total income you receive on maturity of the Bonds if you hold the Bonds until the Maturity Date. Further, inflation will reduce the real value of the Bonds over time, which may affect what you could buy with your investment in the future and may make the fixed rate payable on the Bonds less attractive in the future, again affecting the price that you could realise on a sale of the Bonds.

The clearing systems: Because the Global Bond may be held by or on behalf of Euroclear and Clearstream, Luxembourg, you will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Bonds will be represented by the Global Bond. Such Global Bond may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Bond, you will not be entitled to receive Definitive Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Bond. While the Bonds are represented by the Global Bond, you will be able to trade your interests only through Euroclear or Clearstream, Luxembourg.

While the Bonds are represented by the Global Bond, the Issuer will discharge its payment obligations under such Bonds by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in the Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Bond.

Holders of interests in the Global Bond will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg.

3. DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENTS INCORPORATED BY REFERENCE

The consolidated audited financial statements, and the reports of the auditors, of the Guarantor for the financial year ended 31st March, 2013, which have been previously published and have been filed with the Financial Conduct Authority, shall be incorporated in, and form part of, this Prospectus.

Such document shall be incorporated in, and form part of this Prospectus, save that any statement contained in such document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Where the document incorporated by reference itself incorporates information by reference, such information does not form part of this Prospectus.

Any reference in this Prospectus to a website is a textual reference for information only and no part or content of any such website does or will form part of this Prospectus.

Copies of the document incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer or on the Guarantor's website at www.a2dominion.co.uk/accounts.

4. INFORMATION ABOUT THE BONDS

INFORMATION ABOUT THE BONDS

The following is an overview of the key terms of the Bonds.

The full Terms and Conditions of the Bonds are contained in Appendix 2. It is important that you read the entirety of this Prospectus, including the Terms and Conditions of the Bonds, before deciding to invest in the Bonds. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest.

		Refer to
What are the Bonds?	The Bonds are debt instruments issued by the Issuer and guaranteed by the Guarantor. The Bonds will be subject to the "Terms and Conditions of the Bonds" which are set out in Appendix 2. The **Bonds**: (a) entitle Bondholders to receive semi-annual interest payments at a fixed interest rate of 4.50% per annum; (b) have a principal amount of £100 per Bond; (c) must be paid back in full on 30th September, 2026 (the **Maturity Date**); (d) in certain circumstances however, may be repaid prior to the Maturity Date if the Issuer chooses to do so; (e) are not secured by the Issuer's or the Guarantor's assets; and (f) are intended to be admitted to trading on the London Stock Exchange, through its order book for retail bonds.	Appendix 2 (*Terms and Conditions of the Bonds*)
Who is issuing the Bonds?	The Bonds will be issued by A2D Funding II plc (the **Issuer**).	Section 7 (*Description of the Issuer*)
Who is guaranteeing the Bonds?	The obligation of the Issuer to pay interest and principal in respect of the Bonds is guaranteed by A2Dominion Housing Group Limited (the **Guarantor**).	Section 8 (*Description of the Guarantor and the A2Dominion Group*)
What is the relationship between the Issuer, the Guarantor and the A2Dominion Group?	The Issuer is a special purpose company established to raise money for use by the Guarantor and its subsidiaries (the **A2Dominion Group**). It is not a member of the A2Dominion Group. The Guarantor is a holding company. It is the parent of the A2Dominion Group.	Sections 7 (*Description of the Issuer*) and 8 (*Description of the Guarantor and the A2Dominion Group*)

Why are the Bonds being issued? What will the proceeds be used for?	The offer of the Bonds is being made in order to raise funding for the A2Dominion Group to be applied for its general corporate purposes. The proceeds from the issue of the Bonds (after deduction of expenses incurred in connection with the issue) will be advanced by the Issuer to one or more members of the A2Dominion Group.	Section 8 (*Description of the Guarantor and the A2Dominion Group*)
Will I be able to trade the Bonds?	The Issuer will make an application for the Bonds to be admitted to trading on the London Stock Exchange plc, on its regulated market and through its electronic order book for retail bonds (the **ORB**). If this application is accepted, the Bonds are expected to commence trading on 30th September, 2014. Once admitted to trading, the Bonds may be purchased or sold through a broker. The market price of the Bonds may be higher or lower than their issue price depending on, among other things, the level of supply and demand for the Bonds, movements in interest rates and the financial performance of the Issuer, the Guarantor and the A2Dominion Group. See Section 2 (*Risk Factors – Risks related to the market generally – There may not be a liquid secondary market for the Bonds and their market price may be volatile*).	Section 11 (*Additional Information – Listing and admission to trading of the Bonds*)
How will interest payments on the Bonds be funded?	The Issuer will receive interest on the loans made to the members of the A2Dominion Group to whom it has advanced the proceeds from the issue of the Bonds. The Issuer will use this to pay interest payments in respect of the Bonds.	Section 8 (*Description of the Guarantor and the A2Dominion Group*)
What is the interest rate?	The interest rate payable on the Bonds will be fixed until the Maturity Date at 4.50% per year.	Appendix 2 (*Terms and Conditions of the Bonds – Condition 5*)
Can the interest rate change?	No, the interest rate payable on the Bonds is fixed for the life of the Bonds.	Appendix 2 (*Terms and Conditions of the Bonds – Condition 5 (Interest)*)
When will interest payments be made?	The first payment of interest in relation to the Bonds is due to be made on 30th March, 2015. Following the first payment, interest is expected to be paid on 30th March and 30th September in each year up to and including the date the Bonds are repaid.	Appendix 2 (*Terms and Conditions of the Bonds – Condition 5 (Interest)*)
How is the amount of interest payable calculated?	The Issuer will pay a fixed rate of 4.50% interest per year in respect of the Bonds. Interest will be payable in two semi-annual instalments. Therefore, for each £100 principal amount of Bonds that you buy on 30th	Appendix 2 (*Terms and Conditions of the Bonds – Condition 5 (Interest)*)

	September, 2014, for instance, you will receive £2.25 on 30th March, 2015 and £2.25 on 30th September, 2015, and so on every six months until and including the Maturity Date (unless you sell the Bonds or they are repaid by the Issuer before the Maturity Date).	
What is the yield on the Bonds?	On the basis of the issue price of the Bonds being 100% of their principal amount, the initial yield (being the interest received from the Bonds expressed as a percentage of their principal amount) of the Bonds on the Issue Date is 4.50% on an annual basis. This initial yield is not an indication of future yield.	N/A
What will Bondholders receive in a winding up of the Issuer and the Guarantor?	The Issuer is not permitted to carry on any business or enter into any documents except as set out in Condition 4.1 (*General Covenants of the Issuer*). As a result, it has no assets other than its right to repayment of the loans it will make to members of the A2Dominion Group. Therefore, in order to pay interest and principal on the Bonds, the Issuer is dependent upon members of the A2Dominion Group paying interest and principal on a timely basis under the loans advanced to them by the Issuer or, if they fail to do so, the Guarantor fulfilling its obligation to guarantee the payment of interest and principal in respect of the Bonds. In the event of a default by any member of the A2Dominion Group to whom the Issuer has on-lent all or part of the issue proceeds from the Bonds, the Issuer will have a claim as an unsecured creditor (i.e. a creditor that does not have the benefit of any security) against such member and, in the event that it does not recover such funds from such member, Bondholders will have a claim as an unsecured creditor against the Issuer (which is not permitted to have any other material creditors). Bondholders will also have a claim as an unsecured creditor against the Guarantor under the Guarantee (as described below). A simplified diagram illustrating the expected ranking of the loans made by the Issuer to a member of A2Dominion Group if that member were to become insolvent is set out below (for the purposes of this diagram, we have assumed as an example that the member of the A2Dominion Group is A2Dominion South Limited (**A2D South**):	N/A

	Type of obligation	**Examples of A2D South's obligations /securities**
Higher Ranking	Proceeds of fixed charge assets of	E.g. Fixed charges over housing assets

<table>
<tr><td rowspan="6"></td><td></td><td>A2D South</td><td>securing loan facilities</td><td rowspan="6"></td></tr>
<tr><td></td><td>Expenses of the liquidation /administration</td><td>Currently none</td></tr>
<tr><td></td><td>Preferential creditors</td><td>Including remuneration due to the employees of A2D South</td></tr>
<tr><td></td><td>Proceeds of floating charge assets of A2D South</td><td>Currently none</td></tr>
<tr><td></td><td>Unsecured creditors</td><td>Loans made by the Issuer to A2D South out of the net proceeds of the issue of the Bonds</td></tr>
<tr><td>Lower ranking</td><td>Members</td><td>Requirement to distribute to shareholders or another charitable body in the A2Dominion Group</td></tr>
<tr><td></td><td colspan="3">The Guarantor has given an irrevocable guarantee that if the Issuer does not pay any sum payable by it under the Bonds by the time and date required by the Conditions of the Bonds (whether on the original due date, on early repayment of the Bonds or otherwise) then the Guarantor will pay that sum. You should note however, that, as a holding company, the Guarantor would be dependent on receiving monies from its operating subsidiaries in order to be able to make any required payment under the Guarantee.

If the Issuer fails to pay any amount due under the Bonds and the Guarantor is wound up, a liquidator would be expected to make distributions to the Guarantor's creditors in accordance with the order dictated by any relevant statute. Your claim as a Bondholder would be as an unsecured creditor (i.e. a creditor that does not have the benefit of any security), ranking pari passu (i.e. equally in right of payment) with all other unsecured creditors of the Guarantor, and would be expected to rank after the claims of any holders of the Guarantor's secured debt or other</td><td></td></tr>
</table>

creditors that are given preferential treatment by mandatory laws relating to creditors, but ahead of the Guarantor's members.

A simplified diagram illustrating the expected ranking of the Bonds compared to the Guarantor's other creditors is set out below.

	Type of obligation	**Examples of the Guarantor's obligations /securities**
Higher ranking	Proceeds of security assignments of the Guarantor – secured debt	Assignment by way of security over the Guarantor's rights under the loans it has advanced to other members of the A2Dominion Group
	Expenses of the liquidation /administration	Currently none
	Preferential creditors	Including remuneration due to the Guarantor's employees
	Proceeds of floating charge assets of the Guarantor	Currently none
	Unsecured creditors	**Sterling denominated 4.50% bonds due 2026 issued by A2D Funding II plc** and other unsecured obligations, such as unsecured loans from other members of the A2Dominion Group
Lower ranking	Members	Requirement to distribute to another charitable body with objects similar to the Guarantor upon winding up

Are the Bonds secured?	Neither the Issuer's or the Guarantor's obligations to pay interest and principal on the Bonds will be secured either by any of the Issuer's or any other member of the A2Dominion Group's assets or otherwise.	N/A
Do the Bonds have a credit rating?	The Bonds are expected to be rated "AA- (Outlook Negative)" by Fitch on issue. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). As such Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. The Issuer has not been assigned a credit rating by a credit rating agency.	Section 2 (*Risk Factors*)
When will the Bonds be repaid?	The Issuer must repay all the Bonds on the Maturity Date (unless repaid earlier), which is 30th September, 2026. The repayment price under such circumstances will be the principal amount of the Bonds. The Issuer may repay all or any part of the Bonds prior to the Maturity Date in certain circumstances. In the event that a change in law results in the Issuer becoming obliged to withhold or deduct amounts on account of tax, the Issuer must, unless it chooses to pay additional amounts in respect of such tax, repay the Bonds early. If the Issuer repays the Bonds under such circumstances, the repayment price will be the principal amount of the Bonds plus any accrued interest. The Issuer also has a right to redeem the Bonds early at its option at any time. In this case, you will receive back a minimum of the principal amount of your Bonds plus any interest accrued thereon until the date of repayment; in certain circumstances you may receive a higher amount of cash compensation for the loss of income you would have received had the Bonds remained outstanding. On repayment, such payments will be made to you equal to the higher of the principal amount of the Bonds (£100 per £100 in principal amount of Bonds) you hold, or a price whereby the yield given up as a result of the Bonds being repaid early will equal that of a bond issued by HM Treasury of comparable maturity plus a margin of 0.50%, together with any accrued interest.	Appendix 2 (*Terms and Conditions of the Bonds – Condition 7 (Redemption and Purchase)*)

	As an example, as the Bonds have a fixed interest rate of 4.50% and mature on 30th September, 2026, if the Bonds were repaid on 30th September, 2015 the cash payment would amount to £116.80 for every Bond issued at a principal amount of £100. Please note that this is an example and the actual amount received will depend on the yield of the Benchmark Gilt at the time of early redemption and may be materially different from this example.	
Do the Bonds have voting rights?	Bondholders have certain rights to vote at meetings of Bondholders, but are not entitled to vote at any meeting of shareholders of the Issuer, the Guarantor or any member of the A2Dominion Group.	Appendix 2 (*Terms and Conditions of the Bonds – Condition 15 (Meetings of Bondholders, Modification, Waiver, Authorisation and Determination)*)
Who will represent the interests of the Bondholders?	Prudential Trustee Company Limited (the **Trustee**) is appointed to act on behalf of the Bondholders as an intermediary between Bondholders and the Issuer and the Guarantor throughout the life of the Bonds. The main obligations of the Issuer and the Guarantor (such as the obligation to pay and observe the various covenants in the Terms and Conditions of the Bonds) are owed to the Trustee. These obligations are enforceable by the Trustee only, not the Bondholders themselves. Although the entity chosen to act as Trustee is chosen and appointed by the Issuer, the Trustee's role is to protect the interests of the Bondholders.	Appendix 2 (*Terms and Conditions of the Bonds*)
Can the Terms and Conditions of the Bonds be amended?	The Terms and Conditions of the Bonds provide that the Trustee may agree to: (a) any modification of any of the provisions of the trust deed pursuant to which the Bonds are constituted (which includes the Guarantee) dated 30th September, 2014 (the **Trust Deed**) that is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error (which is an indisputable error) or an error which, in the opinion of the Trustee, is proven; (b) waive, modify or authorise a proposed breach by the Issuer of a provision of the Trust Deed if, in the opinion of the Trustee, such modification is not prejudicial to the interests of the Bondholders; or (c) the substitution of a member of the A2Dominion Group as principal debtor under the Bonds in place of the Issuer, in certain circumstances and subject to the satisfaction of certain conditions. The Trustee can agree to any such changes without obtaining the consent of any of the Bondholders. Bondholders may also sanction a modification of the	Appendix 2 (*Terms and Conditions of the Bonds – Condition 15 (Meetings of Bondholders, Modification, Waiver, Authorisation and Determination)*)

	Terms and Conditions of the Bonds by passing an Extraordinary Resolution.	
How do I apply for Bonds?	Details on how to apply for the Bonds are set out in Section 5 (*How to apply for the Bonds*).	Section 5 (*How to apply for the Bonds*)
What if I have further queries?	If you are unclear in relation to any matter, or uncertain if the Bonds are a suitable investment, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether to invest.	N/A

5. HOW TO APPLY FOR THE BONDS

HOW TO APPLY FOR THE BONDS

The following is a description of what you must do if you wish to apply for any Bonds.

How and on what terms will Bonds be allocated to me?	Applications to purchase the 4.50% guaranteed bonds due 2026 (the **Bonds**) cannot be made directly to A2D Funding II plc (the **Issuer**). Bonds will be issued to you in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you. It is important to note that none of the Issuer, A2Dominion Housing Group Limited (the **Guarantor**), Cannacord Genuity Limited, Lloyds Bank plc (the **Joint Lead Managers**) or Prudential Trustee Company Limited (the **Trustee**) are party to such arrangements between you and the relevant **Authorised Offeror** (being any financial intermediary which satisfies the conditions as set out in the section of the Prospectus titled "*Important Legal Information*"). You must therefore obtain this information from the relevant Authorised Offeror. Because they are not party to the dealings you may have with the Authorised Offeror, the Issuer, the Guarantor, the Joint Lead Managers and the Trustee will have no responsibility to you for any information provided to you by the Authorised Offeror.
How many Bonds will be issued to investors?	The total amount of the Bonds to be issued will depend partly on the amount of Bonds for which indicative offers to purchase Bonds are received during the Offer Period (as defined below). This total amount will be specified in an announcement which the Issuer intends to publish through a Regulatory Information Service (which is expected to be the Regulatory News Service operated by the London Stock Exchange plc (the **London Stock Exchange**) (*www.london stock exchange.com/exchange/news/market-news/market-news-home.html*)) on or about 26th September, 2014 (the **Sizing Announcement**).
How and when must I pay for my allocation and when will that allocation be delivered to me?	You will be notified by the relevant Authorised Offeror of your allocation of Bonds (if any) and the arrangements for the Bonds to be delivered to you in return for payment.
When can the Authorised Offerors offer the Bonds for sale?	An offer of the Bonds may be made by the Joint Lead Managers and the other Authorised Offerors in the United Kingdom, Guernsey, Jersey and/or the Isle of Man during the period from 9th September, 2014 until 12.00 noon (London time) on 23rd September, 2014, or such earlier time and date as agreed between the Issuer, the Guarantor and the Joint Lead Managers and announced via a Regulatory Information Service (which is expected to be the Regulatory News Service operated by the London Stock Exchange) (the **Offer Period**).
Is the offer of the Bonds conditional on anything else?	The issue of the Bonds is conditional upon the subscription agreement to be dated on or around 26th September, 2014 (the **Subscription Agreement**) being signed by the Issuer, the Guarantor and the Joint Lead Managers. The Subscription Agreement will include certain conditions which must be satisfied (including the delivery of legal opinions and auditors comfort letters

	satisfactory to the Joint Lead Managers and the execution of the Trust Deed). If these conditions are not satisfied, the Joint Lead Managers may be released from their obligations under the Subscription Agreement before the issue of the Bonds. For further information on the Subscription Agreement, see Section 10 (*Subscription and Sale*).
Is it possible that I may not be issued with the number of Bonds I apply for? Will I be refunded for any excess amounts paid?	You may not be allocated all (or any) of the Bonds for which you apply. This might happen for example if the total amount of orders for the Bonds exceeds the number of Bonds that are issued. There will be no refund as you will not be required to pay for any Bonds until any application for Bonds has been accepted and the Bonds have been allocated to you.
Is there a minimum or maximum amount of Bonds that I can apply for?	The minimum application amount for each investor is £2,000. There is no maximum amount of application.
How and when will the results of the offer of the Bonds be made public?	The results of the offer of the Bonds will be made public in the Sizing Announcement, which will be published prior to the Issue Date. The Sizing Announcement is currently expected to be made on or around 26th September, 2014.
Who can apply for the Bonds? Have any Bonds been reserved for certain countries?	Subject to certain exceptions, Bonds may only be offered by the Authorised Offerors in the United Kingdom, Guernsey, Jersey and/or the Isle of Man during the Offer Period. No Bonds have been reserved for certain countries.
When and how will I be told of how many Bonds have been allotted to me?	You will be notified by the relevant Authorised Offeror of your allocation of Bonds (if any) in accordance with the arrangements in place between you and the Authorised Offeror.
Have any steps been taken to allow dealings in the Bonds before investors are told how many Bonds have been allotted to them?	No steps have been taken by the Issuer to allow the Bonds to be traded before informing you of your allocation of Bonds.
What is the amount of any expenses and taxes specifically that will be charged to me?	None of the Issuer, the Guarantor or the Joint Lead Managers will charge you any expenses. An Authorised Offeror may charge you expenses. However, these are beyond the control of the Issuer and are not set by the Issuer. The Issuer estimates that, in connection with the sale of Bonds to you, the expenses charged to you by one of the Authorised Offerors known to it as of the date of this Prospectus will be between 0% and 7% of the aggregate principal amount of the Bonds sold to you.
What are the names and addresses of those distributing the Bonds?	As of the date of this Prospectus, the persons listed below are initial Authorised Offerors who have each been appointed by the Issuer, the Guarantor and the Joint Lead Managers to offer and distribute the Bonds in the

	United Kingdom, Guernsey, Jersey and/or the Isle of Man during the Offer Period. Barclays Bank PLC 1 Churchill Place London E14 5HP Interactive Investor Trading Limited Standon House 21 Mansell Street London E1 8AA Redmayne Bentley LLP 9 Bond Court Leeds LS1 2JZ Talos Securities Limited (trading as Selftrade) Boatman's House 2 Selsdon Way London E14 9LA Each of the Issuer and the Guarantor has granted consent to the use of this Prospectus by other relevant stockbrokers and financial intermediaries during the Offer Period on the basis of, and so long as they comply with, the conditions described in Section 12 (*Important Legal Information - Consent*). None of the Issuer, the Guarantor or the Joint Lead Managers has authorised, nor will they authorise, the making of any other offer of the Bonds in any other circumstances.
Will a registered market-maker be appointed?	The Joint Lead Managers will be appointed as registered market-makers through Order for Retail Bonds in respect of the Bonds from the date on which the Bonds are admitted to trading on the London Stock Exchange. Market-making means that a person will quote prices for buying and selling the Bonds during trading hours.

6. TAXATION

TAXATION

If you are considering applying for the 4.50% guaranteed bonds due 2026 (the **Bonds**), it is important that you understand the taxation consequences of investing in the Bonds. You should read this Section and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser before deciding whether to invest.

United Kingdom

The summary set out below describes certain taxation matters of the United Kingdom based on A2D Funding II plc's (the **Issuer**) understanding of current law and practice in the United Kingdom as of the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. The summary is intended as a general guide only and is not intended to be, nor should it be construed to be, legal or tax advice.

The summary set out below applies only to persons who are the absolute beneficial owners of Bonds who hold their Bonds as investments and (save where it is explicitly stated otherwise) who are resident and (in the case of individuals) domiciled for tax purposes in the United Kingdom. In particular, holders of the Bonds (**Bondholders**) holding their Bonds via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof. Some aspects do not apply to certain classes of person (such as dealers, certain professional investors and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may therefore differ to that set out below or may be subject to change in the future.

If you may be subject to tax in a jurisdiction other than the United Kingdom or are unsure as to your tax position, you should seek your own professional advice. This summary only deals with the matters expressly set out below.

Interest on the Bonds

Withholding tax on the Bonds

Payments of interest by the Issuer on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Act**). The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 (**FSMA**)) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person, by or whom interest on the Bonds is paid, reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs (**HMRC**) has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemptions is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the

Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Provision of Information

HMRC has powers to obtain information and documents relating to the Bonds, including in relation to issues of and other transactions in the Bonds, interest, payments treated as interest and other payments derived from the Bonds. This may include details of the beneficial owners of the Bonds, of the persons for whom the Bonds are held and of the persons to whom payments derived from the Bonds are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Bonds, persons who make, receive or are entitled to receive payments derived from the Bonds and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

Further United Kingdom income tax issues

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source properly received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

United Kingdom Corporation Tax Payers

In general, Bondholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other United Kingdom Tax Payers

Interest

Bondholders who are either individuals or trustees and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Bonds.

Taxation of Chargeable Gains

For Bondholders who are individuals, the Bonds will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Bondholder of a Bond will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

Accrued Income Scheme

On a disposal of Bonds by a Bondholder who is an individual, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Act, if that Bondholder is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable.

Individual Savings Accounts

For Bondholders who are individuals, the Bonds will be qualifying investments for the stocks and shares component of an Individual Savings Account (an **ISA**) under the Individual Savings Account Regulations 1998 (the **ISA Regulations**) provided the Bonds are listed on the official list of a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Individual Bondholders who acquire or hold their Bonds through an ISA and who satisfy the requirements for tax exemption in the ISA Regulations will not be subject to United Kingdom tax on interest or other amounts received in respect of the Bonds.

The opportunity to invest in Bonds through an ISA is restricted to individuals. Individuals wishing to purchase the Bonds through an ISA should contact their professional advisers regarding their eligibility.

SIPP Eligibility

The Bonds should be eligible for inclusion within a SIPP (a self-invested personal pension) that is a registered pension scheme under the Finance Act 2004.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Bonds or on a transfer by delivery of the Bonds.

Inheritance tax

Provided that the relevant Bonds are physically held outside the United Kingdom at the time of death or when a gift is made, no inheritance tax is charged on such death or gift if the Bondholder is neither domiciled, nor deemed to be domiciled, in the United Kingdom. Where the Bonds are held in a clearing system, HMRC is known to consider that the situs of the relevant assets is not necessarily determined by the place where the Bonds are physically held.

Prospective Bondholders to whom this may be of significance are asked to consult their own professional advisers.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Savings Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24th March, 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1st January, 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a

Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1st January, 2015, in favour of automatic information exchange under the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The proposed financial transactions tax (FTT)

On 14th February, 2013, the European Commission has published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1st January, 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Bonds.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

7. DESCRIPTION OF THE ISSUER

DESCRIPTION OF THE ISSUER

This Section sets out information about the Issuer.

Incorporation

A2D Funding II plc (the **Issuer**) is a public limited company incorporated in England and Wales with registered number 9136166 on 17th July, 2014 under the Companies Act 2006.

The registered address of the Issuer is Fifth Floor, 100 Wood Street, London EC2V 7EX. The telephone number of the registered address is 020 7606 5451.

Principal activities of the Issuer

The Issuer is a special purpose company established for the purpose of issuing the Bonds (including any further bonds issued in accordance with the Conditions) and lending the proceeds thereof to A2Dominion Housing Group Limited (the **Guarantor**) or one or more of its subsidiaries (together with the Guarantor, the **A2Dominion Group**).

The Issuer's objects are unrestricted.

The Issuer does not compete in any principal markets.

Directors

The directors of the Issuer (the **Issuer's Board**) and their principal activities are:

Name	**Principal activities outside the Issuer which are significant with respect to the Issuer**
Ian Kenneth Bowden	None
L.D.C. Corporate Director No. 3 Limited	None
L.D.C. Corporate Director No. 4 Limited	None

The affairs of L.D.C. Corporate Director No. 3 Limited and L.D.C. Corporate Director No. 4 Limited are represented by their directors, Ian Kenneth Bowden and Law Debenture Securitisation Services Limited. The directors of Law Debenture Securitisation Services Limited are Denyse Monique Anderson, Julian Robert Mason-Jebb and Richard David Rance, each of whose business address is Fifth Floor, 100 Wood Street, London EC2V 7EX and each of whose principal activities are as directors of The Law Debenture Trust Corporation p.l.c.

The business address for each of the directors of the Issuer is Fifth Floor, 100 Wood Street, London EC2V 7EX. The secretary of the Issuer is Law Debenture Corporate Services Limited whose business is address is Fifth Floor, 100 Wood Street, London EC2V 7EX.

There are no potential conflicts of interest between any duties to the Issuer of the board members of the Issuer (including the board members of such board members where these are themselves companies) and their private interests and/or duties.

Corporate governance

Due to the Issuer's limited scope and nature of its activities, the Issuer's Board will itself be responsible for all aspects of the Issuer's corporate governance. The Issuer does not, therefore, have an audit committee. The Issuer complies with all rules and regulations in England regarding corporate governance as are applicable to it.

Share capital

The entire issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each (all of which are paid up to 25 pence), which are held by The Law Debenture Intermediary Corporation P.L.C. (the **Share Trustee**) under the terms of a trust established under English law by a declaration of trust dated 17th July, 2014 (the **Declaration of Trust**) and made by the Share Trustee for the benefit of such charities as the Share Trustee may determine from time to time. The Declaration of Trust includes provisions governing how the Share Trustee may act (or not act) so as to avoid any abuse of control. The Share Trustee has no beneficial interest in and derives no benefit other than its fees for acting as share trustee from holding such share.

The Issuer is neither directly nor indirectly owned or controlled by any member of the A2Dominion Group.

There are no arrangements, known to the Issuer, the operation of which may result in a change of control of the Issuer.

Corporate Services Provider

Law Debenture Corporate Services Limited (the **Corporate Services Provider**) has entered into a corporate services agreement dated 8th September, 2014 with the Issuer (the **Corporate Services Agreement**). The Corporate Services Provider's duties include the provision to the Issuer of certain administrative, secretarial and related services. It has also nominated persons to act as directors of the Issuer.

Operations

Since the date of incorporation, the Issuer has not commenced operations and no financial statements have been made up as at the date of this Prospectus.

Investments

Since the date of incorporation, the Issuer has not made any investments. Following the issue of the Bonds, the Issuer shall on-lend the issue proceeds thereof to one or more members of the A2Dominion Group.

Auditing of annual financial information

The financial statements of the Issuer will be prepared by the directors in accordance with generally accepted accounting principles and practice in the UK and audited in accordance with United Kingdom generally accepted auditing standards.

Recent Developments

There have been no recent events particular to the Issuer that are, to a material extent, relevant to the evaluation of the Issuer's solvency.

8. DESCRIPTION OF THE GUARANTOR AND THE A2DOMINION GROUP

DESCRIPTION OF THE GUARANTOR AND THE A2DOMINION GROUP

This Section sets out information about the Guarantor and the A2Dominion Group.

THE GUARANTOR

Incorporation

A2Dominion Housing Group Limited (the **Guarantor**) was incorporated as Apex Housing Group Limited on 27th September, 1999 and changed its name to A2Dominion Housing Group Limited on 1st October, 2008. The Guarantor is registered in England as a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014 (with registered number 28985R). It is also a registered as a Registered Provider of Social Housing with the Homes and Communities Agency (the **Regulator**) (with registered number L4240) and is an exempt charity.

The Guarantor is the parent holding company of the A2Dominion Group and is responsible for the A2Dominion Group's overall strategy and performance.

Overview

The Guarantor is the parent entity of the A2Dominion Group, one of the largest housing providers operating across London and south east England, owning or managing around 34,800 homes and developing approximately a further 4,600 homes. The Guarantor provides the strategic direction, and central and development services, for the A2Dominion Group. The Guarantor is dependent on other group members as its income derives from the fees paid to it by its subsidiaries for the provision of services to them.

History

The A2Dominion Group's history goes back over 60 years. It was originally established as British Airways Staff Housing Society in 1947 for the development of properties for British Airways staff workers. In 1987, the British Airways Staff Housing Society formed Airways Housing Society (in 2001 expanding to become Airways Housing Group Limited) to diversify its activities into the social housing sector.

The A2Dominion Group in its present form was created in October 2008 as a result of the merger between A2 Housing Group and Dominion Housing Group. The history of A2 Housing Group and Dominion Housing Group is as follows:

- A2 Housing Group was formed in 2005 with the merger by a transfer of engagements from Airways Housing Group Limited to Apex Housing Group Limited (the predecessor name of the Guarantor). In 2006, Winchester Housing Group joined A2 Housing Group, making A2 Housing Group one of the south east's largest providers of affordable housing.

- Dominion Housing Group was formed in 2004 following the merger between Acton Housing Association and Cherwell Housing Trust. In 2006, Kelsey Housing Association also joined the Dominion Housing Group.

A2DOMINION GROUP

Organisational structure

A2Dominion Group is a trading name of A2Dominion Housing Group (the **A2Dominion Group)**, which includes the Guarantor and the organisations listed below:

- A2Dominion Homes Limited (**A2D Homes**), a charitable registered society (with registered number 18313R). A2D Homes is responsible for managing the A2Dominion Group's homes in the London boroughs, Oxfordshire, Buckinghamshire, Cambridgeshire and Berkshire. A2D Homes also owns and manages properties for key workers (NHS and intermediate rent), students and market rent.

- A2Dominion South Limited (**A2D South**), a charitable registered society (with registered number 28641R). A2D South is responsible for managing the A2Dominion Group's homes in Surrey, Kent, Hampshire, East and West Sussex and Wiltshire. A2D South also owns and manages properties for key workers (NHS and intermediate rent), students and market rent.

- A2Dominion Housing Options Limited (**A2D Housing Options)**, a non-charitable registered society (with registered number 29122R) providing low cost home ownership and other home purchase initiatives in the A2Dominion Group's South region.

- A2Dominion Developments Limited (**A2D Developments**) (formerly known as Dominion Developments (2005) Limited), a private limited company (with registered number 05585321). A2D Developments develops new social housing accommodation and homes for both private and shared ownership sales. On 31st March, 2014 the assets of A2Dominion Enterprises Limited were transferred into A2D Developments. This transfer has streamlined the company structure of the A2Dominion Group and created one consolidated and stronger property development entity.

- A2Dominion Housing Finance Limited (**A2D Housing Finance**), a non-charitable registered society (with registered number 29316R). A2D Housing Finance is a special purpose company which on-lends the proceeds of a loan facility to A2D South.

- A2Dominion Residential Limited (**A2D Residential**) (formerly known as Dominion Developments (2004) Limited), a private limited company (with registered number 05230209). A2 Residential's main activity is the acquisition and management of homes in the private rented sector.

- A2Dominion Treasury Limited (**A2DTL**), a private limited company (with registered number 6583682), which acts as a financing company for the Group. A2DTL will receive the proceeds of the issue from the Issuer and, in turn, will on-lend such proceeds to other members of the A2Dominion Group.

The A2Dominion Group also has the following dormant subsidiaries:

- Kingsbridge Residential Limited;

- A2Dominion Investments Limited;

- Affordable Property Management Limited;

- A2Dominion Enterprises Limited (**A2D Enterprises**), which transferred its assets to A2D Developments on 31st March, 2014; and

- Home Farm Exemplar LLP.

The Guarantor is dependent on other members of the A2Dominion Group as its income derives from fees paid to it by its subsidiaries for the provision of services to them on a cost recovery basis.

The registered office and principal place of business for each A2Dominion Group member is The Point, 37 North Wharf Road, London W2 1BD. The telephone number of the registered address is 020 8825 1000.

The A2Dominion Group has also entered into the following joint ventures:

- Green Man Lane LLP, a limited liability partnership (with registered number OC353120) which is a joint venture with Real (Ealing) Limited for the regeneration of the Green Man Lane Estate in Ealing, West London established for the purpose of providing a total of 314 new homes for sale.

- Pyramid Plus London LLP, a limited liability partnership (with registered number OC381404), which provides a repairs service to the A2Dominion Group's residents in the London area.

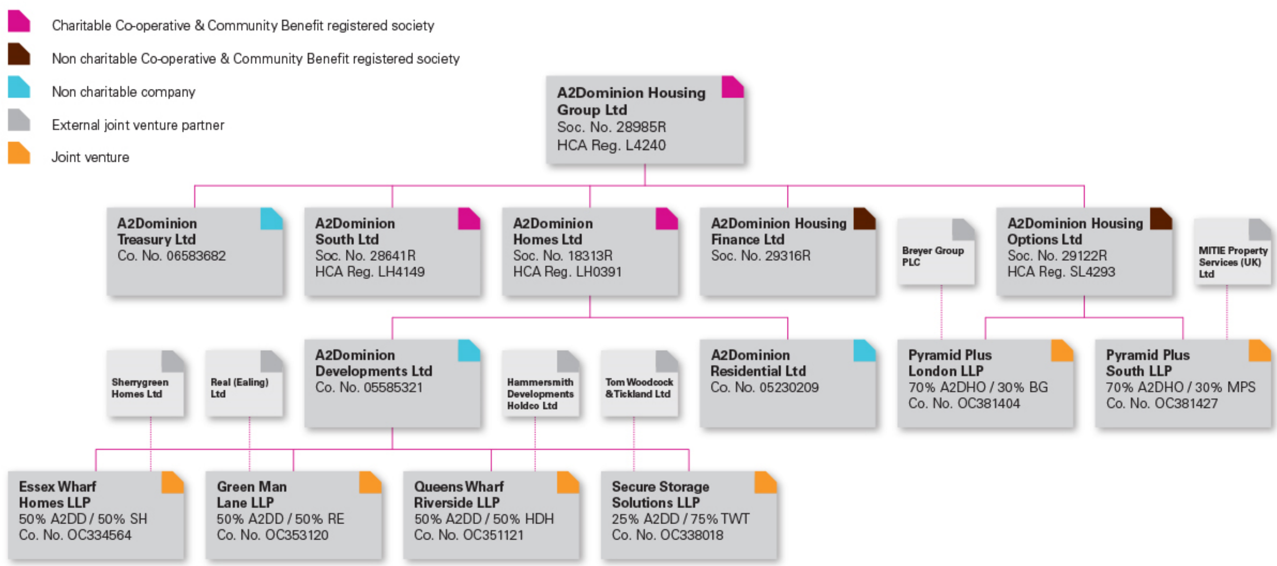
- Pyramid Plus South LLP, a limited liability partnership (with registered number OC381427), which provides a repairs service to the A2Dominion Group's residents in the south east of England.

- Essex Wharf Homes LLP, a limited liability partnership (with registered number OC334564), a joint venture with Sherry Green Homes Limited established for the purpose of developing 44 new homes for sale in East London.

- Secure Storage Solutions LLP, a limited liability partnership (with registered number OC338018), which is engaged in the refurbishment and letting of garages in Spelthorne.

- Queens Wharf Riverside LLP, a limited liability partnership (with registered number OC351121), which is a joint venture with Hammersmith Developments Holdco Limited, part of the Mount Anvil group. Queens Wharf Riverside LLP is currently dormant but is anticipated to commence trading in 2014/15 to develop 165 homes for sale in a riverside site in Hammersmith and re-provision the existing Riverside Studios. Funding for the scheme is to be provided by A2D Residential.

A2Dominion Group Structure



Business Overview

The principal activities of the A2Dominion Group are the provision of social housing, housing management and development. A2D Homes and A2D South are both Registered Providers (with registered numbers LH0391 and LH4149 respectively) with charitable status providing:

- 17,789 long-term rented homes for people who are unable to afford to rent or buy on the open market;

- 2,441 units of sheltered and supported housing and care for those who need additional support;

- 424 units of temporary housing for those who would otherwise be homeless;
- 4,027 low-cost home ownership homes, particularly shared ownership; and
- 4,593 student accommodation, key worker accommodation and market rental homes.

The A2Dominion Group also provides management services for 4,253 homes and owns an additional 1,304 non-housing properties.

Active in 80 local authority areas, the A2Dominion Group works in partnership with a wide range of statutory and voluntary organisations to deliver a locally responsive service, backed by the expertise and financial strength of the A2Dominion Group. This is demonstrated by the broad scope of the A2Dominion Group's activities which include:

- the management of quality, affordable housing for families, couples, single people and key workers and accommodation for students;
- investment in the development of high quality, environmentally sustainable new homes and large scale regeneration projects; and
- low cost home ownership initiatives.

The A2Dominion Group's commercial division is A2D Developments and is branded as A2Dominion New Homes. This is A2Dominion Group's primary commercial subsidiary responsible for developing new social housing accommodation and homes for both private sale and shared ownership sale, normally on sites shared with the A2Dominion Group's Registered Providers. Its non-grant funded developments generate funds for the A2Dominion Group to reinvest into its social activities by way of gift aid payments to A2D Homes and A2D South, enabling the A2Dominion Group to grow organically through the development of mixed-tenure schemes.

The A2Dominion Group currently owns or manages around 34,800 homes, backed by a grant allocation of £1.16 billion. The A2Dominion Group has an annual turnover of £272 million and over £2.85 billion in assets.

Investments

The A2Dominion Group's guiding principle is to provide homes and neighbourhoods that people want to live in and its development programme aims to match tenures and property types to different needs, aspirations and means. The A2Dominion Group has an on-going development programme of approximately 4,600 properties in London and the south east. As at 31st March, 2014, the date of its last audited accounts, it had the following capital commitments:

Capital Commitment:	**£ million**
Expenditure contracted for	195.6
Expenditure authorised by the Group Board but not yet contracted	646.7
	842.3

The A2Dominion Group expects to meet the above commitments from undrawn loan facilities (£364.5 million as at 31st March, 2014), social housing grant, first tranche sales of shared ownership properties and outright sales.

Development schemes currently in progress include:

- 393 new homes in North West Bicester, being the first phase of a proposed new "Eco Town" comprising 6,000 residential units, plus commercial and educational facilities;
- regeneration of the Green Man Lane Estate in Ealing, West London, providing 265 affordable homes, 36 properties for market rent and 257 properties for private sale through Green Man Lane LLP, a joint venture with Real (Ealing) Limited;
- a mixed tenure scheme in Hackney, East London, providing 121 affordable homes, 152 private sale properties and 54 properties for market rent;
- a further 173 properties for market rent in London, West Sussex and Southampton;
- a mixed tenure scheme in Barnet, North London, providing 49 affordable homes, 13 shared ownership properties and 168 properties for private sale, as well as commercial space;
- regeneration of the Stanwell Estate in Spelthorne, Surrey, providing 114 affordable rented homes and 111 properties for private sale (in phases 2a and 3); and
- a mixed tenure development in Hounslow, West London, which includes a 14-bed scheme for the active elderly, 74 homes for affordable rent, plus 40 properties for private sale and 27 properties for shared ownership.

For the period from 1st April, 2014 to 31st July, 2014, approximately £79 million has already been invested in these and other development projects.

Current trading

The A2Dominion Group operates in areas of high demand for both social and non-social housing, with most of its stock concentrated in London, Surrey, Berkshire, Oxfordshire and Hampshire. The A2Dominion Group owns 4% of the total stock owned by Registered Providers in London and the south east and, as a key housing developer in this area, the A2Dominion Group is engaged with the Greater London Authority (the **GLA**), central government and others in discussion on emerging housing policy, particularly in relation to the future funding of housing and its design.

Changes in the economic environment, regulation, funding, legislation and the impact of welfare reform are having a major effect on A2Dominion's business, development programme and services. In addition, new technology is transforming how customers access services and engage with the business and how A2Dominion works. There is a continuing drive for efficiency, savings and transparency.

Despite these challenges, the A2Dominion Group has continued to meet or exceed most of its key targets across the business for 2013/14, including:

- achieving an operating surplus of £77.7 million, an increase of £22.8 million over the previous year and an overall surplus of £38.1 million;
- meeting its HCA and Greater London Authority development programme targets and securing additional grant funding;
- generating sales income from outright sales and shared ownership first tranche sales of £74.8 million through the sale of 345 homes;
- developing 695 new homes including 313 rented homes, 145 shared ownership homes and 237 outright sale properties;

- achieving a satisfaction rate of over 95% for the A2Dominion Group's Customer Services Centre;
- upgrading 975 existing properties with new kitchens, bathrooms, windows and doors and carrying out mechanical and electrical works to just under 6,000 properties;
- minimising the impact of welfare reforms, resulting in general needs rent arrears of 4.14%;
- achieving £2.2 million in cashable efficiency savings;
- investing £1.2 million in community projects, to deliver life skills and employment opportunities, as well as providing support to young adults through its "Be Inspired" programme; and
- winning the Housing Association of the Year category at the What House? Awards in 2013.

The Affordable Rent Framework has resulted in significantly reduced grant rates being available to Registered Providers and, as a result, the A2Dominion Group is growing its commercial activities to generate subsidy for new social housing provision and the improvement of existing homes and services. Due to the A2Dominion Group's areas of operation in London and the south east, demand for its shared ownership and private sale developments has remained high, with anticipated sales periods and selling prices being exceeded over the past year.

There is recognition that the limited availability of mortgages and the need for larger deposits is leading some prospective first-time buyers to make the decision to rent rather than buy. The A2Dominion Group currently has a small market rent portfolio but aims to expand this by around 700 properties over the next 5 years, to meet growing demand for this product. The proposed schemes will be concentrated in areas of high demand, such as London, Surrey and Bristol, and will provide high quality housing for middle-income households.

Board

The board of the Guarantor (the **Group Board**) also act as the boards for A2D Homes, A2D South and A2D Housing Options. The Group Board steers and directs the activities of the A2Dominion Group. The members of the Group Board are chosen to ensure a board range of experience and expertise within the housing sector, comprising the following persons:

Derek Joseph *(Chair)*

Derek has over 30 years' experience in the housing sector and significant knowledge of social housing finance and governance. A former director of the HACAS Group Plc and Tribal Treasury Services, Derek is currently a non-executive director of a number of quoted and private companies.

Terence Cook

Terence is a Board member and A2Dominion resident with five years' experience with the organisation. He is also the Chair of the A2Dominion Group's Customer Services Committee. Previously Terence was a representative on A2 Housing Group's Resident Executive Group (South) and the founding member of Winchester Residents Forum, which is now A2Dominon's South Central Forum.

Ian Cox

Ian has 35 years' experience in the construction, development, house building and regeneration sectors, 20 years of which have been at director and managing director level. He has worked in partnership with housing associations on large and mixed tenure projects for most of his career. Ian runs his own development company specialising in low energy sustainability. He is also a consultant to a major urban regeneration company.

Susan Eggleton

Susan is a qualified accountant and has over 20 years' board level experience. Previous positions have included Executive Director of Finance and Deputy CEO of an NHS Hospital Trust, and Director of Corporate Services for two start-up organisations. Susan is currently working as Business Director for the NHS Trust Development Authority and is a trustee of The Liver Group charity.

Brenda Jenner

Brenda has worked in the banking industry, including the retail, wholesale and investment sectors. Since leaving the finance industry, she has been a consultant to the industry as a partner in a small firm, but now concentrates most of her employed time as a director and Chief Operating Officer of a small private asset management company.

David Lewis

David has worked in the social housing sector for more than 20 years and has worked at both local and central government levels. Previously, as a housing consultant, David worked for a range of social landlords specialising in housing investment and asset management. David currently works as an Assistant Director of Technical Services for the London Borough of Southwark.

David Walden

David is a chartered accountant with over 25 years' experience in international taxation, mergers and acquisitions. David has previously worked for PricewaterhouseCoopers, Standard Chartered Bank and UBS AG and, since 2011, has been Head of Tax at WorldPay. From 2006 until 2010, David was a councillor of the London Borough of Wandsworth.

Executive Management Team

Darrell Mercer *(Group Chief Executive)*

Darrell has 35 years' experience in the housing sector and was previously Assistant Director of Housing for the London Borough of Islington. He was the Chief Executive Officer of Acton Housing Association from 1998 until he was appointed the Chief Executive Officer of Dominion Housing Group on its creation in 2004. He was further appointed to Chief Executive of the A2Dominion Group on the merger of A2 Housing Group and Dominion Housing Group in 2008. Darrell is also a co-optee to the Group Board.

John Knevett *(Group Commercial Officer and Deputy Group Chief Executive)*

John has worked in the housing sector for more than 28 years, in addition to having extensive experience as a structural and civil engineer. He was Chief Executive Officer of A2 Housing Group, leading the organisation for three years from 2005 before the formation of the Group in 2008. John is a member of the Institute of Structural Engineers and the Institute of Maintenance and Building Management. John is also a co-optee to the Group Board.

Andrew Boyes *(Executive Director – IT & Facilities)*

Andrew has over 25 years' experience in IT working across a broad range of business sectors, including housing, insurance, retail and distribution. Andrew joined the A2Dominion Group in 2009 as Group Director of IT and became Executive Director (IT & Facilities) in 2014. He has been an IT Director since

1998, holding three other IT Director roles at insurance firms Castle Cover Ltd and RIAS plc and convenience retailer Alldays plc.

Kathryn Bull *(Executive Director – Corporate Services)*

Kathryn has significant senior management experience in the housing sector. Prior to her current role, she was Group Director of Risk & Planning at Dominion Housing Group. She was also Assistant Director of Housing at the London Borough of Croydon leading on housing strategy, asset management and finance.

Andrew Evans *(Executive Director – Operations)*

Andrew has over 25 years' service delivery experience in both the private and public sectors. Prior to his current role, Andrew was Group Operations Director for A2 Housing Group for 12 years and was Spelthorne Housing Association's Deputy Chief Executive. Andrew is a member of the Institute of Management.

Simon Potts *(Executive Director – Commercial South)*

Simon has worked in the house building industry for over 27 years. He has extensive experience of land acquisition, strategic development and brownfield regeneration. Prior to his current role, Simon was Strategic Land Director at Barton Willmore and has also held Director and senior management roles at Hillreed, Bellway, Fairclough and Laing Homes.

Dean Tufts *(Executive Director – Finance & Strategy)*

Dean is a chartered accountant and has over 25 years' experience in the housing sector. Prior to his current role, he was Dominion Housing Group's Finance Director, a role he held for four years from 2004 until the creation of the A2Dominion Group in 2008. Previously he worked for Acton Housing Association from 1993 until it joined Dominion Housing Group in 2004 and before that he was at sheltered housing company McCarthy & Stone plc. Dean is an associate of the Institute of Chartered Accountants in England and Wales.

Anne Waterhouse *(Executive Director – Financial Services)*

Anne is a chartered accountant with over 14 years' finance experience. Prior to her current role, Anne was Deputy Group Finance Director at Dominion Housing Group. She is a member of the Chartered Institute of Management Accountants and has also worked in finance within the house building industry.

Nicholas Yeeles *(Executive Director – Commercial London)*

Nicholas' career encompasses over 20 years' experience in the social housing sector, with an emphasis on business development. Prior to his current role as Executive Director of the A2Dominion Group, Nicholas was Chief Executive of Cherwell Housing Trust from 2000 until it merged to form Dominion Housing Group in 2004. He has held various executive posts in management and development and has worked as a freelance consultant.

The board members and executive officers' principal activities outside the Guarantor and the A2Dominion Group, where these are significant with respect to the Guarantor and the A2Dominion Group, are set out below.

Name	**Principal Activities outside the Guarantor and the A2Dominion Group which are significant with respect to the Guarantor and the A2Dominion Group**
Andrew Boyes	None
Kathryn Bull	None
Terence Cook	Drug and Alcohol Action Team, Hampshire County Council
Ian Cox	Director of Cox Development Partners Ltd Director of Cotswold Village Homes Ltd Director of Clipper Development Partners LLP Director of Ralph Allen Yard Ltd Director of Charlbury Deli Ltd Trustee of Thomas Gifford Trust
Susan Eggleton	Business Director for the NHS Trust Development Authority
Andrew Evans	None
Brenda Jenner	Director of Founding Asset Management Limited, a financial investment advisory firm
Derek Joseph	Director of DMJ Consulting & Advisory services Ltd, business support services Director of First Choice Estates Ltd (wholly owned subsidiary of Cardiff Properties plc), buying, letting and selling real estate Director of Altair Consultancy & Advisory Services Ltd, financial management and management consultancy Director of Basepoint Ltd (wholly owned subsidiary of ACT Foundation Ltd, a registered charity)Director of London Housing Foundation (a registered charity) Director of General Industries plc Director of Tempus Wharf Freehold Limited
John Knevett	None
David Lewis	Housing Consultant Director at London Borough of Southwark
Darrell Mercer	None
Simon Potts	None
Dean Tufts	None
David Walden	Head of Tax at WorldPay, card payment processing

Name	Principal Activities outside the Guarantor and the A2Dominion Group which are significant with respect to the Guarantor and the A2Dominion Group
Anne Waterhouse	None
Nicholas Yeeles	None

The business address of each of the board members and executive officers is The Point, 37 North Wharf Road, London W2 1BD.

There are no potential conflicts of interest between any duties of the board members and executive officers of the Guarantor and the A2Dominion Group and their private interests and/or other duties.

Group Board composition and committees

At the start of April 2011, the A2Dominion Group implemented a virtual board structure, which streamlines the governance process. This allows the Group Board to achieve a more efficient way of working at board level, to enhance resident involvement and influence within the governance structures and to deliver efficiency savings. The Group Board oversees all areas of performance whilst delegating roles to the following committees:

- Finance Committee
- Audit & Risk Committee
- Governance & Remuneration Committee
- Customer Services Committee
- Development Committee

Within the virtual board structure, the Group Board acts on behalf of the Guarantor, A2D Homes, A2D South and A2D Housing Options. The committees listed above oversee the activities of these organisations through their delegated roles.

Finance Committee

The Finance Committee is responsible for ensuring the viability of the A2Dominion Group through effective management of the A2Dominion Group's finances. The Finance Committee also acts as the board for A2D Housing Finance, A2D Residential and A2DTL. The Finance Committee comprises David Walden (Chair), Sara Dickinson, Lynn Chandler, David Coates, Brenda Jenner, Mark Gallagher and Ross Proudfoot.

Sara Dickinson is the Vice President and Group Finance Director of ebookers Group, a pan European online travel agency and part of the Orbitz Worldwide Group. David Coates was previously the Group Finance Director of New Look and Retail Finance Director at Sainsbury's plc. David now works as the owner and manager of a private residential property portfolio. Ross Proudfoot is a treasury consultant. Lynn Chandler is a finance director and company secretary of a vocational training group. Mark Gallagher has recently retired from being the Strategic Land Director at Countrywide Properties plc.

Audit & Risk Committee

The Audit & Risk Committee oversees the systems of internal control, the external audit function and the internal audit function for the A2Dominion Group. Its primary role is to ensure that these functions are effective, robust and that risk is effectively managed by the A2Dominion Group.

The Audit & Risk Committee comprises Sue Eggleton (as Chair), Stephanie Bamford, Lynn Chandler, Ross Proudfoot, David Coates and Jan Czezowski. Stephanie Bamford is a housing consultant.

Governance & Remuneration Committee

The Governance & Remuneration Committee is responsible to the Group Board for matters relating to governance, ensuring that governance across the A2Dominion Group is robust and complies with regulatory requirements (including the governance component of the Governance and Viability standard) and good practice. The Governance & Remuneration Committee also oversees the remuneration of staff, board and committee members within the A2Dominion Group and has responsibility for monitoring, regulating and approving policies for adoption on behalf of the A2Dominion Group in order that the A2Dominion Group fulfils its responsibilities as an employer.

Customer Services Committee

The Customer Services Committee's primary role is to ensure that the A2Dominion Group's residents are involved and empowered at a strategic level in the development and improvement of the A2Dominion Group's business with a focus on where there is an impact on residents. This is achieved through scrutiny of service standards and delivery, choice and complaints and understanding and responding to the diverse needs of residents.

Development Committee

The Development Committee is responsible for overseeing both social and commercial development activities for the A2Dominion Group. The Development Committee approves, monitors and ensures that standards of development in the A2Dominion Group are maintained. The Development Committee also acts as the board of the A2Dominion Group's development subsidiary, A2Dominion Developments.

Corporate Governance

The principal corporate governance rules applicable to the A2Dominion Group are the National Housing Federation's (the **NHF**) Excellence in Governance guidance (the **NHF Guidance**) against which Registered Providers review their practices. The NHF adopts a "comply or explain" approach so that Registered Providers do not have to comply with every aspect of the NHF Guidance provided they are able to explain those areas of non-compliance.

In 2012, the A2Dominion Group identified one main area of non-compliance, relating to the maximum term of office for board members (the NHF Guidance stating that this should be limited to 9 years). To address the fact that the Group Board included members serving more than 9 years, the Group Board has approved a "Renewal Plan" which aims to manage board member retirement for those members with service over 9 years. The plan is now half way through with a number of new board members joining over the last year. The A2Dominion Group has sought to ensure that there remains to be a sufficient mixture of new board members with those who have experience and knowledge of the A2Dominion Group.

Share Capital and Major Shareholders

The Guarantor has 7 ordinary shares in issue of £1 each, all of which are fully paid up to £1. The 7 members are board members. The Guarantor's shares carry no right to interest, dividend or bonus. When a shareholder ceases to be a shareholder, his or her share is cancelled and the amount paid up becomes the property of the Guarantor. Under the Guarantor's rules, shareholders can be expelled by a special resolution at a general meeting. This thereby ensures that shareholders cannot abuse control of the Guarantor.

There are no known arrangements which may result in a change of control of the Guarantor.

Objects and purposes

In accordance with Rule A2 of the Guarantor's Rules, the Guarantor's objects are to carry on for the benefit of the community:

- the business of providing and managing housing and social housing and providing assistance to help to house people and families and to provide amenities or services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people; and

- any other charitable object that can be carried out by an Industrial & Provident Society registered as a Registered Provider with the Regulator.

A2D Homes and A2D South's objects are similar and also restricted to charitable purposes. A2D Housing Options' objects (reflecting current housing law) are:

- the business of providing housing and accommodation and assistance to help to house people and associated families and amenities or services; and

- any other object that can be carried out by an Industrial and Provident Society registered as a Registered Provider with the Regulator.

Material contracts relating to the Guarantor and the A2Dominion Group

The following is a summary of the key joint-venture agreements (not being contracts entered into in the ordinary course of the A2Dominion Group's business) that have been entered into by members of the A2Dominion Group which could result in the relevant member of the A2Dominion Group being under an obligation or entitlement that is material to the Guarantor's ability to meet its obligations to Bondholders:

Green Man Lane LLP

Green Man Lane LLP (**Green Man**) was incorporated on 11th March, 2010. The principal activity of Green Man is the regeneration of the Green Man Lane Estate in West Ealing, involving the development of 314 new homes for private sale. The joint venture partners are A2Dominion Developments and Real (Ealing) Limited, with each owning a 50% share in Green Man. Real (Ealing) Limited is a wholly owned subsidiary of Real Limited, which is a wholly owned subsidiary of Rydon Holdings Limited. Rydon Holdings Limited is the holding company for Rydon Group Limited, the parent of Rydon Homes Limited. Rydon Homes Limited is the contractor for the private sale units on behalf of Green Man, as well as the contractor for the affordable housing being developed at Green Man Lane by A2Dominion Homes.

The development is phased, with the first phase, consisting of 13 homes for private sale, nearing completion. Phase 2, consisting of 126 private sale units is due to commence in September 2014, with further phases to follow.

Home Farm Exemplar LLP

Home Farm Exemplar LLP held an option to acquire land near to Bicester. Home Farm Exemplar LLP served the Option Notice in December 2012 and the purchase was completed on 21st November, 2013. Home Farm Exemplar LLP is now dormant.

Pyramid Plus London LLP & Pyramid Plus South LLP

Pyramid Plus London LLP and Pyramid Plus South LLP are joint venture companies which have been set up to offer a responsive repairs service initially to A2Dominion Group's housing stock with the future option of expanding the service offering to the wider housing industry and beyond.

Each of Pyramid Plus London LLP and Pyramid Plus South LLP was established to serve a certain geographical area; Pyramid Plus London serves A2Dominion Group's properties in the London Boroughs and Pyramid Plus South serves A2Dominion Group's properties outside of London, largely in the south east of England. Both Pyramid Plus London LLP and Pyramid Plus South LLP commenced trading on the 1st April, 2013.

Pyramid Plus London LLP is 70% owned by A2Dominion Housing Options and 30% owned by Breyer Group plc. The contract period is for 10 years commencing in January 2013, renewable for a further 5 years by agreement at the expiration of the initial term. Pyramid Plus London LLP made a profit of £819,000 in its first year of trading to 31st March, 2014. In addition, a contract was signed with the London Borough of Hounslow to provide void repairs.

Pyramid Plus South LLP is 70% owned by A2Dominion Housing Options and 30% by Mitie Property Services (UK) Limited. The contract period is 10 years commencing in January 2013, renewable for a further 5 years by agreement at the expiration of the initial term. Pyramid Plus South LLP made a profit of £1,680,000 in its first year of trading to 31st March, 2014.

The relationship with both of the joint venture partners remains strong and each company is seeking further external clients.

Essex Wharf Homes LLP

Essex Wharf Homes LLP is a 50/50 joint venture between the Dominion Developments (2005) Limited and Sherrygreen Homes Ltd, a subsidiary of Sherrygreen Group Limited. The principal activity of Essex Wharf Homes LLP is the development and sale of housing properties in East London. Essex Wharf Homes LLP will see the remediation of a former container storage site into 44 new homes for private sale. Mulalley and Company Limited (a subsidiary of Sherrygreen Group Limited) are acting as contractor on the whole site, which includes 37 units of affordable housing for A2Dominion Homes.

Recent Developments

There have been no recent events particular to the Guarantor and the A2Dominion Group that are, to a material extent, relevant to the evaluation of the Guarantor's and the A2Dominion Group's solvency.

9. SELECTED FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION

This Section sets out important historical financial information relating to the A2Dominion Group.

The following tables set out in summary form the consolidated income statement, balance sheet and statement of cash flows of A2Dominion Housing Group Limited (the **Guarantor**) for the years ended 31st March, 2013 and 31st March, 2014. Such information is extracted (without material adjustment) from, and is qualified by reference to and should be read in conjunction with, the audited consolidated annual financial statements of the Guarantor for the years ended 31st March, 2013 and 31st March, 2014. The audited consolidated annual financial statements of the Guarantor for the year ended 31st March, 2013 have been incorporated by reference and the audited consolidated annual financial statements of the Guarantor for the year ended 31st March, 2014 are set out in full in Appendix 4.

Income and Expenditure Account
For the years ended 31st March, 2013 and 31st March, 2014

	2014 £m	2013 £m
Turnover including share of joint venture	274.2	258.6
Less: share of joint venture turnover	(2.1)	-
Group turnover	272.1	258.6
Cost of sales	(56.4)	(58.1)
Operating costs	(138.0)	(145.6)
Group operating surplus	77.7	54.9
Share of joint venture operating profit	0.3	-
Operating surplus including joint ventures	78.0	54.9
Surplus on sale of fixed assets – housing properties	8.8	15.8
Operating surplus before interest	86.8	70.7
Interest receivable and other income	0.3	0.7
Interest payable and similar charges	(48.2)	(43.3)
Other finance costs	-	(0.1)
Surplus on ordinary activities before taxation	38.9	28.0
Tax on surplus on ordinary activities	-	-
Surplus on ordinary activities after taxation	38.9	28.0
Minority interest	(0.8)	-
Surplus for the financial year	38.1	28.0

All amounts relate to continuing activities.

Statement of total recognised surpluses and deficits
For the years ended 31st March, 2013 and 31st March, 2014

	2014 £m	2013 £m
Surplus for the financial year	38.1	28.0
Unrealised surplus on revaluation of investments	7.3	0.7
Actuarial surplus/(deficit) relating to pension schemes	(1.5)	0.5
Total recognised surpluses and deficits relating to the year	43.9	29.2

Consolidated balance sheet
At 31st March, 2013 and 31st March, 2014

	2014 £m	2013 £m
Tangible fixed assets		
Housing properties : Cost or valuation	2,851.8	2,821.2
Social housing grant	(1,157.2)	(1,157.8)
Depreciation	(133.6)	(116.3)
Total housing properties	1,561.0	1,547.1
Other tangible fixed assets	16.9	11.6
Homebuy investments		
Homebuy loans	3.3	3.6
Social housing grant	(3.3)	(3.5)
	-	0.1
Investments	72.0	38.0
Investment in joint ventures		
Share of gross assets	8.5	6.2
Share of gross liabilities	(0.9)	(2.1)
	7.6	4.1
	1,657.5	1,600.9
Current assets		
Properties for sale	171.6	172.7
Debtors	28.5	43.4
Investments	1.3	0.3
Cash at bank and in hand	30.0	17.3
	231.4	233.7
Creditors: Amounts falling due within one year	(79.3)	(84.6)
Net current assets	152.1	149.1
Total assets less current liabilities	**1,809.6**	**1,750.0**

Creditors: Amounts falling due after more than one year	1,158.6	1,139.9
Provision for liabilities and charges	4.6	9.8
Net pension liability	4.6	3.2
	1,167.8	1,152.9
Capital and reserves		
Non-equity share capital	-	-
Revaluation reserves	9.3	2.0
Revenue reserves	566.6	550.0
Designated reserves	64.6	44.6
Restricted reserve	0.5	0.5
Consolidated funds	641.0	597.1
Minority interest	0.8	-
	1,809.6	**1,750.0**

Cash flow statement
For the years ended 31st March, 2013 and 31st March, 2014

	2014 £m	2013 £m
Net cash inflow from operating activities	80.7	88.0
Returns on investments and servicing of finance		
Interest received	0.2	0.7
Interest paid	(54.1)	(51.3)
	(53.9)	(50.6)
Taxation paid		
Corporation tax paid	-	-
Capital expenditure and financial investment		
Purchase and construction of housing properties	(47.4)	(83.2)
Social housing grant – received (net)	7.3	12.8
Purchase of other fixed assets	(8.3)	(1.7)
Purchase of investments	(14.3)	(3.2)
Sales of housing properties	35.3	60.2
	(27.4)	(15.1)
Net cash inflow/(outflow) before management of liquid resources and financing	(0.6)	22.3
Management of liquid resources		
Money market deposit	(1.0)	-
Financing		
Loans received	237.4	26.3

Loan repayments	(213.5)	(66.6)
(Decrease)/ increase in cash	22.3	(18.0)

10. SUBSCRIPTION AND SALE

SUBSCRIPTION AND SALE

This Section contains a description of the material provisions of the Subscription Agreement.

Under a subscription agreement expected to be dated on or about 26th September, 2014 (the **Subscription Agreement**), Cannacord Genuity Limited and Lloyds Bank plc (the **Joint Lead Managers**) are expected to agree to procure subscribers for the 4.50% guaranteed bonds due 2026 (the **Bonds**) at the issue price of 100% of the principal amount of the Bonds, less arrangement, management and applicable distribution fees. The Joint Lead Managers will receive fees of 0.425% of the principal amount of the Bonds. **Authorised Offerors** (being any financial intermediary which satisfies the conditions as set out in the section of this Prospectus titled "*Important Legal Information*") may also be eligible to receive a distribution fee as follows:

(i) each initial Authorised Offeror will be eligible to receive a distribution fee of 0.25% of the principal amount of the Bonds allotted to them; and

(ii) each additional Authorised Offeror may be eligible to receive a distribution fee of 0.25% of the principal amount of the Bonds allotted to them.

A2D Funding II plc (the **Issuer**) will also reimburse the Joint Lead Managers in respect of certain of their expenses, and is expected to agree to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer. The issue of the Bonds will not be underwritten by the Joint Lead Managers, the Authorised Offerors or any other person.

Selling restrictions

Under the terms of the Subscription Agreement, the Issuer, A2Dominion Housing Group Limited (the **Guarantor**) and the Joint Lead Managers have agreed to comply with the selling restrictions set out below. The Authorised Offerors are also required to comply with these restrictions under the Authorised Offeror Terms. See Section 12 (*Important Legal Information - Consent*).

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and the Bonds are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons or in a manner which would require the Issuer to register under the U.S. Investment Company Act of 1940, as amended. Each of the Joint Lead Managers have agreed that it will not offer, sell or deliver any Bonds within the United States or to, or for the account or benefit of, U.S. persons.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of FSMA) would not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Jersey

Each Joint Lead Manager has represented and agreed that it has not circulated, and will not circulate, in Jersey any offer for subscription, sale or exchange of Bonds unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended, and (a) such offer does not, for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the United Kingdom without contravening the Financial Services and Markets Act 2000 and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

Guernsey

Each Joint Lead Manager has represented and agreed that:

(a) the Bonds cannot be promoted, marketed, offered or sold in or from within the Bailiwick of Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, and the regulations enacted thereunder, or any exemption therefrom;

(b) this Prospectus has not been approved, authorised or registered by the Guernsey Financial Services Commission for circulation in the Bailiwick of Guernsey; and

(c) this Prospectus may not be distributed or circulated, directly or indirectly, to any persons in the Bailiwick of Guernsey other than:

    (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended; or

    (ii) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law 1994, as amended, the Insurance Business (Bailiwick of Guernsey) Law 2002, as amended, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, as amended, or the Regulation of Fiduciaries, Administration Business and Company Directors etc (Bailiwick of Guernsey) Law 2000, as amended.

Isle of Man

Each Joint Lead Manager has represented and agreed that the Bonds cannot be marketed, offered or sold in, or to persons resident in, the Isle of Man, other than in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 or in accordance with any relevant exclusion contained in the Isle of Man Regulated Activities Order 2011 or in accordance with any relevant exemption contained in the Isle of Man Financial Services (Exemptions) Regulations 2011.

Public offer selling restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Bonds to the public in that Relevant Member State other than the offers contemplated in this Prospectus in the United Kingdom from the time the Prospectus has been approved by the competent authority in the United Kingdom and published in accordance with the Prospectus Directive as implemented in the United Kingdom until the

Issue Date or such later date as the Issuer may permit, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Lead Manager nominated by the Issuer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

In this provision, the expression an **offer of Bonds to the public** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State; the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State; and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

General

Save for the offers to be made in the United Kingdom, no action has been taken by the Issuer, the Guarantor or the Joint Lead Managers that would, or is intended to, permit a public offer of the Bonds in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus or any amendment or supplement thereto or any other offering material, in all cases at its own expense.

11. ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

You should be aware of a number of other matters that may not have been addressed in detail elsewhere in this Prospectus.

These include the availability of certain relevant documents for inspection, confirmations from the Issuer and details of the listing of the Bonds.

Listing and admission to trading of the Bonds

It is expected that the admission of the 4.50% guaranteed bonds due 2026 (the **Bonds**) to be issued by A2D Funding II plc (the **Issuer**), and guaranteed by A2Dominion Housing Group Limited (the **Guarantee** and the **Guarantor** respectively) to the Official List will be granted on or about 1st October, 2014. Application will be made to the UK Listing Authority for the Bonds to be admitted to the Official List and to the London Stock Exchange for such Bonds to be admitted to trading on the Regulated Market and through its electronic order book for retail bonds. Admission of the Bonds to trading is expected to occur on 1st October, 2014.

The amount of expenses related to the admission to trading of the Bonds will be specified in the Sizing Announcement published by the Issuer on a Regulatory Information Service.

The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (**MiFID**). MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors.

Issuer's and Guarantor's authorisation

The issue of the Bonds was duly authorised by a resolution of the Board of Directors of the Issuer passed on 26th August, 2014.

The giving of the Guarantee was duly authorised by a resolution of the Finance Committee of the Guarantor passed on 28th August, 2014.

The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the Bonds and the giving of the Guarantee.

Significant or material change statement

There has been no significant change in the financial or trading position of the Issuer, and no material adverse change in the prospects of the Issuer, since its date of incorporation.

There has been no significant change in the financial or trading position of the Guarantor, and no material adverse change in the prospects of the Guarantor, since 31st March, 2014.

There has been no significant change in the financial or trading position of the Guarantor and its subsidiaries (the **A2Dominion Group**), and no material adverse change in the prospects of the A2Dominion Group, since 31st March, 2014.

Litigation statement

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since the date of its incorporation which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Guarantor's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) during the 12 month period preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the A2Dominion Group's financial position or profitability.

Clearing systems information and Bond security codes

The Bonds will initially be represented by a global Bond (the **Global Bond**), which will be deposited with a common depository for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**) on or about the Issue Date. The Global Bond will be exchangeable for definitive Bonds (**Definitive Bonds**) in bearer form in the denomination of £100 each not less than 60 days following the request of the Issuer or the holder in the limited circumstances set out in it. See Appendix 3 (*Summary of Provisions Relating to the Bonds While in Global Form*) of this Prospectus.

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. In addition, the Bonds will be accepted for settlement in CREST via the CDI mechanism. Interests in the Bonds may also be held through CREST through the issuance of CDIs representing the Underlying Bonds. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus. For more information on the CDI mechanism, refer to the section of the Prospectus titled "*Risk Factors –Holding CREST depositary interests*". The ISIN for the Bonds is XS1103286305 and the Common Code is 110328630.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking *société anonyme*, 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

Documents available for inspection

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer:

(a) the constitutional documents of the Issuer and the Guarantor;

(b) the most recently published annual and interim financial statements (if any) of the Issuer, together with any audit or review reports prepared in connection therewith;

(c) the audited consolidated financial statements of the Guarantor in respect of the financial years ended 31st March, 2013 and 31st March, 2014, in each case together with the audit reports prepared in connection therewith;

(d) the most recently published interim financial statements (if any) of the Guarantor, together with any audit or review reports prepared in connection therewith;

(e) the Trust Deed dated 30th September, 2014 pursuant to which the Bonds are constituted (which includes the Guarantee);

(f) the Agency Agreement dated 30th September, 2014 pursuant to which The Bank of New York Mellon, London Branch is appointed as Principal Paying Agent in respect of the Bonds;

(g) a copy of this Prospectus; and

(h) any future prospectuses and supplements to this Prospectus and any other documents incorporated therein by reference.

Auditors

The consolidated financial statements of the Guarantor for the financial years ended 31st March, 2013 and 31st March, 2014 have been audited without qualification by BDO LLP, members of the Institute of Chartered Accountants of England and Wales, of 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA.

Material and conflicts of interest in the offer

So far as the Issuer and the Guarantor are aware, no person involved in the offer of the Bonds has an interest material to the offer. There are no conflicts of interest which are material to the offer of the Bonds.

12. IMPORTANT LEGAL INFORMATION

IMPORTANT LEGAL INFORMATION

This Section contains some important legal information regarding the basis on which this Prospectus may be used and other matters.

This Prospectus has been prepared on a basis that permits a **Public Offer** (being an offer of the 4.50% guaranteed bonds due 2026 (the **Bonds**) that is not within an exemption from the requirement to publish a prospectus under Article 5.4 of the Prospectus Directive) in the United Kingdom. Any person making or intending to make a Public Offer of Bonds in the United Kingdom on the basis of this Prospectus must do so only with the consent of A2D Funding II plc (the **Issuer**) and A2Dominion Housing Group Limited (the **Guarantor**) – see "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" below.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of any Public Offer of Bonds in the United Kingdom, each of the Issuer and the Guarantor accepts responsibility, in the United Kingdom, for the content of this Prospectus under section 90 of FSMA in relation to any person in the United Kingdom to whom an offer of any Bonds is made by a financial intermediary (including Lloyds Bank plc and Canaccord Genuity Limited) to whom the Issuer and the Guarantor has given its consent to use the Prospectus, where the offer is made in compliance with all conditions attached to the giving of such consent. Such consent and the attached conditions are described below under "Consent" below.

Except in the circumstances described below, neither the Issuer, the Guarantor nor Cannacord Genuity Limited or Lloyds Bank plc (the **Joint Lead Managers**) have authorised the making of any Public Offer and the Issuer has not consented to the use of this Prospectus by any other person in connection with any offer of the Bonds. Any offer made without the consent of the Issuer and the Guarantor is unauthorised and neither the Issuer, the Guarantor nor the Joint Lead Managers accept any responsibility in relation to such offer.

If, in the context of a Public Offer, you are offered Bonds by a person which is not an Authorised Offeror (as defined below), you should check with such person whether anyone is responsible for this Prospectus for the purpose of section 90 of FSMA in the context of the Public Offer and, if so, who that person is. If you are in any doubt about whether you can rely on this Prospectus and/or who is responsible for its contents, you should take legal advice.

Consent

The Issuer and the Guarantor consent to the use of this Prospectus in connection with any Public Offer of Bonds in the United Kingdom during the Offer Period by:

(i) the Joint Lead Managers; and

(ii) any financial intermediary (an **Authorised Offeror**) which satisfies the Authorised Offer Terms and other conditions as set out below.

The **Authorised Offeror Terms** are that the relevant financial intermediary represents and agrees that it:

(a) is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (**MiFID**) (in which regard, you should consult the register of authorised entities maintained by the FCA at www.fca.org.uk/firms/systems-reporting/register). MiFID governs the organisation and conduct of the business of investment firms and the operation of regulated markets across the European Economic Area in order to seek to promote cross-border business, market transparency and the protection of investors;

(b) acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**), including the Rules published by the Financial Conduct Authority (**FCA**) (including its guidance for distributors in "The Responsibilities of Providers and Distributors for the Fair Treatment of Customers") from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential investor;

(c) complies with the restrictions set out under "*Subscription and Sale*" in this Prospectus which would apply as if it were a Joint Lead Manager;

(d) ensures that any fee (and any commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and is fully and clearly disclosed to investors or potential investors;

(e) holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under the Financial Services and Markets Act 2000 (**FSMA**) and/or the Financial Services Act 2012;

(f) complies with applicable anti-money laundering, anti-bribery and "know your client" Rules, and does not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;

(g) retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the Joint Lead Managers, the Issuer and the Guarantor or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Guarantor and/or the Joint Lead Managers in order to enable the Issuer and/or the Guarantor and/or the Joint Lead Managers to comply with anti-money laundering, anti-bribery and "know your client" Rules applying to the Issuer and/or the Guarantor and/or the Joint Lead Managers;

(h) does not, directly or indirectly, cause the Issuer or the Guarantor or the Joint Lead Managers to breach any Rule or subject the Issuer or the Guarantor or the Joint Lead Managers to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

(i) agrees and undertakes to indemnify each of the Issuer, the Guarantor and the Joint Lead Managers (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Guarantor or the Joint Lead Managers;

(j) will immediately give notice to the Issuer, the Guarantor and the Joint Lead Managers if at any time such Authorised Offeror becomes aware or suspects that they are or may be in violation of any Rules or the Authorised Offer Terms, and will take all appropriate steps to remedy such violation and comply with such Rules and the Authorised Offer Terms in all respects;

(k) will not give any information other than that contained in this document (as may be amended or supplemented by the Issuer from time to time) or the information booklet prepared by the Issuer, the

Guarantor and the Joint Lead Managers or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Bonds;

(l) agrees that any communication in which it attaches or otherwise includes the Prospectus or any announcement published by the Issuer via a Regulatory Information Service at the end of the Offer Period will be consistent with the Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and the Guarantor and must expressly confirm that neither the Issuer nor the Guarantor accepts any responsibility for content of any such communication;

(m) will not use the legal or publicity names of the Joint Lead Managers, the Issuer, the Guarantor (other than to describe such entity as the Joint Lead Managers, the Issuer or the Guarantor of the Bonds (as applicable)) or any other name, brand or logo registered by the Guarantor or any of its subsidiaries or any material over which any member of the Guarantor or its subsidiaries retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Bonds; and

(n) agrees and accepts that:

 (a) the contract between the Issuer, the Guarantor and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Prospectus with its consent in connection with the relevant Public Offer (the **Authorised Offeror Agreement**), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Agreement, shall be governed by, and construed in accordance with, English law;

 (b) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Agreement) and accordingly submits to the exclusive jurisdiction of the English courts; and

 (c) the Joint Lead Managers will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Agreement which are, or are expressed to be, for their benefit, including the agreements, representations, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any financial intermediary who wishes to use this Prospectus in connection with a Public Offer as set out above is required, for the duration of the Offer Period, to publish on its website that it is using this Prospectus for such Public Offer in accordance with the consent of the Issuer and the Guarantor and the conditions attached thereto in the following form (with the information in square brackets completed with the relevant information):

"We, [insert legal name of financial intermediary], refer to the offer of 4.50% sterling denominated guaranteed Bonds due 2026 of A2D Funding II plc. In consideration of A2D Funding II plc and A2Dominion Housing Group Limited offering to grant their consent to our use of the Prospectus dated 8th September, 2014 relating to the Bonds in connection with the offer of the Bonds in the United Kingdom (the ***Public Offer****) and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by A2D Funding II plc and A2Dominion Housing Group Limited in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and confirm that we are using the Prospectus accordingly".*

A Public Offer may be made during the Offer Period by any of the Issuer, the Guarantor, the Joint Lead Managers or the other Authorised Offerors. The Issuer shall procure that any new information with respect to the other Authorised Offerors appointed after the date of this Prospectus shall be published on the website of the Guarantor (www.a2dominion.co.uk).

Other than as set out above, none of the Issuer, the Guarantor or the Joint Lead Managers have authorised the making of any Public Offer by any person in any circumstances and such person is not permitted to use this Prospectus in connection with any offer of Bonds. Any such offers are not made on behalf of the Issuer or by the Guarantor, the Joint Lead Managers or the other Authorised Offerors and none of the Issuer, the Guarantor, the Joint Lead Managers or the other Authorised Offerors has any responsibility or liability for the actions of any person making such offers.

Arrangements between you and the financial intermediaries who will distribute the Bonds

None of the Issuer, the Guarantor or the Joint Lead Managers have any responsibility for any of the actions of any Authorised Offeror (except for the Joint Lead Managers, where they are acting in the capacity of an Authorised Offeror), including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

If you intend to acquire or do acquire any Bonds from an Authorised Offeror, you will do so, and offers and sales of the Bonds to you by such an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and you including as to price, allocations and settlement arrangements (see Section 5 (*How to apply for the Bonds*)). Neither the Issuer nor the Guarantor will be a party to any such arrangements with you in connection with the offer or sale of the Bonds and, accordingly, this Prospectus does not contain such information. The information relating to the procedure for making applications will be provided by the relevant Authorised Offeror to you at the relevant time. None of the Issuer, the Guarantor, the Joint Lead Managers or the other Authorised Offerors has any responsibility or liability for such information.

Notice to investors

The Bonds may not be a suitable investment for all investors. You must determine the suitability of any investment in light of your own circumstances. In particular, you may wish to consider, either on your own or with the help of your financial and other professional advisers, whether you:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus (and any applicable supplement to this Prospectus);

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on your overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments (sterling) is different from the currency which you usually use;

(d) understand thoroughly the terms of the Bonds and are familiar with the behaviour of the financial markets; and

(e) are able to evaluate possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks.

No person is or has been authorised by the Issuer, the Guarantor, the Joint Lead Managers or Prudential Trustee Company Limited (the **Trustee**) to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers or the Trustee.

Neither the publication of this Prospectus nor the offering, sale or delivery of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date of this Prospectus or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date of this Prospectus or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Joint Lead Managers nor the Trustee undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds should be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Prospectus and any purchase of Bonds should be based upon such investigation as it deems necessary.

The Joint Lead Managers and the Trustee

Neither the Joint Lead Managers nor the Trustee has independently confirmed the information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Bonds. Neither the Joint Lead Managers nor the Trustee accepts liability in relation to the information contained in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Bonds or their distribution.

The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and the Guarantor's affiliates in the ordinary course of business.

No incorporation of websites

The contents of the websites of the A2Dominion Group do not form part of this Prospectus, and you should not rely on them.

CREST depository interests

In certain circumstances, investors may also hold interests in the Bonds through CREST through the issue of CDIs representing interests in Underlying Bonds. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25th June, 2001 (as subsequently modified, supplemented and/or restated). Neither the Bonds nor any rights attached to the Bonds will be issued, settled, held or transferred within the CREST system other than through the issue, settlement, holding or transfer of CDIs. CDI Holders will not be entitled to deal directly in the Bonds and, accordingly, all dealings in the Bonds will be effected through CREST in relation to the holding of CDIs. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

Selling restrictions

This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Bonds to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. This

Prospectus is not for distribution in the United States, Australia, Canada or Japan. The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or qualified for sale under the laws of the United States or under any applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons.

The distribution of this Prospectus and the offer or sale of the Bonds in certain jurisdictions may be restricted by law. No action has been or will be taken by the Issuer, the Guarantor, the Joint Lead Managers or the Trustee anywhere which is intended to permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction, other than in the United Kingdom, Guernsey, Jersey and/or the Isle of Man. You must inform yourself about, and observe, any such restrictions.

APPENDIX 1

DEFINED TERMS INDEX

The following is an index that indicates the location in this Prospectus where certain capitalised terms have been defined.

All references in this Prospectus to **sterling** and **£** refer to the lawful currency of the United Kingdom.

References to the singular in this document shall include the plural and vice versa, where the context so requires.

The term **subsidiary** means a subsidiary within the meaning of section 1159 of the Companies Act 2006 or section 271 of the Housing and Regeneration Act 2008.

All references to time in this Prospectus are to London time.

APPENDIX 2

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Conditions of the Bonds which (subject to modification) will be endorsed on each Bond in definitive form (if issued):

The sterling denominated 4.50% Guaranteed Bonds due 2026 (the **Bonds**, which expression shall in these Conditions, unless the context otherwise requires, include any further bonds issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Bonds) of A2D Funding II plc (the **Issuer**) are constituted by a Trust Deed dated 30th September, 2014 (the **Trust Deed**) made between the Issuer, A2Dominion Housing Group Limited (the **Guarantor**) as guarantor and Prudential Trustee Company Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Bonds (the **Bondholders**) and the holders of the interest coupons appertaining to the Bonds (the **Couponholders** and the **Coupons** respectively, which expressions shall, unless the context otherwise requires, include the talons for further interest coupons (the **Talons**) and the holders of the Talons).

The Bonds have the benefit of an Agency Agreement dated 30th September, 2014 (the **Agency Agreement**) made between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch (the **Principal Paying Agent**, which expression shall include any successor agent), the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and the Trustee.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours by the Bondholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Bonds at Laurence Pountney Hill, London EC4R 0HH and at the specified office of each of the Paying Agents. The Bondholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are in bearer form, serially numbered, in the denomination of £100 each with Coupons and one Talon attached on issue.

1.2 Title

Title to the Bonds and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, the Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Bond or Coupon as the absolute owner for all purposes (whether or not the Bond or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Bond or Coupon or any notice of previous loss or theft of the Bond or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS OF THE BONDS

The Bonds and the Coupons are direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. GUARANTEE

3.1 Guarantee

The payment of the principal and interest in respect of the Bonds and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the **Guarantee**) in the Trust Deed.

3.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. COVENANTS

4.1 General Covenants of the Issuer

For so long as any of the Bonds remain outstanding, the Issuer covenants that it will not, without the consent in writing of the Trustee:

(a) carry on any business or enter into any documents, except that the Issuer may:

   (i) issue further bonds issued pursuant to Condition 17 or take any action in respect of the Bonds or such further bonds;

   (ii) on-lend the issue proceeds of the Bonds to members of the A2Dominion Group pursuant to loan agreements (each a **Loan Agreement**);

   (iii) enter into and perform its obligations under the Trust Deed, the Agency Agreement and each Loan Agreement;

   (iv) enforce any of its rights under the Trust Deed, the Agency Agreement, the Loan Agreements and the Guarantee; and

   (v) perform any act incidental to or necessary in connection with any of the above;

(b) assign or otherwise dispose of, or create or permit to subsist any mortgage or charge or any other security interest in respect of, its rights under the Loan Agreements;

(c) have any employees or subsidiaries;

(d) declare any dividends or make any distributions of any other kind;

(e) issue any further shares; or

(f) save as required in accordance with the statutory duties of the directors of the Issuer, take any action which would lead to the dissolution, liquidation or winding up of itself or to the amendment of its constitutional documents.

4.2 Financial Covenant of the Guarantor

For so long as any of the Bonds remain outstanding, the Guarantor shall procure that either:

(a) in respect of each Non-Finance Borrower (to the extent that there is at least one Non-Finance Borrower), the Net Available Properties Value in respect of such Non-Finance Borrower shall not be less than the Total Unsecured Debt of such Non-Finance Borrower; or

(b) the aggregate Net Available Properties Value in respect of all members of the A2Dominion Group shall be not less than 130% of the Total Unsecured Debt of the A2Dominion Group.

For the purpose of these Conditions:

A2Dominion Group means the Guarantor (and any entity with which the Guarantor may merge or be consolidated with at any time) and its subsidiaries from time to time;

Applicable Valuation Basis means a valuation made on the basis of existing use value for social housing, as defined in "The Red Book – Royal Institution of Chartered Surveyors Appraisal and Valuation Standards" (as may be amended or supplemented from time to time), taking into account any restrictions of which the Valuer is aware, or such other valuations basis as the Valuer might consider appropriate at any time;

Borrower means any member of the A2Dominion Group, in each case for so long as it is a borrower under a Loan Agreement, or any member of the A2Dominion Group to which any such borrower on-lends any of the net issue proceeds of the Bonds (or any other monies), in each case for so long as any such on-lending to it is outstanding;

Fixed Asset Investments and Stock & WIP means, in respect of each Borrower or other member of the A2Dominion Group, the amounts as shown in the most recent audited financial statements of such Borrower or such other member of the A2Dominion Group (or, if none, the Guarantor), as applicable, for such items;

Net Available Properties Value means, in respect of each Borrower or other member of the A2Dominion Group, the Total Properties Value of such Borrower or such other member of the A2Dominion Group, as applicable, less the Total Secured Debt of such Borrower or such other member of the A2Dominion Group, as applicable;

Non-Finance Borrower means any Borrower other than a Borrower which acts solely as a finance vehicle for the A2Dominion Group;

Properties means all estates or interests in any freehold, leasehold, heritable or other immovable property situated in the United Kingdom;

Total Properties Value means, in respect of each Borrower or other member of the A2Dominion Group, such amount as represents the aggregate of the total value, as at the last day of the financial year of such Borrower or such other member of the A2Dominion Group, as applicable, of each of the Properties (each determined in accordance with the Applicable Valuation Basis), as confirmed to the Guarantor by the Valuer, and the Fixed Asset Investments and Stock & WIP;

Total Secured Debt means, in respect of each Borrower or other member of the A2Dominion Group, the aggregate of all secured borrowings of such Borrower or such other member of the A2Dominion Group, as applicable, as at the last day of each financial year of such Borrower or such other member of the A2Dominion Group, as applicable, calculated by reference to the audited financial statements of such Borrower or such other member of the A2Dominion Group (or, if none, the Guarantor), as applicable, for such financial year;

Total Unsecured Debt means, in respect of each Borrower or the A2Dominion Group, the aggregate of all unsecured borrowings (excluding, for the purpose of Condition 4.2(b) above, any borrowings from other members of the A2Dominion Group) of such Borrower or all members of the A2Dominion Group, as the case may be, as at the last day of each financial year of such Borrower or the Guarantor, as the case may be, calculated by reference to the audited financial statements of such Borrower or the Guarantor, as the case may be, for such financial year; and

Valuer means any firm of external or independent professional valuers as may be from time to time be appointed by the Guarantor or any Borrower or other member of the A2Dominion Group.

4.3 Compliance Certificate

A certificate addressed to the Issuer and the Trustee by two authorised signatories of the Guarantor as to any of the following may, in the absence of manifest error, be relied on by the Issuer and the Trustee and, if so relied upon, shall be conclusive and binding on the Issuer, the Guarantor (if applicable) and the Bondholders and Couponholders:

(a) compliance with the covenant in Condition 4.2; and

(b) any calculation under Condition 4.2; and

(c) any amount or quantification of any defined term under Condition 4.2,

provided the requirement for a confirmation of the Valuer as provided under the definition of Total Properties Value is met.

The Guarantor will deliver such a certificate (together with the confirmation of the Valuer referred to in the definition of Total Properties Value) to each of the Issuer and the Trustee within 210 days of the end of each financial year of the Guarantor.

The Trustee may accept and rely on the confirmation of the Valuer whether or not any such confirmation or any document entered into by the Trustee and the Valuer in connection therewith contains any limit on liability of the Valuer.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Bonds bear interest from and including 30th September, 2014 at the rate of 4.50% per annum, payable semi-annually in arrear in equal instalments on 30th March and 30th September (each an **Interest Payment Date**). The first payment (for the period from and including 30th September, 2014 to but excluding 30th March, 2015 and amounting to £2.25 per £100 principal amount of Bonds) shall be made on 30th March, 2015.

5.2 Interest Accrual

Each Bond will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.3 **Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full half year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two, and multiplying this by the rate of interest specified in Condition 5.1 above and the relevant principal amount of the Bonds.

6. **PAYMENTS AND EXCHANGES OF TALONS**

6.1 **Payments in respect of Bonds**

Payments of principal and interest in respect of each Bond will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Bond, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 **Method of Payment**

Payments will be made by credit or transfer to an account in Sterling maintained by the payee with or, at the option of the payee, by a cheque in Sterling drawn on, a bank in London.

6.3 **Missing Unmatured Coupons**

Each Bond should be presented for payment together with all relative unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

6.4 **Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

6.5 **Payment only on a Presentation Date**

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 9 (*Prescription*)):

(a) is or falls after the relevant due date;

(b) is a Business Day in the place of the specified office of the Paying Agent at which the Bond or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a Sterling account in London (as referred to above), is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

6.6 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 9 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

6.7 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Bonds are admitted to official listing on the London Stock Exchange shall be London or such other place as the Financial Conduct Authority and/or the Prudential Regulation Authority may approve; and

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Bondholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Bonds at their principal amount on 30th September, 2026.

7.2 Redemption for Taxation Reasons

If as a result of any actual or proposed change in tax law, the Issuer determines (in its reasonable commercial judgement), and certifies to the Trustee, that it would, on the next following Interest Payment Date, be required to make a withholding or deduction in respect of payments to be made on such Interest Payment Date (other than in respect of a Bondholder Specific Withholding) and the Issuer does not opt to pay additional amounts pursuant to Condition 8.2 (*No obligation to pay additional amounts*) or, having so opted, notifies the Trustee and the Bondholders, in accordance with Condition 13 (*Notices*), of its intention to cease paying such additional amounts, the Issuer shall redeem the Bonds in whole, but not in part, at their principal amount, plus accrued interest to (but excluding) the date of redemption, as soon as reasonably practicable prior to the next following Interest Payment Date or, if it is not reasonably practicable for the Issuer to redeem the Bonds prior to the next following Interest Payment Date, within three Business Days thereafter. For the avoidance of doubt, any amounts in respect of accrued interest which fall due on any such redemption of the Bonds (and, where the redemption follows the next following Interest Payment Date, such Interest Payment Date) shall be paid subject to the required withholding or deduction and the Issuer shall not be obliged to pay any additional amounts in respect thereof.

7.3 Redemption at the Option of the Issuer

The Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Bondholders in accordance with Condition 13 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption) redeem all of the Bonds or, subject as provided in Condition 7.4 below, from time to time some only (being £5,000,000 in aggregate principal amount or an integral multiple of £1,000,000), at any time.

Redemption of the Bonds pursuant to this Condition shall be made at the higher of the following:

(i) par; and

(ii) the amount (as calculated by a financial adviser nominated by the Issuer and approved by the Trustee (the **Nominated Financial Adviser**) and reported in writing to the Issuer and the Trustee) which is equal to the principal amount of the Bonds to be redeemed multiplied by the price (expressed as a percentage and calculated by the Nominated Financial Adviser) (rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds (if the Bonds were to remain outstanding until their original maturity) on the Determination Date would be equal to the sum of (i) the Gross Redemption Yield at 3:00 pm (London time) on the Determination Date of the Benchmark Gilt and (ii) 0.50%,

together with any interest accrued up to (but excluding) the date of redemption.

For the purposes of this Condition:

Benchmark Gilt means the 5% Treasury Gilt 2025 or such other conventional (i.e. not index-linked) UK Government Gilt as the Issuer (with the advice of the Nominated Financial Adviser) may determine (failing such determination, as the Trustee with such advice shall determine) to be the most appropriate benchmark conventional UK Government Gilt;

Determination Date means three Business Days prior to the date of redemption; and

Gross Redemption Yield means a yield calculated by the Nominated Financial Adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae (Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date) (published on 8th June, 1998 and updated on 15th January, 2002 and 16th March, 2005) (as amended or supplemented from time to time).

7.4 Provisions relating to Partial Redemption

In the case of a partial redemption of Bonds, Bonds to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Bonds to be redeemed, the serial numbers of the Bonds called for redemption, the serial numbers of Bonds previously called for redemption and not presented for payment and the aggregate principal amount of the Bonds which will be outstanding after the partial redemption.

7.5 Purchase of Bonds by the Guarantor or members of the Guarantor's Group

The Guarantor and any of its subsidiaries may at any time purchase Bonds in any manner and at any price. Following any such purchase, the Guarantor or such subsidiary, as the case may be, may (but is not obliged to) surrender the Bonds to the Issuer for cancellation.

7.6 Purchase of Bonds by the Issuer

The Issuer may not at any time purchase Bonds.

7.7 Cancellation of purchased or redeemed Bonds

All Bonds which are (a) redeemed or (b) purchased by or on behalf of the Guarantor or any of its subsidiaries and surrendered for cancellation will forthwith be cancelled, together with all unmatured Coupons attached to such Bonds or surrendered with such Bonds, and accordingly may not be held, reissued or resold.

7.8 Notices Final

Upon the expiry of any notice as is referred to in paragraph 7.2 or 7.3 above the Issuer shall be bound to redeem the Bonds to which the notice refers in accordance with the terms of such paragraph.

8. TAXATION

8.1 Payment without withholding

All payments in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law.

8.2 No obligation to pay additional amounts

Subject as follows, neither the Issuer, the Trustee nor any Paying Agent shall be obliged to pay any additional amounts to the Bondholders or Couponholders as a result of any withholding or deduction made in accordance with Condition 8.1 (*Payments without withholding*).

Notwithstanding the foregoing, in the event that the Issuer would, on the next Interest Payment Date, be required to make a withholding or deduction in respect of tax (other than in respect of a Bondholder Specific Withholding), the Issuer may (but shall not be obliged to), provided that it has given notice to the Trustee and the Bondholders, in accordance with Condition 13 (*Notices*), of its intention to do so prior to such Interest Payment Date, pay to Bondholders such additional amounts as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction will equal the amounts of principal and interest which would have been received in respect of the Bonds in the absence of such withholding or deduction. If at any time the Issuer intends to cease paying such additional amounts it may do so by giving notice to the Bondholders and the Trustee of its intention to do so with effect from the next Interest Payment Date.

8.3 Interpretation

In these Conditions:

Bondholder Specific Withholding means any withholding or deduction of Taxes which is required in respect of any payment in respect of any Bond or Coupon:

(a) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of the Bond or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Bond or Coupon; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a Member State of the European Union; or

(d) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6 (*Payments and Exchanges of Talons*);

Relevant Date means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 13 (*Notices*); and

Relevant Jurisdiction means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Bonds and Coupons.

9. PRESCRIPTION

Bonds and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Bonds or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Payments and Exchanges of Talons*). There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this paragraph or Condition 6 (*Payments and Exchanges of Talons*).

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) (other than a failure by the Guarantor to comply with Condition 4.2), (c) and (k) inclusive, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Bondholders) give written notice to the Issuer and the Guarantor that the Bonds are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

(a) default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or

(b) the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of written notice requiring the same to be remedied; or

(c) (A) any other present or future indebtedness of the Issuer, the Guarantor or any Material Subsidiaries for or in respect of moneys borrowed or raised is declared due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or

(B) any such indebtedness is not paid when due (after the expiry of any originally applicable grace period); or

(C) the Issuer, the Guarantor or any Material Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in (A), (B) or (C) above have occurred equals or exceeds £10,000,000 or its equivalent in other currencies (as reasonably determined by the Trustee); or

(d) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary save (in the case of the Guarantor or any Material Subsidiary) for the purposes of a Permitted Reorganisation or other reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(e) the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a Permitted Reorganisation or other reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(f) any Material Subsidiary which is a Registered Provider of Social Housing on the date of issue of the Bonds or (if it joins the A2Dominion Group after such date) on the date on which it joins the A2Dominion Group, ceases to be a Registered Provider of Social Housing; or

(g) the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(h) (A) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer, the Guarantor or any Material Subsidiary or an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Issuer, the Guarantor or such Material Subsidiary, as the case may be, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer, the Guarantor or such Material Subsidiary, as the case may be; and

(B) in any such case (other than the appointment of an administrator) is not discharged within l4 days,

save for the purposes of a Permitted Reorganisation or other reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(i) the Issuer, the Guarantor or any Material Subsidiary (or their respective board members or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium); or

(j) the Issuer, the Guarantor or any Material Subsidiary (or their respective board members or shareholders) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save for the purposes of a Permitted Reorganisation or other reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(k) it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with their respective obligations under the Bonds or the Trust Deed; or

(l) the Guarantee ceases to be, or is claimed by the Issuer, the Guarantor or any Material Subsidiary not to be, in full force and effect.

10.2 Interpretation

For the purposes of this Condition:

Material Subsidiary means:

(a) any subsidiary of the Guarantor:

(i) whose assets or turnover (consolidated in the case of a subsidiary which itself has subsidiaries) represent, in each case, not less than 5% of the consolidated assets at historic cost or turnover of the A2Dominion Group, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such subsidiary and the then latest audited consolidated accounts of the Guarantor, provided that in the case of a subsidiary of the Guarantor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor relate, the reference to the then latest audited consolidated accounts of the Guarantor for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Auditors of the Guarantor; or

(ii) to which has been transferred (whether in a single transaction or a series of transactions (whether related or not)) the whole or substantially the whole of the assets of a subsidiary of the Guarantor which immediately prior to such transaction(s) was a Material Subsidiary;

(b) A2Dominion Homes Limited;

(c) A2Dominion South Limited; and

(d) any Borrower.

Permitted Reorganisation means any transfer, amalgamation, merger, consolidation or transfer of engagements (whether entering into or acceptance thereof) of the whole of the Guarantor or any member of the A2Dominion Group's property (including, for the avoidance of doubt, any statutory procedure as provided for under the Co-operative and Community Benefit Societies Act 2014) made between the Guarantor or any member of the A2Dominion Group (**Party A**) and any other entity (**Party B**) provided that:

(a) following any such transfer, amalgamation, merger, consolidation or transfer of engagements either:

  (i) in respect of a registered society where the property of Party A (including, for the avoidance of doubt, any liabilities) shall become vested in Party B or a new amalgamated entity, Party B or such new amalgamated entity will thereafter be responsible for all the liabilities of Party A pursuant to the Co-operative and Community Benefit Societies Act 2014; or

  (ii) in respect of a company, the company or the company's assets, continue to be owned or controlled, directly or indirectly by the Guarantor; and

(b) a certificate executed by two authorised signatories of Party A or Party B confirming the above is provided to the Trustee.

Registered Provider of Social Housing means a person listed in the register of providers of social housing established under Chapter 3 of Part 2 of the Housing and Regeneration Act 2008 (as amended from time to time) or a person having a status which, in the opinion of the Trustee, is substantially equivalent under any replacement or successor legislation thereto.

10.3 Reports

A report by the two authorised signatories of the Guarantor whether or not addressed to the Issuer or the Trustee that, in their opinion, a subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Issuer or the Trustee without further enquiry or evidence and, if relied upon by the Issuer or the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Bonds and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fifth in principal amount of the Bonds then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

11.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

11.3 Enforcement by the Bondholders

No Bondholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Bonds or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF BONDS AND COUPONS

Should any Bond or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

13. NOTICES

All notices to the Bondholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the Financial Times. The Issuer shall also ensure that notices to the Bondholders are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Bonds are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

14. SUBSTITUTION

The Trustee may, without the consent of the Bondholders or Couponholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Bonds, the Coupons and the Trust Deed of the Guarantor or any of its subsidiaries subject to:

(a) except in the case of the substitution of the Guarantor, the Bonds being unconditionally and irrevocably guaranteed by the Guarantor;

(b) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Bondholders; and

(c) certain other conditions set out in the Trust Deed being complied with.

15. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

15.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50% in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Bonds held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Bonds for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders will be binding on all Bondholders, whether or not they were present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

15.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Bondholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

15.3 Trustee to have Regard to Interests of Bondholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders.

15.4 Notification to the Bondholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Bondholders and the Couponholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

16. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

16.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor, the Bondholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

16.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Bondholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds so created and issued shall be constituted by a deed supplemental to the Trust Deed.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Trust Deed (including the Guarantee), the Bonds and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

18.2 Jurisdiction of English Courts

Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Bondholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Bonds or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Bonds or the Coupons) and accordingly has submitted to the exclusive jurisdiction of the English courts.

Each of the Issuer and the Guarantor has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Bondholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed, the Bonds or the Coupons respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Bonds or the Coupons) (together referred to as **Proceedings**) against the Issuer or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

APPENDIX 3

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Bond contains provisions which apply to the 4.50% guaranteed bonds due 2026 to be issued by A2D Funding II plc (the ***Bonds****) while they are held in global form by the clearing systems, some of which include minor and/or technical modifications to the terms and conditions of the Bonds set out in this Prospectus. The following is a summary of certain parts of those provisions.*

1. Exchange of Global Bonds for Definitive Bonds in limited circumstances

The Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for definitive Bonds described below if (a) the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg (each a **Clearing System**) and (i) such Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or (ii) announces an intention permanently to cease business or does in fact do so, or (b) any of the circumstances described in Condition 10 (*Events of Default*) occurs.

Thereupon, the holder of the Global Bond (acting on the instructions of one or more of the Accountholders (as defined below)) may exchange the Global Bond for definitive Bonds on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Global Bond may surrender the Global Bond to or to the order of the Principal Paying Agent. In exchange for the Global Bond the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Bonds (having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Global Bond, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Bonds.

For these purposes, **Exchange Date** means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for the conduct of general business (including dealing in foreign exchange and foreign currency deposits) in the city in which the specified office of the Principal Paying Agent is located and, in the case of exchange pursuant to (b) above, in the place in which the relevant Clearing System is located.

2. Payments of principal and interest

Payments of principal and interest in respect of Bonds represented by the Global Bond will, subject as set out below, be made to the bearer of the Global Bond against presentation for endorsement and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Bond to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the holders of the Bonds (the **Bondholders**) for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the Global Bond by or on behalf of the Principal Paying Agent, which endorsement shall be prima facie evidence that such payment has been made in respect of the Bonds. For the purpose of any payments made in respect of the Global Bond, Condition (b) (*Payments only on Presentation Date*) shall not apply, and all such payments shall be made on a day on which commercial banks and foreign exchange markets are open in the financial centre of the currency of the Bonds.

3. Notices to Bondholders

For so long as all of the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 13 (*Notices*) provided that, so long as the Bonds are admitted to the official list maintained by the Financial Conduct Authority (the **FCA**) and admitted to trading on the London Stock Exchange plc's market for listed securities, all requirements of the FCA have been complied with. Any such notice shall be deemed to have been given to the Bondholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Bonds held by a Bondholder are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to be given by such Bondholder may be given by such Bondholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. Accountholders

For so long as all of the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Bonds standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders) other than with respect to the payment of principal and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Issuer, the Guarantor and the Trustee, solely in the bearer of the Global Bond in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the Global Bond.

5. Prescription

Claims against the Company in respect of principal and interest on the Bonds represented by the Global Bond will become void after 10 years (in the case of principal) and 5 years (in the case of interest) from the Relevant Date (as defined in Condition 8.3 (*Interpretation*)).

6. Call Option

For so long as all of the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Bonds will be required under Condition 7.4 (*Redemption and Purchase – Provisions relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 7.3 (*Redemption and Purchase – Redemption at the Option of the Issuer*) in respect of less than the aggregate principal amount of the Bonds outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Bond are to be subject to such option.

7. Cancellation

Cancellation of any Bond represented by the Global Bond and required by the Conditions of the Bonds to be cancelled following its redemption or purchase will be effected by reduction in the principal amount of the Global Bond by endorsement on the relevant part of the schedule thereto.

8. Trustee's Powers

In considering the interests of Bondholders while the Global Bond is held on behalf of the relevant Clearing System the Trustee may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its Accountholders with entitlements to the Global Bond.

9. Euroclear and Clearstream, Luxembourg

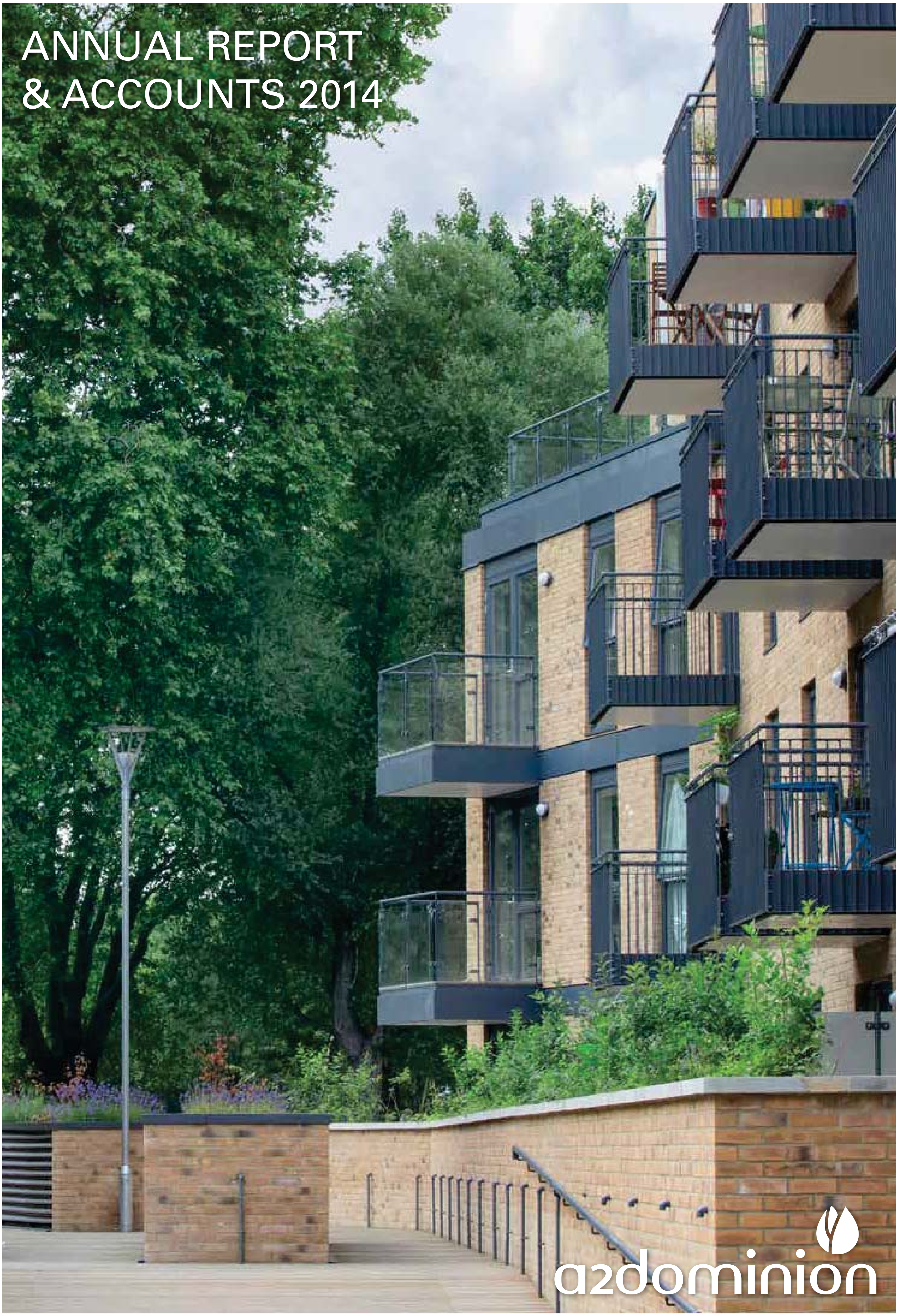
References in the Global Bond and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

APPENDIX 4

FINANCIAL INFORMATION

The consolidated financial statements of A2Dominion Housing Group Limited, together with the reports of the auditors thereon, for the financial year ended 31st March, 2014 are set out below.

ANNUAL REPORT & ACCOUNTS 2014



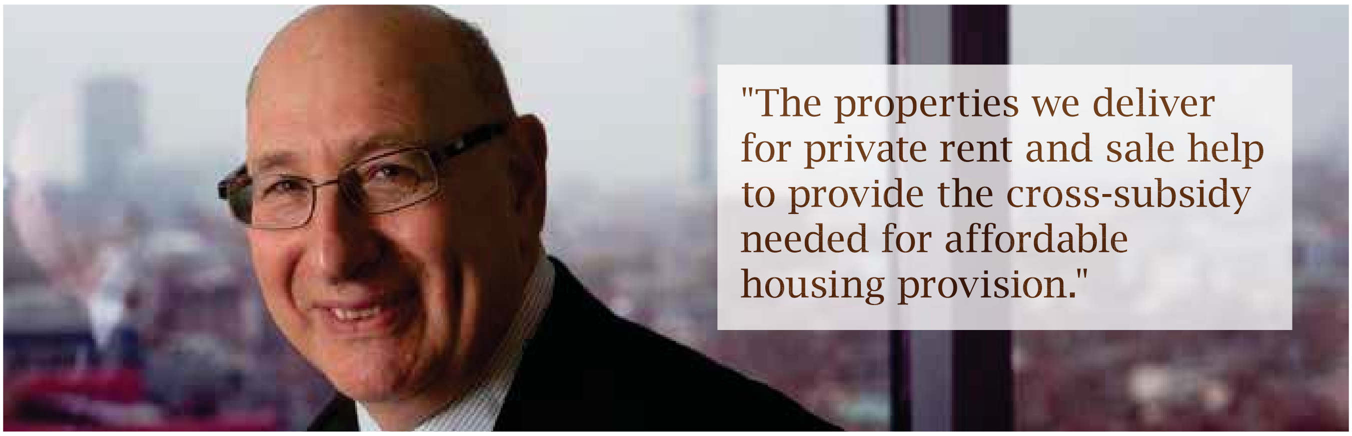
a2dominion

Contents

Front cover

Gunmakers Wharf, Tower Hamlets

Chair's report



I am pleased to report on a year of solid progress in fulfilling the objectives set out in our strategic plan. These include increasing our supply of new homes, improving customer services, improving access to opportunities that enhance our customers' lives, and underpinning delivery through financial viability and good governance.

We raised £150m through the issue of a retail bond, which closed in a record-breaking two days and is being used to fund more new homes. This supports our goal to provide a range of properties that meet the needs of the communities we serve, both in lifestyles and financial capacity. Additionally, the properties we deliver for private rent and sale help to provide the cross-subsidy needed for affordable housing provision.

From April 2013 our repairs services have been managed in-house via two joint ventures with contractors. This has given the Group better control over both quality and responsiveness. During the year these enterprises also won their first external contracts, part of a longer-term strategy to benefit from both economies of scale and a wider skill base.

Another key target for the year was to help customers most in need to prepare for the effects of welfare reform. Through the initiatives organised during the year we engaged with thousands of customers, providing advice and support, and despite welfare reform changes, rent arrears have fallen and we have also improved re-let times.

The Annual Report & Accounts is one of the few public opportunities I have to thank everyone who has contributed to a successful year. This includes our partner local authorities, contractors, lenders and professional advisors, as well as resident bodies, staff, executive members and my fellow board and committee members. Our success is a team effort and to all of you my thanks.

It is a pity to end on a sad note but I must mention Fiona Cornell, our former Deputy Executive Director of Operations, who sadly passed away in February 2014. She is sorely missed by all who knew her. In her memory a scholarship fund has been set up to assist the development of new housing talent amongst our staff, a cause that was close to Fiona's heart.

Derek Joseph
Chair

Vision and values

Our vision is simple: to improve people's lives through high quality homes and services.

As one of the country's leading providers of high quality housing, we have over 34,000 homes across London and the South East and thousands more in the development pipeline.

From affordable housing and private rent homes, to specialist accommodation for key workers, students and vulnerable people, we cater for all needs.

Through our A2Dominion New Homes brand we provide homes for sale and shared ownership.

Across all activities, our aim is to achieve our vision. We do this by reinvesting surpluses into developing more affordable housing and making existing properties and services even better.

We are committed to working towards our four key business objectives:

- Provide new high quality homes and places
- Deliver customer-led services
- Invest in our homes and local communities
- Strengthen our business

A set of values based on the acronym DRIVE supports our vision and underpins all of our activities:

- Deliver
- Respond
- Innovate
- Value diversity
- Enterprise

Providing new high quality homes and places

4,641
homes in our development pipeline

695
new homes completed

1,162
new homes started

£74.8m
sales income

We deliver high quality new homes to meet a broad customer base.

Creating new homes and places

We have delivered 695 new homes for sale, shared ownership and rent with developments in a range of prime locations, from inner London to West Sussex. We are also developing more properties for private rent and sale than ever before, including 2,779 new homes for sale and shared ownership.

Ground-breaking projects

Work has begun on the UK's first eco town, North West Bicester in Oxfordshire. The initial phase of this ground-breaking scheme comprises 393 true zero carbon homes, an eco-pub, community centre and school. We have also agreed a joint venture with Mount Anvil to deliver the prestigious Queen's Wharf and Riverside Studios scheme in Hammersmith.

Providing private rented homes

With a commitment to deliver 750 private rent homes by 2017, we are further expanding our range of homes for customers. Future schemes include over 160 private rent properties in Southampton and Ashford, Kent.

Our Cereston scheme in Billingshurst, West Sussex

Delivering customer-led services

We put customers at the heart of everything we do.

Getting online

With funding from the government's Digital Deal initiative, we launched a project to help over 1,300 customers get online as part of a three-year programme. A network of 'Digital Champion' volunteers is helping us to provide one-to-one and group training, as well as access to online resources.

Improving existing properties

We invested £29.4m to improve and upgrade over 7,200 of our existing homes. Targets for our planned repairs programme were exceeded and we achieved good levels of customer satisfaction.

Increasing support for customers

We have provided tenancy sustainment support to those affected by welfare reform changes, helping customers to secure over £1m in Housing Benefit and discretionary housing payments, as well as access to other benefits and grants totalling over £350,000.

Our 'Digital Champion' volunteers are helping over 1,300 customers

34,818
homes in ownership and management

95%
satisfaction with our Customer Services Centre

887
new social housing lettings

£29.4m
invested into improving existing homes

Investing in our homes and local communities

£63,882
donated to charities

2,631
customers supported via neighbourhoods programme

49
apprentices and interns placed

£12,000
awarded to young entrepreneurs

We invest in our neighbourhoods to support those who need our help most.

Working in our neighbourhoods

A2Dominion has supported over 2,600 residents through our Priority Neighbourhoods project with initiatives such as gardening projects, homework clubs, sports activities, training and events. We have also offered 43 work placements to residents, and six apprenticeships through A2Dominion and its partners.

Inspiring young entrepreneurs

Helping to turn business ideas into a reality, we awarded £12,000 to young entrepreneurs as well as providing mentoring support. Part of our 'Be Inspired' youth enterprise scheme, the funding is being used to support a community music festival, football coaching for young people and art workshops.

Corporate social responsibility

We donated £63,882 to support the work of charities and organisations in our local communities. Among these were the Albert Kennedy Trust, which supports young LGBT homeless people, and the Trussell Trust, which provides emergency foodbanks across the country.

We awarded £12,000 to young entrepreneurs as part of 'Be Inspired'

Strengthening our business

We continue to strengthen our financial position and grow our business.

Best ever surplus

We delivered our largest ever surplus of £38.1m, further strengthening our financial position. This was £20.4m above budget and will be reinvested into delivering more new homes, improving existing properties and providing services for customers.

New sources of funding

We have diversified our funding sources to develop more new homes. Our retail bond, listed on the London Stock Exchange ORB, raised £150m from investors in a record-breaking two days. We also secured £54m from the European Investment Bank to support the building of sustainable new homes and to make environmental improvements to our existing properties.

Sunday Times Top 100

For the second year in a row, A2Dominion was named as one of The Sunday Times Top 100 not-for-profit organisations to work for, and became a Best Companies One Star company for the first time. The Group also won the prestigious What House? 'Housing Association of the Year' Award.

Our largest ever surplus will provide even more new homes

£38.1m
surplus for reinvestment

£150m
raised via retail bond

£54m
European Investment Bank funding

£272.1m
turnover for 2014

Stock profile and areas of operation

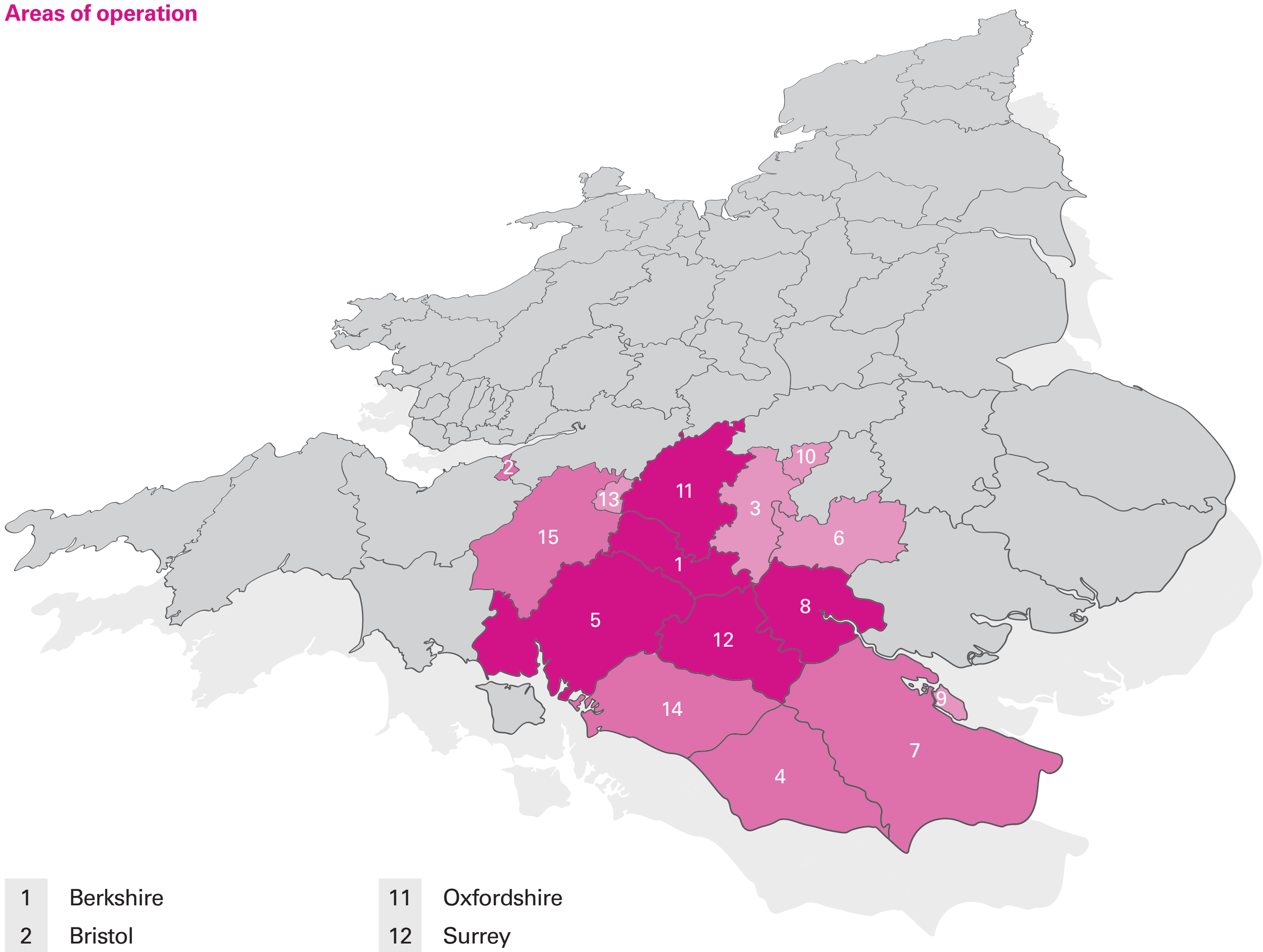
as at 31 March 2014

Stock profile

Local authority	Properties in management	Properties in development	Total
Bristol	622	0	622
Bromley	1,233	1	1,234
Cherwell	346	1,325	1,671
Chichester	540	20	560
Ealing	3,467	623	4,090
Elmbridge	343	12	355
Guildford	446	59	505
Hackney	79	336	415
Hammersmith & Fulham	1,311	82	1,393
Harrow	999	0	999
Hillingdon	2,047	0	2,047
Hounslow	2,447	384	2,831
Oxford	2,565	65	2,630
Reading	531	0	531
Runnymede	578	111	689
Rushmoor	368	0	368
Slough	978	0	978
South Oxfordshire	241	107	348
Spelthorne	7,313	300	7,613
Sutton	350	0	350
Tower Hamlets	478	97	575
West Berkshire	637	0	637
Westminster	1,291	38	1,329
Wiltshire	304	0	304
Winchester	1,131	18	1,149
Windsor & Maidenhead	376	0	376
Other*	3,797	1,063	4,860
TOTAL	34,818	4,641	39,459

* Indicates local authorities where we have fewer than 300 properties in management and development.

Areas of operation



1	Berkshire	11	Oxfordshire
2	Bristol	12	Surrey
3	Buckinghamshire	13	Swindon
4	East Sussex	14	West Sussex
5	Hampshire	15	Wiltshire
6	Hertfordshire		1,000+
7	Kent		100 – 999
8	London		1 – 99
9	Medway		No activity at present
10	Milton Keynes		

Case study
Record-breaking retail bond

We raised £150m via a retail bond in less than two days, the fastest ever book-building period on the London Stock Exchange's order book for retail bonds.

Proceeds from the AA- rated retail-eligible bonds are being used to extend our development programme, including private sale, private rented, shared ownership and affordable housing.

Case study
Everything on your doorstep at Novus, Ealing

Ronan Howe, 27, has purchased a brand new one-bedroom apartment at Novus, part of the Green Man Lane regeneration scheme in West Ealing.

The primary school teacher is delighted at taking his first step on the property ladder, after renting for four years.

"I am absolutely over the moon with my new home. Everything I need is here; I can walk to work in less than 10 minutes and the transport links into central London are incredible."
– Ronan Howe

Case study
The UK's first eco town at North West Bicester, Oxfordshire

A masterplan has been drawn up to guide the future development of the UK's first eco town, North West Bicester, over the next 20 to 25 years. The vision is to create an attractive and affordable place for people to live healthy and sustainable lifestyles.

As lead developer, our consultant team developed the core elements of the 1,000-acre site which include around 6,000 highly energy-efficient, true zero carbon homes and 40 per cent green space. There will also be retail and leisure facilities, employment opportunities, five new schools and links to Bicester via footpaths, cycle-ways and public transport.

Case study
A sales success at Gunmakers Wharf, Tower Hamlets

Gunmakers Wharf, located in a sought-after location next to east London's leafy Victoria Park, sold entirely off-plan. The scheme's 121 homes, which sit alongside the Hertford Union Canal, offer open plan living areas and full height windows to maximise light.

A range of homes for sale, private rent, affordable rent and shared ownership are included at the scheme.

Case study
Housing association of the year

We were named ‘Housing Association of the Year’ at the prestigious What House? Awards 2013, with judges praising us for having “real ambition” and a wide range of initiatives bringing benefits to customers.

Highlights included our ‘Lean’ business transformation programme, development activities, Pyramid Plus repairs joint ventures and tailored services for those affected by the welfare reforms.

Case study
Help to Buy at Ascalon Apartments, Wandsworth

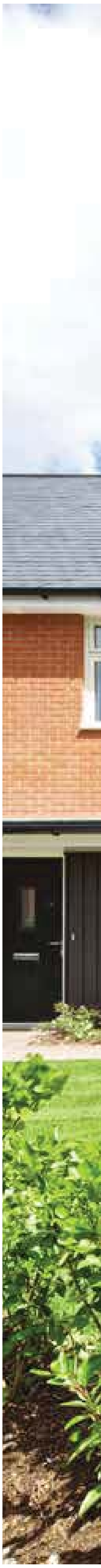
Emily Soden and her fiancé James Hargrave swapped a shared flat for a home of their own thanks to a new development in the sought-after London borough of Wandsworth. The couple took their first step onto the property ladder with a one-bedroom apartment at Ascalon Apartments, paying £72,500 for a 25 per cent share.

"The homes at Ascalon Apartments gave us a brilliant feeling from the first moment we saw them, and we could see ourselves living here straight away." – **Emily Soden**

Case study
Village life at White Hart Meadows, Ripley

Located in the picturesque Surrey village of Ripley, White Hart Meadows provides 45 brand new homes, including one and two-bedroom apartments, and two, three and four-bedroom houses.

We developed a disused building site to provide eight properties for sale and 37 for affordable rent. The scheme also includes photovoltaic solar panels, ample car parking and 45 cycle spaces.



Case study
Student living at Wavy Gate, Oxford

Christy Ye was one of the first residents to move into our brand new Wavy Gate student accommodation scheme in Oxford. The 23-year-old, who is studying at Oxford Brookes University, is thrilled with her new living space.

Wavy Gate, which opened in 2013, provides accommodation for 190 students. Living and communal spaces are finished to a high standard and include floor-to-ceiling windows to maximise light. Outside spaces are equally impressive, with landscaped gardens and seating areas.

"Wavy Gate is fantastic and I am really happy to be staying here while I study." – **Christy Ye**

Operating and financial review

Overview of the business

Overview of the business

The A2Dominion Group is one of the largest housing organisations in southern England, operating in London and throughout the South East. Its head office is in central London. Other key office locations are in Ealing, Bromley and Oxford (A2Dominion Homes) and Staines-upon-Thames and Winchester (A2Dominion South). The headquarters of the commercial division are in Staines-upon-Thames.

A2Dominion Housing Group Limited, as the parent company, provides the strategic direction, along with central and development services for the Group. During the year ended 31 March 2014 the Group consisted of three social landlords:

A2Dominion Homes and A2Dominion South are exempt charitable organisations operating within these main business areas:

- Long-term rented housing for people who are unable to afford to rent or buy on the open market.
- Sheltered and supported housing and care for those who need additional support.
- Temporary housing for those who would otherwise be homeless.
- Low-cost home ownership homes, particularly shared ownership.
- Student accommodation, key worker accommodation and private rented homes.

A2Dominion Housing Options is a non-charitable organisation providing low-cost home ownership homes, particularly shared ownership.

The commercial division, branded as **A2Dominion New Homes**, now consists of **A2Dominion Developments Limited** (formerly known as Dominion Developments (2005) Limited), as a result of a rationalisation within the Group to operate one main developing company. It operates in these two business areas:

- Development of homes for open market sale, normally on sites shared with the Group's social landlords.
- Development of homes for private rent.

These activities generate profits which are reinvested in the provision of affordable housing, enabling the Group to grow organically through the development of mixed-tenure schemes.

A2Dominion Residential Limited (formerly known as Dominion Developments (2004) Limited) owns and manages homes for private rent.

The Group looks after 34,818 homes. This is a net increase of 475 homes from 2013. Organic growth through the Group's own development programme resulted in 780 new homes coming into management during the year, which were offset by the disposal of properties under the Group's stock rationalisation programme and the Group's asset management strategy.

	2014 No.	2013 No.	2012 No.	2011 No.	2010 No.
Homes owned and in management	**34,818**	34,343	34,931	34,557	33,787
Homes in development	**4,641**	3,509	3,549	3,942	4,336

Regulation, governance and the future

Regulation and governance

The social housing provider entities are registered with and regulated by the Homes and Communities Agency (HCA). Regulation takes the form of ensuring that the Group complies with the authority's regulatory framework which assesses performance under two headings: Governance and Viability. The HCA summarises its judgements in a Regulatory Judgement which is updated as part of the on-going regulation process. The Group was last assessed in June 2013 and received the highest rating in respect of both Governance and Viability.

A2Dominion is a major developer of new social housing and is one of the HCA's investment partners. The Group continues to increase the number of new homes it owns and manages through its development programme. To support this growth the Group develops homes for outright sale via development of schemes with mixed tenures through its commercial brand A2Dominion New Homes.

The Group continues to seek new sources of funding and pursue appropriate mergers and acquisitions in target areas.

The Group encourages resident participation at all levels of decision-making, from local residents' forums to Group committee participation. One of the Group's major committees is the Customer Services Committee, which largely consists of residents and is chaired by a resident. The chair of the Customer Services Committee also sits on the Group Board. This committee is assisted by regional resident executives and residents are also involved in the Group's service improvement groups.

The Group operates a virtual board structure, which streamlines the governance process. This allows the Board to oversee all areas of performance whilst delegating roles to its committees, namely:

- Audit & Risk Committee
- Customer Services Committee
- Development Committee
- Finance Committee
- Governance & Remuneration Committee.

Within the virtual board structure the Board acts on behalf of its subsidiaries, A2Dominion Homes Limited, A2Dominion South Limited and A2Dominion Housing Options Limited. The committees listed above oversee the activities of these subsidiaries through their delegated roles.

The future

Changes in the economic environment, regulation, funding, legislation and the impact of welfare reform are having a major effect on A2Dominion's business, development programme and services.

With the improving economy, the Group has continued to strengthen its development programme and expand its services. By reinvesting even more of the Group's reserves to subsidise future provision of affordable homes, A2Dominion has managed to lessen the impact of reduced government development grant. This has to be done in a measured way to ensure the Group's underlying financial strength is not compromised and the Board has agreed levels to work within. To date the Group has set aside £74.9m of its cash surpluses for use as internal subsidy to support the development of new homes.

A2Dominion has a strong presence in London, Surrey, Berkshire, Oxfordshire and Hampshire, owning four per cent of total Registered Provider stock in London and the South East. As a member of the g15 group of London's largest housing associations, A2Dominion continues to engage with the Greater London Authority, central government and others in discussion on emerging housing policy, particularly in relation to the future funding of housing and its design.

New technology is transforming how customers access services, engage with the business and how A2Dominion works. There is a continuing drive for efficiency, savings and transparency. Strengthening the Group's financial viability will ensure it remains attractive to investors and lenders.

Investment and key risks

Investment

A2Dominion continues to invest in maintaining and upgrading its homes. In April 2013 it launched two repairs partnerships, Pyramid Plus London LLP and Pyramid Plus South LLP, to provide responsive repairs and facilities management services to the Group's properties. A £107m planned and cyclical maintenance programme over the next three years will increase A2Dominion's environmental performance, with a goal to maintaining SHIFT Silver status.

To improve the quality and effectiveness of local services, the Group is consolidating its areas of operation, using local asset management plans that are specific to the local authority areas that are worked in. This enables the Group to dispose of properties that are outside its priority areas, to other Registered Providers more local to them.

An annual priority neighbourhood strategy delivers specialist interventions, training and employment in 10 of the Group's key neighbourhoods each year. Pyramid Plus is offering 10 apprenticeships per year and A2Dominion's youth enterprise initiative, Be Inspired, is providing up to 40 employment and training opportunities to young people living in its communities.

A2Dominion's service improvement programme, Lean, has seen the business increase productivity, reduce rent loss and other costs, improve communications, deliver more services 'right first time' and increase customer satisfaction. Investment in employees through training and development has seen an increase in staff satisfaction and helped A2Dominion to become one of The Sunday Times Top 100 not-for-profit organisations to work for in 2014.

A2Dominion raised funds of £150m from investors after issuing a retail bond in October 2013 as part of the Group's strategy to maximise long-term funding opportunities. The funding will be used by the Group to strengthen its financial position and create more opportunities to develop new homes.

Key risks

The Group has a risk management strategy in place which provides a framework for the Board and managers on A2Dominion's approach to risk management, and a Group Risk Map is maintained. The definition of risk for this purpose is an event that could prevent the Business Plan from being achieved if it were to materialise.

A risk register is maintained which records key controls to manage each risk, who is responsible for the control and how the control effectiveness is monitored. Risks are analysed according to their potential impact and probability, i.e. critical, high, medium and low given the current control environment. Through the process of regular review, risks which present a significant threat to the Group are reviewed by the Audit & Risk Committee and reported to all other committees and to the Group Board. These risks are also reviewed and updated by senior management on a quarterly basis. Action plans are regularly updated to mitigate any risks with both high impact and probability in order to reduce the net future risk profile.

Risk management supports the achievement of business objectives by:

- enhancing the quality of decision-making, planning and prioritisation
- contributing to effective allocation of resources
- protecting and enhancing the Group's financial viability, assets and reputation.

The Group has determined that the risks in the following table are those that are most likely to impact future performance.

Effective management of risk is a high priority within the Group because of its growth plans and the rapidly changing environment in which it operates. In order to grow and improve services the Group needs to take risks whilst ensuring that these are well-managed and that appropriate controls and contingencies are in place.

In addition, the Group is also affected by changes in government policy and the associated consequences that follow with any changes. As and when these are known the assessment of the risk and controls required are updated within the Group Risk Map. The Group has identified the potential risks resulting from the benefit reforms and the reduction in public funding for new homes, and established appropriate actions to help mitigate their impact.

The Group strives to maximise its surpluses so that it can invest in the provision of new homes and its existing portfolio, whilst continuing to support its residents.

The table overleaf shows risks which have been identified as critical or high to the Group and which pose a fundamental threat even after mitigating action has been taken.

Risks identified as critical or high

Risks identified as critical or high to the Group

Strategic objective	Risk area
Provide new high quality homes and places	• Volatility in the housing market could impact on sustaining a large, viable residential development programme across all tenures, including: – land availability and price – planning delays and planning conditions – construction cost fluctuations and material availability – sales prices, mortgage rates and mortgage availability – grant and funding conditions.
Deliver customer-led services	• A loss of confidence by residents and key stakeholders through failure to improve resident satisfaction and core housing performance. • Failure to improve the quality of leasehold services could lead to financial loss and a loss of confidence by residents and stakeholders.
Invest in our homes and local communities	• Failure to have accurate stock condition information and programme planning could result in incorrect assessment of long-term repairs costs. • Injury to residents caused by failure to achieve 100% gas servicing certificates. • Inadequately procured and managed contracts for repairs could lead to increased costs, poor value for money and failure to improve service delivery. • Changes to the national Supporting People Framework and local authority cost reduction plans could lead to financial and service pressures for supported housing schemes.
Strengthen our business	• Changes in the government's rent policy, Housing Benefit (including benefit direct) and other welfare reform, could result in a reduction in rental income. This could have an adverse effect on customers and the Group's long-term financial forecast, risk profile and ability to develop certain types of homes. • Failure to achieve annual efficiency targets could lead to a loss of resources to fund new development and service improvement in future years. • An increase in contributions to cover deficits on the A2Dominion pension schemes could result in increased costs to the Group. • Expansion of non-core commercial activity could lead to more complex company and tax structures as well as failure to protect core social housing assets. • Failure to raise loan finance and maintain sufficient loan security would have an adverse effect on the funding of the development programme and future growth of the Group.

Performance summary

Performance summary

Group income and expenditure

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Turnover	**272.1**	258.6	249.2	201.9	241.4
Cost of sales	**(56.4)**	(58.1)	(60.8)	(26.9)	(68.7)
Operating costs	**(138.0)**	(145.6)	(147.2)	(126.8)	(123.0)
Operating surplus	**77.7**	54.9	41.2	48.2	49.7
Operating margin	***28.6%***	*21.2%*	*16.5%*	*23.9%*	*20.6%*
Share of joint venture operating surplus	**0.3**	–	–	–	–
Surplus on sale of fixed assets	**8.8**	15.8	17.6	0.9	2.5
Net interest charges	**(47.9)**	(42.7)	(41.7)	(37.2)	(36.2)
Taxation	**–**	–	–	–	0.7
Minority interest	**(0.8)**	–	–	–	–
Retained surplus for the year	**38.1**	28.0	17.1	11.9	16.7

The Group's net surplus of £38.1m (2013: £28m) included £8.8m (2013: £15.8m) of surplus from the sale of fixed assets. These sales of fixed assets surpluses result largely from the continuance of the Group's stock rationalisation programme and staircasings receipts from shared ownership homes.

The Group has achieved a 41.5% increase in its operating surplus from 2013 driven from improved margins on its outright sales and a reduction in its operating costs. This has resulted in the increase of £10.1m from last year in the Group's net surplus which will be set aside to provide internal subsidy for the future provision of new homes.

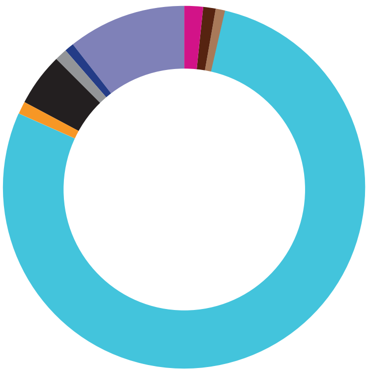
Group balance sheet

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Tangible fixed assets and investments	**1,657.5**	1,600.9	1,574.2	1,581.8	1,552.6
Current assets	**231.4**	233.7	259.9	234.7	246.4
Total creditors including loans and borrowings	**(1,247.1)**	(1,237.5)	(1,266.2)	(1,262.8)	(1,262.8)
Minority interest	**(0.8)**	–	–	–	–
Total reserves	**641.0**	597.1	567.9	553.7	536.2

New social housing lettings performance

New social housing lettings performance

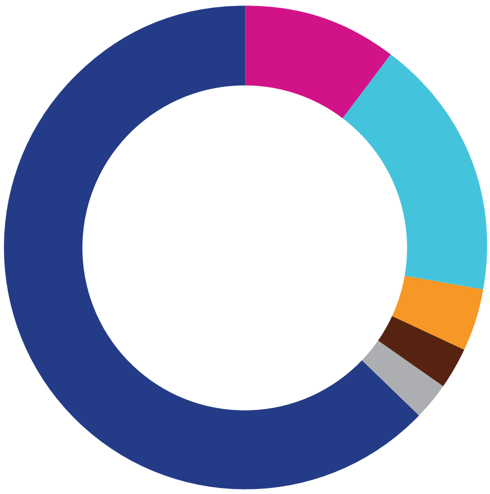
Who we've housed



	New let	Re-let	Total	%
Direct let	2	13	15	1.7
From referral agency	–	2	2	0.2
Management transfer	–	3	3	0.3
Nomination – local authority	132	589	721	81.4
Nomination – social	–	1	1	0.1
Permanent decant	43	1	44	5.0
Temporary decant	–	2	2	0.2
Reciprocal	–	3	3	0.3
Transfer	–	96	96	10.8
Total	**177**	**710**	**887**	**100**

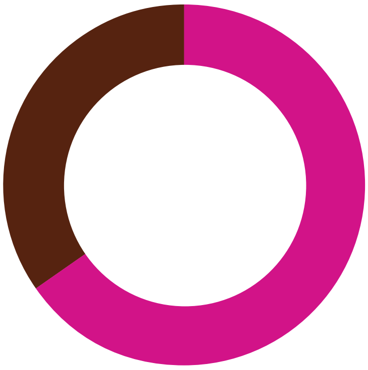
Ethnicity

	Actual	%
Asian/Asian British – Bangladeshi	17	1.9
Asian/Asian British – Chinese	5	0.6
Asian/Asian British – Indian	24	2.7
Asian/Asian British – Other	26	2.9
Asian/Asian British – Pakistani	20	2.3
Black/Black British – African	86	9.7
Black/Black British – Caribbean	60	6.8
Black/Black British – Other	9	1.0
Mixed – Other	15	1.7
Mixed – White/Asian	3	0.3
Mixed – White/Black – African	2	0.2
Mixed – White/Black – Caribbean	19	2.1
Other Ethnic group – Arab	9	1.0
Other Ethnic group – Other	13	1.5
Refused/unknown	22	2.5
White – Irish	11	1.2
White – Other	49	5.5
White – English/Scottish/Welsh/ Northern Irish/British	496	66.0
White – Gypsy/Romany/Irish Traveller	1	0.1
Grand Total	**887**	**100**



The lettings data found on these pages is based on 2012/13 CORE form data (887 records).

Gender

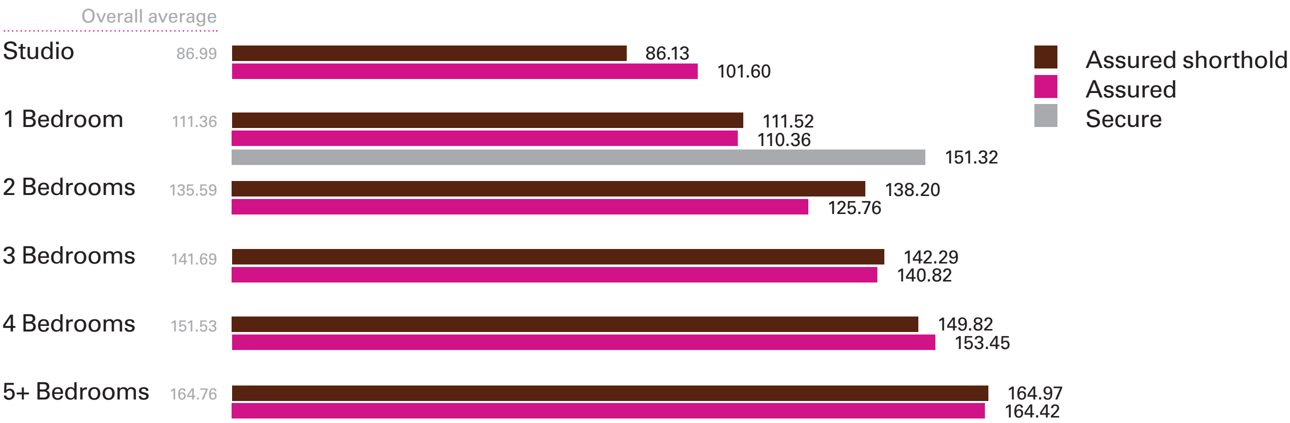


	Actual	%
Female	574	64.7
Male	313	35.3
Total	**887**	**100.0**

Age

	Actual	%
Under 21	41	4.6
21 – 30	276	31.2
31 – 40	230	25.9
41 – 50	158	17.8
51 – 60	117	13.2
61 – 70	41	4.6
Over 70	24	2.7
Total	**887**	**100.0**

Average net weekly rent (£)



Operational performance

Operational performance

One of the mechanisms in place to ensure the Group delivers its strategic objectives is A2Dominion's performance management framework. A number of key performance indicators are used to monitor the achievement of the Group's strategic objectives. These are reported and reviewed on a quarterly basis by senior management and the Board and aligned to the four business objectives.

Operational key performance indicators

Operational performance area	Performance indicator	Target performance 2014	**Actual performance 2014**	Actual performance 2013
Provide new high quality homes and places	Sales receipts against projection	£55.7m	**£74.8m**	£67.9m
	Sales achieved from property availability	<18 Weeks	**15 weeks**	15 weeks
	New homes completed	520	**695**	707
Deliver customer-led services	Overall satisfaction with service received from the Customer Services Centre	>90%	**95%**	93%
	Overall satisfaction with responsive repairs service	>85%	**83.4%**	87.0%
	Repairs chaser calls	<25%	**20%**	22%
	Rental arrears – general needs homes	4.54%	**4.14%**	4.04%
	Re-let turnaround times	<19 days	**18 days**	18 days
Invest in our homes and local communities	Number of homes refurbished (planned works)	865	**975**	1,189
	Decent Homes compliance	100.0%	**99.1%**	99.1%
	Number of homes with a valid gas safety record	100.0%	**99.9%**	99.8%
Strengthen our business	Gearing	<80%	**48.5%**	48.8%
	Interest cover (excluding first tranche sales)	>110%	**207.5%**	238.9%
	Results vs. budget – net surplus	Budget or above	**Yes**	Yes
	Staff turnover	<9.0%	**10.5%**	9.1%
	Staff sickness levels	<6.5 days	**6.6 days**	6.5 days

The Group has exceeded 11 of its 16 key performance indicator targets. Its sales performance remains strong.

The focus for the Group in the forthcoming year is to improve satisfaction levels with its responsive repairs service. Key objectives of the newly formed repairs partnerships (Pyramid Plus) are to complete repairs on the first visit at a time agreed with the Group's residents. In April 2014 the Group established a dedicated repairs customer service team to help achieve this.

The Group's performance on its Decent Homes compliance and gas safety targets is reliant on gaining access to its properties. The Group has a comprehensive access policy that it follows, however this does mean the access timings are longer in some cases.

Value for money self assessment (year ended 31 March 2014)

The Group's Value for Money (VFM) Strategy and Action Plan contributes to the delivery of its vision by providing a framework to generate efficiencies and savings, with the aim of maximising surpluses to subsidise new and existing housing provision.

VFM is not just about reducing costs but achieving more from activities and investments. The drive is to maximise the use of the Group's assets to deliver social, environmental and economic returns and our approach is shaped by five strategic objectives:

- Maximising income and the use of the Group's assets.
- Maximising VFM through a range of procurement approaches.
- Ensuring efficiency and simplicity across all functions.
- Improving awareness and understanding of VFM.
- Using resident feedback and involvement to help determine expenditure choices.

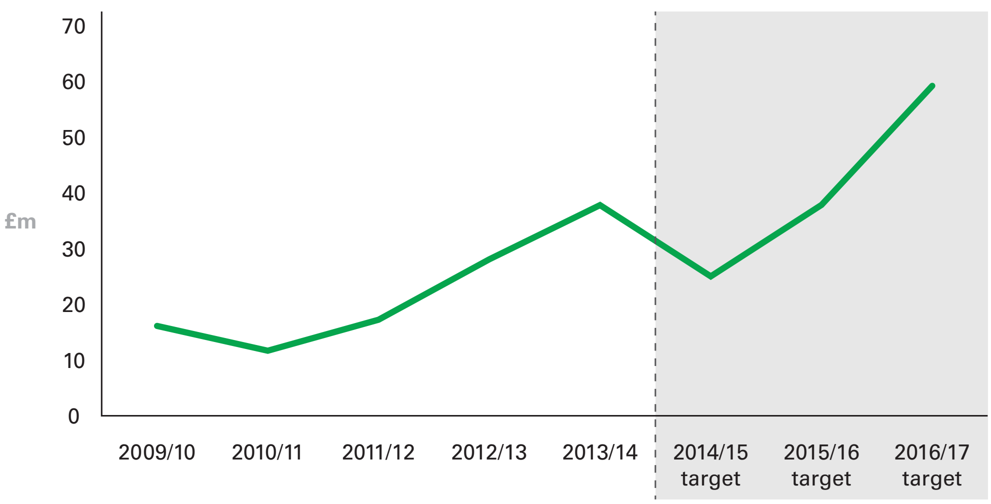
Each year we undertake a VFM self assessment to evaluate our financial, social and environmental performance. The results help influence our investment decisions and provide our regulators, partners and customers with information about our progress. It also helps ensure that we comply with the regulatory VFM Standard.

The Group is presenting its VFM self assessment within its operating and financial review, as prescribed within the VFM standard published by the Homes and Communities Agency. Further information can also be found within our Residents' Annual Report, available online at www.a2dominion.co.uk/residents.

Financial return on investment

In 2013/14 we achieved a 2.4% return on our net fixed assets compared with 1.8% return in 2012/13. The 2013/14 surplus of £38.1m was £20.4m above target and brings the total accumulated surplus to £95.1m since 2011. This has been achieved by diversifying our commercial activities, reducing our geographical area of operation and becoming more efficient.

Surplus



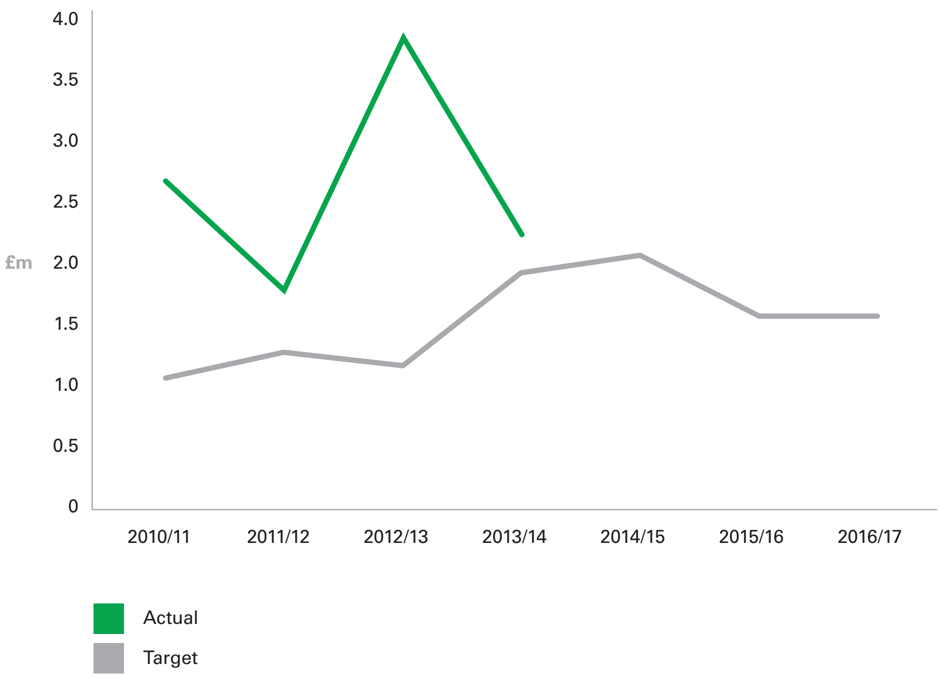
A total of £13.8m has been saved since the Group's formation in 2008 through rationalisation, our Lean business transformation programme and testing the market in all major areas of expenditure. Our aim is to save a further £5.9m over the next three years.

The Group seeks to maximise its surpluses so that it increases the amount available to be used as a subsidy for the provision of new homes.

	2009/10 savings £m	2010/11 savings £m	2011/12 savings £m	2012/13 savings £m	2013/14 savings £m	**Total five-year savings £m**	2014/15 forecast savings £m	2015/16 forecast savings £m	2016/17 forecast savings £m	**Total forecast savings £m**
Lean business improvement reviews	–	0.1	0.4	0.5	0.2	**1.2**	*	*	*	*
Procurement and contract savings	–	1.6	0.1	0.2	1.5	**3.4**	–	–	–	–
Year-on-year budget savings	3.1	0.9	1.2	1.7	0.2	**7.1**	1.0	0.5	0.5	**2.0**
Savings sustained from earlier years **	–	–	0.5	1.3	0.3	**2.1**	1.3	1.3	1.3	**3.9**
Total	3.1	2.6	2.2	3.7	2.2	**13.8**	2.3	1.8	1.8	**5.9**

* Savings targets for Lean reviews are set on a project by project basis.
** These savings are not new savings but savings that have been maintained through implementation of Lean improvements. Figures exclude non-cashable efficiency savings.

A2Dominion savings compared to target



How we are utilising our surpluses

All of our cash surpluses are being reinvested to support our key VFM aims: 80% into new homes and 20% towards the Group's investment in existing homes, care and support provision and help for priority local communities.

- A total of £74.9m, 80% of the cash surpluses generated in 2011–14, is funding 1,150 extra homes for rent (affordable and private), helping to bridge the gap from reduced government grant levels (see below). Growth in commercial activity is targeted to deliver another £121.7m surplus by 2017, to increase the number of new homes.
- Our surpluses have also contributed towards other areas of investment across our organisation. We have developed 11 local asset management plans with our largest local authority partners, identifying properties for disposal which are uneconomic to repair. Resultant sales receipts are ring-fenced for improving housing in each area and, in 2013/14, helped towards funding £29.4m of major works and cyclical maintenance, an £8.2m mechanical and electrical modernisation programme and £1.2m of major refurbishments to 7,207 properties.
- In 2013/14 we invested £0.4m in expanding our Tenancy Sustainment Team and Under-Occupation Team, to help manage the impact of welfare reforms. This led to an extra £1.5m for residents being leveraged in from other sources, and an associated reduction in rent arrears. Downsizing moves helped 73 households avoid the impact of the abolition of the spare room subsidy ('bedroom tax') and cut living costs by an average of £700 or £1,400 per year each, depending on the size of the home.
- We invested £1.2m in community development and our youth social enterprise initiative Be Inspired in 2013/14, targeted at customers and communities most in need. A total of 8,104 A2Dominion residents benefited from employment, training and a range of community initiatives including 49 through work placements and apprenticeships.
- We are investing approximately £1.8m in a new customer relationship management system, mobile working technology and electronic document management which will improve customer service and deliver environmental improvements over the next three years.

A2Dominion subsidy compared to grant, before and after changes in the Affordable Homes Programme funding regime

Other headlines

- We restructured our Sales & Marketing department to enable us to have the right resources in place to maximise sales receipts. Along with higher property values, this helped us achieve £74.8m against a target of £61.2m and increased sales margins from 14.5% to 23.7% to deliver a surplus of £17.2m.
- We continued our track record in forming innovative partnerships to improve efficiency, reduce costs, improve services and create life chances for customers. In 2013 we established two joint venture companies with Breyer Group Plc and Mitie Property Services (UK) Limited under the brand Pyramid Plus, to deliver A2Dominion's repairs service. The companies have exceeded their first year business targets to deliver £1.4m of cost reductions through streamlined processes and profit sharing.
- Our income management continued to improve in 2013/14 with an extra £1.8m billed, 6,000 more service charge estimates issued, a 0.3% reduction in rent and service charge arrears and 40% fewer evictions compared with highest levels (72 in 2013/14 compared with 120 in 2010/11).
- We are improving the environmental sustainability and affordability of our offices and housing stock and have started development of the country's first eco town, North West Bicester. We hold a Silver SHIFT rating and are implementing a Group-wide green strategy. We have worked with utility providers to direct their green energy programmes at eligible properties.
- We secured £50m of European Investment Bank funding at low rates to build new homes to Level 4 of the Code for Sustainable Homes and a further £4m to improve the energy efficiency of existing properties in London.

European Investment Bank

EUROPEAN UNION
Investing in Your Future
European Regional Development Fund 2007-13

- We have reviewed our investment in care and support services and ensured that we provide services and facilities that are financially viable whilst meeting the specified service requirements.
- Management costs, including central overheads, have reduced from £1,406 per social home in 2013 to £1,366 in 2014.

How do costs compare with our g15 peers?

Using the most recent data available from the g15's benchmark clubs, A2Dominion compares well to the 14 other largest London-based housing providers in the g15, and its costs have been reducing over time.

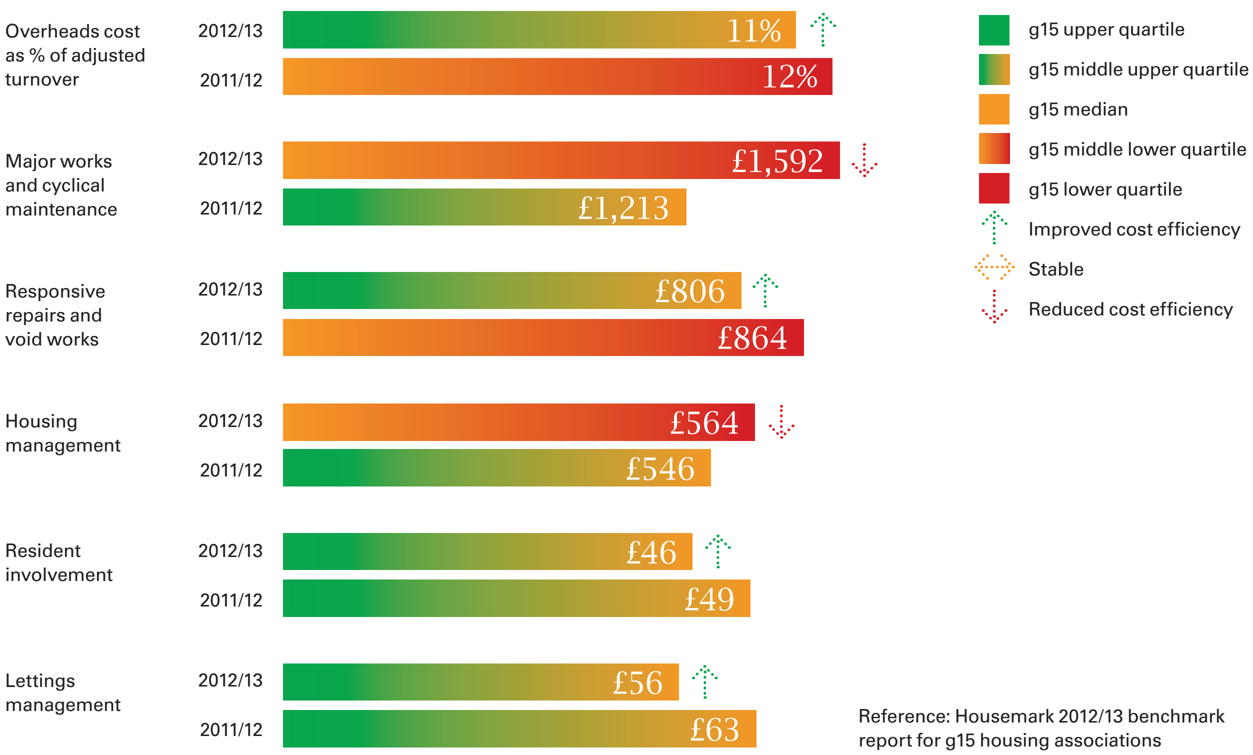
The majority of our service costs, which include overheads, responsive repairs, resident involvement and lettings, are below average when compared to others. Housing management services and major works and cyclical maintenance are above average cost however. In Housing Services our challenge is to balance efficiency of the service with supporting residents affected by welfare reforms.

In Property Services, higher costs are the result of a wider programme and higher specification of works; contracts represent better value for money through contract rationalisation and resident-led procurement. Our challenge is to maintain investment to sustain Decent Homes Standards. Better stock profile information is helping us target properties where spend is high. Meanwhile better deals in Property Services and Estate Services have achieved £1.5m savings against a target of £0.8m, greener supplies and resident apprenticeships.

Our financial strength also compares well with our peers: surplus, gearing (the amount we borrow compared to the value of what we own), debt per unit and operating cost (including capital major repairs) perform above average (Reference: g15 Finance Benchmark Report). Our operating margin was amongst the lowest in the g15 for 2012/13 (21.2%) but has improved to 28.6% for 2013/14, our best ever level. For year-on-year comparisons see page 48.

Office premises costs are high relative to other housing associations but will reduce by £800,000 per year from 2015/16 as we complete a programme of rationalisation under our office premises strategy.

Actual and comparative cost per property for services and overheads



Reference: Housemark 2012/13 benchmark report for g15 housing associations

Development cost comparison	2011/12 A2Dominion result and g15 rank	2012/13 A2Dominion result and g15 rank	Year on year comparison
Total scheme cost per unit	5th	4th (£168,719)	▲
Cost efficiency (total overheads as % of acquistion and works costs per metre)	3rd	2nd (9.3%)	▲
Direct staff cost per unit	4th	2nd (£1,648)	▲
Cost efficiency (acquisition and works costs per metre)	6th	9th (109.7%)	▼

Reference: SDS Catalyst Development Benchmarking Report 2011/12 and 2012/13

Future priorities

Overall our performance is improving but there are still areas where greater improvement is required. We will continue to drive overhead costs down, and we are reviewing our customer services model, which should bring performance and efficiency gains in housing management and customer services.

Ensuring VFM delivery

VFM is overseen by the Executive Management Team and Group Board which determine strategy and investment priorities and monitor progress against published plans and targets. Their governance of VFM is supported by the Audit & Risk Committee which oversees the internal audit programme and the Group Risk Map.

The annual business planning process ensures that proposals are matched by the appropriate level of resources and all significant A2Dominion proposals are subject to a business case or options appraisal. VFM is a standard consideration for every Board and Committee report.

A2Dominion engages its residents on VFM through survey and quality accreditation programmes, as well as through the resident-led Customer Services Committee and service improvement groups, which help determine priorities for expenditure, procurement specifications and contractor selection. Over 17,000 residents gave us feedback on services they received during 2013/14, with almost half being contacted by telephone as part of our after care service.

We evaluate return on investment from major projects and all teams review their performance information weekly.

Progress against our objectives

The pages that follow assess A2Dominion's VFM progress against its four business objectives and summarise future VFM plans. Our judgement, based on a range of performance and cost information, is that we comply with the regulatory requirements as set out in the VFM Standard. VFM is at or above average and is improving year-on-year, generally at or above target.

Other information

We publish a breakdown of expenditure plus rent and service comparisons for residents' top choice of services in our Residents' Annual Report, available online at www.a2dominion.co.uk/residents.

Business objective one

Provide new high quality homes and places

Key aims for this objective are to maximise grants for affordable housing, achieve sales to generate surpluses and increase our private rent portfolio to extend housing options and provide capital growth.

2013/14 targets

Procure land and funding to meet future development commitments	✓*
Increase environmental standards of new homes by building to Code for Sustainable Homes Level 4 on the majority of new schemes	✓
Start development of the UK's first eco-town, North West Bicester in Oxfordshire	✓
Maximise cash receipts by selling 100% of homes for sale at 100% of approved value within 18 weeks of handover	✓

* We have secured land for 4,420 units (73.7%) against our 2017 target of 6,000.

Return on investment self assessment

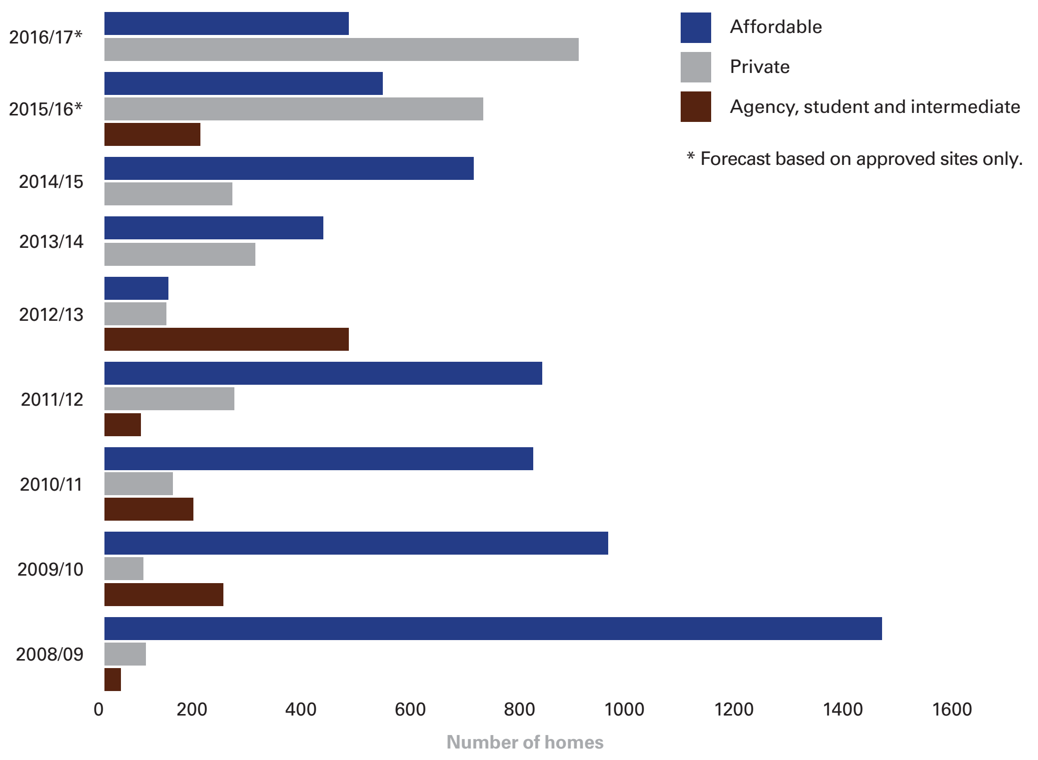
Our judgement based on a range of performance and comparative data:

Performance highlights

New homes

We delivered 695 new homes compared to 707 in 2013 as part of our wider development programme and are on target to increase our private rent portfolio to 750 homes by April 2017.

A2Dominion development pipeline, showing changes in profile over time



Future plans

- Procure land to support the development of 1,200 homes in 2014/15 and 1,500 homes in 2015/16.
- Bid to the Homes and Communities Agency for new Affordable Homes Programme funding 2015-18 and complete 239 homes from the 2011-15 programme.
- Build 393 homes to Code for Sustainable Homes Level 5 at the North West Bicester eco town, with the first homes available in 2015/16.
- Pursue partnerships and joint ventures to deliver up to 750 private rent homes by March 2017.
- Increase off-plan sales to minimise financial risk and reduce average sales times.
- Upgrade development of IT systems to save £0.1m per year and improve reporting.
- Review tender for development contractor frameworks by April 2016.

Business objective two

Deliver customer-led services

Key aims for this objective are to sustain and improve service standards whilst controlling costs, and to target new investment at customer priorities.

2013/14 targets

Launch Pyramid Plus joint ventures and new contracts to deliver repairs and estate services to standard and at lower cost	Financial targets ✓* Standards ✗*
Review our customer services delivery model to improve performance and customer experience	✓**
Further develop online services to improve customer access and feedback at reduced cost per contact	✓
Complete improvements to deliver fairer, more accessible and timely cost information to leaseholders	✓

* Customer satisfaction averaged 83%, 2% below our 85% target.
** New repairs call handling and out of hours arrangements from April 2014.

Return on investment self assessment

Our judgement based on a range of performance and comparative data:

Financial
average
and improving

Environmental
average
and improving

Social
average
and improving

Performance highlights

Pyramid Plus

Pyramid Plus London LLP and Pyramid Plus South LLP were launched in April 2013. Extreme adverse weather resulted in an additional month of repairs, impacting on otherwise improving performance.

- £1.5m saving on previous contract and associated management costs.
- Chaser calls from customers about outstanding repairs totalled 20% in 2013/14 compared to 22% in 2012/13.
- 81% of urgent repairs made safe in 24 hours.
- Median non-urgent repair time of 12 days.
- Average repair time for urgent communal repairs of 24 hours.

Welfare reform

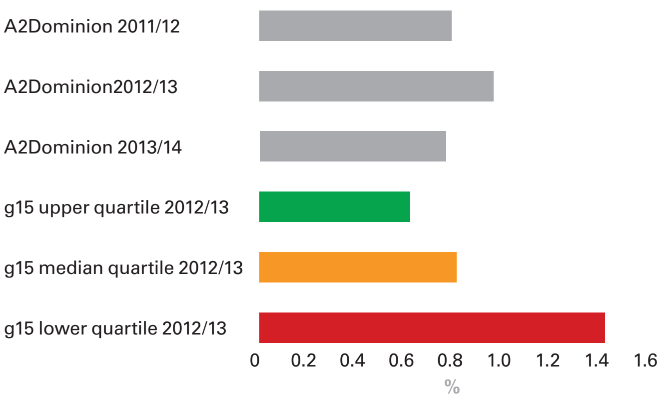
Investment and preparation for welfare reforms helped us to minimise the negative impact on A2Dominion and its customers.

- £1.2m in extra housing benefit and discretionary housing payments, and £356,000 from other sources.
- 73 under-occupation moves with £60,000 cleared from arrears and an average annual saving of £1,400 rent per household (two or more bedrooms) or £700 (one bedroom).

Rent loss due to re-lets

Re-let times have compared well with our peers helping us to house residents more quickly and minimise rent loss. However an increase in major voids in 2013/14 impacted negatively, an area for scrutiny in 2014/15.

A2Dominion rent loss g15 comparison



Online services

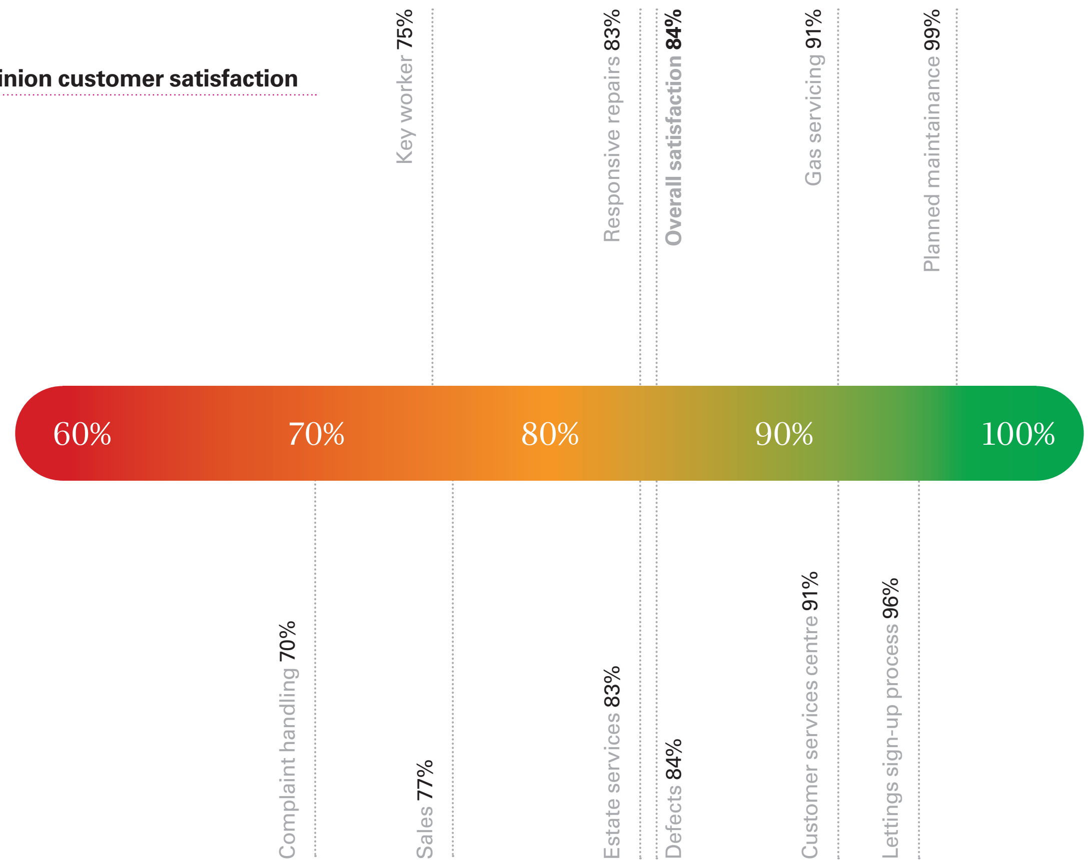
We have seen a significant increase in the number of online transactions by residents over the past three years.

	Target	Actual
2011/12	N/A	31,518
2012/13	40,974	40,080
2013/14	52,104	54,801

Customer satisfaction

Satisfaction with services is generally high, as illustrated below. Additional analysis by tenure shows satisfaction is lowest amongst those in temporary accommodation and highest amongst our private renters.

A2Dominion customer satisfaction



Future plans

- Improve repairs call and email handling within existing resources to achieve 65% completions on first visit in 2014/15.
- Increase online transactions by 30% per year until 2016/17.
- Complete a pilot in Ealing and Spelthorne of Who's Home, a web-based service for identifying occupants of properties, and determine future strategy for tackling tenancy fraud by April 2015.
- Implement phase two of our Welfare Reform Project to reduce under-occupation in 2014/15.
- Review major void rent loss to identify scope for improvement in 2014/15.

Business objective three

Invest in our homes and local communities

Key aims for this objective are best use of property assets to meet local authority and other priorities, cost effective maintenance of homes, use of surpluses to support social enterprise and target priority neighbourhoods, and further consolidation of our operational areas.

2013/14 targets

Complete 11 asset management plans for best use of property assets to meet housing needs cost effectively and improve environmental performance	✓
Deliver first year of three-year, £74m planned and cyclical maintenance programmes for refurbishment and upgrading of homes	✓
Develop an energy efficiency statement and appraise options for a dedicated, planned energy efficiency programme	✓ partial*
Transfer/dispose 139 homes in five local authority areas as part of a stock rationalisation programme	✓ partial**
Continue to improve life chances through our 'Be Inspired' social enterprise and employment, training and apprenticeship programmes	✓*

* On area basis.
** 119 homes, four local authorities.

Return on investment self assessment

Our judgement based on a range of performance and comparative data:

Financial
strong
and improving

Environmental
strong
and improving

Social
strong
and improving

Performance highlights

Best use of assets

Robust appraisals of individual homes, including those completed through the Asset Management Panel, ensure best use of isolated, under-used, and other properties beyond economic repair.

Demolitions for redevelopment/regeneration	115
Disposals to other housing providers (£3.4m raised for reinvestment into new homes)	119
Other disposals (£2m raised for refurbishments)	15
Refurbishments (at a cost of £1.2m)	15
Change of tenure (91 from general needs to affordable rent)	94

Investment in communities

We have worked with partners to regenerate parts of Stanwell in Surrey and Ealing in London, to deliver life skills, employment opportunities and additional support as part of our 'Be Inspired' youth enterprise scheme and 'Priority Neighbourhoods' initiative.

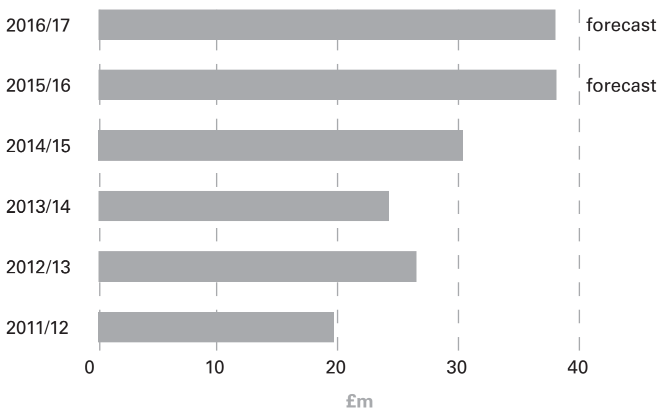
- One job, six apprenticeships.
- 31 residents accredited through training.
- 43 work placements.
- 80 young people supported through 'Be Inspired'.
- 180 residents helped to get online through 'Digital DIY' initiative.
- 186 homes approved at Green Man Lane regeneration.
- 2,631 people engaged through Priority Neighbourhoods project.
- 5,785 volunteering hours with a community investment value of £36,500.

Investment in homes

We have increased investment in upgrading kitchens, bathrooms, windows and doors, as well as cavity wall and loft insulation.

- Upgraded kitchens, bathrooms, windows and doors in 975 homes against a target of 865.
- A total of 5,923 properties have benefited from mechanical and electrical works, 15 properties were refurbished and the first phase of priority fire safety works has been completed.
- A further 294 homes have benefitted from cavity wall and loft insulation through our links with utility providers.

Planned & cyclical maintenance programme budget



Future plans

- Implement 11 local authority asset management plans to target.
- Undertake £107m planned and cyclical programme by April 2017 and complete priority safety works by March 2016.
- Further expand targeted employment and enterprise initiatives to offer a total of 127 opportunities and support programmes.

Business objective four

Strengthen our business

Key aims for this objective are to reduce overheads, to simplify and integrate business processes and to improve energy efficiency of offices.

2013/14 targets

Raise £100m for new homes through a retail bond (£150m raised for circa 500 homes)	✓
Rationalise offices to reduce costs, improve efficiency and reduce carbon footprint	✓
Reduce the gap between service charge income and expenditure to minimise the need for subsidy	✓
Adopt 'zero-based budgeting' as a tool to better understand and challenge the cost of services	✓
Reduce carbon footprint of IT servers	✓
Improve environmental performance as evidenced by Gold SHIFT accreditation in 2015	✓ partial*

* Performance has improved but SHIFT criteria has tightened and Gold requires too great an investment at the current time.

Return on investment self assessment

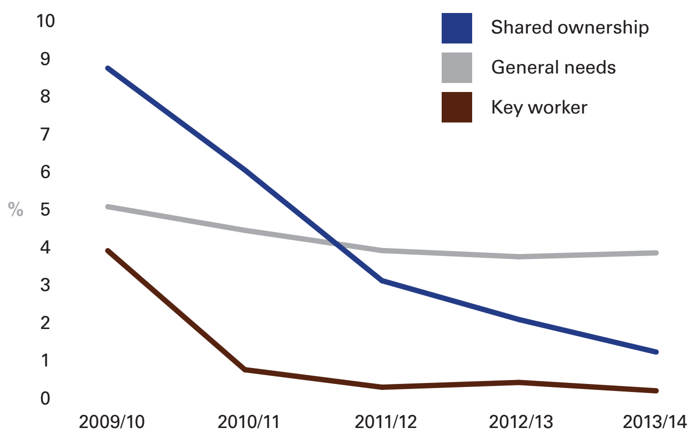
Our judgement based on a range of performance and comparative data:

Performance summary

Income management

Income management processes have been simplified and residents' arrears have reduced by 0.25% across all tenures, despite the impact of welfare reforms.

A2Dominion arrears



Office rationalisation

Successful office rationalisation means we are accommodating more staff in less space, with a lower carbon footprint. We are on target to save £0.8m per year from 2015/16.

	No. of staff at main offices	Office costs (£m)	Floor area (sq ft)
As at 2011	580	2.58	67,000
By 2015/16	625	1.96	55,500

New ways of working

We purchased IT systems, reduced storage, introduced new ways of working and simplified back office processes, to improve efficiency and support customer service objectives. Actions included:

- customer refunds – 70% less errors, 45% fewer cheque requests
- housing benefit – enquiries resolved 70% faster, housing benefit transaction failures down ten-fold
- rent posting errors – customer error enquiries down by 75%, unattributed payments halved
- management accounts – produced 20% faster
- stock disposals process – 33% faster (12 months instead of 18 months), £65,000 worth of staff time and £70,000 interest saved
- re-sales process – 25% faster
- domestic abuse service – 148 staff days freed from paperwork
- Right to Buy and Right to Acquire – enquiry escalation halved
- improved employee induction process – 75% reduction in manager queries to HR
- staff recruitment process takes 29 days – 45% faster to recruit, failure rates halved.

Transparency

Future plans

- Achieve £290m accumulative operating surplus by March 2017 and £5m efficiencies in the same period.
- Complete office moves to save £0.8m per year and reduce carbon footprint from 2015/16.
- Support customer service improvement and new ways of working through three-year roll-out of electronic document management, customer relationship management and mobile working technologies from 2014/15.
- Agree procurement of new back office systems in 2014/15.
- Minimise the risk of financial volatility and prepare for the new regulatory Financial Reporting Standard 102 by completing a restructure of interest rate derivatives by March 2015.
- Sustain current rent and service charge collection rates and achieve 99.61% rent collection target for general needs housing.
- Retain silver SHIFT accreditation in 2014/15.

Transparency

A2Dominion has extended its commitment to transparency by increasing its provision of information within its annual report and financial statements. Detailed information about performance, value for money and employee pay are disclosed enabling the Group's stakeholders to gain an understanding of the way in which the Group operates. The Group's performance on the key value for money areas in which it benchmarks itself with its peer group is as follows:

Value for money indicators

	2014	2013	2012	2011
Management costs per home – social housing activities	**£1,366**	£1,406	£1,219	£1,235
Planned and responsive costs per home – social housing activities[1]	**£902**	£1,003	£868	£1,115
Service costs per home – social housing activities	**£674**	£682	£569	£533
Rent void loss per home – social housing activities	**£91**	£73	£78	£98
Operating cost per home – social housing activities	**£3,685**	£4,048	£3,943	£3,379
Operating margin – social housing activities	**32.6%**	24.2%	20.1%	29.4%
Operating margin – all activities	**28.6%**	21.2%	16.5%	26.6%
Current rental arrears – general needs homes	**4.14%**	4.04%	4.20%	4.72%
Re-let times – general needs homes	**18 days**	14 days	20 days	29 days
Chief Executive pay per home	**£6.72**	£6.55	£5.61	£5.68
Board and executives pay per home	**£51.29**	£49.09	£40.57	£44.81
Debt per unit	**£33,540**	£33,570	£33,816	£33,579
Capital committed as a proportion of fixed assets	**55.6%**	32.6%	32.0%	37.4%

1 Calculated on expensed planned and responsive repairs costs.

Accounting policies and financial review

Accounting policies

The principal accounting policies of the Group are set out on pages 69-72. The policies with most impact on the financial statements are the treatment of capital grant, holding value of housing properties and the calculation of housing property depreciation and the capitalisation of interest payable and major repairs. There has been no change to these policies during the year.

Financial review

Summary of results for the year ended 31 March 2014

Group turnover totalled £272.1m of which £180m was from social housing lettings and £21.5m from the sale of first tranche shared ownership properties. Surplus for the year was £38.1m. Key features of the results were as follows:

- Group operating surplus of £77.7m, an operating margin of 28.6%.
- Surplus on first tranche sales of £7.1m, a margin of 33%.
- Surplus on homes for outright sale of £10.1m, a margin of 18.9%.
- Depreciation on housing properties of £19.6m.
- Expenditure on planned and major repairs of £29.4m of which £14.4m was capitalised.
- Impairment of other fixed assets of £1.1m.
- Surplus on disposal of properties of £3.7m generated from stock rationalisation and sale of other properties deemed uneconomical to repair or develop.
- Surplus from staircasing sales of shared ownership properties of £4.5m.

Capital structure and treasury strategy

Capital structure and treasury strategy

The Group has a formal treasury management policy which is regularly reviewed. It was last approved by the Group's Finance Committee in November 2012 and will be reviewed again in November 2014. The purpose of the policy is to establish the framework within which the Group seeks to protect and control risk and exposure in respect of its borrowings and cash holdings. The treasury policy addresses funding and liquidity risk, covenant compliance and interest rate management.

The Group has four active borrowers: A2Dominion Homes Limited, A2Dominion South Limited, A2Dominion Housing Options Limited and A2Dominion Residential Limited. The Group has two funding vehicles, A2Dominion Finance Limited and A2Dominion Treasury Limited, both of which on-lend to the above borrowers. In addition, A2Dominion South Limited is partly funded by loans provided through A2Dominion Housing Group Limited (the Group's parent company). The remaining borrowing within the Group is through bilateral loan agreements with the borrowers listed above.

Borrowings and arranged facilities as at March 2014 can be summarised as follows:

	Arranged £m	Drawn £m
A2Dominion Homes Limited	748.2	553.9
A2Dominion South Limited	693.3	528.2
A2Dominion Housing Options Limited	26.4	21.3
A2Dominion Residential Limited	39.4	39.4
Total	1,507.3	1,142.8
Fair value adjustment of loans arising on consolidation		22.5
Loan issue costs		(6.1)
Net debt excluding overdraft (note 23)		1,159.2

During the year the Group raised £204m of new funding, £150m through the issue of a nine-year retail bond and a further £54m of long-term funding from the European Investment Bank. As at 31 March 2014 the Group had £364.5m of arranged facilities that were undrawn.

The majority of the proceeds of the retail bond were used to pay down existing variable rate revolving facilities, resulting in a high level of fixed rate borrowing for the latter part of the year. As at 31 March 2014 the percentage of fixed and indexed linked loans to variable was as follows:

	Fixed or indexed linked %
A2Dominion Homes Limited	90.5
A2Dominion South Limited	99.9
A2Dominion Housing Options Limited	100.0
A2Dominion Residential Limited	100.0
A2Dominion Housing Group Limited	95.4

Cash flows, liquidity and statement of compliance

Cash flows

The cash flow statement is on page 68.

Current liquidity

The Group's policy is not to hold significant cash balances but to ensure that loan facilities are in place to fund future requirements. Any cash balances during the year were held in call and short-term deposit accounts at competitive rates.

Cash and bank balances at the year-end were £30m (2013: £17.3m). Net current assets were £152.1m (2013: £149.1m). Additionally, as at 31 March 2014, the Group had facilities in place to borrow a further £364.5m (2013: £200.4m).

The main factor affecting the amount and timing of borrowing is the pace of the development programme.

Loan covenants are primarily based on interest cover and gearing ratios. Interest cover is after adding back housing property depreciation, interest capitalisation, impairment and includes surpluses from sales. Interest cover and gearing covenants were met throughout the year and at the year-end for all facilities.

Statement of compliance

The Board confirms that this operating and financial review has been prepared in accordance with the principles set out in the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010).

Independent auditor's report to the members of A2Dominion Housing Group Limited

We have audited the financial statements of A2Dominion Housing Group Limited for the year ended 31 March 2014 which comprise the consolidated and Association income and expenditure accounts, the consolidated and Association statements of total recognised surpluses and deficits, the reconciliation of movements in Group's and Association's funds, the consolidated and Association balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Association's affairs as at 31 March 2014 and of the Group's and parent Association's surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements
- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us
- a satisfactory system of control has not been maintained over transactions
- the parent association financial statements are not in agreement with the accounting records and returns
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom

24 July 2014

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

Report of the Board

Board of management

The Group Board steers and directs the activities of the organisation. Members are chosen to ensure a broad cross-section of skills and experience within the housing sector.

Derek Joseph (Chair)
Derek has over 30 years' experience in the housing sector and significant knowledge of social housing finance and governance. A former director of the HACAS Group Plc and Tribal Treasury Services, Derek is currently a non-executive director of a number of quoted and private companies. He is a voluntary director of the charities Homeless International and the London Housing Federation.

Tez Cook
Tez is an A2Dominion resident and the elected Chair of A2Dominion's Customer Services Committee. He was previously a representative on A2 Housing's Resident Executive Group (South) and the founding member of Winchester Residents Forum. Tez currently works at Hampshire County Council in its Drug and Alcohol Action Team.

John Knevett
John has worked in the housing sector for almost 30 years, in addition to having extensive experience as a structural and civil engineer. He was previously CEO of A2 Housing Group and is currently Group Commercial Officer and Deputy Group Chief Executive of A2Dominion.

David Lewis
David has worked in the social housing sector for more than 20 years and has worked at a senior level for housing associations, local authorities and arms-length management organisations. David currently works as Assistant Director of Technical Services for a London borough and is a member of the Chartered Institute of Housing.

Ian Cox
Ian has worked within the property industry for over 35 years, holding senior-level development and regeneration roles at Bellway Homes and Redrow. He is Managing Partner and shareholder of Cox Development Partners and is part-time project director for the North Solihull regeneration project.

Appointed 4 June 2014

Susan Eggleton
Susan is a chartered accountant and has over 20 years' Board-level experience. Previous positions have included Executive Director of Finance and Deputy CEO of an NHS Hospital Trust, and Director of Corporate Services for two start-up organisations. Susan is currently Business Director for the NHS Trust Development Authority and is a trustee of The Liver Group charity.

Brenda Jenner
Brenda has worked in the banking industry, including the retail, wholesale and investment sectors. She is now a director of a small management consultancy firm and a private asset management company. In addition, Brenda is a self-employed management consultant specialising in the financial sector with an emphasis on strategy and risk.

Darrell Mercer
Darrell has 35 years' experience in the housing sector and was previously Assistant Director of Housing for the London Borough of Islington. He is the former CEO of Acton Housing Association and Dominion Housing Group and is currently the Group Chief Executive of A2Dominion.

David Walden
David is a chartered accountant with over 25 years' experience in international taxation, mergers and acquisitions and is now Head of Tax at WorldPay. From 2006 to 2010 he was a councillor for the London Borough of Wandsworth.

Andy Leahy and Alethea Siow also served as members of the Group Board in 2013/14, and resigned on 30 June 2014 and 31 March 2014 respectively.

Executive officers

Darrell Mercer
Group Chief Executive
See previous page.

John Knevett
Group Commercial Officer and Deputy Group Chief Executive
See previous page.

Kathryn Bull
Executive Director (Corporate Services)
Kathryn has significant senior management experience in the public sector. Prior to her current role, she was Group Director of Risk & Planning at Dominion Housing Group. She was also Assistant Director of Housing at the London Borough of Croydon and was at the London Borough of Wandsworth for six years.

Simon Potts
Executive Director (Commercial, South East)
Simon has worked in the house-building industry for over 27 years. He has extensive experience of land acquisition, strategic development and brownfield regeneration. Prior to his current role, Simon was Strategic Land Director at Barton Willmore and has also held director and senior management roles at Hillreed, Bellway, Fairclough and Laing Homes.

Dean Tufts
Executive Director (Finance & Strategy)
Dean is a chartered accountant and has over 25 years' experience in the housing sector. Previously Dean was Dominion Housing Group's Finance Director, a role he held for four years. He has also worked for Acton Housing Association and sheltered housing company McCarthy & Stone Plc. Dean is an associate of the Institute of Chartered Accountants in England and Wales.

Anne Waterhouse
Executive Director (Financial Services)
Anne is a chartered accountant with over 15 years' finance experience. Prior to her current role, Anne was Deputy Group Finance Director at Dominion Housing Group. She is a member of the Chartered Institute of Management Accountants and has also worked in finance within the housebuilding industry.

Andrew Evans
Executive Director (Operations)
Andrew has over 25 years' service delivery experience in both the private and public sectors. Andrew was previously Group Operations Director for A2 Housing Group for 12 years and was Spelthorne Housing Association's Deputy Chief Executive. Andrew is a member of the Institute of Management.

Nicholas Yeeles
Executive Director (Commercial, London)
Nicholas' career encompasses over 20 years' experience in the social housing sector, with an emphasis on business development. Prior to his current role, Nicholas was Chief Executive of Cherwell Housing Trust, part of the Dominion Housing Group. He has held various executive posts in management and development and has worked as a freelance consultant.

Advisors and bankers

Auditors
BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Bankers
Barclays Bank Plc
Floor 28
1 Churchill Place
London
E14 5HP

Solicitors
Winckworth Sherwood
Minerva House
5 Montague Close
London
SE1 9BB

Devonshires
30 Finsbury Circus
London
EC2M 7DT

Secretary

Zoë Ollerearnshaw
Group Company Secretary
Zoë has worked in governance for over 10 years, and has more than five years' experience in the social housing sector. Prior to joining A2Dominion as Group Company Secretary, Zoë worked in similar posts at the Work Foundation and the Shaftesbury Society. She is a Fellow of the Institute of Chartered Secretaries and Administrators.

Report of the Board

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2014.

Principal activities

A2Dominion Housing Group Limited is a social landlord administered by a board of directors with a broad range of expertise and experience. It is also the parent entity of the A2Dominion Group ("the Group") and all further references to the Group refer to the consolidated Group rather than the Association. The subsidiaries of the Group are listed in note 32 to the financial statements and their activities detailed within the Operating and Financial Review on page 25.

Business review

Details of the Group's performance for the year and its future plans are set out in the Operating and Financial Review that precedes the Report of the Board.

Housing property and other fixed assets

Details of changes to the Group's fixed assets are shown in notes 12 and 13 to the financial statements.

Reserves

After transfer of the surplus for the year of £38.1m (2013: £28m), the Group's year-end reserves amounted to £641m (2013: £597.1m).

Donations

The Group donated £63,882 to charitable entities (2013: £53,178) and made no political donations.

Post balance sheet events

The present board members (the Board) consider that there have been no events since the year-end that have had a significant effect on the Group's financial position.

Financial instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review.

Employees

The strength of the Group lies in the quality of its employees. In particular, it is their contribution that gives the Group the ability to meet its objectives and commitments to residents in an efficient and effective manner.

The Group shares information on its objectives, progress and activities through regular briefings, seminars and meetings involving board members, the senior management team and staff.

The Group is committed to equal opportunities and in particular supporting the employment of people with disabilities, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board members and executive officers

The Board and the executive officers of the Group are set out on pages 54–57. The Board is drawn from a wide background bringing together professional and commercial experience. The executive officers are the chief executive and the other members of the Group's senior management team.

The executive officers hold no interest in the Group's shares and act as executives within the authority delegated by the Board. Group insurance policies indemnify the Board and officers against liability when acting for the Group.

Service contracts

Executive officers are employed on the same terms and conditions as other staff, save that their notice periods are between six and 12 months.

Pensions

Executive officers are members of either the Social Housing Pension Scheme or the Surrey or Oxfordshire County Council Schemes, all of which are defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

Other benefits

Executive officers are entitled to other benefits such as health care insurance. Details of their total remuneration are included in note 10 to the financial statements.

National Housing Federation Code of Governance

The Board reviewed its practices against the National Housing Federation's Excellence in Governance in 2012 and identified non-compliance relating to the maximum terms of office for board and committee members. The Board has now completed the first phase of its Renewal Plan which aims to manage retirement for those board and committee members with service over nine years retiring in a planned way over a period of two years at the same time as recruiting new members. The Group has worked with external consultants to recruit members with high-level skills in development, finance and customer service, and has made several appointments to its committee during the year.

Resident involvement

The Group actively encourages residents' involvement in decision-making by promoting mechanisms for resident involvement. There are clear reporting arrangements between resident groups and the Board.

Complaints

The Group has a clear and simple complaints policy issued to all residents.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group is on-going and has been in place throughout the period commencing 1 April 2013 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authorities for the Group's Audit & Risk Committee, Customer Services Committee, Development Committee, Finance Committee and Governance & Remuneration Committee
- clearly defined management responsibilities for the identification, evaluation and control of significant risks
- robust strategic and business planning processes, with detailed financial budgets and forecasts
- comprehensive three-year programme of internal audit
- formal recruitment, retention, training and development policies for all staff
- established authorisation and appraisal procedures for all significant new initiatives and commitments
- a sophisticated approach to treasury management which is subject to external review on an annual basis
- regular reporting to the appropriate committee on key business objectives, targets and outcomes
- Board-approved whistle-blowing, anti-theft and anti-corruption policies
- formal money laundering and fraud policy and register.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit & Risk Committee to regularly review the effectiveness of the system of internal control.

The Audit & Risk Committee reviews the Group Risk Map quarterly to ensure all risks are fully assessed with actions identified to mitigate risks. In addition, each of the Group's committees review risks and actions specific to their areas of responsibility. The Audit & Risk Committee regularly reviews the fraud register. Any control weaknesses or fraud identified during the year are reported to and monitored by the Audit & Risk Committee ensuring the weaknesses are acted upon.

The Audit & Risk Committee and Group Board have received the chief executive's annual review of the effectiveness of the system of internal control for the Group and the annual report of the internal auditor.

The Board has reviewed and evaluated the effectiveness of the internal controls as well as the fraud register and the annual report of the internal auditor as reported to them by the Audit & Risk Committee.

In line with the Excellence in Governance code, the Audit & Risk Committee carried out a separate exercise to review its independence, performance and effectiveness, and agreed actions to further improve its effectiveness.

Board members' responsibilities

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law and social housing legislation require the Board to prepare financial statements for each financial year for the Group and Association in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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 Association and of the surplus or deficit of the Group and Association for that period.

In preparing these financial statements, the Board is 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 and the Statement of Recommended Practice: Accounting by registered social housing providers (Update 2010) 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 Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Update 2010).

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board. The Board's responsibility also extends to the on-going integrity of the financial statements contained therein.

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 23 July 2014 at The Point, 37 North Wharf Road, London, W2 1BD.

Disclosure of information to auditors

At the date of making this report each of the Group's board members, as set out on pages 54-55, confirm the following:

- So far as each board member is aware, there is no relevant information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware.
- Each board member has taken all the steps that they ought to have taken as a board member in order to make themselves aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

External auditors

BDO LLP were re-appointed as the Group's external auditors via written resolution on 21 November 2013 effective from 1 December 2013 following a full re-tender exercise. A resolution to re-appoint them for the coming year will be proposed at the Annual General Meeting.

The Report of the Board was approved by the Board on 23 July 2014 and signed on its behalf by:

D Joseph	D Walden	Z Ollerearnshaw
Chair	**Board member**	**Secretary**

Financial statements

Consolidated income and expenditure account

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Turnover including share of joint ventures		**274.2**	258.6
Less share of joint ventures turnover		**(2.1)**	–
Group turnover	3	**272.1**	258.6
Cost of sales	3	**(56.4)**	(58.1)
Operating costs	3	**(138.0)**	(145.6)
Group operating surplus	3, 5	**77.7**	54.9
Share of joint ventures operating profit		**0.3**	–
Operating surplus including joint ventures		**78.0**	54.9
Surplus on sale of fixed assets – housing properties	6	**8.8**	15.8
Operating surplus before interest		**86.8**	70.7
Interest receivable and other income	7	**0.3**	0.7
Interest payable and similar charges	8	**(48.2)**	(43.3)
Other finance costs	9	**–**	(0.1)
Surplus on ordinary activities before taxation		**38.9**	28.0
Tax on surplus on ordinary activities	11	**–**	–
Surplus on ordinary activities after taxation		**38.9**	28.0
Minority interest	32	**(0.8)**	–
Surplus for the financial year	26	**38.1**	28.0

All amounts relate to continuing activities.

Historic cost surpluses and deficits were identical to those shown in the income and expenditure account.

Association income and expenditure account

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Turnover	3	**37.1**	34.4
Cost of sales	3	**–**	–
Operating costs	3	**(36.7)**	(34.0)
Operating surplus	3, 5	**0.4**	0.4
Interest receivable and other income	7	**10.6**	9.9
Interest payable and similar charges	8	**(11.0)**	(9.9)
Surplus on ordinary activities before taxation		**–**	0.4
Tax on surplus on ordinary activities	11	**–**	–
Surplus for the financial year	26	**–**	0.4

All amounts relate to continuing activities.

Historic cost surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on pages 69-105 form part of these financial statements.

Statement of total recognised surpluses and deficits

For the year ended 31 March 2014

		Group		Association	
	Note	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Surplus for the financial year		**38.1**	28.0	**–**	0.4
Unrealised surplus on revaluation of investments		**7.3**	0.7	**–**	–
Actuarial (deficit)/surplus relating to pension schemes	9	**(1.5)**	0.5	**(0.5)**	(0.2)
Total recognised surpluses and deficits relating to the year		**43.9**	29.2	**(0.5)**	0.2

Reconciliation of movements in Group's and Association's funds

For the year ended 31 March 2014

	Group		Association	
	2014 £m	2012 £m	**2014 £m**	2013 £m
At 1 April	**597.1**	567.9	**(3.4)**	(3.6)
Total recognised surpluses and deficits relating to the year	**43.9**	29.2	**(0.5)**	0.2
At 31 March	**641.0**	597.1	**(3.9)**	(3.4)

The notes on pages 69-105 form part of these financial statements.

Consolidated balance sheet

At 31 March 2014

	Note	2014 £m	2013 £m
Tangible fixed assets			
Housing properties: Cost or valuation		**2,851.8**	2,821.2
Social housing grant		**(1,157.2)**	(1,157.8)
Depreciation		**(133.6)**	(116.3)
Total housing properties	12	**1,561.0**	1,547.1
Other tangible fixed assets	13	**16.9**	11.6
Homebuy investments			
Homebuy loans		**3.3**	3.6
Social housing grant		**(3.3)**	(3.5)
		–	0.1
Investments	14	**72.0**	38.0
Investment in joint ventures			
Share of gross assets		**8.5**	6.2
Share of gross liabilities		**(0.9)**	(2.1)
	14	**7.6**	4.1
		1,657.5	1,600.9
Current assets			
Properties for sale	15	**171.6**	172.7
Debtors	16	**28.5**	43.4
Investments	17	**1.3**	0.3
Cash at bank and in hand	18	**30.0**	17.3
		231.4	233.7
Creditors: Amounts falling due within one year	19	**(79.3)**	(84.6)
Net current assets		**152.1**	149.1
Total assets less current liabilities		**1,809.6**	1,750.0
Creditors: Amounts falling due after more than one year	20	**1,158.6**	1,139.9
Provision for liabilities and charges	24	**4.6**	9.8
Net pension liability	9	**4.6**	3.2
		1,167.8	1,152.9
Capital and reserves			
Non-equity share capital	25	**–**	–
Revaluation reserves	26	**9.3**	2.0
Revenue reserves	26	**566.6**	550.0
Designated reserves	26	**64.6**	44.6
Restricted reserve	26	**0.5**	0.5
Consolidated funds	26	**641.0**	597.1
Minority interest	32	**0.8**	–
		1,809.6	1,750.0

The financial statements were approved by the Board and authorised for issue on 23 July 2014 and signed on its behalf by:

D Joseph
Chair

D Walden
Board member

Z Ollerearnshaw
Secretary

The notes on pages 69-105 form part of these financial statements.

Association balance sheet

At 31 March 2014

	Note	2014 £m	2013 £m
Current assets			
Debtors due within one year	16	**28.9**	16.7
Debtors due after one year	16	**233.3**	243.3
Investment	17	**1.0**	–
Cash at bank and in hand	18	**8.1**	7.0
		271.3	267.0
Creditors: Amounts falling due within one year	19	**(38.8)**	(24.6)
Net current assets		**232.5**	242.4
Total assets less current liabilities		**232.5**	242.4
Creditors: Amounts falling due after more than one year	20	**233.3**	243.3
Provision for liabilities and charges	24	**0.8**	0.6
Net pension liability	9	**2.3**	1.9
		236.4	245.8
Capital and reserves			
Non-equity share capital	25	**–**	–
Revenue reserves	26	**(3.9)**	(3.4)
Association's funds	26	**(3.9)**	(3.4)
		232.5	242.4

The financial statements were approved by the Board and authorised for issue on 23 July 2014 and signed on its behalf by:

D Joseph
Chair

D Walden
Board member

Z Ollerearnshaw
Secretary

The notes on pages 69-105 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Net cash inflow from operating activities	29	**80.7**	88.0
Returns on investments and servicing of finance			
Interest received		**0.2**	0.7
Interest paid		**(54.1)**	(51.3)
		(53.9)	(50.6)
Taxation paid			
Corporation tax paid		**–**	–
Capital expenditure and financial investment			
Purchase and construction of housing properties		**(47.4)**	(83.2)
Social housing grant – received (net)		**7.3**	12.8
Purchase of other fixed assets		**(8.3)**	(1.7)
Purchase of investments		**(14.3)**	(3.2)
Sales of housing properties		**35.3**	60.2
		(27.4)	(15.1)
Net cash (outflow)/inflow before management of liquid resources and financing		**(0.6)**	22.3
Management of liquid resources			
Money market deposit		**(1.0)**	–
Financing			
Loans received		**237.4**	26.3
Loan repayments		**(213.5)**	(66.6)
Increase/(decrease) in cash	30	**22.3**	(18.0)

The notes on pages 69-105 form part of these financial statements.

Notes to the financial statements

1. Legal status

The Association is registered with the Financial Conduct Authority under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency (HCA) as a social landlord.

2. Accounting policies

Basis of accounting
The financial statements of the Group and Association are prepared under the historical cost convention as modified for the revaluation of fixed asset investments and in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Update 2010), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012. A summary of the more important accounting policies is set out below.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Association and all its subsidiaries (note 32) at 31 March and are consolidated using acquisition accounting. This is in accordance with the requirements of FRS2 - 'Accounting for Subsidiary Undetakings'.

In the consolidated financial statements, the items of subsidiaries are recognised in full. On initial recognition, non-controlling interests are measured at the proportionate share of the acquired business-identified assets and liabilities. The minority interests' proportionate shares of the subsidiaries' results and equity are recognised separately in the income statement and balance sheet respectively.

In the Group financial statements, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated income and expenditure account will indicate the Group's share of the joint venture's turnover and include the Group's share of the operating results, interest and taxation. The consolidated balance sheet includes the Group's share of the identifiable gross assets and gross liabilities.

Turnover
Turnover comprises rental income receivable in the year, income from property developed for sale including shared ownership first tranche sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year, donations received and revenue grants receivable in the year.

Supporting people income and expenditure
Income receivable and costs incurred from contracts are recognised on a receivable basis and included within other social housing activities.

Service charges
Service charges receivable are recognised in turnover.

Value added tax
The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The income and expenditure accounts include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable
Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance.

b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Fixed asset investment properties
Investment properties are stated at market value, determined by professionally qualified external valuers. They are not depreciated in accordance with SSAP 19 Accounting for investment properties.

Housing properties
Housing properties are principally properties available for rent and shared ownership.

Completed housing properties are stated at cost less related SHG and other capital grants.

Separate disclosure of housing properties on the valuation basis is also provided in note 12.

Housing properties under construction are stated at cost less related SHG and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

General needs housing properties for rent are split between their land and structure costs and a specific set of major components which require periodic replacement. On replacement the new major works component is capitalised with the related net book value of replaced components expensed through the income and expenditure account as accelerated depreciation. Component accounting is not applicable to shared ownership housing properties.

Improvements to existing properties which are outside the normal capitalisation policy of component additions, are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business and that provide an enhancement to the economic benefits in excess of the standard of performance anticipated when the asset was first acquired, constructed or last replaced.

Only the direct overhead costs associated with new developments or improvements are capitalised.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Shared ownership and staircasing
Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, for an amount of between 25% and 75% of the open market value (the "first tranche"). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ("staircasing").

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by the Group, which is recorded as a fixed asset in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within operating results as the cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the income and expenditure account after the operating result as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being recycled, deferred or abated and this is credited in the income and expenditure account in arriving at the surplus or deficit.

Properties for sale
Housing properties that are built with the intention that they are to be transferred to another association are dealt with in current assets and are described as properties for resale. The related SHG is deducted from cost incurred.

Shared ownership first tranche and commercial outright sale developments, both completed and under construction, are carried on the balance sheet at the lower of cost and net realisable value. Cost comprises materials, direct labour, interest charges incurred during the development period and direct development overheads. Net realisable value is based on estimated sales price obtained from independent valuers and after allowing for all further costs of completion and disposal.

Donated land
Land donated by local authorities and others is added to cost at the current value of the land at the time of the donation, taking into account any restrictions on the use of the land.

Social housing grant (SHG)
SHG is receivable from the HCA and is utilised to reduce the capital costs of housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Other grants
Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Depreciation of housing properties
Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of social housing grant) of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following annual rates:

Major components:

Building	75 Years
Kitchen	15 years
Bathrooms	25 years
Heating	15 years
Roof	50 years
Windows and doors	25 years
Lifts	20 years
Electrical	30 years

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Other tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

Furniture, fixtures and fittings	20% – 25% per annum
Freehold offices	2% per annum
Freehold alterations	10% per annum
Leasehold offices	Length of the lease
Computers, office equipment and motor vehicles	Between 14⅓% and 33⅓% per annum

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment
Housing properties and other fixed assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

Land options
The premium payable on an option to acquire land at a future date is amortised over the life of the option. The options are regularly reviewed to assess the likelihood of the option being exercised and at the early stages the majority of the associated expenses are charged to the profit and loss account.

Leased assets
Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Supported housing managed by agencies
SHGs and other revenue grants for supported housing claimed by the Group are included in the income and expenditure account and balance sheet of the Group. The treatment of other income and expenditure in respect of supported housing depends on whether the Group or its partner carries the financial risk.

Where the Group carries the financial risk, all the supported housing schemes' income and expenditure is included in the income and expenditure account.

Sales under Right to Buy
Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are disclosed on the face of the income and expenditure account after the operating result and before interest. The surpluses or deficits are calculated by reference to the carrying value of the properties. On the occurrence of a sale of properties that were originally transferred to Spelthorne Housing Association (now owned by A2Dominion South Limited), a relevant proportion of the proceeds is payable back to Spelthorne Borough Council.

Mixed-tenure developments
Where a development has more than one tenure, the surplus recognised on each tenure is limited to the overall surplus on the development.

Recycled Capital Grant Fund
Following certain relevant events, primarily the sale of dwellings, the HCA can direct the Group to recycle the capital grant (SHG) or to repay the recoverable capital grant back to the HCA. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

Disposal Proceeds Fund
Receipts from Right to Acquire sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. These sales receipts less eligible expenses are credited to the Disposal Proceeds Fund.

Equity loans, Homebuy loans and grant
Under these arrangements the Group receives Social Housing Grant (Homebuy only) representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Group under these arrangements are disclosed in the investments section of the balance sheet.

In the event that the property is sold on, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid and the amount of grant to be recycled is capped at the amount received when the loan was first advanced. If there is a fall in the value of the property, the shortfall of proceeds is offset against the recycled grant. There are no circumstances in which the Group will suffer any capital loss.

Pensions
The Group participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), the Surrey County Council Scheme and the Oxfordshire County Council Scheme.

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the Surrey and Oxfordshire County Council Schemes, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any actuarial gains and losses being recognised in the statement of total recognised surpluses and deficits.

Liquid resources
Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours, which can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Deferred taxation
The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over or on revaluation gains on housing properties unless there is a binding agreement to sell them at the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. The recognition of deferred tax asset is limited to the extent the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing difference. Deferred tax assets and liabilities are not discounted.

Fixed asset investments
Investments are stated at market value. Unlisted investments are based on cost.

Business combinations
Where acquisitions are in substance the gifting of control of a business to the Association, the combination is treated as a non-exchange transaction and the fair value of the gifted assets and liabilities in the transaction is recorded as a gain or loss in the income and expenditure account in the year of combination.

Interest costs
The Group's funding, liquidity and exposure to interest rate risks are managed by the Group's treasury department. Treasury operations are conducted within a framework of policies and guidelines authorised by the Board. To manage interest rate risk the Group manages its proportion of fixed to variable rate borrowings within approved limits and where appropriate utilises interest rate swap agreements. Amounts payable or receivable in respect of these agreements are recognised as adjustments to interest rate expense.

The Group's policy is to have a loan portfolio which is complementary to each Group member's overall objectives. This is achieved by creating a balance between fixed and variable borrowing.

Donations fund
This fund was created from charitable donations received by the Group and from investment income from the fund's investments. The fund is available to meet expenditure which falls within the Group's objectives.

Provisions
Provision is made for specific and quantifiable liabilities which exist at the balance sheet date.

Designated reserves
Designated reserves are held to provide reserves in respect of future major repairs spend. The Group maintains a reserve that covers the next three years forecasted major repairs expenditure. Annually a transfer from designated reserves directly to the income and expenditure reserve is made for the value of the repairs expenditure incurred during that year.

Restricted funds
Restricted funds are funds that can only be used for particular restricted purposes within the objects of the Group. Restrictions arise when specified by a donor or grant maker or when funds are raised for particular restricted purposes.

3. Turnover, cost of sales, operating costs and operating surplus

Group

2014	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
Social housing lettings	180.0	–	(121.4)	58.6
Other social housing activities				
Supporting people	2.1	–	(2.3)	(0.2)
Management services	2.1	–	(0.9)	1.2
First tranche sales	21.5	(14.4)	–	7.1
Other	1.0	–	(2.0)	(1.0)
	26.7	(14.4)	(5.2)	7.1
Non-social housing activities				
Lettings	11.9	–	(9.2)	2.7
Developments for sale	53.3	(42.0)	(1.2)	10.1
Other	0.2	–	0.1	0.3
Impairment	–	–	(1.1)	(1.1)
	65.4	(42.0)	(11.4)	12.0
	272.1	(56.4)	(138.0)	77.7

2013	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus £m
Social housing lettings	174.6	–	(132.4)	42.2
Other social housing activities				
Supporting people	2.7	–	(2.5)	0.2
Management services	0.8	–	(0.3)	0.5
First tranche sales	22.3	(16.1)	–	6.2
Other	2.0	–	(2.1)	(0.1)
	27.8	(16.1)	(4.9)	6.8
Non-social housing activities				
Lettings	10.0	–	(6.9)	3.1
Developments for sale	45.6	(42.0)	(1.2)	2.4
Other	0.6	–	(0.2)	0.4
Impairment	–	–	–	–
	56.2	(42.0)	(8.3)	5.9
	258.6	(58.1)	(145.6)	54.9

Notes to the financial statements (continued)

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

	General housing £m	Supported housing £m	Temporary housing £m	Key worker £m	Low cost home ownership £m	2014 Total £m	2013 Total £m
Turnover from social housing lettings							
Rent receivable net of identifiable service charges	106.7	10.8	12.9	15.4	14.4	160.2	155.8
Service charges receivable	6.1	4.1	–	0.8	5.8	16.8	16.0
Charges for support services	–	0.4	–	–	–	0.4	0.5
Net rental income	112.8	15.3	12.9	16.2	20.2	177.4	172.3
Nomination fees	–	–	1.2	–	0.1	1.3	1.3
Other income	0.3	0.1	–	0.2	0.7	1.3	1.0
Turnover from social housing lettings	113.1	15.4	14.1	16.4	21.0	180.0	174.6
Expenditure on social housing lettings							
Management	(22.9)	(6.5)	(1.7)	(7.4)	(6.5)	(45.0)	(46.0)
Services	(11.3)	(4.0)	(0.4)	(0.7)	(5.8)	(22.2)	(22.3)
Routine maintenance	(11.3)	(2.0)	(0.5)	(1.0)	(0.5)	(15.3)	(15.9)
Planned maintenance and major repairs	(14.7)	–	–	–	0.3	(14.4)	(16.9)
Bad debts	(0.2)	(0.2)	–	0.1	(0.3)	(0.6)	(1.3)
Property lease charges	–	(0.1)	(4.2)	–	–	(4.3)	(4.7)
Depreciation of housing properties	(14.2)	(1.4)	(0.6)	(2.0)	–	(18.2)	(16.0)
Accelerated depreciation on asset components	(1.1)	(0.1)	–	(0.2)	–	(1.4)	(1.1)
Housing properties impairment	–	–	–	–	–	–	(8.2)
Operating costs on social housing lettings	(75.7)	(14.3)	(7.4)	(11.2)	(12.8)	(121.4)	(132.4)
Operating surplus on social housing lettings	37.4	1.1	6.7	5.2	8.2	58.6	42.2
Void losses	(1.2)	(0.8)	(0.2)	(0.7)	(0.1)	(3.0)	(2.4)

Particulars of turnover from non-social housing lettings

	Group 2014 £m	Group 2013 £m
Market rental	**4.7**	3.3
Student accommodation	**6.3**	5.6
Other	**0.9**	1.1
	11.9	10.0

Association

2014	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Other social housing activities				
Management services	**36.2**	**–**	**(36.7)**	**(0.5)**
Other	**0.9**	**–**	**–**	**0.9**
	37.1	**–**	**(36.7)**	**0.4**

2013	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Other social housing activities				
Management services	33.7	–	(34.0)	(0.3)
Other	0.7	–	–	0.7
	34.4	–	(34.0)	0.4

Notes to the financial statements (continued)

4. Accommodation in management and development

Group
At the end of the year accommodation in management for each class of accommodation was as follows:

	Group 2014 No.	Group 2013 No.
Social housing		
General housing	**17,536**	17,628
Affordable housing	**253**	134
Supported housing and housing for older people	**2,441**	2,435
Shared ownership	**4,027**	4,072
Key worker accommodation	**2,819**	2,813
Temporary accommodation	**424**	424
Other	**1,189**	1,187
Total owned	**28,689**	28,693
Accommodation managed for others	**4,251**	4,016
Total owned and managed	**32,940**	32,709
Non-social housing		
Student accommodation	**1,295**	1,109
Market rent	**466**	409
Other – commercial	**117**	114
Total owned and managed	**1,878**	1,632
Accommodation managed for others	**–**	2
Total owned and managed	**1,878**	1,634
Overall		
Total owned	**30,567**	30,325
Total managed for others	**4,251**	4,018
Total owned and managed	**34,818**	34,343
Accommodation in development	**4,641**	3,509

The Association does not own or manage any accommodation.

5. Operating surplus

This is arrived at after charging (crediting):

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Depreciation of housing properties	**19.6**	17.4	**–**	–
Accelerated depreciation on replaced components	**1.4**	1.1	**–**	
Depreciation of other tangible fixed assets	**2.0**	1.7	**–**	–
Impairment of housing properties and investments	**–**	8.2	**–**	–
Impairment of other tangible fixed assets	**1.1**	–	**–**	–
Operating lease rentals				
– land and buildings	**7.5**	7.5	**2.4**	1.9
– office equipment, computers and vehicles	**0.3**	0.2	**0.3**	0.2
Auditors' remuneration (exclusive of VAT)				
– for audit services	**0.2**	0.2	**0.2**	0.1
– other	**0.1**	–	**0.1**	–

6. Surplus on sale of fixed assets – housing properties

	Group	
	2014 £m	2013 £m
Disposal proceeds	**29.1**	20.2
Carrying value of fixed assets	**(22.8)**	(16.5)
Surplus on sale of fixed assets	**6.3**	3.7
Disposal proceeds from stock rationalisation	**9.4**	42.5
Carrying value of fixed assets within stock rationalisation	**(5.9)**	(28.2)
Surplus from stock rationalisation	**3.5**	14.3
Selling costs	**(1.0)**	(2.2)
	8.8	15.8

7. Interest receivable and other income

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Interest receivable and similar income	**0.3**	0.7	**0.1**	0.1
Received from other Group entities	**–**	–	**10.5**	9.8
	0.3	0.7	**10.6**	9.9

Notes to the financial statements (continued)

8. Interest payable and similar charges

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Loans and bank overdrafts	**54.9**	50.2	**10.5**	9.8
Finance related costs	**1.8**	1.0	**0.5**	0.1
Recycled capital grant fund	**0.1**	0.1	**–**	–
	56.8	51.3	**11.0**	9.9
Interest payable capitalised on housing properties under construction	**(8.6)**	(8.0)	**–**	–
	48.2	43.3	**11.0**	9.9
Capitalisation rates used to determine the finance costs capitalised during the year	**4.8% – 6.1%**	3% – 5%	**–**	–

9. Employees

Average monthly number of employees expressed in full time equivalents:

	Group		Association	
	2014 No.	2013 No.	**2014 No.**	2013 No.
Administration	**173**	165	**171**	164
Development	**87**	87	**86**	85
Housing, support and care[1]	**724**	586	**573**	553
	984	838	**830**	802

Employee costs:

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Wages and salaries[1]	**31.9**	27.9	**27.8**	26.7
Social security costs	**3.3**	2.8	**2.9**	2.7
Other pension costs[2]	**3.2**	2.1	**1.2**	0.8
	38.4	32.8	**31.9**	30.2

1 On 1 April 2013 the Group established two LLP partnerships to provide repairs services for the Group's properties which employ a total of 124 employees.

2 The Group commenced auto-enrolment for its staff from 1 October 2013 which has increased the Group's pension costs.

Salary banding for all employees earning over £60,000 (includes salary and performance related pay but excludes pension contributions paid by the Group).

	2014 No.	2013 No.
£60,000 to £70,000	**14**	23
£70,001 to £80,000	**18**	12
£80,001 to £90,000	**10**	8
£90,001 to £100,000	**3**	6
£100,001 to £110,000	**8**	6
£110,001 to £120,000	**2**	3
£120,001 to £130,000	**1**	1
£140,001 to £150,000	**0**	3
£150,001 to £160,000	**2**	1
£160,001 to £170,000	**3**	3
£170,001 to £180,000	**1**	0
£230,001 to £240,000	**1**	1
£240,001 to £250,000	**1**	1
	64	68

The Group's employees are members of the Social Housing Pension schemes or the Surrey and Oxfordshire County Council schemes or the Scottish Widows schemes. There are two Scottish Widows schemes which are defined contribution schemes. One scheme is operated by A2Dominion Housing Group Limited and has three members which is now closed to new entrants. The second Scottish Widows scheme is operated by Pyramid Plus London LLP and Pyramid Plus South LLP and has a total of 19 members. Further information on the other schemes is given below.

Social Housing Pension Scheme (Group and Association)
A2Dominion Housing Group Limited participates in both the Social Housing Pension Scheme (SHPS) defined benefit scheme (DB) and defined contribution scheme (DC). The DB scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer scheme. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The DB scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

From April 2010 there are a further two benefits structures available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.

The DC scheme was made available from 1 October 2010 which is the only scheme open to all employees, as the Group closed its DB scheme to new entrants in 2010.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

A2Dominion Housing Group Limited has operated the final salary with a 1/60th accrual rate, final salary with a 1/70th accrual rate and career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2014.

Notes to the financial statements (continued)

9. Employees (continued)

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution. From 1 April 2010 the requirement for the employer to pay at least 50% of the total contributions no longer applied.

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the year A2Dominion Housing Group Limited paid contributions at the rate of 19.4%. Member contributions varied between 8.3% and 10.7% depending on their age into the defined benefit scheme. The Group and members contributed between a range of 2% to 8% into the defined contribution scheme.

As at the balance sheet date there were 169 active members of the Defined Benefit Scheme employed by A2Dominion Housing Group Limited and 526 active members of the Defined Contribution Scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from the total Scheme assets. Accordingly, due to the nature of the plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme applicable was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67.0%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows

	% pa
Valuation discount rates:	
Pre retirement	7.0
Non-pensioner post retirement	4.2
Pensioner post retirement	4.2
Pensionable earnings growth	2.5 per annum for 3 years, then 4.4
Price inflation	2.9
Rate of pension increases:	
Pre 88 Guaranteed Minimum Pension (GMP)	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund levy are included in the contribution rate.

The long-term joint contribution rates that will apply from April 2014 required from the employers and members to meet the cost of future benefit accruals were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings with a 1/80th accrual rate	14.0
Career average revalued earnings with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035m would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2013 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the above table.

Employers that participate in the scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the scheme.

Employers joining the scheme after 1 October 2002 that do not transfer any past service liabilities to the scheme pay contributions at the on-going future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan).

The scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £2,718m and indicated an increase in the shortfall of assets compared to liabilities to approximately £1,151m, equivalent to a past service funding level of 70%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the scheme winding up.

The debt for the scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

A2Dominion Housing Group Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the scheme as at 30 September 2013. As of that date the estimated employer debt for A2Dominion Housing Group Limited was £69.9m.

Notes to the financial statements (continued)

9. Employees (continued)

Local Government Pension Schemes

The Group participates in two local government pension schemes: Surrey County Council Pension Fund and Oxfordshire County Council Local Government Pension Fund.

With effect from April 2012 increases to local government pensions are linked to annual increases in the Consumer Price Index (CPI), rather than the Retail Prices Index (RPI). Over the long term CPI increases are expected to be lower than RPI increases and this therefore gives rise to a reduction in the value of the liabilities on the Balance Sheet.

Surrey County Council Pension Fund (SCCPF)

The SCCPF is a multi-employer scheme, administered by Surrey County Council under regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed on 31 March 2014. The employer's contributions to the SCCPF by the Group for the year ended 31 March 2014 were £251,000 at a contribution rate of 23.1% of pensionable salaries, set until the next funding valuation at 31 March 2015. This scheme is closed to new entrants.

Assumptions

The main financial assumptions used by the actuary were:

	31 March 2014 % per annum	31 March 2013 % per annum	31 March 2012 % per annum	31 March 2011 % per annum
Rate of increase in salaries	**3.9**	5.1	4.8	5.1
Rate of increase in pensions in payment	**2.6**	2.8	2.5	2.8
Expected return on assets	**6.0**	5.2	5.7	6.9
Discount rate	**4.1**	4.5	4.8	5.5
Inflation assumption	**2.6**	2.8	2.5	2.8

Fair value and expected return on assets

The fair value and expected return on assets in the SCCPF related to the Group and Association were:

	Long- term return at 31 March 2014 %	**Assets at 31 March 2014 £m**	Long-term return at 31 March 2013 %	Assets at 31 March 2013 £m	Long-term return at 31 March 2012 %	Assets at 31 March 2012 £m	Long-term return at 31 March 2011 %	Assets at 31 March 2011 £m
Equities	**6.7**	**5.1**	5.7	5.1	6.3	4.3	7.5	4.1
Bonds	**3.8**	**1.0**	3.4	1.2	3.9	1.0	4.9	0.9
Property	**4.8**	**0.4**	3.9	0.3	4.4	0.3	5.5	0.3
Cash	**3.7**	**0.1**	3.0	0.1	3.5	0.2	4.6	0.2
	6.0	**6.6**	5.2	6.7	5.7	5.8	6.9	5.5

	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m	31 March 2011 £m
Fair value of scheme assets	**6.6**	6.7	5.8	5.5
Present value of liabilities	**(8.9)**	(8.6)	(7.7)	(7.0)
Net pension liabilities	**(2.3)**	(1.9)	(1.9)	(1.5)

Recognition in the income and expenditure account

	2014 £m	2013 £m
Current service cost	**(0.1)**	(0.1)
Expected return on pension scheme assets	**0.3**	0.3
Interest on pension scheme liabilities	**(0.4)**	(0.4)
	(0.2)	(0.2)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2014 £m	2013 £m
Actual return less expected return on pension scheme assets	**(0.4)**	0.6
Experience gains and losses arising on scheme liabilities	**0.1**	–
Changes in assumptions underlying the present value of scheme liabilities	**(0.2)**	(0.8)
Actuarial deficit recognised in STRSD	**(0.5)**	(0.2)

Reconciliation of present value of plan liabilities

	2014 £m	2013 £m
At the beginning of the year	**(8.6)**	(7.7)
Current service cost	**(0.1)**	(0.1)
Interest cost	**(0.4)**	(0.3)
Actuarial losses	**(0.1)**	(0.8)
Benefits paid	**0.3**	0.3
	(8.9)	(8.6)

Reconciliation of present value of plan assets

	2014 £m	2013 £m
At the beginning of the year	**6.7**	5.8
Expected return on plan assets	**0.3**	0.3
Contributions by the Group	**0.3**	0.2
Actuarial (losses)/gains	**(0.4)**	0.6
Benefits paid	**(0.3)**	(0.2)
	6.6	6.7

Notes to the financial statements (continued)

9. Employees (continued)

Movement in deficit during the year

	2014 £m	2013 £m
Group share of scheme liabilities at beginning of year	**(1.9)**	(1.8)
Current service costs	**(0.1)**	(0.1)
Contributions	**0.2**	0.2
Actuarial assumption change	**–**	–
Other finance costs	**–**	–
Actuarial deficit	**(0.5)**	(0.2)
Group and Association share of scheme liabilities at end of year	**(2.3)**	(1.9)

History of experience gains and losses

	2014 £m	2013 £m
Difference between the expected and actual return on assets	**(0.4)**	0.6
Value of assets	**6.6**	6.7
Percentage of assets	**-5.6%**	8.7%
Experience gains on liabilities	**0.1**	0.0
Total present value of liabilities	**(8.9)**	(8.6)
Percentage of the total present value of liabilities	**-1.6%**	-0.2%
Actuarial deficit recognised in STRSD	**(0.5)**	(0.2)
Total present value of liabilities	**(8.9)**	(8.6)
Percentage of the total present value of liabilities	**5.7%**	2.6%

Oxfordshire County Council Local Government Pension Scheme (OCCLGPS)
The Group also has 22 employees who participate in OCCLGPS. The scheme is a defined benefit scheme based on final salary. Pension benefits depend generally upon age, length of service and salary level. The Group also provides retirees with at least five years of service and who are at least 55 with other post retirement benefits which include life insurance. The scheme is closed to new entrants.

Assumptions
The main financial assumptions used by the actuary were:

	31 March 2014 % per annum	31 March 2013 % per annum	31 March 2012 % per annum
Rate of increase in salaries	**4.6**	4.8	4.7
Rate of increase in pensions in payment	**2.8**	2.6	2.5
Expected return on assets	**6.2**	5.3	5.7
Discount rate	**4.5**	4.6	4.6
Inflation assumption (2014 & 2013 CPI, 2012 RPI)	**2.8**	2.6	2.5

Fair value and expected return on assets

The fair value and expected return on assets in the OCCLGPS related to the Group were:

	Long-term return at 31 March 2014 %	Assets at 31 March 2014 £m	Long-term return at 31 March 2013 %	Assets at 31 March 2013 £m	Long-term return at 31 March 2012 %	Assets at 31 March 2012 £m
Equities	**7.0**	**4.8**	6.0	5.1	6.3	4.1
Gilts	**3.6**	**0.8**	3.0	0.7	3.3	0.6
Other bonds	**4.2**	**0.3**	4.1	0.4	4.6	0.4
Property	**6.1**	**0.3**	5.0	0.4	5.3	0.4
Cash	**3.4**	**0.3**	0.5	0.3	3.0	0.2
Alternative assets	**–**	**–**	–	–	6.2	0.3
LLPs	**4.2**	**0.3**	6.0	0.2	–	–
Hedge Funds	**7.0**	**0.1**	6.0	0.2	–	–
	6.2	**6.9**	5.3	7.3	5.7	6.0

	2014 £m	2013 £m
Fair value of scheme assets	**6.9**	7.3
Present value of liabilities	**(9.2)**	(8.6)
Net pension liabilities	**(2.3)**	(1.3)

Recognition in the income and expenditure account

	2014 £m	2013 £m
Current service cost	**(0.2)**	(0.3)
Expected return on scheme assets	**0.4**	0.3
Interest on obligation	**(0.4)**	(0.4)
Total operating charge	**(0.2)**	(0.4)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2014 £m	2013 £m
Actual return less expected return on pension scheme assets	**(0.1)**	0.9
Changes in assumptions underlying the present value of scheme liabilities	**–**	–
Experience losses	**(0.3)**	(0.2)
Actuarial assumption change	**(0.6)**	–
Actuarial (deficit)/surplus recognised in STRSD	**(1.0)**	0.7

Notes to the financial statements (continued)

9. Employees (continued)

Reconciliation of present value of plan liabilities

	2014 £m	2013 £m
At the beginning of the year	**(8.6)**	(7.9)
Current service cost	**(0.2)**	(0.3)
Interest cost	**(0.4)**	(0.4)
Actuarial losses	**(0.1)**	(0.2)
Benefits paid	**0.1**	0.2
	(9.2)	(8.6)

Reconciliation of present value of plan assets

	2014 £m	2013 £m
At the beginning of the year	**7.3**	6.0
Expected return on plan assets	**0.4**	0.3
Contributions by the Group	**0.2**	0.3
Actuarial (losses)/gains	**(0.9)**	0.9
Benefits paid	**(0.1)**	(0.2)
	6.9	7.3

Movement in deficit during the year

	2014 £m	2013 £m
Group share of scheme liabilities at beginning of year	**(1.3)**	(1.9)
Current service costs	**(0.2)**	(0.3)
Contributions	**0.2**	0.2
Actuarial assumption change	**–**	–
Other finance costs	**–**	–
Actuarial (deficit)/surplus	**(1.0)**	0.7
Group and Association share of scheme liabilities at end of year	**(2.3)**	(1.3)

History of experience gains and losses

	2014 £m	2013 £m
Difference between the expected and actual return on assets	**(0.1)**	0.9
Scheme assets	**6.8**	7.3
Percentage of assets	**-0.2%**	12.6%
Experience losses on liabilities	**(0.3)**	(0.2)
Total present value of liabilities	**9.2**	8.6
Percentage of the total present value of liabilities	**-3.3%**	-2.5%
Actuarial (deficit)/surplus recognised in STRSD	**(1.0)**	0.7
Total present value of liabilities	**9.2**	8.6
Percentage of the total present value of liabilities	**-10.6%**	8.2%

Group pension analysis – consolidated

Recognition in the income and expenditure account

	2014 £m	2013 £m
Current service cost	**(0.3)**	(0.3)
Expected return on pension scheme assets	**0.7**	0.7
Interest on pension scheme liabilities	**(0.8)**	(0.7)
Past service cost	**–**	–
Total operating charge	**(0.4)**	(0.3)

Analysis of amount recognised in the consolidated statement of total recognised surpluses and deficits (STRSD)

	2014 £m	2013 £m
Actual return less expected return on pension scheme assets	**(0.5)**	1.5
Experience gains and losses arising on scheme liabilities	**(0.2)**	(0.2)
Changes in assumptions underlying the present value of scheme liabilities	**(0.8)**	(0.8)
Actuarial (deficit)/surplus recognised in STRSD	**(1.5)**	0.5

	2014 £m	2013 £m
Group share of scheme liabilities at beginning of year	**(3.2)**	(3.8)
Acquired on transfer of undertakings	**–**	–
Service costs	**(0.3)**	(0.3)
Contributions	**0.4**	0.5
Other finance costs	**–**	(0.1)
Actuarial (deficit)/surplus	**(1.5)**	0.5
Group share of scheme liabilities at end of year	**(4.6)**	(3.2)

Notes to the financial statements (continued)

10. Board members and executive officers

For the purposes of this note, the officers are defined as the members of the Board, committee members and the executive officers as shown on pages 54-57 and any other person reporting directly to the Group Chief Executive.

Fees of £181,190 (2013: £159,625) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £16,613 (2013: £11,250). Non-executive board members as at 31 March 2014 were paid as follows:

		Member of					
Board/Committee Member	Membership pay	Audit & Risk Committee	Customer Services Committee	Development Committee	Finance Committee	Governance & Remuneration Committee	Group Board
Stephanie Bamford	4,875	●				●	
Peter Braithwaite[1]	2,333			●			
Lynn Chandler	4,875	●			●		
Jane Clarke	3,875		●				
David Coates[1]	2,333				●		
Terence Cook	11,633		●				●
Ian Cox[1]	2,333			●			
Jan Czezowski	6,821	●		●			
Martha Darkwah	3,875		●				
Sara Dickinson[1]	2,333				●		
Sue Eggleton	12,250	●				●	●
Mark Gallagher[1]	2,333			●			
Kerrie Green[1]	2,333		●				
Brenda Jenner	12,250				●	●	●
Derek Joseph (Chair)	21,500					●	●
Andy Leahy	11,286			●			●
David Lewis	9,500		●			●	●
Pauline Mc Michael[1]	2,333		●				
Anne Murray	3,875		●				
Ross Proudfoot	4,875	●			●		
Margaret Sandford	3,875		●				
Alethea Siow	9,500	●		●			●
Terry Sullivan	6,000			●			
Ingrid Temmerman[1]	2,333		●				
David Walden	11,500				●		●

[1] These board members commenced their roles part way through the year ended 31 March 2014.

The executive officers participate in the pension schemes on the same terms as all other eligible staff.

	Group 2014 £'000	2013 £'000
Total emoluments paid to executive officers (including pension contributions)	**1,589**	1,515
Emoluments of the highest paid executive officer (excluding pension contributions and pay in lieu thereof but including performance related pay and benefits in kind)	**249**	239

1 On the 31 March 2012 the highest paid director opted out of the company pension scheme. A payment in lieu of £16,600, the equivalent employer's contribution is received by the highest paid director.

The emoluments of the executive officers are reviewed and agreed on an annual basis by the Group Governance and Remuneration Committee.

Executive officers

		2014 Total remuneration[1] £'000
J Allan	Executive Director (Commercial, South East)[2]	**63**
K Bull	Executive Director (Corporate Services)	**169**
A Evans	Executive Director (Operations)	**170**
J Knevett	Group Commercial Officer	**238**
D Mercer	Group Chief Executive	**249**
S Potts	Executive Director (Commercial, South East)[3]	**93**
D Tufts	Executive Director (Finance & Strategy)	**170**
A Waterhouse	Executive Director (Financial Services)	**169**
N Yeeles	Executive Director (Commercial, London)	**157**

1 Total remuneration includes performance related pay and benefits in kind but excludes pension contributions.
2 J Allan resigned on the 30 June 2013.
3 S Potts was appointed 17 October 2013.

Notes to the financial statements (continued)

11. Tax on surplus on ordinary activities

Current tax

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
UK corporation tax on surplus for the year	**–**	–	**–**	–
Adjustments in respect of prior years	**–**	–	**–**	–
	–	–	**–**	–

Deferred tax

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Adjustment in respect of prior periods	**–**	–	**–**	–
Total charge in the year	**–**	–	**–**	–

A reconciliation of the tax charge to the surplus on ordinary activities before tax is provided below:

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Surplus on ordinary activities before tax:	**38.1**	28.0	**–**	0.4
UK corporation tax at 23% (2013:24%)	**8.8**	6.7	**–**	0.1
Effects of:				
Capital gain in excess of profit/loss on disposal	**–**	0.3	**–**	–
Income not taxable	**(0.4)**	(0.3)	**–**	–
Other tax adjustments, reliefs and transfers	**0.6**	–	**–**	–
Capital gains	**0.1**	–	**–**	–
Unrelieved tax losses and other deductions	**(1.2)**	1.9	**–**	–
Charitable income	**(8.3)**	(7.8)	**–**	–
Timing differences	**0.4**	(0.6)	**–**	–
Amounts credited directly to STRGL or otherwise transferred	**–**	(0.1)	**–**	(0.1)
Fixed asset differences	**–**	(0.1)	**–**	–
Current tax charge for year	**–**	–	**–**	–

12. Tangible fixed assets – properties

Group

Housing properties	Properties held for letting			Housing to let properties under construction			Shared ownership properties		
	Social £m	Non-social £m	**Total £m**	Social £m	Non-social £m	**Total £m**	Completed £m	Under Con-struction £m	**Total £m**
Cost or valuation									
At 1 April 2013	2,306.1	80.0	**2,386.1**	73.5	13.0	**86.5**	334.7	13.9	**2,821.2**
Reclassification	(0.8)	(0.2)	**(1.0)**	–	0.2	**0.2**	(0.7)	1.2	**(0.3)**
Additions at cost									
New developments	–	–	**–**	36.2	6.3	**42.5**	(0.4)	15.4	**57.5**
Replaced components	14.3	0.1	**14.4**	–	–	**–**	–	–	**14.4**
Transfer (to)/from current assets	(0.3)	–	**(0.3)**	(0.8)	0.4	**(0.4)**	1.2	(2.4)	**(1.9)**
Schemes completed	26.7	17.0	**43.7**	(26.7)	(17.0)	**(43.7)**	15.1	(15.1)	**–**
Disposals									
Planned disposals	(1.5)	(0.2)	**(1.7)**	(0.2)	–	**(0.2)**	–	–	**(1.9)**
Replaced components	(4.7)	(0.1)	**(4.8)**	–	–	**–**	–	–	**(4.8)**
Staircasing sales	–	–	**–**	–	–	**–**	(17.0)	–	**(17.0)**
Stock transfers	(15.4)	–	**(15.4)**	–	–	**–**	–	–	**(15.4)**
At 31 March 2014	**2,324.4**	**96.6**	**2,421.0**	**82.0**	**2.9**	**84.9**	**332.9**	**13.0**	**2,851.8**
Social housing grant									
At 1 April 2013	983.4	4.4	**987.8**	23.8	–	**23.8**	139.0	7.2	**1,157.8**
Reclassification	(0.3)	–	**(0.3)**	–	–	**–**	0.3	(0.2)	**(0.2)**
Social housing grant received	–	–	**–**	8.3	–	**8.3**	–	2.5	**10.8**
Social housing grant recycled	–	–	**–**	4.6	–	**4.6**	0.8	(1.0)	**4.4**
Schemes completed	13.2	–	**13.2**	(13.2)	–	**(13.2)**	5.3	(5.3)	**–**
Stock transfers	–	–	**–**	–	–	**–**	–	–	**–**
Disposals									
Planned disposals	(0.7)	–	**(0.7)**	–	–	**–**	(5.9)	–	**(6.6)**
Replaced components	(2.4)	–	**(2.4)**	–	–	**–**	–	–	**(2.4)**
Stock transfers	**(6.6)**	–	**(6.6)**	–	–	**–**	–	–	**(6.6)**
At 31 March 2014	**986.6**	**4.4**	**991.0**	**23.5**	**–**	**23.5**	**139.5**	**3.2**	**1,157.2**
Depreciation and impairment									
At 1 April 2013	94.8	6.2	**101.0**	11.0	–	**11.0**	4.3	–	**116.3**
Reclassification	(0.1)	–	**(0.1)**	–	–	**–**	–	–	**(0.1)**
Charge for the year	18.2	1.4	**19.6**	–	–	**–**	–	–	**19.6**
Disposals									
Planned disposals	(0.5)	–	**(0.5)**	–	–	**–**	(0.2)	–	**(0.7)**
Replaced components	(0.9)	(0.1)	**(1.0)**	–	–	**–**	–	–	**(1.0)**
Stock transfers	(0.5)	–	**(0.5)**	–	–	**–**	–	–	**(0.5)**
At 31 March 2014	**111.0**	**7.5**	**118.5**	**11.0**	**–**	**11.0**	**4.1**	**–**	**133.6**
Net book value									
At 31 March 2014	**1,226.8**	**84.7**	**1,311.5**	**47.5**	**2.9**	**50.4**	**189.3**	**9.8**	**1,561.0**
At 31 March 2013	1,227.9	69.4	1,297.3	38.7	13.0	51.7	191.4	6.7	1,547.1

The amount of cumulative interest capitalised in housing properties since 2009 is £16.6m. Stock transfers relate to the sale of stock at existing use value to Thrive Homes including the transfer of grant. Reclassifications represent the reapportionment of base costs between tenures.

Notes to the financial statements (continued)

12. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	Group	
	2014 £m	2013 £m
Amounts capitalised	**14.4**	16.2
Amounts charged to income and expenditure account	**15.0**	17.0
Total	**29.4**	33.2

The amounts charged to the income and expenditure are split £14.4m social (2013: £16.9m) and £0.6m non-social (2013: £0.1m).

Social housing grant

	Group	
	2014 £m	2013 £m
Total accumulated SHG receivable at 31 March was:		
Capital grants	**1,157.2**	**1,157.8**

The amount of revenue grants previously recognised in the Income and Expenditure Account is not readily identifiable.

Housing properties book value, net of depreciation and grants comprises:

	Group	
	2014 £m	2013 £m
Freehold land and buildings	**1,076.1**	1,233.8
Long leasehold land and buildings	**427.7**	295.0
Short leasehold land and buildings	**57..2**	18.3
	1,561.0	1,547.1

Valuation for disclosure only

	£m
Completed housing properties at valuation	2,276.9
Revaluation reserve – completed housing properties	766.8

For information purposes only, completed housing properties are valued on a rolling basis at least once every five years by Jones Lang LaSalle Limited and Savills (L&P), professional external valuers and subsequently adjusted for disposals and acquisitions that have occurred since the date of the last valuation. The last full valuations for A2Dominion Housing Options Limited, A2Dominion South Limited and A2Dominion Homes Limited were carried out as at 31 March 2011, 31 March 2013 and 31 March 2014 respectively.

The valuation of the properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. Properties are valued either at either Existing Use Value for Social Housing (EUV-SH), for all Social Housing and Shared Ownership properties, or Market Value (MV) for all non-social housing.

In valuing housing properties, discounted cash flow methodology was adopted with key assumptions:

Social housing and shared ownership only

Discount rate	5.5% – 6.5%
Level of annual rent increase (after remaining restructuring period)	CPI + 1.0%

13. Tangible fixed assets – other

Group

	Furniture, fixtures and fittings £m	Leasehold offices £m	Freehold alterations £m	Computers, office equipment and motor vehicles £m	Freehold offices £m	Total £m
Cost						
At 1 April 2013	2.0	1.0	0.6	12.5	10.0	26.1
Additions	0.5	0.2	0.2	2.1	9.2	12.2
Disposals	–	–	(0.2)	–	(4.6)	(4.8)
At 31 March 2014	**2.5**	**1.2**	**0.6**	**14.6**	**14.6**	**33.5**
Depreciation						
At 1 April 2013	1.6	0.5	0.6	10.5	1.3	14.5
Charged in year	0.1	0.2	0.2	1.4	0.1	2.0
Disposals	–	–	(0.2)	–	(0.8)	(1.0)
Impairment	–	–	–	–	1.1	1.1
At 31 March 2014	**1.7**	**0.7**	**0.6**	**11.9**	**1.7**	**16.6**
Net book value						
At 31 March 2014	**0.8**	**0.5**	**–**	**2.7**	**12.9**	**16.9**
Net book value						
At 31 March 2013	0.4	0.5	–	2.0	8.7	11.6

The freehold offices based in Staines and Ealing have been redeveloped and all historic costs and accumulated depreciation classified under freehold offices and freehold alterations have been written out as disposals and then £3.8m capitalised to freehold office costs, disclosed under additions.

Notes to the financial statements (continued)

14. Fixed asset investments

	2014 £m	2013 £m
Investments (see below)	**20.3**	12.1
Commercial property held for letting	**49.1**	23.4
Equity loans	**2.6**	2.5
	72.0	38.0
Interest in joint ventures	**7.6**	4.1
	79.6	42.1

	31 March 2014		31 March 2013	
	Cost £m	Market value £m	Cost £m	Market value £m
Investments listed in a recognised stock exchange	**1.2**	**1.4**	1.2	1.5
British government securities	**3.2**	**4.0**	3.2	4.1
Cash and similar investments	**14.9**	**14.9**	6.3	6.5
	19.3	**20.3**	10.7	12.1

These investments are included in the financial statements at valuation.

The valuation of the commercial property held for letting was taken at 31 March 2014 by Jones Lang LaSalle LLP professional external valuers. The valuation of the properties was undetaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. Properties are valued either at Market Value subject to Tenancies (MV-T) for the market rent units and Existing Use Value (EUV) for parking bays.

Equity loans are advances made in relation to discounted sales of housing and are secured on the properties sold. They are stated at cost and independent valuers have confirmed the value at 31 March 2014 is not less than the cost.

The Group holds an interest in three joint ventures:

- A 50% interest in Essex Wharf Homes LLP, a joint venture with Sherry Green Homes Limited to develop a site in East London. The Group's share of the net assets at 31 March 2014 was £7.2m (2013: £4.1m) and there were no liabilities other than sponsors' contributions. The development is expected to make a significant profit and in the opinion of the directors the value of the investment is not less than the cost. The profit for the year was £nil (2013: £nil).
- A 50% interest in Green Man Lane LLP, a joint venture with Real (Ealing) Limited. The Group's share of the net assets at 31 March 2014 was £0.4m (2013: £nil). The profit for the year was £0.6m (2013: £nil).
- A 50% interest is held in Queen's Wharf Riverside LLP with Hammersmith Developments Holdco Limited. The company is dormant.

15. Properties for sale

	Group 2014 £m	Group 2013 £m
Open market sale – completed properties	**3.5**	14.6
Open market sale – under construction	**122.5**	97.7
Shared ownership – completed properties	**6.0**	9.5
Shared ownership – under construction	**8.0**	6.2
Land held for development	**26.8**	39.8
Agency schemes for sale	**10.4**	10.5
Social housing grant on agency schemes for sale	**(5.6)**	(5.6)
	171.6	172.7

16. Debtors

	Group 2014 £m	Group 2013 £m	Association 2014 £m	Association 2013 £m
Due within one year				
Rent and service charges receivable	**10.1**	12.2	**–**	–
Less: Provision for bad and doubtful debts	**(5.2)**	(5.5)	**–**	–
Net arrears	**4.9**	6.7	**–**	–
Trade debtors	**0.1**	0.1	**0.1**	0.1
Other debtors	**13.1**	11.3	**6.3**	3.5
VAT recoverable	**0.1**	–	**–**	–
Deposits on purchased schemes	**3.1**	–	**–**	–
Prepayments and accrued income	**5.1**	2.5	**1.2**	1.2
Amounts due from Group entities	**–**	–	**21.3**	11.9
Capital and agency debtors	**1.8**	18.3	**–**	–
	28.2	38.9	**28.9**	16.7
Due after more than one year				
Loans due from subsidiary undertakings under on-lending arrangements	**–**	–	**233.3**	243.3
Deposits on purchased schemes	**–**	1.2	**–**	–
Loans due from joint ventures	**–**	3.1	**–**	–
Land options	**–**	0.1	**–**	–
Other debtors	**0.3**	0.1	**–**	–
	28.5	43.4	**262.2**	260.0

Notes to the financial statements (continued)

17. Current asset investments

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Money market deposits	1.3	0.3	1.0	–

18. Cash at bank and in hand

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash at bank	25.4	13.1	8.1	7.0
Sinking funds	4.6	4.2	–	–
	30.0	17.3	8.1	7.0

At 31 March 2014, £1.7m (2013: £1.5m) of cash balances were charged to lenders.

19. Creditors: amounts falling due within one year

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Loans and borrowings (note 23)	21.1	22.3	12.3	15.8
Trade creditors	11.5	7.7	9.1	2.9
Rent and service charges received in advance	8.3	8.0	–	–
Social housing grant in advance	6.0	9.8	–	–
Recycled Capital Grant Fund (note 21)	4.6	4.2	–	–
Disposal Proceeds Fund (note 22)	–	0.3	–	–
Amounts owed to Group entities	–	–	12.3	1.1
Other taxation and social security	0.9	1.0	0.8	1.0
Other creditors	4.2	5.9	1.4	0.8
Accruals and deferred income	13.1	18.0	2.9	3.0
Interest accrued	5.2	2.5	–	–
Capital creditors	4.4	4.9	–	–
	79.3	84.6	38.8	24.6

20. Creditors: amounts falling due after more than one year

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Loans and borrowings (note 23)	1,138.2	1,122.7	233.3	243.3
Recycled Capital Grant Fund (note 21)	11.3	9.3	–	–
Sinking funds	4.6	4.3	–	–
Disposal Proceeds Fund (note 22)	1.3	1.0	–	–
Deferred grant	2.0	2.0	–	–
Other	1.2	0.6	–	–
	1,158.6	1,139.9	233.3	243.3

21. Recycled Capital Grant Fund

	Group 2014 £m	Group 2013 £m
At 1 April	**13.5**	13.2
Grants recycled	**6.2**	4.7
Interest accrued	**0.1**	0.1
Purchase/development of properties	**(3.9)**	(4.5)
Balance at 31 March	**15.9**	13.5
Due within one year	**4.6**	4.2
Due in more than one year	**11.3**	9.3
Amount due for repayment to the Homes and Communities Agency (HCA) and Greater London Authority (GLA)	**–**	–

22. Disposal Proceeds Fund

	Group 2014 £m	Group 2013 £m
At 1 April	**1.3**	0.7
Net sale proceeds recycled	**0.5**	0.8
Interest accrued	**–**	–
Purchase/development of properties	**(0.5)**	(0.2)
Balance at 31 March	**1.3**	1.3
Due within one year	**–**	0.3
Due in more than one year	**1.3**	1.0
Amount due for repayment to the HCA and GLA	**–**	–

Notes to the financial statements (continued)

23. Loans and borrowings

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Due within one year				
Bank overdraft	**0.1**	9.7	**0.1**	9.6
Bank loans	**19.7**	11.3	**12.2**	6.2
Other loans	**1.3**	1.3	**–**	–
	21.1	22.3	**12.3**	15.8
Due after more than one year				
Bank loans	**973.2**	1,104.7	**233.3**	243.3
Other loans	**171.1**	22.5	**–**	–
Loan issue costs	**(6.1)**	(4.5)	**–**	–
	1,138.2	1,122.7	**233.3**	243.3
Within one year	**21.1**	22.3	**12.3**	15.8
Between one and two years	**16.0**	18.8	**8.3**	7.9
Between two and five years	**96.8**	77.9	**26.7**	25.7
After five years	**1,031.5**	1,030.5	**198.3**	209.7
Loan issue costs	**(6.1)**	(4.5)	**–**	–
	1,159.3	1,145.0	**245.6**	259.1

All loans are secured by fixed charges on individual properties.

The bank and other loans are repaid by bullet payments or in half-yearly and quarterly instalments at fixed and variable rates of interest ranging from 0.38% to 12.48%. The final instalments fall to be repaid in the period 2016 to 2043.

At 31 March 2014 the Group had undrawn loan facilities of £364.5m (2013: £200.4m).

Group Derivative Transactions
As At 31 March 2014 the following financial derivative contracts were in place:

	Notional Principal £m	Fair value/ (loss) £m
Standalone		
Interest rate swaps without options	302.8	(51.2)
Interest rate swaps with options	–	–
	302.8	(51.2)
Embedded		
Interest rate swaps without options	496.2	–
Interest rate swaps with options	–	–
	496.2	–
Total		
Interest rate swaps without options	799.0	(51.2)
Interest rate swaps with options	–	–
Total as At 31 March 2014	799.0	(51.2)
Interest rate swaps without options	768.2	(63.5)
Interest rate swaps with options	35.0	(11.6)
Total as at 31 March 2013	803.2	(75.1)

Interest rate swaps without options
These are interest rate swaps to receive floating / pay fixed rates for a fixed period. Of the total notional value, £91.3m are amortising in line with the underlying debt.

Interest rate swaps with options
The interest rate swap counterparty has the option to cancel the contract at the end of each 3 month period.

Security
Where security is required in respect of the negative fair values of the standalone derivatives, this has been provided by way of cash and first fixed charges over completed housing properties. As at 31 March 2014 the amount of cash posted as collateral was £nil (2013: £12.5m) and the value of properties charged was £35.0m (2013: £21.0m). No additional security is required in respect of embedded derivatives.

Group hedging position
As at 31 March borrowings were hedged as follows:

	31 March 2014 £m	31 March 2013 £m
Interest rates fixed for more than 12 months	**1,050.6**	915.4
Fixed interest rates with lender's options to cancel	**–**	35.0
	1,050.6	950.4
Floating rate (interest rates fixed for less than 12 months)	**52.8**	165.6
Total	**1,103,4**	1,116.0

Notes to the financial statements (continued)

24. Provisions for liabilities and charges

Group

	Major works £m	Contractual disputes £m	Development scheme purchase £m	Total £m
At 1 April 2013	2.2	0.6	7.0	9.8
Amounts utilised	(0.4)	(0.4)	(7.0)	(7.8)
Amounts provided for	2.5	0.1	–	2.6
At 31 March 2014	**4.3**	**0.3**	**–**	**4.6**

Major works provisions are for identified works required on properties transferred from other registered providers or identified on acquisition by the Group. Provisions for major works will be utilised over approximately a 1-3 year period.

Association
The Association holds a provision of £0.8m (2013: £0.6m) which reflects potential legal and settlement costs the Association is likely to incur.

25. Non-equity share capital

	2014 £	2013 £
Shares of £1 each issued and fully paid		
At 1 April	**8**	7
Shares issued during the year	**–**	1
Shares surrendered during the year	**(1)**	–
At 31 March	**7**	8

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

26. Reserves

Group

	Restricted reserve donations fund £m	Designated reserve £m	Revaluation reserve – other investments £m	Revenue reserve £m	Total reserves £m
At 1 April 2013	0.5	44.6	2.0	550.0	597.1
Surplus for the year	–	–	–	38.1	38.1
Revaluation for the year	–	–	7.3	–	7.3
Transfer from designated reserves	–	(12.1)	–	12.1	–
Transfer to designated reserves	–	32.1	–	(32.1)	–
Actuarial deficit on pension schemes	–	–	–	(1.5)	(1.5)
At 31 March 2014	**0.5**	**64.6**	**9.3**	**566.6**	**641.0**

Association

	Revenue reserve £m
At 1 April 2013	(3.4)
Surplus for the year	–
Actuarial loss relating to pension scheme	(0.5)
At 31 March 2014	**(3.9)**

27. Financial commitments

	Group 2014 £m	Group 2013 £m
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	**195.6**	138.1
Expenditure authorised by the Board, but not contracted	**646.7**	369.5
	842.3	507.6

The total commitments above are phased up to and including 2017/18. The Group expects to meet the above commitments from the following sources:

- Undrawn loan facilities totalling £364.5m (2013: £200.4m)
- Social housing grant and projected proceeds from first tranche sales of shared ownership dwellings and build for sale of properties £964.2m (2013: £530.1m).

Operating leases
The payments which the Group and Association are committed to make in the next year under operating leases are as follows:

	Group 2014 £m	Group 2013 £m	Association 2014 £m	Association 2013 £m
Land and buildings				
Within one year	**1.7**	2.3	**0.8**	1.2
Two to five years	**1.6**	2.5	**–**	0.4
Over five years	**2.5**	1.3	**1.6**	0.3
	5.8	6.1	**2.4**	1.9
Vehicles and other equipment	**0.3**	0.2	**0.3**	–

28. Contingent liabilities

The Group and Association had no contingent liabilities at 31 March 2014 (2013: £nil).

Notes to the financial statements (continued)

29. Reconciliation of operating surplus to net cash inflow from operating activities

	2014 £m	2013 £m
Operating surplus	**78.0**	54.9
Depreciation of tangible fixed assets	**21.6**	19.1
Accelerated depreciation on components	**1.4**	1.1
Impairment	**1.1**	8.2
	102.1	83.3
Working capital movements		
Properties for outright sale	**(12.7)**	4.1
Debtors	**(1.6)**	(6.2)
Provisions	**(5.2)**	7.6
Creditors	**(1.9)**	(0.8)
Net cash inflow from operating activities	**80.7**	88.0

30. Reconciliation of net cash flow to movement in net debt

	2014 £m	2013 £m
Increase/(decrease) in cash in the year	**22.3**	(18.0)
Cash flow movement in liquid resources	**1.0**	–
Cash flow from (increase)/decrease in debt	**(23.9)**	40.3
(Increase)/decrease in net debt from cash flows	**(0.6)**	22.3
Net debt at 1 April	**(1,127.4)**	(1,149.7)
Net debt at 31 March	**(1,128.0)**	(1,127.4)

31. Analysis of net debt

	31 March 2013 £m	Cash flow £m	31 March 2014 £m
Cash at bank and in hand	17.3	12.7	**30.0**
Overdraft	(9.7)	9.6	**(0.1)**
Current assets investment	0.3	1.0	**1.3**
Loans due within 1 year	(12.6)	(8.4)	**(21.0)**
Loans due after more than 1 year	(1,122.7)	(15.5)	**(1,138.2)**
Net debt	(1,127.4)	(0.6)	**(1,128.0)**

32. Group

The financial statements consolidate the results of the following subsidiaries:

	Principle activity	Group ordinary share capital
A2Dominion Enterprises Limited	Dormant company	100%
A2Dominion Housing Options Limited	Rents properties for affordable housing	100%
A2Dominion Housing Finance Limited	Raises funds for the operational business	100%
Kingsbridge Residential Limited	Dormant company	100%
A2Dominion South Limited	Rents properties for social housing	100%
A2Dominion Homes Limited	Rents properties for social housing	100%
A2Dominion Residential Limited	Rents properties at market rents	100%
A2Dominion Developments Limited	Develops and sells properties	100%
A2Dominion Treasury Limited	Raises funds for the operational business	100%
A2Dominion Investments Limited	Dormant company	100%
Affordable Property Management Limited	Dormant company	100%
Home Farm Exemplar Limited	Held option to acquire land	100%
Pyramid Plus London LLP	Property maintenance services	70%
Pyramid Plus South LLP	Property maintenance services	70%

The Group has the right to appoint members to the boards of its subsidiaries and thereby exercises control over them. A2Dominion Housing Group Limited is the ultimate parent undertaking.

During the year A2Dominion Housing Group Limited provided management services to other Group entities and charged £36.2m (2013: £33.7m). At 31 March 2014 A2Dominion Housing Group Limited was owed £9.0m by its subsidiaries (2013: £10.8m). This was in relation to working capital balances and management services.

The Group owns a 70% share in Pyramid Plus London LLP. The remaining 30% share is owned by Breyer Group Plc. The minority share of £0.3m relates to Breyer Group Plc's 30% share of the LLP's profit.

The Group owns a 70% share in Pyramid Plus South LLP. The remaining 30% share is owned by Mitie Property Services (UK) Limited. The minority share of £0.5m relates to Mitie Property Services (UK) Limited's 30% share of the LLP's profit.

33. Transactions with related parties

A2Dominion Housing Group consists of A2Dominion Housing Group Limited, A2Dominion South Limited, A2Dominion Homes Limited and A2Dominion Housing Options Limited which are registered providers of social housing; A2Dominion Developments Limited which develop homes for sale and A2Dominion Residential Limited which manages a private rent portfolio. Pyramid Plus London LLP and Pyramid Plus South LLP provide the group with property maintenance services.

A2Dominion Housing Group Limited provides management and administration services to the companies within the Group. The most significant element of this is staff costs as the subsidiaries within the Group do not have their own employees apart from A2Dominion Homes Limited who has a small number of employees. The management costs are apportioned on a unit basis and sales and marketing costs on the number of sales.

Pyramid Plus London LLP and Pyramid Plus South LLP are apportioned management and administration services based on agreed values representing actual services provided.

The total management and administration costs apportioned in the year were:

	2014 £m	2013 £m
A2Dominion South Limited	**15.5**	15.8
A2Dominion Homes Limited	**15.1**	14.9
A2Dominion Housing Options Limited	**0.9**	1.0
A2Dominion Enterprises Limited	**0.4**	0.2
A2Dominion Residential Limited	**–**	–
A2Dominion Developments Limited	**2.8**	1.8
Pyramid Plus London LLP	**0.7**	–
Pyramid Plus South LLP	**0.8**	–
	36.2	33.7

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries are summarised as follows:

A2Dominion Homes Limited purchased development and construction services from A2Dominion Developments Limited during the year to the value of £15.2m (2013: £17.3m). A2Dominion South Limited purchased development and construction services from A2Dominion Developments Limited during the year to the value of £11.9m (2013: £11.1m).

A2Dominion South Limited had an intercompany loan owed by A2Dominion Developments Limited of £73.0m (2013: £24.7m). The interest receivable on this loan was £2.6m (2013: £nil). At the year end there was a short-term intercompany debtor owed by A2Dominion Developments Limited to A2Dominion South Limited of £0.4m. (2013: short-term creditor owed to A2Dominion Developments Limited of £0.7m).

A2Dominion Homes Limited had an intercompany loan owed by A2Dominion Developments Limited of £87.2m (2013: £125.5m) and by A2Dominion Residential Limited £nil (2013: £19.5m). The interest receivable from A2Dominion Developments was £6.7m (2013: £9.2m) and from A2Dominion Residential Limited was £0.8m (2013: £0.5m). At the year end there was a short-term intercompany debtor owed by A2Dominion Developments Limited to A2Dominion Homes Limited of £0.2m (2013: short-term creditor owed to A2Dominion Developments Limited of £1.3m and short-term debtor owed by A2Dominion Residential Limited of £0.1m).

At the year end there was a short-term intercompany debtor owed by A2Dominion Housing Group Limited to A2Dominion Residential Limited of £0.2m (2013: £nil).

A2Dominion Treasury Limited has intercompany loans owed by A2Dominion South Limited of £50.0m, A2Dominion Homes Limited £54.9m, A2Dominion Housing Options Limited £5.8m and A2Dominion Residential Limited £39.4m. The interest receivable on these loans was £1.3m by A2Dominion Homes Limited, £1.1m by A2Dominion South Limited, £0.7m by A2Dominion Residential Limited and £0.1m by A2Dominion Housing Options Limited.

During the year the A2Dominion Developments Limited acquired A2Dominion Enterprises Limited from A2Dominion South Limited a fellow subsidiary within the Group for £14.1m.

Transactions between Group entities and other related parties are summarised as follows:

A2Dominion Developments Limited provided a loan facility of £3.6m (2013: £3.0m) to Green Man Lane LLP. As at 31 March 2014, £0.4m (2013: £3.1m) was due to A2Dominion Developments Limited. This amount is included within debtors falling due within one year.

Real (Ealing) Limited is a 50% joint venture partner of Green Man Lane LLP. Real (Ealing) Limited granted Green Man Lane LLP a loan facility of £0.6m (2013: £0.6m) of which £0.4m (2013: £0.6m) was drawn down.

Home Farm Exemplar Limited is a subsidiary of A2Dominion Developments Limited. Home Farm Exemplar Limited purchased an option to acquire land from P3 Eco Limited for £0.6m. This option was exercised during the year and the company ceased to trade.

A2Dominion Developments Limited provided a loan facility of £nil (2013: £9.0m) to Home Farm Exemplar Limited. As at 31 March 2014, £nil (2013: £1.4m) was due to A2Dominion Developments Limited from Home Farm Exemplar Limited for loans drawn and accrued interest.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0m by A2D Funding Plc during the year. As at 31 March 2014, £150.0m was owed by A2Dominion Treasury Limited.

Pyramid Plus London LLP received services during the year from Breyer Group Plc with a value of £4.0m. As at the 31 March 2014 £nil was owed by Pyramid Plus London LLP.

Pyramid Plus South LLP received services during the year from Mitie Property Services (UK) Limited with a value of £0.7m. As at the 31 March 2014 £nil was owed by Pyramid Plus South LLP.

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