BASE PROSPECTUS DATED 25TH OCTOBER, 2016

A2DOMINION HOUSING GROUP LIMITED

(*incorporated in England as a registered society with limited liability under the Co-operative and Community Benefit Societies Act 2014 with registered number 28985R*)

£1,000,000,000
Euro Medium Term Note Programme

ARRANGER

Peel Hunt LLP

WHOLESALE DEALER

Lloyds Bank

DEALER

Peel Hunt LLP

INVESTING IN NOTES ISSUED UNDER THE PROGRAMME INVOLVES CERTAIN RISKS. YOU SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN SECTION 2 (RISK FACTORS) OF THIS BASE PROSPECTUS. YOU SHOULD ALSO READ CAREFULLY SECTION 11 (*IMPORTANT LEGAL INFORMATION*).

IMPORTANT NOTICES

Use of defined terms in this Base Prospectus

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

What is this document?

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the **FCA**), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the **Prospectus Directive**) and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes (**Notes**) issued under the Euro Medium Term Note Programme (the **Programme**) described in this Base Prospectus during the period of twelve months after the date hereof.

The nominal amount (being the amount which is used to calculate payments made on each Note) of all the outstanding Notes issued under the Programme (including any Notes which, upon issue, are immediately purchased by the Issuer (**Retained Notes**)) will not exceed £1,000,000,000, subject to any increase that may be agreed between the Issuer and the permanent Dealers.

Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the UK Listing Authority (the **Official List**) and to trading on the Regulated Market of the London Stock Exchange plc (the **London Stock Exchange**) and, in the case of retail issuances, may be traded through the electronic order book for retail bonds (the **ORB**). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments. This Base Prospectus may be supplemented or replaced from time to time to reflect any significant new factor, material mistake or inaccuracy relating to the information included in it.

This Base Prospectus contains important information about the Issuer (as defined below), the A2Dominion Group (as defined below) and the terms of the Programme. This Base Prospectus also describes the risks relevant to the Issuer and its business, and risks relating to an investment in the Notes generally.

What type of Notes does this document relate to?

This document relates to the issuance of two different types of Notes: Fixed Rate Notes, on which the Issuer will pay interest at a fixed rate; and Floating Rate Notes, on which the Issuer will pay interest at a variable rate (referred to in this document as a "floating rate"). Notes may also be issued as a combination of these options.

What will be the contractual terms of any particular issuance of Notes?

The contractual terms of any particular issuance of Notes will be comprised of the terms and conditions set out in Appendix 2 (*Terms and Conditions of the Notes*) of this document (the **Conditions**), as completed by a separate Final Terms document, which is specific to that issuance of Notes (the **Final Terms**). References in this document to the **applicable Final Terms** are to:

(a) in the case of an issuance of Notes with a denomination of less than €100,000 (or its equivalent in another currency), the form of Final Terms set out on pages 151 to 160 of this document; and

(b) in the case of an issuance of Notes with a denomination of €100,000 or more (or its equivalent in another currency), the form of Final Terms set out on pages 162 to 169 of this document,

in each case as completed with the details of the provisions that apply to the particular Notes being issued.

The Conditions are comprised of numbered provisions (1 to 21) including generic provisions that are applicable to Notes generally and certain provisions that will apply to certain issuances of Notes as specified in, and in accordance with, the applicable Final Terms.

What are Retained Notes?

Pursuant to the Conditions (see Condition 1 (*Form, Denomination and Title*)), and if so specified in the applicable Final Terms, Notes may immediately be purchased by the Issuer upon issue. Any Notes so purchased are referred to as Retained Notes. The Bank of New York Mellon, London Branch has been appointed by the Issuer as custodian (the **Custodian**) to hold any Retained Notes on behalf of the Issuer on the terms of a custody agreement dated 25th October, 2016 between the Issuer, the Trustee and the Custodian (the **Custody Agreement**).

Retained Notes will not be treated as outstanding when determining quorum or voting at meetings of Noteholders but will count towards the Programme limit of £1,000,000,000 referred to above.

The Issuer may sell or dispose of any Retained Notes at any time and on any terms. Upon sale or disposal, the Retained Notes will cease to be Retained Notes.

What other documents should I read?

This document contains all information which is necessary to enable investors to make an informed decision regarding the financial position and prospects of the Issuer and the rights attaching to the Notes. Some of this information will be completed by the applicable Final Terms. **Before making any investment decision in respect of any Notes, you should read this document, together with the Final Terms relating to such Notes**.

This document and the Final Terms relating to any Notes will be made available at the registered office of the Issuer and will be published at: www.londonstockechange.com/exchange/news/market-news/market-news-home.html.

What information will be included in the Final Terms?

While this document includes general information about all Notes, the applicable Final Terms will set out the specific details of each particular issuance of Notes.

The Final Terms will contain the relevant economic terms applicable to any particular issuance of Notes, including, for example:

- the issue date;
- the amount (if any) of Retained Notes being issued;
- the currency;
- the interest basis (i.e. fixed rate or floating rate) and the interest rate;
- the interest payment dates;
- the scheduled maturity and redemption amount; and

- any other information needed to complete the Conditions (identified in the Conditions by the words "as specified in the applicable Final Terms" or other equivalent wording).

Wherever the Conditions provide optional provisions, the applicable Final Terms will specify which of those provisions apply to that specific issuance of Notes.

Who is responsible for the information contained in this Base Prospectus?

The Issuer accepts responsibility for the information contained in this Base Prospectus and, in relation to each Tranche of Notes, in the applicable Final Terms for such Tranche of Notes. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In this Base Prospectus, references to the **Issuer** are to A2Dominion Housing Group Limited, which is the issuer of any Notes issued under the Programme. All references to the **A2Dominion Group** are to the Issuer and its subsidiaries taken as a whole. See Section 6 (*Description of the Issuer and the A2Dominion Group*) for further details of the Issuer and the A2Dominion Group.

Credit ratings

The A2Dominion Group has been assigned a credit rating of A+ by Fitch Ratings Ltd (**Fitch**). The Programme is expected to be rated A+ 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. A Series of Notes may be rated by one or more of Fitch, Moody's Investors Service Ltd. (**Moody's**) and Standard & Poor's Rating Group (**S&P**) or it may be unrated. Each of Fitch, Moody's and S&P is established in the European Union and is registered under Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**). Where a Series of Notes is rated, such rating will be specified in the applicable Final Terms.

Will the Notes issued under the Programme be protected by the Financial Services Compensation Scheme?

No Notes issued under the Programme are 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. If the Issuer goes out of business or becomes insolvent, you may lose all or part of your investment in the relevant Notes.

No offer of Notes

This Base Prospectus does not constitute an offer to subscribe for any Notes.

What if I have any queries relating to this Base Prospectus and the Programme?

If you have any questions regarding the content of this Base Prospectus, the Programme and/or any Notes or the actions you should take, you should seek advice from your financial adviser or other professional adviser.

HOW DO I USE THIS DOCUMENT?

You should read and understand fully the contents of this document and the applicable Final Terms before making any investment decisions relating to any Notes. This document contains important information about the Issuer, the A2Dominion Group and the terms of the Notes, as well as describing certain risks relevant to the Issuer, the A2Dominion Group and its business and also other risks relating to an investment in the Notes generally. An overview of the various parts comprising this document is set out below:

Section 1 ***(Summary)*** sets out in tabular format standard information which is arranged under standard headings and which the Issuer is required, for regulatory reasons, to include as a prospectus summary for a prospectus of this type. This part also provides the form of the "issue specific summary" information, which will be completed and attached to Final Terms relating to any Notes which are to be offered under the Programme.

Section 2 (*Risk Factors*) provides a description of the principal risks and uncertainties which may affect the Issuer's ability to fulfil its obligations under the Notes.

Section 3 (*Information about the Programme*) provides a synopsis of the Programme in order to assist the reader.

Section 4 (*How the Return On Your Investment Is Calculated*) sets out worked examples of how the interest amounts are calculated under a variety of scenarios and how the redemption provisions will affect the Notes.

Section 5 (*Taxation*) provides a brief outline of certain taxation implications regarding Notes that may be issued under the Programme.

Section 6 (*Description of the Issuer and the A2Dominion Group*) describes certain information relating to the Issuer and the A2Dominion Group, as well as the business that the Group conducts and its group structure.

Section 7 (*Description of the Custody Agreement*) describes the Custody Agreement pursuant to which the Custodian will hold any Retained Notes on behalf of the Issuer.

Section 8 (*Selected Financial Information*) sets out important historical financial information relating to the A2Dominion Group.

Section 9 (*Subscription and Sale*) contains a description of the material provisions of the Programme Agreement, which includes the selling restrictions applicable to any Notes that may be offered under the Programme.

Section 10 (*Additional Information*) sets out further information on the Issuer and the Programme which the Issuer is required to include under applicable rules. These include the availability of certain relevant documents for inspection, confirmations from the Issuer and details relating to the listing of the Notes.

Section 11 (*Important Legal Information*) contains some important legal information regarding the basis on which this document may be used for the purposes of making any public offers of Notes issued under the Programme, forward-looking statements and other important matters.

Appendix 1 (*Defined Terms Index*) provides details of where certain important defined terms are used in this Base Prospectus.

Appendix 2 (*Terms and Conditions of the Notes*) sets out the terms and conditions which apply to any Notes that may be issued under the Programme. The applicable Final Terms relating to any offer of Notes will complete the terms and conditions of those Notes.

Appendix 3 (*Forms of the Notes*) provides a description of the forms of the Notes that may be issued by the Issuer under the Programme, briefly sets out certain information relating to clearing systems and settlement of the Notes.

Appendix 4 (*Forms of Final Terms*) sets out the respective forms of Final Terms that the Issuer will publish if it offers any Notes under the Programme. Any such completed Final Terms will detail the relevant information applicable to each respective offer of Notes, adjusted to be relevant only to the specific Notes being offered.

Appendix 5 (*Book-Entry Clearing Systems*) is a summary of clearing and settlement when interests in the Notes are held and settled in CREST.

Appendix 6 (*Financial Statements of the Issuer*) contains the Issuer's financial statements for the financial years ended 31st March, 2015 and 31st March, 2016.

A table of contents, with corresponding page references, is set out on the following page.

CONTENTS

1. SUMMARY

This Section sets out in a grid format standard information which is arranged under standard headings and is required to be included in a prospectus summary for this type of product. It also provides the form of the "issue specific summary" information which may be completed and attached to applicable Final Terms relating to Notes which may be offered under the Programme.

SUMMARY

The following is a summary of information relating to the Issuer and the Notes.

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 and issuer. 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 and issuer, 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'.

Words and expressions defined in the "*Terms and Conditions of the Notes*" below or elsewhere in this Base Prospectus have the same meanings in this summary.

<table>
<tr><th colspan="2">SECTION A – INTRODUCTIONS AND WARNINGS</th></tr>
<tr><td>A.1</td><td>This summary must be read as an introduction to this Base Prospectus. Any decision to invest in the Notes should be based on consideration of this Base Prospectus as a whole by the investor. Where a claim relating to the information contained in this Base 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 Base 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 Base Prospectus or it does not provide, when read together with the other parts of this Base Prospectus, key information in order to aid investors when considering whether to invest in such Notes.</td></tr>
<tr><td>A.2</td><td>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Public Offer.

Issue Specific Summary:

[Not Applicable – the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).]

[Not Applicable – the Notes are not being offered to the public as part of a Public Offer.]

[Consent: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes by the Managers[, ●,] [and] [each financial intermediary whose name is published on the Issuer's website (www.a2dominion.co.uk) and identified as an Authorised Offeror in respect of the relevant Public Offer [and any financial intermediary which is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) and publishes on its website the following statement (with the information in square brackets being duly completed):

"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the Notes) described in the Final Terms dated [insert date] (the Final Terms) published by A2Dominion Housing Group Limited (the Issuer). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in the United Kingdom during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base</td></tr>
</table>

	Prospectus) and confirm that we are using the Base Prospectus accordingly." *Offer period:* The Issuer's consent referred to above is given for Public Offers of Notes during [●] (the **Offer Period**). *Conditions to consent:* The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; and (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Notes in the United Kingdom. **AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.]**

SECTION B – THE ISSUER		
B.1	**Legal and commercial name.**	The Issuer's legal and commercial name is A2Dominion Housing Group Limited (the **Issuer**).
B.2	**The domicile and legal form of the issuer, the legislation under which it operates and its country of incorporation.**	The Issuer 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 (**Registered Provider**) with the Homes and Communities Agency and is an exempt charity.
B.4b	**A description of any known trends affecting the issuer and the industries in which it operates.**	In respect of the Issuer, due to a combination of lower 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 Issuer and its subsidiaries (together, the **A2Dominion Group**) operate, and where affordability issues are greatest. Traditional bank debt, which, as at 31st March, 2016, accounted for around 71 per cent of arranged debt, 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 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 £23,000 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 has resulted in the direct payment of some housing benefit to claimants rather than Registered Providers as the default position. In the 2015 Summer Budget, the Government announced that rents for social housing (as defined in Part 2 of the Housing and Regeneration Act 2008) in England would be reduced by 1 per cent a year for the next four years. This change was introduced on 1st April, 2016. In October 2015, the Office for National Statistics announced that Registered Providers would be reclassified as public corporations. The Government quickly

		made a commitment to deregulate the sector to reverse the classification. The changes include removal of all requirements for HCA consents to Registered Provider disposals of land, removal of the requirement for consents for constitutional changes, restructurings and mergers, removal of certain consent requirements relating to dissolution or winding up and restrictions upon the power to appoint board members to a Registered Provider board in circumstances where that would be required to ensure compliance with legal requirements.
B.5	**If the issuer is part of a group, a description of the group and its position within the group.**	The Issuer 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 provided to other members of the A2Dominion Group. The A2Dominion Group is one of the largest housing providers operating across London and south east England, owning or managing (as at 31st March, 2016) around 36,000 homes, with approximately a further 3,850 homes to be developed over the next four years, of which 1,688 are already under construction. The Issuer 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 the Registered Providers in the A2Dominion Group are regulated by the Regulation Committee of the Homes and Communities Agency.
B.9	**Where a profit forecast or estimate is made, state the figure.**	Not applicable; as at the date of this Base Prospectus the Issuer has not made any profit forecast or profit estimate.
B.10	**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 Base Prospectus neither of the audit reports on the Issuer's audited consolidated financial statements for the years ended 31st March, 2015 and 31st March, 2016 included any qualifications.
B.12	**Selected historical key financial information regarding the issuer, 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.**	The following summary financial data as of, and for each of the years ended, 31st March, 2015 and 31st March, 2016, has been extracted, without any adjustment, from the Issuer's consolidated financial statements in respect of those dates and periods.

Consolidated statement of comprehensive income
For the year ended 31st March

	2016 £m	2015 £m restated
Group turnover	**378.4**	**312.3**
Cost of sales	(102.4)	(67.2)
Operating costs	(163.0)	(158.6)
Group operating surplus	**113.0**	**86.5**
Share of joint controlled entity operating profit	2.7	2.3
Surplus on sale of fixed assets – housing properties	15.3	6.5
Interest receivable and other income	2.4	1.8
Interest payable and similar charges	(49.1)	(49.0)
Other finance costs	(0.6)	(0.8)
Change in fair value of investments	0.1	0.9
Movement in fair value of financial instruments	1.9	0.9
Movement in fair value of investment properties	30.1	28.2
Surplus on ordinary activities before taxation	**115.8**	**77.3**
Tax on surplus on ordinary activities	(0.5)	(3.1)
Surplus on ordinary activities after taxation	**115.3**	**74.2**
Non-controlling interest	(0.8)	(1.0)
Surplus for the financial year	**114.5**	**73.2**
Actuarial gains/(losses) on defined benefit pension scheme	1.0	(1.1)
Movement in fair value of hedging financial instrument	(2.5)	(34.7)
Total comprehensive income for year	**113.0**	**37.4**
Surplus for the year attributable to:		
Non-controlling interest	0.8	1.0
Parent association	114.5	73.2
	115.3	**74.2**
Total comprehensive income attributable to:		
Non-controlling interest	0.8	1.0
Parent association	112.2	36.4
	113.0	**37.4**

All amounts relate to continuing activities.

Consolidated statement of financial position

At 31st March

	2016 £m	2015 restated £m
Fixed assets		
Tangible fixed assets – housing properties	2,530.6	2,480.5
Tangible fixed assets - other	21.3	21.2
Investment properties	361.5	276.4
Investments – Homebuy loans	2.9	3.2
Investments - other	18.3	23.9
Investments – joint ventures	58.2	54.8
	2,992.8	2,860.0
Current assets		
Properties for sale	201.2	243.2
Debtors less than one year	41.8	45.1
Debtors more than one year	64.3	52.5
Investments	8.0	9.0
Cash and cash equivalents	37.3	29.4
	352.6	379.2
Creditors: Amounts falling due within one year	(105.5)	(111.7)
Net current assets	247.1	267.5
Total assets less current liabilities	**3,239.9**	**3,127.5**
Creditors: Amounts falling due after more than one year	(2,464.1)	(2,467.8)
Provision for liabilities and charges	(21.3)	(17.1)
Net assets excluding pension liability	754.5	642.6
Net pension liability	(4.9)	(5.8)
Net assets	**749.6**	**636.8**
Capital and reserves		
Non-equity share capital	-	-
Cash flow hedge reserve	(47.4)	(44.9)
Income and expenditure reserve	749.9	630.6
Designated reserve	45.8	49.6
Restricted reserve	0.5	0.5
Consolidated funds	748.8	635.8
Non-controlling interest	0.8	1.0
	749.6	**636.8**

Consolidated statement of cash flows
For the year ended 31st March

	2016	2015
	£m	**£m**
Cash flows from operating activities		
Surplus for the financial year	**114.5**	**73.2**
Adjustments for:		
Depreciation of fixed assets – housing properties	26.0	32.4
Depreciation of fixed assets - other	2.7	2.5
Accelerated depreciation on replaced components	5.4	0.8
Impairment	-	0.1
Amortised grant	(16.1)	(14.9)
Share of surplus in jointly controlled entities	(2.7)	(2.3)
Net fair value gains recognised in statement of comprehensive income	(32.1)	(30.0)
Interest and finance costs	49.7	49.8
Interest received	(2.4)	(1.8)
Surplus on the sale of fixed assets – housing properties	(15.3)	(6.5)
Taxation expense	0.5	3.1
Non-controlling interest	0.8	1.0
Increase in trade and other debtors	(3.7)	(5.3)
Decrease/(increase) in stocks	56.8	(93.2)
(Decrease)/ increase in creditors	(0.8)	9.5
Increase/(decrease) in provisions	3.8	(1.4)
Cash from operations	**187.1**	**17.0**
Tax paid	(0.1)	-
Net cash generated from operating activities	**187.0**	**17.0**
Cash flows from investing activities		
Purchase of fixed assets – housing properties	(116.4)	(102.5)
Receipt of grant	7.7	18.5
Repayment of grant	(0.2)	-
Purchase of fixed assets - other	(2.5)	(4.2)
Purchase of fixed asset investments	(55.7)	(17.6)
Sale of fixed asset investments	10.1	-
Sale of current asset investments	1.0	(7.7)
Investment in jointly controlled entities	(11.9)	(51.6)
Repayment of jointly controlled entities capital	6.4	6.7
Distribution of jointly controlled entities profits	4.3	-
Proceeds from sale of fixed assets – housing properties	40.5	36.2
Loans advanced to jointly controlled entities	(15.0)	(23.3)
Interest received	2.4	1.8
Net cash from investing activities	**(129.3)**	**(143.7)**

		Cash flows used in financing activities		
		Interest paid	(65.7)	(62.7)
		New loans - bank	50.0	433.9
		New loans - other	-	150.0
		Repayment of loans - bank	(34.1)	(395.1)
		Net cash used in financing activities	**(49.8)**	**126.1**
		Net increase/(decrease) in cash and cash equivalents	**7.9**	**(0.6)**
		Cash and cash equivalents at the beginning of year	29.4	30.0
		Cash and cash equivalents at end of year	**37.3**	**29.4**
		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 31st March, 2016.		
B.13	**A description of any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.**	Not applicable; there have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.		
B.14	**If the issuer is part of a group, a description of the group and the issuer's position within the group. If the issuer is dependent upon other entities within the group, this must be clearly stated.**	The Issuer 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 provided to other members of the A2Dominion Group. The A2Dominion Group is one of the largest housing providers operating across London and south east England, owning or managing (as at 31st March, 2016) around 36,000 homes, with approximately a further 3,850 homes to be developed over the next four years, of which 1,688 are already under construction. The Issuer 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 Issuer is dependent on other members of the A2Dominion Group as its income derives solely from (i) fees paid to it by its subsidiaries for the provision of services to them on a cost recovery basis and (ii) the repayment of the loans (and related interest) it has provided to other members of the A2Dominion Group.		
B.15	**A description of the issuer's principal activities.**	The Issuer 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 provided to other members of the A2Dominion Group. The A2Dominion Group is one of the largest housing providers operating across London and south east England, owning or managing (as at 31st March, 2016) around 36,000 homes, with approximately a further 3,850 homes to be developed over the next four years, of which 1,688 are already under construction. The Issuer 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	**To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.**	The Issuer is not directly or indirectly owned or controlled by another entity. All shares issued by the Issuer are currently held by the non-executive board members of the Issuer.
B.17	**Credit ratings assigned to the issuer or its debt securities at the request or with the co-operation of the issuer in the rating.**	The A2Dominion Group has been assigned a credit rating of A+ by Fitch Ratings Ltd (**Fitch**). The Programme is expected to be rated A+ by Fitch. A Tranche of Notes issued under the Issuer's £1,000,000,000 Euro Medium Term Note Programme (the **Programme**) may be rated or unrated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency. ***Issue Specific Summary:*** The Notes to be issued [are not/have been/are expected to be] rated: [[●] by Fitch] [[●] by Moody's] [[●] by S&P].

SECTION C – NOTES		
C.1	**A description of the type and the class of the securities.**	The Notes to be issued under the Programme may be Fixed Rate Notes, Floating Rate Notes or a combination of the foregoing. If so specified in the applicable Final Terms, Notes may immediately be purchased by the Issuer on the Issue Date thereof (**Retained Notes**). The applicable Final Terms will specify the aggregate nominal amount (if any) of the Notes which are Retained Notes. Any Retained Notes will be held by The Bank of New York Mellon, London Branch as custodian (the **Custodian**) on the terms set out in a custody agreement dated 25th October, 2016 between the Issuer, the Trustee and the Custodian (the **Custody Agreement**). The Custodian will hold any Retained Notes on behalf of the Issuer until the Issuer instructs it to sell such Retained Notes. ***Issue Specific Summary:*** The Notes are [£/€/[●]] [●] [[●] per cent./Floating Rate/[*other*]] Notes due [●]. [[£/€/[●]] of the Notes are Retained Notes.] International Securities Identification Number (**ISIN**): [●] [The Notes will be consolidated and form a single series with [●] on [the Issue

		Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [●]]].
C.2	**Currency of the securities issue.**	Notes may be denominated in pounds sterling, euro, dollars or in any other currency or currencies. Payments in respect of Notes may, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated. ***Issue Specific Summary:*** [The currency of the Notes is [●].]
C.5	**A description of any restrictions on the free transferability of the securities.**	The Issuer, Lloyds Bank plc (the **Wholesale Dealer**) and Peel Hunt LLP (together with the Wholesale Dealer, the **Dealers**) have agreed restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Jersey, Guernsey, Isle of Man and Japan. The Issuer is Category 2 for the purposes of Regulation S under the Securities Act 1933, as amended (**Regulation S**). The Notes in bearer form for US federal income tax purposes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (the **TEFRA D Rules**) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treasury Regulations §1.163- 5(c)(2)(i)(C) (the **TEFRA C Rules**) or (ii) the Notes are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (**TEFRA**), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. Subject thereto, the Notes will be freely transferable. ***Issue Specific Summary:*** Regulation S Compliance Category 2; [TEFRA C/TEFRA D/TEFRA not applicable.]
C.8	**A description of the rights attached to the securities including:** • **ranking** • **limitations to those rights**	***Status of the Notes*** The Notes constitute direct, general, unconditional and unsubordinated obligations of the Issuer. The Notes will rank at least *pari passu* (i.e. equally in right of payment), without any preference between themselves, with all other present and future unsecured debt obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general obligation. ***Issue Price*** Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The issue price will be determined by the Issuer prior to the offering of each Tranche after taking into account certain factors including market

		conditions.
		Issue Specific Summary: [[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●].] ***Denominations*** Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all legal and/or regulatory requirements. ***Issue Specific Summary:*** [Specified Denomination: [●]] ***Financial covenant*** The Issuer has agreed that, so long as any Note remains outstanding, the A2Dominion Group as a whole will maintain unsecured assets of a specified value. ***Retained Notes*** Pursuant to the terms of the Custody Agreement, the Custodian will hold any Retained Notes on the Issuer's behalf. The Issuer will instruct the Custodian to waive the Issuer's rights to receive payments (of interest, principal or otherwise) on the Retained Notes for so long as the Retained Notes are held on the Issuer's behalf. Such waiver may not be revoked without the consent of the Trustee. ***Events of default*** An event of default is a breach by the Issuer of certain provisions in the Terms and Conditions of the Notes, or the occurrence of certain events with respect to a material subsidiary (which includes A2Dominion Homes Limited, A2Dominion South Limited, and any subsidiary which represents not less than 5 per cent. of the consolidated assets at historic cost, or turnover of the A2Dominion Group). Events of default under the Notes include non-payment of any principal and interest due in respect of the Notes and failure of the Issuer 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 Notes (the **Noteholders**) is required before certain events will be deemed to constitute Events of Default. ***Taxation*** All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom unless the withholding is required by law. In that event, the Issuer will, subject to customary exceptions, pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

		Meetings of Noteholders The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. ***Governing Law*** English law. ***Enforcement of Notes in Global Form*** In the case of Notes in global form (that is, Notes in bearer form represented by a Temporary Global Note or a Permanent Global Note or Notes in registered form that are represented by a Registered Global Note), individual investors' rights against the Issuer will be governed by a Trust Deed dated 25th October, 2016, a copy of which will be available for inspection at the specified office of the Principal Paying Agent.
C.9	**A description of the rights attached to the securities (continued), including information as to interest, maturity, yield and the representative of the Noteholders**	***Interest*** Notes shall be interest-bearing. Interest may accrue at a fixed rate or a floating rate based upon the Euro Interbank Offered Rate (**EURIBOR**) or the London Interbank Offered Rate (**LIBOR**). In respect of each Tranche of Notes, the date from which interest becomes payable and the due dates for interest, the maturity date, the repayment procedures and an indication of yield will be specified in the relevant Final Terms. **Fixed Rate Notes** Fixed interest will be payable in arrear on the date or dates in each year specified in the Final Terms. ***Issue Specific Summary:*** [Fixed Rate Notes are not being issued pursuant to these Final Terms] [Rate[(s)] of interest: [●] per cent. per annum payable [●] in arrear on each Interest Payment Date Interest Payment Date(s): [●] in each year Fixed Coupon Amount[(s)]: [●] per Calculation Amount]

		Floating Rate Notes Floating Rate Notes will bear interest as follows: (i) on the same basis as the floating rate under a notional interest rate on a swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR or EURIBOR as adjusted for any margin. Interest periods will be specified in the relevant Final Terms. ***Issue Specific Summary:*** [Floating Rate Notes are not being issued pursuant to these Final Terms] [Interest Period(s): [●] Specified Period: [●] Specified Interest Payment Dates: [Not Applicable/[●], subject to adjustment in accordance with the Business Day Convention set out below] First Interest Payment Date: [●] Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]] Margin(s): [+/-][●] per cent. per annum Minimum Rate of Interest: [[●] per cent. per annum/Not Applicable] Maximum Rate of Interest: [[●] per cent. per annum/Not Applicable] Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination] ***Maturities*** Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

		Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000, as amended (**FSMA**) by the Issuer. ***Issue Specific Summary:*** [*Maturity Date*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on [●]/the Interest Payment Date falling on or nearest to [●]] ***Redemption*** Notes may be redeemable at par or such other Redemption Amount as may be specified in the relevant Final Terms. ***Issue Specific Summary:*** [*Final Redemption Amount*: Unless previously redeemed, or purchased and cancelled, each Note will be redeemed at its Final Redemption Amount of [●].] ***Optional Redemption*** Notes may be redeemed before their stated maturity at the option of the Issuer and/or the Noteholders (either in whole or in part) to the extent (if at all) specified in the relevant Final Terms. ***Issue Specific Summary:*** [*Redemption at the Option of the Issuer*: The Notes may be redeemed at the option of the Issuer [in whole]/[in whole or in part] on [●] at the [Optional Redemption Amount)]/[Spens Amount]/[Make-Whole Amount]: (i) Optional Redemption Date(s): [●] (ii) Optional Redemption Amount(s): [[●] per Calculation Amount][Spens Amount][Make-Whole Amount] a. Reference Bond: [●][FA Selected Bond][Not Applicable] b. Quotation Time: [●] c. Redemption Margin: [[●] per cent./Not Applicable]

		(iii) If redeemable in part: a. Minimum Redemption Amount: [●] per Calculation Amount b. Maximum Redemption Amount: [●] per Calculation Amount (iv) Notice period: Minimum period: [●] Maximum period: [●]] [*Redemption at the Option of the Noteholders:* The Issuer shall, at the option of the holder, redeem such Note on the Optional Redemption Date at the Optional Redemption Amount together, if appropriate, with interest (if any) accrued to (but excluding) such date. (i) Optional Redemption Date(s): [●] (ii) Optional Redemption Amount(s): [●] (iii) Notice period: Minimum period: [●] Maximum period: [●]] ***Tax Redemption*** Except as described in "*Optional Redemption*" above, early redemption will only be permitted if the Issuer has or will become obliged to pay certain additional amounts in respect of the Notes as a result of any change in the tax laws of the United Kingdom. ***Yield*** The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant Issue Price at the relevant Issue Date. ***Issue Specific Summary:*** [Yield: Based upon the Issue Price of [●], at the Issue Date the anticipated yield of the Notes is [●] per cent. per annum.] ***Trustee for the Noteholders*** Prudential Trustee Company Limited (the **Trustee**, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

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), especially under the circumstances when the risks are most evident.**	Not applicable; there is no derivative component in the interest payments made in respect of any Notes issued under the Programme.
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.**	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange plc (the **London Stock Exchange**) [and through the electronic order book for retail bonds (the **ORB**)]. ***Issue Specific Summary:*** [Application [has been][is expected to be] made for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange [and through the ORB].]

SECTION D – RISKS		
D.2	**Key information on the key risks that are specific to the issuer.**	The Issuer does not own any assets (other than shares in other entities within the A2Dominion Group and loan facilities which it has provided to other entities in the A2Dominion Group) and its income is entirely dependent on other members of the A2Dominion Group. • Members of the A2Dominion Group are not legally committed to making any contributions to the Issuer. • There are risks that could directly affect members of the A2Dominion Group (other than the Issuer, as it is non-asset owning). These risks could have an adverse impact on the cashflow of certain members of the A2Dominion Group. In turn, in respect of members of the A2Dominion Group to whom issue proceeds of any Notes have been lent or upon whom the Issuer is dependant for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes to pay accrued interest on and/or repay the principal amount of the Notes. • 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 and significant falls in sales values caused through deterioration in the housing market could cause schemes to become loss making.

		• The A2Dominion Group has participated in a number of joint ventures engaged in a variety of activities including estate regeneration, repairs services and development for market sale and rent. These joint ventures may fail to deliver returns because of financial difficulty or insolvency of the other member(s) of the joint venture. • Changes to the levels and methods of payment of social housing rents, household benefit and Universal Credit.
D.3	**Key information on the key risks that are specific to the securities.**	• The Notes are not protected by the Financial Services Compensation Scheme (the **FSCS**) or any other government savings or deposit protection scheme. The FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Noteholders may lose all or part of their investment in the Notes. • The Terms and Conditions of the Notes may be modified without the consent of the Noteholders in certain circumstances. • Holders of CREST depository interests will hold or have an interest in a separate legal instrument and will not be the legal owners of the Notes in respect of which the CDIs are issued. • There may be no or only a limited secondary market in the Notes and this would adversely affect the value at which an investor could sell his Notes. • The Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary (including the Issuer) generally will have the right to be paid in full before any distribution is made to the Issuer in its capacity as shareholder. ***Issue Specific Summary***: • [The Notes are subject to optional redemption by the Issuer, which may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds to achieve a similar effective return.] • [Changes in interest rates will affect the value of the Fixed Rate Notes.]. • [The market price of Notes issued at a substantial [discount/premium] may experience greater fluctuations in certain circumstances.] • [If the Issuer converts from a fixed rate to a floating rate, the difference between the interest rates on the Fixed/Floating Rate Notes may be less favourable than then prevailing interest rates on comparable Floating Rate Notes. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer coverts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.]

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 Notes is being made in order to raise funding for the A2Dominion Group to be applied for its general corporate purposes. The offer of the Notes 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 Notes (or, in the case of Retained Notes, the proceeds from the sale of the Retained Notes to a third party (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 (both charitable Registered Providers and non-charitable Registered Providers and non-charitable trading companies) to be applied for their general corporate purposes including, without limitation, the acquisition and development of housing properties of differing tenures. ***Issue Specific Summary:*** [Reasons for the offer: [●] Use of proceeds: [●]]
E.3	**A description of the terms and conditions of the offer.**	Notes may be issued at any price as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. ***Issue Specific Summary:*** [Not Applicable. The Notes are in denominations of at least €100,000 (or its equivalent in any other currency).] [An investor intending to acquire or acquiring Notes from an Authorised Offeror other than the Issuer, will do so, and offers and sale of Notes to an investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor including as to price, allocations and settlement arrangements.] Offer Price: [●] Conditions to which the offer is subject: [Not Applicable/[●]] Total amount of the offer: [Not Applicable/[●]] Description of arrangements and timing for announcing the offer to the public: [Not Applicable/[●]] Offer Period, including any possible amendments, during which the offer [The period from [[●] until [●]/[the Issue Date]/[the date which falls [●]

		will be open:	days thereafter]
		Description of the application process:	[Not Applicable/[●]]
		Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/[●]]
		Details of the minimum and/or maximum amount of application:	[Not Applicable/[●]]
		Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/[●]]
		Manner in and date on which results of the offer are to be made public:	[Not Applicable/[●]]
		Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[●]]
		Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/[●]]
		Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/[●]]
		Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[●]]
		Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:	[None/[●]]
		Name and address of any paying agents and depositary agents:	[None/[●]]
		Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:	[None/[●]]
E.4	**A description of any interest that is material to the issue/offer including**	The Issuer has appointed the Wholesale Dealer and Peel Hunt LLP and any other Dealer appointed from time to time as Dealers for the Programme. The arrangements under which Notes may from time to time be agreed to be sold by	

	conflicting interests.	the Issuer to, and purchased by, Dealers are set out in the Programme Agreement made between the Issuer and the Dealers. ***Issue Specific Summary:*** The following additional interest(s) are material to issues of the Notes: [●]
E.7	**Estimated expenses charged to the investor by the issuer or the offeror.**	It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other Authorised Offerors may, however, charge expenses to investors. Such expenses (if any) are beyond the control of the Issuer and not set by the Issuer. They may vary depending on the size and the amount subscribed for and the investor's arrangements with the Authorised Offeror. Neither the Issuer nor any of the Dealers are party to such terms or other arrangements. ***Issue Specific Summary:*** [The expenses to be charged by those Authorised Offerors known to the Issuer as of the date of the Final Terms are unknown.][The Issuer estimates that, in connection with the sale of Notes to an investor, the expenses charged by the [Authorised Offeror(s)] will be up to [●] per cent. of the aggregate principal amount of the Notes sold to such investor.]

2. RISK FACTORS

RISK FACTORS

The following is a description of the principal risks and uncertainties which may affect A2Dominion Housing Group's (the Issuer) ability to fulfil its obligations under the Notes.

Before applying for any Notes, you should consider whether the relevant Notes are a suitable investment for you. There are risks associated with an investment in the Notes, many of which are outside the control of the Issuer. These risks include those in this Section.

You should carefully consider the risks described below and all other information contained in this Base Prospectus and reach your own view before making an investment decision. Words and expressions defined in the "*Terms and Conditions of the Notes*" below or elsewhere in this Base Prospectus have the same meanings in this Section. References below to the **A2Dominion Group** are to the Issuer and its subsidiaries taken as a whole.

The Issuer believes that the factors described below represent the principal risks and uncertainties which may affect its ability to fulfil its obligations under the Notes, but the Issuer may face other risks that may not be considered significant risks by the Issuer based upon information available to it at the date of this Base Prospectus or that it may not be able to anticipate. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes 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 thinks are immaterial at the date of this Base Prospectus, actually occurs, then it could have a material adverse effect on the Issuer's ability to fulfil its obligations to pay interest, principal or other amounts in connection with the Notes.

You should note that the risks relating to the Issuer, the Issuer's industry and the Notes summarised in Section 1 (*Summary*) are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuer faces 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.

Organisation of Risk Factors

- **Risks which may affect the Issuer's ability to fulfil its obligations under the Notes**
- **Risks affecting the A2Dominion Group**
  - **Risks affecting the whole of the A2Dominion Group**
  - **Factors which may affect the ability of Group Registered Providers to fulfil their obligations generally**
  - **Risks related to regulation**
- **Risks related to the structure of a particular issue of Notes**
- **Risks related to Notes generally**
- **Risks related to the market generally**

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

The Issuer does not own any assets and its income is entirely dependent on other members of the A2Dominion Group.

The Issuer'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, 2016 the Issuer had £138.5 million of loan facilities, all of which have been on-lent to A2Dominion South Limited (**A2D South**). All of its other assets and liabilities are inter-company balances relating to transactions which the Issuer undertakes on behalf of other members of the A2Dominion Group.

Whilst the Issuer holds the shares in its asset-owning subsidiaries, the Issuer itself does not own substantial assets and its income is entirely dependent on other members of the A2Dominion Group providing fees to it.

In practice, there are very close operational ties between the Issuer and the other members of the A2Dominion Group. The board of the Issuer acts as a common board for a number of other A2Dominion Group members and the Issuer employs 87 per cent. of the staff of the A2Dominion Group. All receipts of rental income and payments to suppliers are made by the Issuer and allocated to the relevant members of the A2Dominion Group through intra-group transactions.

In view of this, the solvency of the Issuer is important both to Registered Providers of Social Housing (**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 Issuer is also a Registered Provider and its importance within the A2Dominion Group is recognised by the Homes and Communities Agency (**Regulator**), who regulates the Group Registered Providers. The Regulator publishes regulatory judgements for all Registered Providers, which is a key element of the Regulator's approach to regulating the social housing sector.

For each Registered Provider, the Regulator publishes two regulatory assessments: a viability and a governance rating on a scale from 1 to 4. A V1 or G1 grade means the Registered Provider meets the regulatory requirements. V2 and G2 are also compliant grades but indicate Registered Providers have specific issues they need to address to maintain compliance. V3/G3 and V4/G4 grades indicate that Registered Providers are non-compliant and in the case of a V4 or G4, that they are subject to regulatory intervention or enforcement action.

The A2Dominion Group has been assigned a G1/V1 rating from the Regulator, the highest rating on the Regulator's scale.

The Issuer therefore believes that members of the A2Dominion Group would consider that it is in their commercial interests to assist the Issuer in fulfilling its obligations under the Notes. Whilst there is no legal commitment by or contractual obligation on any member of the A2Dominion Group to do so, should the Issuer default on the Notes or become insolvent, this would trigger cross-defaults in a number of the other A2Dominion Group members' loans meaning that, in a number of situations, it will be a commercial necessity for A2Dominion Group members to continue to support the Issuer. As the board of the Issuer acts as a common board for itself and the Group Registered Providers, the Issuer 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 Limited and A2Dominion Developments Limited through their parent, A2D 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 Issuer's ability to fulfil its obligations under the Notes.

If, notwithstanding the above, members of the A2Dominion Group do not make any contributions to the Issuer to assist it to meet its obligations under the Notes, the Issuer may be unable to fulfil its obligations under the Notes.

The Notes will constitute unsecured obligations of the Issuer and Noteholders will not have any direct recourse to any other member of the A2Dominion Group.

Risks affecting the A2Dominion Group

1. 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 Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

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 any Notes may be applied directly or indirectly to entities within the A2Dominion Group that are not Registered Providers and are not charitable 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 Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

However, private market renting activity only accounts for a relatively small element of the activities of the A2Dominion Group as a whole. As at 31st March, 2016, 852 units in the A2Dominion Group were let at market rent, out of a total of 30,978 properties owned.

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 Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

Significant falls in sales values caused through 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.

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 retail bond issues in 2013 and 2014, 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 charges over property. A reduction in rates can result in an obligation to provide cash and/or further 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 Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes. As at March 2016, approximately 89.1 per cent. 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 joint ventures, the profitability of which depends on their activities

The A2Dominion Group has participated in a number of joint ventures engaged in a variety of activities including estate regeneration, repairs services and development for market sale and rent.

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 Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

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**);
- The Local Government Pension Scheme administered by Surrey County Council, the Surrey County Council Pension Fund (**SCCPF**); and
- The Social Housing Pension Scheme administered by the Pensions Trust (**SHPS DB**).

OCCPF

Financial Reporting Standard 17 (**FRS 17**) sets out the accounting standards for retirement benefits. Under FRS 17, actuarial valuations by a professional actuary must be obtained at intervals not exceeding three years (each an **FRS17 Valuation Report**).

The FRS17 Valuation Report for the year ending 31st March, 2016 for A2DHomes produced by the Scheme Actuary shows a net liability of £3.2 million. Full provision for this liability has been made within the audited accounts.

SCCPF

As at September 2016, the Issuer had 3 active members in the SCCPF.

The FRS17 Valuation Report for the year ending 31st March, 2016 for the Issuer produced by the Scheme Actuary shows a net liability of £1.7 million. Full provision for this liability has been made within the audited accounts.

SHPS DB

The triennial valuation results at 30th September, 2014, completed in 2015, show the market value of the whole scheme's assets as £3.123 billion, with whole scheme liabilities of £4.446 billion, revealing a shortfall of assets compared with the value of liabilities of £1.323 billion. It is not possible to identify the share of underlying assets and liabilities belonging to each individual participating employer in the scheme.

Under the Recovery Plans (as defined below) in place as at 31st March, 2016, in addition to employer contributions to fund future service, the A2Dominion Group paid an annual deficit contribution of £1.6 million during the year ended 31st March, 2016 in order to meet the shortfall within the scheme.

Following the 2014 Valuation SHPS DB has implemented a new recovery plan which is in addition to the recovery plan introduced at the previous valuation in 2011 (together the **Recovery Plans**). This new recovery plan commenced from 1st April, 2016.

The total employer contributions (in respect of the defined benefits structure only) that the A2Dominion Group made to SHPS DB during the financial year ended 31st March, 2016 were £2.2 million. This figure includes the deficit contribution referenced above.

General points

There may be certain circumstances in which the sponsoring employers of the pension arrangements listed above are required to make good the funding deficit. 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 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 a member of the A2Dominion Group if that member is connected to/associated with a defined benefit scheme which is insufficiently resourced. This could include SHPS DB.

If a contribution notice or financial support direction were to be served on a member of the A2Dominion Group, this could have an adverse impact on the cashflows of that member. Specifically, if the amount payable under a contribution notice or support direction was material, this could adversely affect their ability to meet their payment obligations under their financing arrangements. In turn, in respect of the members of the A2Dominion Group to whom issue proceeds of the Notes have been lent, or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

2. FACTORS WHICH MAY AFFECT THE ABILITY OF GROUP REGISTERED PROVIDERS TO FULFIL THEIR OBLIGATIONS GENERALLY

Risks related to Social Rental Income

The tenants of the A2Dominion Group's properties are personally responsible for the rental payments on the relevant occupied properties, and consequently the A2Dominion Group is exposed to the risk of arrears and bad debts. For the year ended 31st March, 2016, the A2Dominion Group's turnover from social rental income was £209.5 million of the A2Dominion Group's £378.4 million of turnover, and operating surpluses from social housing lettings were £71.5 million of the A2Dominion Group's £113.0 million of operating surpluses. As at 31st March, 2016, the Issuer's total current arrears balance for rent and service charges receivable was £11.8 million of which £6 million has been fully provided for. The A2Dominion Group has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

The A2Dominion Group receives a proportion of its social rental income from housing benefit payable by local authorities. For the year ended 31st March, 2016, 41 per cent. of the A2Dominion Group's social rental income was received in the form of housing benefit. In the 2015 Summer Budget, the Government announced a series of welfare reforms which have been achieved through new legislation, the Welfare

Reform and Work Act 2016 (the **Act**), which came into force on 1st April, 2016. The Act makes provisions on social housing rents, the household benefit cap and social security and tax credits that expose the A2Dominion Group to the risk of a reduction in rental income and an increase in arrears. In the year ended 31st March, 2016 the A2Dominion Group helped secure £4.7 million in housing benefit, discretionary housing payments and other sources of financial support on behalf of customers.

Risks related to Social Housing Rents

In 2002 the Government introduced a rent convergence policy under which, over a ten year period, rents in social housing (local authority and housing association owned stock) were to be aligned with the principal aim of ensuring that similar rents are paid for similar social rent properties. A Government rent setting "formula" was established, calculated on the relative value of a property, relative local income levels and the size of the property, to support rent convergence.

The Government also introduced a policy whereby annual changes in social rent levels were to be based on the Retail Price Index (**RPI**) at September of the previous year plus 0.5 percentage points annually, plus up to an additional £2 on properties where the rent was set below the formula level. In the 2010 spending review, the Government extended this policy for social rent increases to 2014-15 and also introduced "Affordable Rent". See *"Risks related to Housing Grant"*.

In the 2013 Budget, the Government signalled its intention to set out, in the spending round, a rent policy to apply for ten years from 2015-16. This commitment was in recognition of the benefit of long-term certainty to landlords, in helping them to plan for future investment. The Government also set out its aim that those in social rented housing with high incomes (deemed to be where a social tenant household has an annual income of at least £60,000) should pay the full market rent.

As part of the 2013 spending round, the Government confirmed, through its policy 'Guidance on Rents for Social Housing' published in May 2014, that, from 2015-2016, rents in the social sector should increase by up to the Consumer Price Index (**CPI**) at September of the previous year plus 1 percentage point annually, for ten years, whilst rent convergence (including the ability to charge an additional £2) would end in April 2015. The move from RPI to CPI followed the Office for National Statistics' announcement in January 2013 that the formula used to produce RPI does not meet international standards.

The relevant guidance for housing associations, published in April 2015, is contained within the Rent Standard and Rent Standard Guidance sections of the regulatory framework for social housing in England (the **Regulatory Framework**) issued by the Regulator.

In the 2015 Summer Budget, the Government announced that rents for social housing (as defined in Part 2 of the Housing and Regeneration Act 2008) in England would be reduced by 1 per cent. a year for the next four years. This change was introduced on 1st April, 2016 pursuant to Section 23 of the Act.

As at 31st March, 2016, the A2Dominion Group had 20,372 social housing properties (general needs, affordable rents and supported housing tenures) that are expected to be impacted by the Government's imposed changes to the rent policy. For the year ended 31st March, 2016, net rental income from these tenures was £127.4 million of the A2Dominion Group's £378.4 million of turnover.

The Issuer adjusts its rents annually from 1st April each year and therefore the first 1 per cent. rent reduction took place on 1st April, 2016 and this will continue annually up to and including 1st April, 2019.

The reduction in social rental income could have an adverse impact on the cash flow 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 members of the A2Dominion Group to whom issue proceeds of any Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

Risks related to the Household Benefit Cap and Occupation Size Criteria

As part of the October 2010 spending review, the Government announced an intention to cap total household benefits at £500 per week for a family (£26,000 a year) and £350 per week for a single person with no children (£18,200 a year) from 2013. After a phased roll-out, the cap was in place nationwide by the end of September 2013.

Under the Welfare and Reform Act, the benefit cap will be reduced from £26,000 per year (£18,200 for single people) to £23,000 in Greater London (£15,410 for single people) and £20,000 (£13,400 for single people) outside Greater London, from Autumn 2016.

The A2Dominion Group's total current arrears balance as at 31st March, 2016 for those tenants currently affected by the total household benefit cap was £94,000.

The Issuer has estimated that between 50 and 120 of the A2Dominion Group's current tenants will be affected by reductions in the benefit cap.

In addition, the Government used powers contained in the Welfare Reform Act 2012 to provide that, from 1st April, 2013, working-age social tenants in receipt of Housing Benefit experience a reduction in their benefit entitlement if they live in housing that is deemed to be too large for their needs. Restrictions on entitlement to Housing Benefit based on the size of the accommodation occupied have applied to claimants living in privately rented housing since 1989 (Schedule 3 to the Rent Officers (Additional Function) Order 1989).

In the social housing sector from 1st April, 2013 one bedroom is allowed for each person or couple living as part of the household with the following exceptions:

- a child of 15 or under is expected to share with another child of the same gender; and
- a child of 9 or under is expected to share with one other child aged 9 or under, regardless of gender.

Affected tenants face a reduction in their eligible rent for Housing Benefit purposes of 14 per cent. for one additional (spare) bedroom and 25 per cent. where there are two or more additional (spare) bedrooms.

The A2Dominion Group has estimated that 873 of its current tenants are affected by reductions in benefit due to occupation size criteria.

The proposed reduction in the household benefit cap and occupation size criteria may have an adverse impact on the ability of tenants to pay their rent, as they would have to pay a larger proportion of the rent themselves. In turn, this could have an adverse impact on the cash flow 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 members of the A2Dominion Group to whom issue proceeds of any Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

Risks related to Universal Credit

Universal Credit is designed to simplify the benefits system for claimants and administrators and to improve work incentives by supporting people who are on a low income or out of work. Universal Credit will replace six existing means-tested benefits and tax credits for working-age families, namely income support, income-based jobseeker's allowance, income-related employment and support allowance, housing benefit, child tax credit and working tax credit. Universal Credit is being introduced gradually and was originally scheduled to be completed in 2017. Full roll-out of Universal Credit is now forecast in March 2022. As at 20th July, 2016

Universal Credit had 279,000 claimants, and is available to new single jobseekers in every job centre across the United Kingdom.

Universal Credit is based on a single monthly payment, transferred directly into a household bank account of choice, and is forecast, once fully rolled out, in five years' time to impact around 10,631 of the A2Dominion Group's social housing tenants

The Department of Work and Pensions (the **DWP**) set up a 'Direct Payment Demonstration Project', the final evaluation of which was published on 18th December, 2014 covering an 18-month period. The projects were carried out in six areas to identify key lessons from the direct payment of housing benefit to social sector tenants. The outstanding conclusion is that the predicted dramatic increase in rent arrears did not occur.

Overall, tenants paid 95.5 per cent. of all rent owed compared to 99.1 per cent. for those not on direct payment.

Furthermore, the impact of direct payment lessened significantly over time: half of the total direct payment arrears were accrued in the first month (or four week period) following migration. In the fourth to sixth payment periods, the difference in payment rates had fallen to 2.8 percentage points, falling again in the seventh to ninth payment periods to 1.3 percentage points. By the eighteenth payment, tenants' average payment rate had risen to 99 per cent.

The proposed roll out of Universal Credit is likely to increase transaction costs and the receipt of rental payments by the A2Dominion Group, as landlord, may be delayed by the failure of the tenant to apply for Universal Credit and/or regularly pay rent which is due in addition to the housing benefit and/or, in circumstances where the housing benefit is not paid directly to the landlord, a failure to pass on the housing benefit payments to the landlord. In such circumstances, non-payment, partial payment or any delay in payment of rent could increase rental income arrears and bad debts, and could adversely affect 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 members of the A2Dominion Group to whom issue proceeds of any Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

It is possible for tenants to consent to their housing benefit being paid directly to their landlord and furthermore, 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 two months of arrears. The DWP has set up a support and exceptions working group to look at which vulnerable claimants will fall within the support group and will be assessing the results of the pilot projects to identify the approach to arrears, which could be based on the length of time which arrears have been outstanding or the amount of arrears.

Risks related to the Government's 'Right to Buy' policy

As part of the Government's election manifesto it announced an intention to extend the right to buy to assured tenants of Registered Providers. An announcement from the Secretary for Communities and Local Government on 24th September, 2015 confirmed a proposal made by the National Housing Federation to introduce the right to buy voluntarily.

Rather than including the right to buy extension in the Housing Act 2016, there is an agreement by the social housing sector to deliver the extension voluntarily. No implementation date has been announced although a pilot scheme with five associations is underway.

The proposals as to how the extension is introduced, whether voluntarily or through legislation, are still at an early stage and therefore it is difficult to determine with any certainty exactly how this proposal could impact on the Issuer and the A2Dominion Group. The Issuer has estimated that the change could generate significant cash receipts and operating surpluses for the A2Dominion Group. However, the policy could also have an adverse impact on the rental cash flow (and operating margin) 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 members of the A2Dominion Group to whom issue proceeds of any Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

Risks related to Shared Ownership, Shared Equity and Asset Management

A2D Homes, A2D 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 A2D Homes, A2D 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 per cent. in order to be able to sell the whole leasehold interest, in which case A2D Homes, A2D South or A2Dominion Housing Options as landlord would receive such staircasing payments from the commercial lender. If the price for the full 100 per cent. 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 Regulator rules, any shortfall not recovered is borne first by the provider of any grant in respect of the property, and thus A2D Homes, A2D 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 per cent. and there was such a shortfall, A2D Homes, A2D 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 Notes have been lent or upon whom the Issuer is dependent for contributions, could adversely affect the ability of the Issuer to meet its payment obligations under the Notes.

As at 31st March, 2016, shared ownership units comprised 3,905 units of the A2Dominion Group's 30,978 units of housing stock owned.

For the year ended 31st March, 2016, turnover from First Tranche sales amounted to £26.1 million and surpluses on Staircasings amounted to £11.7 million of the A2Dominion Group's £113 million surplus for the year.

3. RISKS RELATED TO REGULATION

The regulation of Registered Providers has undergone significant and recent change.

Bondholders are exposed to the creditworthiness of the Issuer and any change in the Regulatory Framework could lead to the Issuer facing increased costs to comply with the Regulatory Framework.

The Housing and Regeneration Act 2008, as amended by the Localism Act 2011, (the **Act**) makes provision for the regulation of social housing provision in England. Pursuant to the Act, the Regulator acts as the regulator of Registered Providers in England including the Issuer. The Regulator exercises its functions as Regulator acting through a separate committee established to undertake this regulatory role (the **Regulation Committee**). The Regulator continues to provide economic regulation for Registered Providers in order to ensure that they are financially viable and well governed.

The Regulator regulates in accordance with the Regulatory Framework that sets out the standards which apply to Registered Providers (the **Standards**). The Standards cover: governance and financial viability; value for money; rent; quality of accommodation; repairs and maintenance; allocations, mutual exchanges and tenure; neighbourhood management, local area co-operation and anti-social behaviour; and tenant involvement and empowerment. Registered Providers are expected to comply with the Standards and to establish arrangements to ensure that they are accountable to their tenants, the Regulator and relevant stakeholders.

The enforcement by the Regulator of the Standards other than those relating to governance and financial viability, rent and value for money is restricted to cases in which there is, or there is a risk of, serious detriment to tenants (including future tenants). The Regulatory Framework includes guidance as to how the Regulator will assess whether serious detriment may arise.

In April 2015 the Regulator published updates to the Regulatory Framework. These provide for changes in the way the Regulator regulates, including asset and liability registers which are aimed to ensure that social housing assets are not put at risk, to protect the public value in those assets and to ensure that the sector can continue to attract the necessary finance to build new homes. The Regulator's intention is to strengthen its expectations of Registered Providers in relation to risk management and planning for adverse events.

In February 2016 the Regulator published a regulatory judgement for the Issuer which concluded that both the viability and governance standards were met and graded the Issuer "G1" for governance and "V1" for viability.

On 30th October, 2015, the Office for National Statistics (**ONS**) announced that Registered Providers would be reclassified as public corporations. The judgement resulted from measures brought in by the Housing and Regeneration Act 2008 and effectively meant that Registered Providers, and their estimated £60 billion of debt, were now part of the public sector. The Government quickly made a commitment to deregulation of the sector to reverse the classification: in a speech on 5th November, 2015 the Secretary of State said that the ONS decision was a technical matter and that the Government intended to restore Registered Providers' classification outside the public sector.

The changes form part of the Housing and Planning Act 2016 (although the deregulation provisions are not yet in force) and include:

- Removal of all requirements for Regulator consents to Registered Provider disposals of land.

- Removal of the requirement for consents for constitutional changes, restructurings and mergers.

- Removal of certain consent requirements relating to dissolution or winding up.

- Removal of the Disposal Proceeds Fund for future accruals, with a transitional regime for funds currently held within the DPF.

- Restrictions upon the power to appoint board members to a Registered Provider board to circumstances where that would be required to ensure compliance with legal requirements.

The consent requirements will be replaced by new notification requirements.

Any breach of new or existing regulations could lead to the exercise of the Regulator's statutory powers. The Regulator publishes guidance on how it regulates. It adopts a proportionate approach with an emphasis on self-regulation and co-regulation. In practice, use of statutory powers is rare. Serious non-compliance with the economic standard is more likely to lead to a downgrade of the Regulator's published regulatory judgement and agreement with the Regulator of the corrective action to be taken. Any such intervention by the Regulator in respect of any member of the A2Dominion Group may adversely impact the Issuer’s ability to meet its obligations under the Notes.

Risks related to Housing Grant

The Issuer receives grant funding from a variety of sources, including from the Regulator. Due to the nature of grant funding, there is a risk that following the approval of grant the Regulator may revise the terms of a grant and reduce the entitlement or suspend or cancel any instalment of such a grant. In certain circumstances set out in the Capital Funding Guide and the Recovery of Capital Grants General Determination of the Regulator, including, but not limited to, failure to comply with conditions associated with the grant or a disposal of the property funded by a grant, the grant may be required to be repaid or reused.

Any material repayment of historical grant funding held on the Issuer's balance sheet has the potential impact on the Issuer's cash flow that could, in turn, materially increase the Issuer's net debt position and thus its ability to satisfy any obligations which it is required to maintain pursuant to the terms of existing financing arrangements. In turn, this could adversely affect the ability of the Issuer to meet its payment obligations under the Notes.

Grant funding for Registered Providers has recently undergone significant change. Since 2005, bids for social housing grants to supply new affordable housing have been accepted by the Regulator 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 UK government announced that local authorities who directly manage houses will also be invited to bid for grants.

In 2010, the UK government announced a 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 were to 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, however, the level of UK government grant has been reduced significantly. To compensate for this, Registered Providers are able to charge Affordable Rents which are capped at 80 per cent. of market rents and, as such, are generally higher than existing 'formula' social housing rents. This additional rental income can be used to service additional funding requirements as a result of the reduced grant levels. The option of charging Affordable Rent is only available to Registered Providers who have entered into a Framework Delivery Agreement with the Regulator and can only be exercised in relation to newly developed stock and on new lettings of a proportion of existing stock.

The 2015-2018 Affordable Homes Programme (the **New Framework**) was launched in January 2014. The primary change brought about under the New Framework is that all of the available funding will not be allocated from the outset. Instead, up to 75 per cent. will be allocated, with the remainder being made available via on-going market engagement. This will allow bidders the opportunity to bid for the remaining funding for development opportunities as these arise during the programme, where they can be delivered within the programme timescales. In December 2014 the Chancellor announced that the grant programme would be extended to 2020 with additional grant being made available.

The reduction in levels of grant, increased competition and the increased need for bidders to provide evidence regarding timescale compliance could result in a reduced overall amount of grant funding being allocated to Registered Providers. This could have an adverse impact on the cash flow 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 members of the A2Dominion Group to whom issue proceeds of any Notes have been lent or upon whom the Issuer is dependent for contributions, this could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

Risks related to the current moratorium regime

In order to protect the interests of tenants and to preserve the housing stock of a Registered Provider within the social housing sector and within the regulatory regime, a 28 working day moratorium on the disposal of land (including the enforcement of any security) by an insolvent non-profit Registered Provider will apply, upon certain steps being taken in relation to that provider, such as presenting a winding up petition or appointing an administrator. The Regulator will then seek to agree proposals about the future ownership and management of the Registered Provider's land with its secured creditors.

The moratorium procedure may delay the disposal of social housing assets by any insolvent Group Registered Providers. In turn, if they do not have sufficient cash resources, this may delay the ability of insolvent Group Registered Providers to repay their loans they have borrowed from the Issuer that have been funded out of the proceeds of the Notes. This could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

Risks related to proposed amendments to the moratorium regime – Housing Administration

A new special administration regime for Registered Providers in England is due to come into force within the next 12 months, which will replace the current moratorium regime. However, secondary regulations are required to bring provisions of the new regime into force and a commencement date has not yet been confirmed.

Under the new regime, no step may be taken by any person other than the Secretary of State for the winding-up, entry into administration by or enforcement of security of a Registered Provider, unless 28 days' notice of that step has been given to the Regulator and elapsed, or the Regulator has waived the notice requirement.

During that 28 day period the Secretary of State or the Regulator, with the consent of the Secretary of State, may apply for a housing administration order.

The new regime preserves a moratorium on disposals of land. However, each housing administration order will last for 12 months (subject to certain exceptions), during which there will be restrictions on disposing of social housing assets.

The new housing administration regime may delay the disposal of social housing assets by any insolvent Group Registered Providers. In turn, if they do not have sufficient cash resources, this may delay the ability of insolvent Group Registered Providers to repay their loans they have borrowed from the Issuer that have been funded out of the proceeds of the Notes. This could have an adverse impact on the ability of the Issuer to comply with its obligations under the Notes.

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

Risks related to the structure of a particular issue of Notes

Fixed Rate Notes and Floating Rate Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature could limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate and any early redemption premium on the Notes. At those times, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Risks relating to structural subordination of the Notes

The Issuer is the holding company of the A2Dominion Group and, as such, its operations are principally conducted through its subsidiaries. Accordingly, the Issuer is and will be entirely dependent on its subsidiaries' operations to service its indebtedness, including the Notes. The Notes will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries. In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Issuer, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Issuer.

The Notes constitute unsecured, unsubordinated obligations of the Issuer and accordingly, on a winding-up of the Issuer, claims of Noteholders will rank equally with all other unsecured creditors of the Issuer, including trade creditors of, and hold of any other Series of Notes issued by, the Issuer.

The Notes are not protected by the Financial Services Compensation Scheme (FSCS)

Unlike a bank deposit, the Notes are not protected by the FSCS or any other government savings or deposit protection scheme. As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer to pay amounts owing under the Notes. If the Issuer goes out of business or becomes insolvent, the Noteholders may lose all or part of their investment in the Notes.

The Terms and Conditions of the Notes contain provisions which may permit their modification, waiver and substitution without the consent of all Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit majorities of certain sizes to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a different manner than the majority did.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders or Couponholders: (a) agree to) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the trust deed constituting the Notes dated 25th October, 2016 (the **Trust Deed**) or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default (as defined in the Conditions) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven; or (b) agree to the substitution of a subsidiary of the Issuer as principal debtor under the Notes in place of the Issuer, in the circumstances described in Condition 16 and subject to the satisfaction of certain conditions.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive

Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Definitive Notes are (i) in case of Notes in bearer form, security-printed securities which may be transferred by delivery and (ii) in the case Notes in registered form, security-printed securities which evidence the holder's rights in respect of the relevant Notes.

Holding CREST depository interests

Noteholders may hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) (**CREST**). CREST allows noteholders to hold notes in a dematerialised form, rather than holding physical notes. Instead of issuing physical notes, CREST issues what are known as depositary interests which are held, settled and transferred through CREST (**CDIs**), representing the interests in the relevant Notes underlying the CDIs (the **Underlying Notes**). Holders of CDIs (the **CDI Holders**) will hold or have an interest in a separate legal instrument and will not be the legal owners of the Underlying Notes. The rights of CDI Holders to the Underlying Notes are represented by the relevant entitlements against CREST Depository Limited (the **CREST Depository**) which, through CREST International Nominees Limited (the **CREST Nominee**), holds interests in the Underlying Notes. Accordingly, rights under the Underlying Notes cannot be enforced by CDI Holders directly against the Issuer; instead they must be enforced through CREST. The enforcement of rights under the Underlying Notes will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Underlying Notes 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 the relevant intermediaries.

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 Notes 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 Notes through the CREST International Settlement Links Service.

You should note that none of the Issuer, the relevant Dealer, 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.

For further information on the issue and holding of CDIs, see the Section entitled "*Book-Entry Clearing Systems – Crest Depositary Interests*" in this Base 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 Notes and their market price may be volatile

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Unless (and for so long as) Notes are admitted to trading through the ORB, there is no obligation on the Issuer to maintain a registered market-maker and the Issuer has no intention to appoint such a registered market-maker. Therefore, you may not be able to sell your Notes easily or at prices that will provide you with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks and are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. This lack of liquidity may have a severely adverse effect on the market value of Notes.

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 Notes are legal investments for it. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, the applicable rating will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating assigned to Notes already issued. There are no guarantees that such ratings will be assigned or maintained. Any credit rating agency may lower its ratings or withdraw the rating if, in the sole judgement of the credit rating agency, the credit quality of the Notes has declined or is in question. In addition, at any time a credit rating may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Notes may be lowered. If any of the ratings assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Furthermore, the ratings may not reflect the potential impact of all risks described above, and other factors that may affect the value of the Notes. Accordingly, a credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances whilst the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Yield

The indication of yield (i.e. the income return on the Notes) stated within the applicable Final Terms applies only to investments made at (as opposed to above or below) the issue price of the relevant Notes. If you invest in the Notes at a price other than the issue price of the Notes, the yield on the investment will be different from the indication of yield on the Notes as set out in the applicable Final Terms.

Realisation from sale of Notes may be less than your original investments

In the case of any Notes issued under the Programme which are tradable on the ORB, a registered market-maker on the ORB will be appointed in respect of the relevant Notes from the date of admission of those Notes to trading. Market-making means that a person will quote prices for buying and selling securities during trading hours. However, the market-maker may not continue to act as a market-maker for the life of the relevant Notes. If a replacement market-maker was not appointed in such circumstances, this could have an adverse impact on an investor's ability to sell any such Notes that are tradable on the ORB.

In addition, if an investor chooses to sell its Notes in the open market at any time prior to maturity of the Notes, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at maturity of the Notes if the investor were to hold onto the Notes until then. Factors that will influence the price received by investors who choose to sell their Notes in the open market may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the Notes, prevailing interest rates and the financial position of the Issuer.

Exchange rate fluctuations and exchange controls may adversely affect your return on your investments in the Notes and/or the market value of the Notes

The Issuer will pay principal and interest on the Notes in the currency specified in the applicable Final Terms (the **Specified Currency**). 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency would decrease: (a) the Investor's Currency-equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal payable on the Notes; and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, you may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

The Notes may bear interest at a fixed rate. You should note that if interest rates rise, then the income payable on such Notes might become less attractive and the price that investors could realise on a sale of the Notes may fall. However, the market price of the Notes from time to time has no effect on the total income you receive on maturity of the Notes if you hold the Notes until the maturity date. Further, inflation will reduce the real value of the Notes over time, which may affect what you could buy with your investment in the future and may make the fixed rate payable on the Notes less attractive in the future, again affecting the price that you could realise on a sale of the Notes.

The clearing systems

Because the Global Note (as defined below) relating to each Series of Notes may be held by or on behalf of Euroclear or Clearstream, Luxembourg, you will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Notes in each Series of Notes will be represented by a temporary global note in bearer form (the **Temporary Global Note**), without interest coupons, a permanent global note in bearer form (the **Permanent Global Note**), without interest coupons, (each a **Bearer Global Note**) or a global note in registered form (each a **Registered Global Note**) in each case as specified in the relevant Final Terms. References to a **Global Note** in this Base Prospectus shall include both Bearer Global Notes and Registered Global Notes where the context so admits and reference to Notes being in **global form** shall, where the context so admits, mean Notes in bearer form that are represented by a Bearer Global Note or Notes in registered form that are represented by a Registered Global Note. A Global Note may be deposited with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Except in the circumstances described in the relevant Global Note, Noteholders will not be entitled to receive individual notes in definitive form (**Definitive Notes**). Definitive Notes in bearer form are security-printed securities which may be transferred by delivery. Definitive Notes in registered form are security-printed securities which evidence the holder's rights in respect of the relevant Notes. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the relevant Global Note. While any Notes issued under the Programme are represented by a Global Note, Noteholders will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

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

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

Trustee indemnity

In certain circumstances, the Noteholders may be dependent on the Trustee to take certain actions in respect of the Notes. Prior to taking such action, pursuant to the Conditions the Trustee may require to be indemnified and/or secured and/or pre-funded to its satisfaction. If so, and the Trustee is not indemnified and/or secured and/or pre-funded to its satisfaction, it may decide not to take any action and such inaction will not constitute a breach by it of its obligations under the Trust Deed. Consequently, the Noteholders would have to either provide such indemnity and/or security and/or pre-funding or accept the consequences of such inaction by the Trustee. Noteholders should be prepared to bear the costs associated with any such indemnity and/or security and/or pre-funding and/or the consequences of any potential inaction by the Trustee. Such inaction by the Trustee will not entitle Noteholders to take action directly against the Issuer to pursue remedies for any breach by it of the terms of the Trust Deed or the Notes unless the Trustee has failed within a reasonable time to do so.

3. INFORMATION ABOUT THE PROGRAMME

INFORMATION ABOUT THE PROGRAMME

The following is an overview of the Programme.

The full Terms and Conditions of the Notes are contained in Appendix 2. It is important that you read the entirety of this Base Prospectus, including the Terms and Conditions of the Notes, together with any supplement to this Base Prospectus and the applicable Final Terms, before deciding to invest in any Notes issued under the Programme. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest. References below to the **A2Dominion Group** are to the Issuer and its subsidiaries taken as a whole.

		Refer to
What is the Programme?	The Programme is a debt issuance programme under which A2Dominion Housing Group Limited (the **Issuer**) as the issuer may, from time to time, issue debt instruments which are referred to in this Base Prospectus as the Notes. The Programme is constituted by a set of master documents containing standard terms and conditions and other contractual provisions that can be used by the Issuer to undertake any number of issues of Notes from time to time in the future, subject to a maximum limit of £1,000,000,000 (including any Notes which, upon issue, are immediately purchased by the Issuer (**Retained Notes**)). The Terms and Conditions of the Notes are set out in Appendix 2. The Programme was established on 25th October, 2016.	Appendix 2 (*Terms and Conditions of the Notes*)
How are Notes issued under the Programme?	Whenever the Issuer decides to issue Notes, it undertakes what is commonly referred to as a **drawdown**. On a drawdown, documents which are supplementary to the Programme master documents are produced, indicating which provisions in the master documents are relevant to that particular drawdown and setting out the terms of the Notes to be issued under the drawdown. The key supplementary documents which investors will need to be aware of when deciding whether to invest in Notes issued as part of a drawdown over the 12 month period from the date of this Base Prospectus are: (a) any supplement to this Base Prospectus and (b) the applicable Final Terms. In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer will prepare and publish a supplement to	Appendix 2 (*Terms and Conditions of the Notes*) and Appendix 4 (*Forms of Final Terms*)

	this Base Prospectus or prepare and publish a new Base Prospectus, in each case, for use in connection with such Notes and any subsequent issue of Notes. Each Final Terms sets out the specific terms of each issue of Notes under the Programme. Each Final Terms is intended to be read alongside the Terms and Conditions of the Notes set out in Appendix B, and the two together provide the specific terms of the Notes relevant to a specific drawdown. Each Final Terms may be submitted to the Financial Conduct Authority and the London Stock Exchange plc or to another stock exchange and published by the Issuer in accordance with Directive 2003/71/EC, as amended, (the **Prospectus Directive)**.	
Will the Notes issued under the Programme be guaranteed?	No Notes issued under the Programme will be guaranteed.	N/A
What type of Notes may be issued under the Programme?	The following types of Notes, or a combination of them, may be issued under the Programme: Fixed Rate Notes and Floating Rate Notes (as defined below). **Fixed Rate Notes** are Notes where the interest rate payable by the Issuer on the Notes is fixed as a set percentage at the time of issue. **Floating Rate Notes** are Notes where the interest rate is calculated by reference to a fluctuating benchmark rate. Under the Programme, that benchmark rate will be either the Euro Interbank Offered Rate (**EURIBOR**) or the London Interbank Offered Rate (**LIBOR**). The floating interest rate is calculated on or about the start of each new interest period and applies for the length of that interest period. Therefore, Floating Rate Notes in effect have a succession of fixed interest rates which are recalculated on or about the start of each new interest period. Although the floating interest rate will be based on the benchmark rate, it will typically also include a fixed percentage margin which is added to (or subtracted from) the benchmark rate. The specific details of each Note issued will be specified in the applicable Final Terms.	Appendix 2 (*Terms and Conditions of the Notes*) and Appendix 4 (*Forms of Final Terms*)
What are Retained Notes?	Pursuant to the Conditions, and if so specified in the applicable Final Terms, Notes may immediately be purchased by the Issuer upon issue. Any Notes so purchased are referred to as Retained Notes. The Bank of New York Mellon, London Branch has been appointed by the Issuer as custodian (the **Custodian**) to hold any	Section 7 (*Description of the Custody Agreement*) and Appendix 2 (*Terms and Conditions of the Notes*)

	Retained Notes on behalf of the Issuer on the terms of a custody agreement dated 25th October, 2016 between the Issuer, the Trustee and the Custodian (the **Custody Agreement**). Retained Notes will not be treated as outstanding when determining quorum or voting at meetings of Noteholders but will count towards the Programme limit of £1,000,000,000 referred to above. The Issuer may sell or dispose of any Retained Notes at any time and on any terms. Upon sale or disposal, the Retained Notes will cease to be Retained Notes.	
What is the relationship between the Issuer and the A2Dominion Group?	The Issuer is a non-asset owning holding company. It is the parent of the A2Dominion Group.	Section 6 (*Description of the Issuer and the A2Dominion Group*)
Why has the Programme been established? What will the proceeds be used for?	The Programme has been established in order to raise funding for the A2Dominion Group to be applied for the general corporate purposes of members of the A2Dominion Group including, without limitation, the acquisition and development of housing properties of differing tenures. If, in respect of any particular issue of Notes under the Programme, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.	Appendix 4 (Forms of Final Terms)
Have any Notes been issued under the Programme to date?	Not as at the date of this Base Prospectus.	N/A
How will the price of the Notes be determined?	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer or Dealers at the time of pricing of the Notes in accordance with prevailing market conditions. The issue price for each tranche will be specified in the applicable Final Terms.	N/A

Will I be able to trade the Notes?	Applications have been made (i) to the FCA in its capacity as competent authority for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA and (ii) to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Applications may be made to the London Stock Exchange for certain Notes to be admitted to trading through the electronic order book for retail bonds (**ORB**). Once listed and admitted to trading, Notes may be purchased or sold through a broker. The market price of the Notes may be higher or lower than their issue price depending on, among other things, the level of supply and demand for such Notes, movements in interest rates and the financial performance of the Issuer 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 Notes and their market price may be volatile*).	Section 10 (*Additional Information – Listing and admission to trading of the Notes*)
What is the yield on Fixed Rate Notes?	The yield in respect of each issue of Fixed Rate Notes will be calculated on the basis of the Issue Price and specified in the applicable Final Terms. Yield is not an indication of future price. The Final Terms in respect of any Floating Rate Notes will not include any indication of yield.	N/A
What will Noteholders receive in a winding up of the Issuer?	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 any Notes, 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, Noteholders will have a claim as an unsecured creditor against the Issuer. 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 A2D South	E.g. Fixed charges over housing assets securing loan facilities
	Expenses of the liquidation /administration	Currently none
	Preferential creditors	Including remuneration due to the employees of A2D South
	Proceeds of floating charge assets of A2D South	Currently none
	Unsecured creditors	**Loans made by the Issuer to A2D South out of the net proceeds of the issue of Notes**
Lower ranking	Members	Requirement to distribute to shareholders or another charitable body in the A2Dominion Group

If the Issuer fails to pay any amount due under the Notes, a liquidator would be expected to make distributions to the creditors in accordance with the order dictated by any relevant statute. Your claim as a Noteholder 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 Issuer, and would be expected to rank after the claims of any holders of the Issuer's secured debt or other creditors that are given preferential treatment by mandatory laws relating to creditors, but ahead of the Issuer's members.

A simplified diagram illustrating the expected ranking of

<table>
<tr><td></td><td>the Notes compared to the Issuer's other creditors is set out below.</td><td></td></tr>
<tr><td></td><td>
<table>
<tr><th></th><th>Type of obligation</th><th>Examples of the Issuer's obligations /securities</th></tr>
<tr><td>Higher ranking</td><td>Proceeds of security assignments of the Issuer – secured debt</td><td>Assignment by way of security over the Issuer's rights under the loans it has advanced to other members of the A2Dominion Group</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 Issuer's employees</td></tr>
<tr><td></td><td>Proceeds of floating charge assets of the Issuer</td><td>Currently none</td></tr>
<tr><td></td><td>Unsecured creditors</td><td>Notes issued under the Programme and other unsecured obligations, such as unsecured loans from other members of the A2Dominion Group</td></tr>
<tr><td>Lower ranking</td><td>Members</td><td>Requirement to distribute to another charitable body with objects similar to the Issuer upon winding up</td></tr>
</table>
</td><td></td></tr>
<tr><td>Will Notes issued under the Programme be secured?</td><td>The Issuer's obligations to pay interest and principal on the Notes will not be secured either by any of the Issuer's or any other member of the A2Dominion Group's assets, revenues or otherwise.</td><td>N/A</td></tr>
</table>

Will the Notes issued under the Programme have a credit rating?	A Series of Notes issued under the Programme may be rated by a credit rating agency or may be unrated. Such ratings will not necessarily be the same as the rating assigned to any other Series of Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.	Section 2 (*Risk Factors*)
Will the Notes issued under the Programme have voting rights?	Noteholders have certain rights to vote at meetings of Noteholders of the relevant Series, but are not entitled to vote at any meeting of shareholders of the Issuer or any member of the A2Dominion Group.	Appendix 2 (*Terms and Conditions of the Notes – Condition 17 (Meetings of Noteholders, Modification, Waiver, Authorisation and Determination)*)
Who will represent the interests of the Noteholders?	Prudential Trustee Company Limited (the **Trustee**) is appointed to act on behalf of the Noteholders as an intermediary between Noteholders and the Issuer throughout the life of any Notes issued under the Programme. The main obligations of the Issuer (such as the obligation to pay and observe the various covenants in the Terms and Conditions of the Notes) are owed to the Trustee. These obligations are, in the normal course, enforceable by the Trustee only, not the Noteholders 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 Noteholders.	Appendix 2 (*Terms and Conditions of the Notes*)
Can the Terms and Conditions of the Notes be amended?	The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders or Couponholders: (a) agree to) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the trust deed constituting the Notes dated 25th October, 2016 (the **Trust Deed**) or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default (as defined in the Conditions) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven; or (b) agree to the substitution of a subsidiary of the Issuer as principal debtor under the Notes in place of the Issuer, in the circumstances described in Condition 16 and subject to the satisfaction of certain conditions. Noteholders may also sanction a modification of the Terms and Conditions of the Notes by passing an Extraordinary Resolution.	Appendix 2 (*Terms and Conditions of the Notes – Condition 17 (Meetings of Noteholders, Modification, Waiver, Authorisation and Determination)*)

What if I have further queries?	If you are unclear in relation to any matter, or uncertain if the Notes issued under the Programme 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

4. HOW THE RETURN ON YOUR INVESTMENT IS CALCULATED

THE WORKED EXAMPLES PRESENTED BELOW ARE FOR ILLUSTRATIVE PURPOSES ONLY AND ARE IN NO WAY REPRESENTATIVE OF ACTUAL PRICING. THE WORKED EXAMPLES ARE INTENDED TO DEMONSTRATE HOW AMOUNTS PAYABLE UNDER NOTES ARE CALCULATED UNDER A VARIETY OF SCENARIOS. THE ACTUAL AMOUNTS PAYABLE (IF ANY) WILL BE CALCULATED IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF YOUR NOTES AS SET OUT IN APPENDIX 2 (TERMS AND CONDITIONS OF THE NOTES) OF THIS DOCUMENT AND THE FINAL TERMS RELATING TO THE NOTES.

Types of Notes

Two types of Notes may be issued pursuant to this document: Fixed Rate Notes which bear periodic fixed rate interest; and Floating Rate Notes which bear periodic floating rate interest (or any combination of these).

Upon maturity, the Notes will pay a fixed redemption amount. Notes may provide for early redemption at the option of the Issuer (a call option) or at your option (a put option). The Issuer may also elect to redeem the Notes early in certain circumstances for tax reasons.

Key terminology and assumptions

Calculation Amount: all amounts of interest or principal payable on the Notes are calculated by reference to a "Calculation Amount" which is assumed to be £1,000 in the worked examples. Each Note of a particular series will have the same Calculation Amount.

Specified Denomination: all Notes have a particular face value. Unless expressly specified, this is assumed to be £1,000 in the worked examples. There could also be a minimum denomination or a minimum denomination and integral multiples of a lesser amount in excess thereof (e.g. £20,000 and multiples of £1,000 in excess thereof).

Redemption: the applicable Final Terms relating to a series of Notes will state the amount to be repaid if the Notes are redeemed on the relevant maturity date (referred to as the "Final Redemption Amount"). In the worked examples below, this is assumed to be 100 per cent. of the Calculation Amount. This amount will be stated based on the Calculation Amount. In the event that the Notes are redeemed early upon the exercise of a call option by the issuer, upon the exercise of a put option by a Noteholder or upon an event of default, then the Notes will become repayable at a different amount as specified in the applicable Final Terms. For an explanation of the amounts repayable upon such early redemption events, see "Redemption" below.

Day Count Fractions: if applicable to a series of Notes, the Day Count Fraction is used to calculate the amount of interest to be paid if interest is required to be calculated for an irregular number of days in a particular interest period as a result, for example, of a call or put option for early redemption of the Notes being exercised by the Issuer or, as the case may be, the Noteholders. One example of a day count fraction is "30/360". This day count fraction assumes that each month of the year is 30 days long (so, for example, three months will contain 90 days, six months will contain 180 days) and each year is 360 days. This is regardless of the actual number of days in that month or year. Alternative day count fractions include, amongst others, "Actual/365 (Fixed)" (where the actual number of days in the interest period is used for calculations based on an assumed year length of 365 days), "Actual/360" (where the actual number of days in the interest period is used for calculations based on an assumed year length of 360 days) and "Actual/Actual ISDA" (where the actual number of days in the interest period is used for calculations based on the actual number of days in that year).

The examples below are intended to demonstrate how the return on your investment will be calculated depending on the interest type and the relevant redemption provisions specified to be applicable for your Notes.

Fixed Rate Notes

Fixed Rate Notes pay a periodic and predetermined fixed rate of interest over the life of the Note. Unless your Notes are redeemed early, you will receive an amount in respect of a Note on each interest payment date calculated by applying the relevant fixed rate of interest to each Calculation Amount in relation to the Note, and then multiplying the resultant amount by the applicable day count fraction described above.

WORKED EXAMPLE: FIXED RATE NOTES

Assumptions

- the nominal amount of the Note is £1,000;
- the fixed rate is 3 per cent. (3%) per annum;
- the day count fraction is "Actual/365 (Fixed)", being the actual number of calendar days in the interest period, divided by a year (assumed under this convention to be 365 days); and
- the actual number of calendar days in the interest period is 183.

Issue Price

The amount payable per Note is 100 per cent. of the Calculation Amount = £1,000.

Interest amount payable

The interest amount payable on the interest payment date on each Calculation Amount per Note will be £15.04 (rounded to two decimal places). This figure is calculated as fixed interest of 3 per cent., or 0.03 × £1,000 (i.e. the Calculation Amount) × day count fraction of 183/365 or 0.5013699.

Amount payable upon redemption at maturity

The amount payable per Note will be 100 per cent. of the Calculation Amount = £1,000. This amount is 100 per cent. of the price per Note originally paid by the investor.

Floating Rate Notes

Floating Rate Notes pay interest that is calculated by reference to a fluctuating benchmark rate, either (i) an interest rate benchmark, such as the London Interbank Offered Rate (**LIBOR**) or the Euro Interbank Offered Rate (**EURIBOR**), or (ii) a rate of interest determined in accordance with market standard definitions, published by the International Swaps and Derivatives Association, Inc. (**ISDA Definitions**), plus or minus, in each case, a margin and subject, in certain cases, to a maximum or minimum rate of interest. Interest rate benchmarks reflect the rate at which banks are willing to lend funds to each other in a particular market (for LIBOR this is the London interbank market and for EURIBOR this is the Eurozone interbank market). Interest rates determined in accordance with the ISDA Definitions reference hypothetical derivative contracts to determine a rate of interest.

If the benchmark rate is, for example, LIBOR or EURIBOR, this will commonly be taken as the rate appearing at the relevant time on a specified screen service. This is referred to in the Terms and Conditions of the Notes and the Final Terms as "Screen Rate Determination" and, in the case of such an issue of Floating Rate Notes, the Final Terms will specify the relevant benchmark (referred to in the Final Terms as the "Reference Rate"), the date and time on which the benchmark rate will be determined for each interest period (the “Interest Determination Date”) and the screen from which the rate will be taken (the “Relevant Screen Page”). If the screen rate is not available, the Terms and Conditions of the Notes contain fallback provisions which allow the rate to be determined on the basis of the arithmetic mean of rates quoted by reference banks in the relevant market.

If the interest rate is to be determined using the ISDA Definitions, this is referred to in the Terms and Conditions of the Notes and the Final Terms as “ISDA Determination”. In such a case, the interest rate will be equivalent to the floating rate which would be determined in a hypothetical interest rate swap transaction for which the Floating Rate Option, the Designated Maturity and the relevant Reset Date are specified in the Final Terms. In an interest rate swap, each counterparty agrees to pay either a fixed or floating rate of interest denominated in a particular currency to the other counterparty. The relevant ISDA Definitions on which the hypothetical swap transaction will be based will also be specified in the Final Terms.

Unless your Notes are redeemed early, in respect of each Note and on each interest payment date you will receive an amount calculated by applying the rate of interest for that interest period to each Calculation Amount, and then multiplying the resultant amount by the applicable day count fraction as described above. The rate of interest for any interest period will be determined by adding the relevant margin to the level of the interest rate benchmark or rate determined using the ISDA Definitions, as applicable, for such interest period (or subtracting the relevant margin, if the margin is a negative number). The result may be subject to a maximum or minimum rate if so specified in the Final Terms and in accordance with the Terms and Conditions of the Notes.

WORKED EXAMPLE: FLOATING RATE NOTES – SCREEN RATE DETERMINATION

Assumptions

- the nominal amount of the Note is £1,000;
- the Reference Rate is 6 month GBP LIBOR;
- the margin is "plus 2.00 per cent." (2.00%);
- the rate of interest is subject to a maximum rate of 7.00 per cent. (7.00%) per annum;
- the day count fraction is "Actual/365 (Fixed)", being the actual number of calendar days in the interest period, divided by a year (assumed under this convention to be 365 days); and
- the actual number of calendar days in the interest period is 181.

Issue price

The amount payable per Note is 100 per cent. of the Calculation Amount = £1,000.

Interest amount payable

(i) If the Reference Rate on the relevant Interest Determination Date is shown on the Relevant Screen Page as 2.10 per cent. (2.10%), the interest amount payable on the corresponding interest payment date will be equal to £20.33 (rounded to two decimal places). This figure is calculated for each Calculation Amount per Note as £1,000 × rate of interest of 4.10% (or 0.041) × day count fraction of 181/365. The rate of interest (4.10%) is calculated as the Reference Rate of 2.10% (or 0.021) plus 2.00% (or 0.02) margin, and, given the level of the rate, is not affected by the maximum rate of interest; and

(ii) If the Reference Rate on the relevant Interest Determination Date is shown on the Relevant Screen Page as 6.16 per cent. (6.16%), the interest amount payable on the corresponding interest payment date will be equal to £34.71 (rounded to two decimal places). This figure is calculated for each Calculation Amount per Note as £1,000 × rate of interest of 7.00% (or 0.07) × day count fraction of 181/365. The rate of interest (7.00%) is set as the maximum rate of interest because the Reference Rate of 6.16% (or 0.0616) plus 2.00% (or 0.02) margin, results in a rate of 8.16%. In this scenario, the rate of interest is capped at 7.00%.

Amount payable upon redemption at maturity

The amount payable per Note will be 100 per cent. of the Calculation Amount = £1,000. This amount is 100 per cent. of the price per Note originally paid by the investor.

WORKED EXAMPLE: FLOATING RATE NOTES – ISDA DETERMINATION

Assuming, for the purpose of this worked example only, that:

- the nominal amount of the Note is £1,000;
- the Floating Rate Option is GBP-LIBOR-BBA;
- the Designated Maturity is 6 months;
- the margin is "plus 1.50 per cent." (1.50%);
- the rate of interest is subject to a maximum rate of 6.00 per cent. per annum;
- the ISDA Definitions on which the hypothetical swap transaction will be based are the 2006 ISDA Definitions;
- the day count fraction is "Actual/365 (Fixed)", being the actual number of calendar days in the interest period, divided by a year (assumed under this convention to be 365 days); and
- the actual number of calendar days in the interest period is 181.

Issue price

The amount payable per Note is 100 per cent. of the Calculation Amount = £1,000.

Interest amount payable

(i) If the floating rate for the hypothetical swap transaction would be determined on the relevant Reset Date as 2.40 per cent. (2.40%) on the basis of GBP-LIBOR-BBA (as defined in the 2006 ISDA Definitions) for the Designated Maturity, the interest amount payable on the corresponding interest payment date will be equal to £19.34 (rounded to two decimal places). This figure is calculated for each Calculation Amount per Note as £1,000 × rate of interest of 3.90% (or 0.039) × day count fraction of 181/365. The rate of interest (3.90%) is calculated as the floating rate of 2.40% (or 0.024) plus 1.50% (or 0.015) margin, and, given the level of the rate, is not affected by the maximum rate of interest; and

(ii) If the floating rate for the hypothetical swap transaction would be determined on the relevant Reset Date as 5.40 per cent. (5.40%) on the basis of GBP-LIBOR-BBA (as defined in the 2006 ISDA Definitions) for the Designated Maturity, the interest amount payable on the corresponding interest payment date will be equal to £29.75 (rounded to two decimal places). This figure is calculated for each Calculation Amount per Note as £1,000 × rate of interest of 6.00% (or 0.06) × day count fraction of 181/365. The rate of interest (6.00%) is set as the maximum rate of interest because the floating rate of 5.40% (or 0.054) plus 1.50% (or 0.015) margin, results in a rate of 6.90%. In this scenario, the rate of interest is capped at 6.00%.

Amount payable upon redemption at maturity

The amount payable per Note will be 100 per cent. of the Calculation Amount = £1,000. This amount is 100 per cent. of the price per Note originally paid by the investor.

Redemption

Redemption at maturity

Notes to be issued under the Programme are redeemable on their maturity date at their Final Redemption Amount in accordance with the applicable Final Terms. The Final Redemption Amount will be expressed as an amount per Calculation Amount in the applicable Final Terms.

Call options

A call option gives the issuer the right to redeem the Notes before the final maturity date at a predetermined price on a specified date. If the Notes are redeemed, you will be paid the redemption amount specified in the Final Terms plus any accrued and unpaid interest. The Issuer is given the right to redeem all, but not some only, of the Notes in certain circumstances for tax reasons (as described in Condition 7.2) and, if specified in the Final Terms, all, or some only, of the Notes on notice to holders of the Notes (as described in Condition 7.3). The terms of any additional call options will be set out in the Final Terms.

Following the exercise by the issuer of a call option, you will receive an amount equal to the Early Redemption Amount specified in the Final Terms (in the case of a call for taxation reasons) or the Optional Redemption Amount specified in the Final Terms (in the case of any other call option) in respect of each Note, together with accrued interest.

The Early Redemption Amount specified in the applicable Final Terms will be expressed as an amount per Calculation Amount.

The Optional Redemption Amount specified in the applicable Final Terms will be:

(a) the "Spens Amount";

(b) the "Make-Whole Amount"; or

(c) another amount per Calculation Amount to be specified in the applicable Final Terms.

The purpose of a spens or make-whole provision is to make sure that, on redemption, you receive an amount that, were you to reinvest it in government bonds, would continue to give you the same return you would have received on the Notes you bought had they not been redeemed. Such amount may be subject to adjustment as described below but may never be less than the face value of the Notes

"Spens Amount" means that the amount you receive on redemption is the higher of (i) face value and (ii) an amount based on the yield of a benchmark UK gilt (referred to as the "Reference Bond") specified in the applicable Final Terms or selected by a financial adviser (the "Financial Adviser") (in which case it is referred to as the "FA Selected Bond"). Since there will almost certainly be a difference in creditworthiness between the Issuer and the UK government (i.e. the UK government is likely to be more creditworthy), a deduction may be made when calculating the amount under (ii) above to reflect the lower yield on the Reference Bond associated with the UK government's greater creditworthiness. Such deduction is referred to as the "Redemption Margin" and will be specified in the applicable Final Terms. Please note that the Spens Amount may never be less than the face value of the Notes. See Condition 7.3 for further details.

"Make-Whole Amount" means that the amount you receive on redemption is the higher of (i) face value and (ii) an amount calculated by adding together the present value of principal and scheduled future interest payments (ignoring any interest amounts accrued up to the date of redemption) on the Notes discounted by reference to the yield on one or more government securities (referred to as the "Reference Bond") specified in the applicable Final Terms or selected by the Financial Adviser (in which case they are referred to as the

“FA Selected Bond”). Since there will almost certainly be a difference in creditworthiness between the Issuer and the government whose securities are being referenced (i.e. the relevant government is likely to be more creditworthy), a deduction may be made when calculating the amount under (ii) above to reflect the lower yield on the Reference Bond associated with that government’s greater creditworthiness. Such deduction is referred to as the “Redemption Margin” and will be specified in the applicable Final Terms. Please note that the Make-Whole Amount may never be less than the face value of the Notes. See Condition 7.3 for further details.

Put options

A put option gives you the right to require the Issuer to redeem all, or some only, of your Notes before the final maturity date at a predetermined cash price on a specified date(s). If you elect to exercise the put option in respect of one or more of your Notes, you will be paid the redemption amount specified in the Final Terms plus any accrued interest up to (but excluding) the date of redemption of the relevant Notes. Notes that are not so redeemed shall continue until the final maturity date unless another event occurs at an earlier date requiring the redemption of the Notes or their purchase and cancellation (including the occurrence of an event of default in respect of the Notes).

Events of default

If certain events of default occur and are continuing, the Notes may become due and payable at the Early Redemption Amount specified in the Final Terms, together with accrued interest. An event of default is a breach by the Issuer of certain provisions in the Terms and Conditions of the Notes. See Condition 10 for further details.

5. TAXATION

TAXATION

If you are considering applying for Notes issued under the Programme, it is important that you understand the taxation consequences of investing in those Notes. This Section should be regarded as general advice only. 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 following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs (**HMRC**) practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Withholding tax on the Notes

Payments of interest by the Issuer on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and 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 Notes remain listed on a recognised stock exchange for these purposes, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days from the date of issue and those Notes do not form part of a scheme of arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any applicable exemptions and reliefs. 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 Noteholder, HMRC can issue a notice to the Issuer to pay interest to such Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The proposed financial transactions tax (FTT)

On 14th February, 2013, the European Commission 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**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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 Notes 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.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1st January, 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

6. DESCRIPTION OF THE ISSUER AND THE A2DOMINION GROUP

DESCRIPTION OF THE ISSUER AND THE A2DOMINION GROUP

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

DESCRIPTION OF THE ISSUER

Incorporation

A2Dominion Housing Group Limited (the **Issuer**) 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 Issuer 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 registered as a Registered Provider with the Homes and Communities Agency (the **Regulator**) (with registered number L4240) and is an exempt charity.

The registered address of the Issuer is The Point, 37 North Wharf Road, London, W2 1BD. The telephone number of the registered address is 020 8825 1000.

Principal activities of the Issuer

The Issuer is a social landlord and the non-asset holding parent of the A2Dominion Group. It is responsible for the A2Dominion Group's overall strategy and performance and provides central and development services for the A2Dominion Group.

The Issuer has a number of subsidiaries and these are detailed in the "*Description of the A2 Dominion Group"* below.

The Issuer's principal activity, through its Registered Provider subsidiaries, is providing affordable and social rented homes, student, key worker and temporary accommodation, as well as supported and sheltered housing. The Issuer does not undertake any of these activities itself.

Board

The board members of the group board (all of whom, other than Darrell Mercer and John Knevett, are non-executive) (the **Board**) and their principal activities outside the Issuer are:

Name	**Principal activities outside the Issuer which are significant with respect to the Issuer**
Derek Joseph (Chair)	Director of DMJ Consulting & Advisory services Ltd, Director of First Choice Estates Ltd (wholly owned subsidiary of Cardiff Properties plc), 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 Altair Consultancy & Advisory Services Ltd, (wholly owned subsidiary of General Industries plc) Director of Murja Limited (wholly owned subsidiary of General Industries plc) Director of Tempus Wharf Freehold Limited Director of Theatre Royal Stratford East
Darrell Mercer	None
John Knevett	None
David Coates	Director of Elswyn House RTM
Sara Dickinson	Group Financial Planning and Commercial Finance Director, Costa Coffee
Caroline Tolhurst	Freelance company secretarial consultant specialising in corporate structuring and governance
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 Director of Rushy BP Ltd
Caroline Tiller	None

The business address for each of the Board members is The Point, 37 North Wharf Road, London, W2 1BD.

The secretary of the Issuer is Zoë Ollerearnshaw whose business is address is The Point, 37 North Wharf Road, London, W2 1BD.

There are no potential conflicts of interest between any duties to the Issuer of the Board members of the Issuer and their private interests and/or duties.

Corporate governance

The Issuer follows best practice with regard to corporate governance.

The Issuer is regulated by the Regulator. Regulation takes the form of ensuring that the Issuer complies with a regulatory framework which assesses performance under two headings: Governance and Viability. The Regulator summarises its judgements in a regulatory judgement which is updated as part of the ongoing regulation process. The Issuer was last reviewed in February 2016 when the Regulator carried out an in-depth assessment. The Issuer retained the highest possible regulatory ratings with top scores of G1 and V1 awarded for governance and financial viability.

The Board steers and directs the activities of the Issuer. Specific responsibilities have been delegated to A2Dominion Group committees, which have their own Board approved terms of reference. The committees supporting the Board are:

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

Further detail regarding the committees can be found below in the *"Description of the A2 Dominion Group"*.

Day-to-day performance management is delegated to the executive officers. The executive officers are the following:

Name	**Title**	**Principal activities outside the Issuer**
Darrell Mercer	Group Chief Executive	None
John Knevett	Group Commercial Officer and Deputy Group Chief Executive	None
Andrew Boyes	Executive Director (IT and Facilities)	None
Dean Tufts	Executive Director (Finance and Strategy)	None
Anne Waterhouse	Executive Director (Financial Services)	None
Kathryn Bull	Executive Director (Corporate Services)	None
Andrew Evans	Executive Director (Operations)	None

Simon Potts	Executive Director (Commercial, South East)	None
Nicholas Yeeles	Executive Director (Commercial, London)	None

There are no potential conflicts of interest between any duties to the Issuer of the executive team of the Issuer and their private interests and/or duties.

Share capital

The entire issued share capital of the Issuer comprises 7 ordinary shares of £1 each, all of which are fully paid up.

The shares of the Issuer are held by the seven non-executive Board members.

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.

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.

DESCRIPTION OF THE A2DOMINION GROUP

This Section sets out information about the A2Dominion Group.

Organisational structure

The A2Dominion Group includes the Issuer and the organisations listed below:

- A2Dominion Homes Limited (**A2D Homes**), a charitable registered society (with registered number 18313R) and a Registered Provider. A2D Homes is responsible for managing the A2Dominion Group's homes in the London boroughs, Oxfordshire, Buckinghamshire, Cambridgeshire and Berkshire. A2D Homes operates within the following main business areas: long term rented housing for people who are unable to afford to rent or buy in 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 housing and student accommodation, key worker accommodation and private rented homes.

- A2Dominion South Limited (**A2D South**), a charitable registered society (with registered number 28641R) and a Registered Provider. A2D South is responsible for managing the A2Dominion Group's homes in Surrey, Kent, Hampshire, East and West Sussex and Wiltshire. A2D South operates within the same business areas as A2D Homes.

- A2Dominion Housing Options Limited (**A2D Housing Options**), a non-charitable registered society (with registered number 29122R) providing low cost home ownership homes, particularly shared ownership. It is a Registered Provider.

- A2Dominion Developments Limited (**A2D Developments**) (formerly known as Dominion Developments (2005) Limited), a non-charitable private limited company (with registered number 05585321). A2D Developments develops homes for private sale and homes for affordable rent, shared ownership and private rent that are sold to other members of the A2Dominion Group to manage. These activities generate profits which are reinvested in the provision of affordable housing, enabling the A2Dominion Group to grow organically through the development of mixed tenure schemes. It is not a Registered Provider.

- 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. It is not a Registered Provider.

- A2Dominion Residential Limited (**A2D Residential**) (formerly known as Dominion Developments (2004) Limited), a non-charitable private limited company (with registered number 05230209). A2D Residential provides private rental homes to the open market with an ongoing management service for residents. It is not a Registered Provider.

- A2Dominion Treasury Limited (**A2DTL**), a non-charitable private limited company (with registered number 6583682), which acts as a financing company for the A2Dominion Group. It is not a Registered Provider.

The A2Dominion Group also has the following dormant or non-trading subsidiaries:

- Affordable Property Management Limited;

- A2Dominion Investments Limited;

- Kingsbridge Residential Limited;

- Upper Richmond Buildings Limited

- A2Dominion Enterprises Limited; and

- Home Farm Exemplar Limited.

The A2Dominion Group also controls two special purpose vehicles: A2D Funding plc and A2D Funding II plc, whose shares are held in trust for the Issuer by a third party.

The Issuer is dependent on other members of the A2Dominion Group as its income derives entirely 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.

A2D Developments 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 private 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.

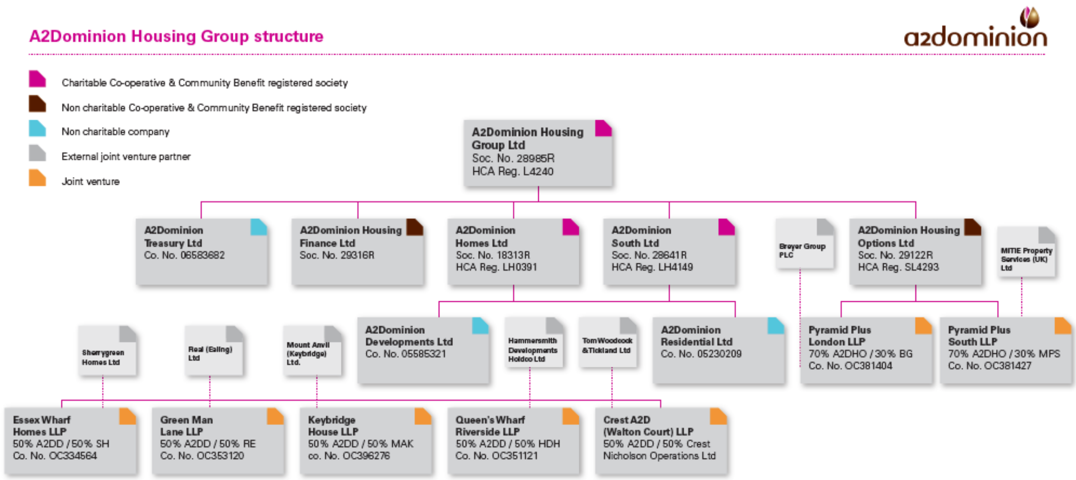
- Pyramid Plus South LLP, a limited liability partnership (with registered number OC381427), which provides a repairs service to the A2Dominion Group's residents in the south east of England.

- 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 private sale in East London.

- 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 was established with the purpose of developing 165 homes for private sale in a riverside site in Hammersmith and re-provision the existing Riverside Studios. Funding for the scheme has been provided by A2D Residential.

- Crest A2D (Walton Court) LLP, a limited liability partnership (with registered number OC403952, which is a joint venture with Crest Nicholson Operations Limited, established for the purpose of providing around 300 new homes at Walton-on-Thames (tenure mix to be finalised).

- Keybridge House LLP, a limited liability partnership (with registered number OC396276), which is a joint venture partner with Mount Anvil (Keybridge) Limited. The principal activity of the partnership is to deliver 235 units for private sale, 164 for private rent and 19 affordable homes.



Business Overview

The A2Dominion Group is one of the largest housing organisations in southern England, operating in London and throughout the South East with its head office in central London.

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.

The A2Dominion Group is committed to working towards its four key business objectives, which are to:

- provide new high quality homes and places;

- deliver customer-led services;

- invest in its homes and local communities; and

- strengthen its business.

During the 2015/2016 financial year the A2Dominion Group:

- delivered 1,127 homes, including 331 for affordable rent, 330 for private sale, 268 for private rent and 198 for shared ownership; and
- managed over 36,000 homes in London and the South East, with approximately a further 3,850 to be developed over the next four years, of which 1,688 are already under construction.

The A2Dominion Group has an annual turnover of £378 million and over £3.3 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 3,856 properties in London and the south east. As at 31st March, 2016, the date of its last audited accounts, it had the following capital commitments:

Capital Commitment: £ million

Capital expenditure commitments were as follows:

Capital Expenditure	**2016 (£m)**
Expenditure contracted for but not provided in the financial statements	251.5
Expenditure authorised by the Board, but not contracted	340.3
Maintenance expenditure contracted and authorised by the Board	41.0
	632.8

The A2Dominion Group expects to meet the above commitments from undrawn loan facilities (£353.2 million as at 31st March, 2016), social housing grant and projected proceeds from first tranche sales of shared ownership dwellings and build for sale properties.

The A2Dominion Group will continue to increase the number of new homes it owns and manages through their development programme, and hopes to build at least 1,000 homes each year.

Last year, the A2Dominion Group acquired new sites with the potential to deliver 983 new homes. It also obtained planning consent for 127 new homes at Bell Road, Hounslow, and 73 apartments and commercial units at Carlton House, Putney.

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.

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

Despite these challenges, the A2Dominion Group met or exceeded 9 out of 16 of its key targets across the business for 2015/16.

Sales receipts and new homes provision exceeded the relevant targets, increasing funding for affordable new homes and the A2Dominion Group's wider social programme.

Satisfaction with repairs is below target. The A2Dominion Group has agreed an action plan for investment and improvement, with resources and plans in place to achieve this over the medium term.

Income management (arrears collection and re-let times) remains strong, despite many of the A2Dominion Group's residents being impacted by welfare reform changes.

Decent Homes and gas safety compliance is partly reliant on being able to gain access to properties. The A2Dominion Group has a comprehensive access policy to help ensure it can fulfil its health and safety responsibilities, with legal action taken against residents if necessary. Five properties (less than 0.1 percent of homes operated by the A2Dominion Group) were without valid gas safety certificates as at 31st March, 2016, non-compliant for an average of 12 days.

Financial performance remains strong. In 2016 the A2Dominion Group introduced additional performance triggers, designed to help the senior management and Board ensure early interventions are taken where future cashflow/drawdown capacity may be put at risk by under-performance in key areas.

Staff sickness levels and turnover increased in 2016 but remain strong compared with the A2Dominion Group's London-based peers.

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.

Board

The Board also acts as the board for A2D Homes, A2D South and A2D Housing Options. The Board steers and directs the activities of the A2Dominion Group. The members of the Board are chosen to ensure a broad cross-section of skills and experience 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. He is a voluntary director of the London Housing Federation.

Terence Cook

Terence is a Board member and A2Dominion resident. He was previously the Chair of the A2Dominion Group's Customer Services Committee, a representative on the Issuer's Resident Executive Group (South) and the founding member of Winchester Residents Forum. Terence currently works at Hampshire County Council in its Drug and Alcohol Action Team.

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 Chair of the A2Dominion Group’s Development Committee. Ian is also part-time project director for the North Solihull regeneration project.

David Coates

David has worked as a finance and treasury professional in the retail sector for over 25 years, holding a number of Finance Director roles at companies including Sainsbury’s and Debenhams. David is Chair of the A2Dominion Group’s Audit and Risk Committee. He currently manages his own property portfolio and prior to this was Group Finance Director at New Look.

Sara Dickinson

Sara has worked in financial roles for the past 20 years and is Chair of the A2Dominion Group's Finance Committee. She has previously worked as Group Financial Controller for Sage Group PLC and as Vice President & Finance Director of eBookers Group, a pan European online travel agency. She is currently Group Planning and Commercial Finance Director at Costa Coffee.

Caroline Tolhurst

Caroline has 30 years’ experience in the property and investment management sectors. She was Company Secretary at Grosvenor and NewRiver Retail, and Compliance Officer at Knight Frank. Caroline is Chair of the A2Dominion Group’s Governance and Remuneration Committee and is the former Chair of the Board at Women’s Pioneer Housing.

John Knevett

John has worked in the housing sector for over 30 years, in addition to his extensive experience as a structural and civil engineer. He was previously CEO of the Issuer and is currently Group Commercial Officer and Deputy Chief Executive of the A2Dominion Group.

Caroline Tiller

Caroline has over 30 years' housing experience and is Chair of the Customer Services Committee. Most recently, Caroline was Chief Executive of Central and Cecil Housing Trust – a post she held for six years. Prior to that, Caroline held a number of director level positions, with a focus on customer-facing operations, in large and medium sized housing associations.

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 the A2Dominion Group.

Executive Management Team

Darrell Mercer *(Group Chief Executive)*

See above.

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

See above.

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 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.

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 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 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 20 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, 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 Issuer and the A2Dominion Group, where these are significant with respect to the Issuer and the A2Dominion Group, are set out in the Description of the Issuer above.

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 Board to oversee all areas of performance whilst delegating roles to its committees. The Board has the following committees:

- **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 Sara Dickinson (Chair), Mark Gallagher, Suzanne Avery, Peter Walker and Nick Martin.

- **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 David Coates (as Chair), Jan Czezowski, Nick Martin, Martin Huckerby, Caroline Tiller and Caroline Tolhurst.

- **Governance & Remuneration Committee**: The Governance & Remuneration Committee is responsible to the 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. The chair of the Customer Services Committee also sits on the Board. This committee is assisted by residents involved in A2Dominion's Service Improvement Groups.

- **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, A2D Developments.

Corporate Governance

The principal corporate governance rules applicable to the A2Dominion Group is the National Housing Federation's (the **NHF**) Code of Governance (the **Code**), the updated version of which was published in March 2015.

Previous areas of non-compliance with the 2012 version of the Code in maximum terms of office for board members have been addressed, along with the new requirements included in the revised version, and the Board is now fully compliant.

The Registered Provider members of the A2Dominion Group (including the Issuer) are regulated by the Regulator. Regulation takes the form of ensuring that the Issuer complies with a regulatory framework which assesses performance under two headings: Governance and Viability. The Regulator summarises its judgements in a regulatory judgement which is updated as part of the ongoing regulation process. The Issuer was last reviewed in February 2016 when the Regulator carried out an in-depth assessment. The Issuer retained the highest possible regulatory ratings with top scores of G1 and V1 awarded for governance and financial viability.

The Board is confident that the regulatory judgement from the HCA, together with the assessments against the regulatory framework and its code of governance, provide assurance that governance across the A2Dominion Group is strong.

Objects and purposes

In accordance with Rule A2 of the Issuer's Rules, the Issuer's charitable 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 associated facilities and amenities or services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people; and

- any other object which is connected with or incidental to the provision of housing that can be carried out from time to time by a registered society registered as a provider of social housing 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 and managing housing and social housing and providing assistance to help to house people and associated facilities and amenities or services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people; and

- any other object which is connected with or incidental to the provision of housing that can be carried out from time to time by a registered society registered as a provider of social housing with the Regulator.

A2Housing Options is non-charitable.

Material contracts relating to 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 Issuer'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 Lane LLP is the development of 314 homes for private sale as part of the regeneration of the Green Man Lane Estate in West Ealing (now known as Jigsaw). The joint venture partners are A2D 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 Lane, as well as the contractor for the affordable housing being developed at Green Man Lane by A2Dominion Homes.

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 the 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 the 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 2nd April, 2013.

Pyramid Plus London LLP is 70% owned by A2D 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 South LLP is 70% owned by A2D 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.

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 A2D Developments 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. The LLP has completed the development of its private sale units and the 50% equity of £4.2millon was fully repaid to A2D Developments during the financial year 2015/16.

Keybridge House LLP

Keybridge House LLP is a joint venture between A2D Developments and Mount Anvil (Keybridge House) Limited. Incorporated on 4th November, 2014 the principal activity of the LLP is the development and sale of 441 new homes for shared ownership, private rent and affordable rent, as well as 3,500sqm of commercial space at the UK’s tallest brick-built residential tower in Vauxhall, South East London.

Queens Wharf Riverside LLP

Incorporated on 24th December, 2009 as A2Dominion (Wharf Road) LLP it changed its name to Queens Wharf Riverside LLP on 29th August, 2013. The principal activity of the LLP is the development and sale of 165 homes at Queens Wharf, Hammersmith. It is a 50/50 joint venture between A2D Developments and Hammersmith Developments Holdco Limited.

Crest A2D (Walton Court) LLP

A 50% interest is held in Crest A2D (Walton Court) LLP with Crest Nicholson Operations Limited. A2D Developments entered into a new agreement with Crest A2D (Walton Court) LLP joint venture on 29th January, 2016 to provide around 300 new homes at Walton Court in Walton-on-Thames (tenure mix to be finalised).

Recent Developments

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

7. DESCRIPTION OF THE CUSTODY AGREEMENT

Custody Agreement

Pursuant to the custody agreement dated 25th October, 2016 (the **Custody Agreement**) between A2Dominion Housing Group Limited (the **Issuer**) and The Bank of New York Mellon, London Branch as custodian (the **Custodian**), the Issuer has instructed the Custodian to open, in the name of the Issuer, a custody account to hold any Retained Notes (the **Custody Account**).

Payments and Delivery

The Issuer will authorise the Custodian to make payments and delivery from the Custody Account.

Payment Waiver

Pursuant to a letter dated 25th October, 2016 addressed to the Custodian, the Principal Paying Agent, the Registrar and the Transfer Agents (the **Payment Waiver Letter**), the Issuer will unconditionally and irrevocably:

(a) waive its rights to receive payments of interest, principal or premium in respect of the Retained Notes and, for the avoidance of doubt, such waiver by the Issuer of such rights will continue to be effective following the occurrence of an Event of Default;

(b) authorise the Custodian to disclose the waiver referred to in (a) above in respect of the Retained Notes (and the aggregate principal amount of Retained Notes of a particular series held by the Custodian) to any applicable international clearing system(s) for the Retained Notes to ensure that the waiver of the right to receive payments of interest, principal or premium in respect of the Retained Notes is effected; and

(c) direct the Custodian, in respect of each Retained Notes held by the Custodian on behalf of the Issuer in definitive form, (i) on each Interest Payment Date, to surrender the interest coupon for such Retained Note corresponding to such Interest Payment Date to the paying agents appointed with respect to the Notes for cancellation and (ii) to surrender any Retained Notes in definitive form to the paying agents appointed with respect to the Notes for cancellation on any date on which the Retained Notes are to be redeemed in full.

The Custodian and the Issuer each acknowledge and agree that the waiver, authorisation and direction provided by the Issuer as described above will be irrevocable.

Termination of Custody Agreement

The Issuer may revoke its appointment of the Custodian upon not fewer than 30 days’ notice to the Custodian (subject to the appointment of a replacement Custodian in accordance with the terms of the Custody Agreement).

The Custodian may resign its appointment upon giving not fewer than 30 days’ notice to the Issuer (subject to the appointment of a replacement Custodian in accordance with the terms of the Custody Agreement).

Pursuant to the Custody Agreement, the Issuer shall, in the event of a revocation or resignation of the Custodian, appoint a successor custodian, whereupon the Issuer and the successor custodian shall acquire and become subject to the same rights and obligations between themselves as if they entered into an agreement in the form *mutatis mutandis* of the Custody Agreement, save as otherwise agreed between such parties.

8. 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 the Issuer for the years ended 31st March, 2015 and 31st March, 2016. 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 Issuer for the years ended 31st March, 2015 and 31st March, 2016. The audited consolidated annual financial statements of the Issuer for the year ended 31st March, 2015 and 31st March, 2016 have been annexed to this Base Prospectus.

Consolidated statement of comprehensive income
For the year ended 31st March

	2016 £m	**2015 £m restated**
Group turnover	**378.4**	**312.3**
Cost of sales	(102.4)	(67.2)
Operating costs	(163.0)	(158.6)
Group operating surplus	**113.0**	**86.5**
Share of joint controlled entity operating profit	2.7	2.3
Surplus on sale of fixed assets – housing properties	15.3	6.5
Interest receivable and other income	2.4	1.8
Interest payable and similar charges	(49.1)	(49.0)
Other finance costs	(0.6)	(0.8)
Change in fair value of investments	0.1	0.9
Movement in fair value of financial instruments	1.9	0.9
Movement in fair value of investment properties	30.1	28.2
Surplus on ordinary activities before taxation	**115.8**	**77.3**
Tax on surplus on ordinary activities	(0.5)	(3.1)
Surplus on ordinary activities after taxation	**115.3**	**74.2**
Non-controlling interest	(0.8)	(1.0)
Surplus for the financial year	**114.5**	**73.2**
Actuarial gains/(losses) on defined benefit pension scheme	1.0	(1.1)
Movement in fair value of hedging financial instrument	(2.5)	(34.7)
Total comprehensive income for year	**113.0**	**37.4**
Surplus for the year attributable to:		
Non-controlling interest	0.8	1.0
Parent association	114.5	73.2
	115.3	**74.2**

Total comprehensive income attributable to:		
Non-controlling interest	0.8	1.0
Parent association	112.2	36.4
	113.0	**37.4**

All amounts relate to continuing activities.

Consolidated statement of financial position

At 31st March

	2016 £m	**2015 restated £m**
Fixed assets		
Tangible fixed assets – housing properties	2,530.6	2,480.5
Tangible fixed assets - other	21.3	21.2
Investment properties	361.5	276.4
Investments – Homebuy loans	2.9	3.2
Investments - other	18.3	23.9
Investments – joint ventures	58.2	54.8
	2,992.8	2,860.0
Current assets		
Properties for sale	201.2	243.2
Debtors less than one year	41.8	45.1
Debtors more than one year	64.3	52.5
Investments	8.0	9.0
Cash and cash equivalents	37.3	29.4
	352.6	379.2
Creditors: Amounts falling due within one year	(105.5)	(111.7)
Net current assets	247.1	267.5
Total assets less current liabilities	**3,239.9**	**3,127.5**
Creditors: Amounts falling due after more than one year	(2,464.1)	(2,467.8)
Provision for liabilities and charges	(21.3)	(17.1)
Net assets excluding pension liability	754.5	642.6
Net pension liability	(4.9)	(5.8)
Net assets	**749.6**	**636.8**
Capital and reserves		
Non-equity share capital	-	-
Cash flow hedge reserve	(47.4)	(44.9)
Income and expenditure reserve	749.9	630.6

Designated reserve	45.8	49.6
Restricted reserve	0.5	0.5
Consolidated funds	748.8	635.8
Non-controlling interest	0.8	1.0
	749.6	**636.8**

Consolidated statement of cash flows
For the year ended 31st March

	2016 £m	**2015 £m**
Cash flows from operating activities		
Surplus for the financial year	**114.5**	**73.2**
Adjustments for:		
Depreciation of fixed assets – housing properties	26.0	32.4
Depreciation of fixed assets - other	2.7	2.5
Accelerated depreciation on replaced components	5.4	0.8
Impairment	-	0.1
Amortised grant	(16.1)	(14.9)
Share of surplus in jointly controlled entities	(2.7)	(2.3)
Net fair value gains recognised in statement of comprehensive income	(32.1)	(30.0)
Interest and finance costs	49.7	49.8
Interest received	(2.4)	(1.8)
Surplus on the sale of fixed assets – housing properties	(15.3)	(6.5)
Taxation expense	0.5	3.1
Non-controlling interest	0.8	1.0
Increase in trade and other debtors	(3.7)	(5.3)
Decrease/(increase) in stocks	56.8	(93.2)
(Decrease)/ increase in creditors	(0.8)	9.5
Increase/(decrease) in provisions	3.8	(1.4)
Cash from operations	**187.1**	**17.0**
Tax paid	(0.1)	-
Net cash generated from operating activities	**187.0**	**17.0**
Cash flows from investing activities		
Purchase of fixed assets – housing properties	(116.4)	(102.5)
Receipt of grant	7.7	18.5
Repayment of grant	(0.2)	-
Purchase of fixed assets - other	(2.5)	(4.2)
Purchase of fixed asset investments	(55.7)	(17.6)
Sale of fixed asset investments	10.1	-
Sale of current asset investments	1.0	(7.7)
Investment in jointly controlled entities	(11.9)	(51.6)
Repayment of jointly controlled entities capital	6.4	6.7
Distribution of jointly controlled entities profits	4.3	-
Proceeds from sale of fixed assets – housing properties	40.5	36.2

Loans advanced to jointly controlled entities	(15.0)	(23.3)
Interest received	2.4	1.8
Net cash from investing activities	**(129.3)**	**(143.7)**
Cash flows used in financing activities		
Interest paid	(65.7)	(62.7)
New loans - bank	50.0	433.9
New loans - other	-	150.0
Repayment of loans - bank	(34.1)	(395.1)
Net cash used in financing activities	**(49.8)**	**126.1**
Net increase/(decrease) in cash and cash equivalents	**7.9**	**(0.6)**
Cash and cash equivalents at the beginning of year	29.4	30.0
Cash and cash equivalents at end of year	**37.3**	**29.4**

9. SUBSCRIPTION AND SALE

SUBSCRIPTION AND SALE

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

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 25th October, 2016, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) 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 FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA) does not apply to the Issuer; and

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

Jersey

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not circulated, and will not circulate, in Jersey any offer for subscription, sale or exchange of Notes 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

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

(c) this Base 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

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

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

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

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer 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 Notes to the public** in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State; and

- the expression **Prospectus Directive** means Directive 2003/71/EC, as amended, including by Directive 2010/73/EU and includes any relevant implementing measure in each Relevant Member State.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

10. ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

This Section sets out further information on the Issuer and the Programme which the Issuer is required to include under applicable rules.

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

Listing and admission to trading of the Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or before 28th October, 2016.

Issuer's authorisation

The establishment of the programme was duly authorised by a resolution of the Group Finance Committee of the Issuer passed on 25th October, 2016.

The Issuer has obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the Notes.

Significant or material change statement

There has been no significant change in the financial or trading position of the A2Dominion Group, and no material adverse change in the prospects of the Issuer, since 31st March, 2016.

Litigation statement

There are no, and have not been, any governmental, legal or arbitration proceedings against the Issuer or the A2Dominion Group (including any such proceedings which are pending or threatened of which the Issuer or the A2Dominion Group, as the case may be, is aware) in the 12 months preceding the date of this document which may have, or have in such period had, a significant effect on the financial position or profitability of the Issuer or the A2Dominion Group.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

If so specified in the applicable Final Terms, interests in the Notes may also be held through CREST through the issuance of CDIs representing Underlying Notes. 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 Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(a) the constitutional documents of the Issuer;

(b) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31st March, 2015 and 31st March, 2016, in each case together with the audit reports prepared in connection therewith;

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

(d) the Programme Agreement, the Trust Deed, the Agency Agreement and the Custody Agreement;

(e) the Issuer-ICSDs Agreement dated 25th October, 2016 and the Issuer Effectuation Authorisation dated 25th October, 2016;

(f) a copy of this Base Prospectus; and

(g) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated therein by reference.

Auditors

The consolidated financial statements of the Issuer for the financial years ended 31st March, 2015 and 31st March, 2016 have been audited without qualification by BDO LLP, a member firm of the Institute of Chartered Accountants of England and Wales, of 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

11. IMPORTANT LEGAL INFORMATION

IMPORTANT LEGAL INFORMATION

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may, subject as provided below, be subsequently resold, placed or otherwise offered by financial intermediaries in circumstances where there is a requirement to publish a prospectus under Article 3 of the Prospectus Directive (as defined below). Any such resale, placement or offer is referred to in this Base Prospectus as a **Public Offer**.

If, in the context of a Public Offer, you are offered Notes by any entity, you should check that such entity has been given consent to use this Base Prospectus for the purposes of making its offer before agreeing to purchase any Notes. The following entities have consent to use this Base Prospectus in connection with a Public Offer:

- any entity named as a Dealer or Manager in the applicable Final Terms;
- any financial intermediary specified in the applicable Final Terms as having been granted specific consent to use the Base Prospectus;
- any financial intermediary named on the Issuer's website (www.a2dominion.co.uk) as an Authorised Offeror in respect of the Public Offer (if that financial intermediary has been appointed after the date of the applicable Final Terms); and
- if Part B of the applicable Final Terms specifies "General Consent" as "Applicable", any financial intermediary authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) who has published the Acceptance Statement (set out below) on its website.

The entities listed above have been given consent to use the Base Prospectus only during the Offer Period specified in the applicable Final Terms and only in the United Kingdom. Other than as set out above, the Issuer has not authorised the making of any Public Offer by any person and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Notes.

Please see below for certain important legal information relating to Public Offers.

Restrictions on Public Offers of Notes in relevant Member States

This Base Prospectus has been prepared on a basis that permits Public Offers of Notes in the United Kingdom, as specified in the applicable Final Terms (the **Public Offer Jurisdiction**). Any person making or intending to make a Public Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent to the use of this Base Prospectus as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" below and provided such person complies with the conditions attached to that consent.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of a Public Offer of Notes, the Issuer accepts responsibility, in each Public Offer Jurisdictions for the content of this Base Prospectus in relation to any person (an **Investor**) who purchases any Notes in a Public Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuer or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Except in the circumstances set out in the following paragraphs, the Issuer has not authorised the making of any Public Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Notes. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer. If, in the context of a Public Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) below are together the **Authorised Offerors** and each an **Authorised Offeror**.

Consent

In connection with each Tranche of Notes and subject to the conditions set out below under "*Common Conditions to Consent*":

Specific Consent

(a) the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of such Notes by:

(i) the relevant Dealer(s) or Manager(s) specified in the applicable Final Terms;

(ii) any financial intermediaries specified in the applicable Final Terms; and

(iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (www.a2dominion.co.uk) and identified as an Authorised Offeror in respect of the relevant Public Offer; and

General Consent

(b) if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of Notes by any other financial intermediary which satisfies the following conditions:

(i) it is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) (in which regard, Investors should consult the register maintained by the Financial Conduct Authority at: *https://register.fca.org.uk/*); and

(ii) it accepts the Issuer's offer to grant consent to the use of this Base Prospectus by publishing on its website the following statement (with the information in square brackets duly completed) (the **Acceptance Statement**):

*"We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the **Notes**) described in the Final Terms dated [insert date] (the **Final Terms**) published by A2Dominion Housing Group Limited (the **Issuer**). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in the United Kingdom during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly."*

The **Authorised Offeror Terms**, being the terms to which the relevant financial intermediary agrees in connection with using this Base Prospectus, are that the relevant financial intermediary:

(A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Public Offer:

(I) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the **Rules**), including the Rules published by the United Kingdom 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 Notes by any person and disclosure to any potential Investor;

(II) comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply if the relevant financial intermediary were a Dealer;

(III) ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by the relevant financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;

(IV) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules, including authorisation under the Financial Services and Markets Act 2000;

(V) comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Notes by the Investor), and will not permit any application for Notes in circumstances where the financial intermediary has any suspicion as to the source of the application monies;

(VI) retain 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 relevant Dealer, the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and the relevant Dealer, as the case may be;

(VII) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

(VIII) immediately inform the Issuer and the relevant Dealer if at any time it becomes aware, or suspects, that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;

(IX) comply with the conditions to the consent referred to under "*Common conditions to consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Public Offer as specified in the applicable Final Terms;

(X) make available to each potential Investor in the Notes this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus and the applicable Final Terms;

(XI) if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Public Offer) in connection with the relevant Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Notes on the basis set out in this Base Prospectus;

(XII) ensure that no holder of Notes or potential Investor in Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;

(XIII) co-operate with the Issuer and the relevant Dealer in providing relevant information (including, without limitation, documents and records maintained pursuant to paragraph (VI) above) and such further assistance as is reasonably requested upon written request from the Issuer or the relevant Dealer in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process. For this purpose, relevant information is information that is available to or can be acquired by the relevant financial intermediary:

(i) in connection with any request or investigation by the FCA or any other regulator in relation to the Notes, the Issuer or the relevant Dealer; and/or

(ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in the Rules; and/or

(iii) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Notes and/or to allow the Issuer or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements;

(XIV) during the period of the initial offering of the Notes: (i) only sell the Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer; and

(XV) either (i) obtain from each potential Investor an executed application for the Notes, or (ii) keep a record of all requests the relevant financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;

(B) agrees and undertakes to each of the Issuer and the relevant Dealer that if it or any of its respective directors, officers, employees, agents, affiliates and controlling persons (each a **Relevant Party**) incurs 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) (a **Loss**) arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by the relevant financial intermediary, including (without limitation) any unauthorised action by the relevant financial intermediary or failure by it to observe any of the above restrictions or requirements or the making by it 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 or the relevant Dealer, the relevant financial intermediary shall pay to the Issuer or the relevant Dealer, as the case may be, an amount equal to the Loss. None of the Issuer nor any Dealer shall have any duty or obligation, whether as fiduciary or trustee for any Relevant Party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this provision; and

(C) agrees and accepts that:

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

(II) subject to (IV) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a **Dispute**) and the Issuer and the relevant financial intermediary submit to the exclusive jurisdiction of the English courts;

(III) for the purposes of (C)(II) and (IV), the relevant financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;

(IV) to the extent allowed by law, the Issuer and each relevant Dealer may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and

(V) each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any Authorised Offeror falling within (b) above who meets the conditions set out in (b) and the other conditions stated in "*Common Conditions to Consent*" below and who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

Common Conditions to Consent

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Public Offer are (in addition to the conditions described in paragraph (b) above if Part B of the applicable Final Terms specified "*General Consent*" as "*Applicable*") that such consent:

(i) is only valid during the Offer Period specified in subparagraph (h) of the paragraph entitled "*Distribution*" within Part B of the applicable Final Terms; and

(ii) only extends to use of this Base Prospectus to make Public Offers of the relevant Tranche of Notes in the United Kingdom, as specified in the applicable Final Terms.

The consent referred to above only relates to Offer Periods (if any) occurring within 12 months from the date of this Base Prospectus.

The only relevant Member State which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above, will be the United Kingdom, and accordingly each Tranche of Notes may only be offered to Investors as part of a Public Offer in the United Kingdom, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

ARRANGEMENT BETWEEN INVESTORS AND AUTHORISED OFFERORS

IN THE EVENT OF ANY PUBLIC OFFER BEING MADE BY AN AUTHORISED OFFEROR, THE AUTHORISED OFFEROR WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE PUBLIC OFFER AT THE TIME THE PUBLIC OFFER IS MADE.

Suitability of investment

The Notes 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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus (and any applicable supplement to this Base Prospectus);

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of your particular financial situation, an investment in the Notes and the impact the Notes 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 Notes, including where the currency for principal or interest payments is different from the currency which you usually use;

(d) understand thoroughly the terms of the Notes 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.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. You should consult your legal advisers to determine whether and to what extent (1) Notes are legal investments for you, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to your purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

No person is or has been authorised by the Issuer, the Dealers or Prudential Trustee Company Limited (the **Trustee**) to give any information or to make any representation not contained in or not consistent with this Base Prospectus and any other document entered into in relation to the Programme or the Notes or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes.

If you are contemplating purchasing any Notes, you should make your own independent investigation of the financial condition and affairs, and your own appraisal of the creditworthiness, of the Issuer.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

The Dealers and the Trustee

To the fullest extent permitted by law, neither the Trustee nor the Dealers accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Trustee or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Trustee and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

No incorporation of websites

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

Selling restrictions

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Outstanding Notes

The maximum aggregate nominal amount of Notes (including Retained Notes) outstanding at any one time under the Programme will not exceed £1,000,000,000. The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under "*Subscription and Sale*".

Currencies

Forward looking statements

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements appear in a number of sections of this Base Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stablisation Manager(s) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

APPENDIX 1

DEFINED TERMS INDEX

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

All references in this Base Prospectus to **sterling** and **£** refer to the lawful currency of the United Kingdom, references to "**U.S.$**", "**U.S. dollars**" or "**dollars**" are to United States dollars and references to "**EUR**", "**€**" or "**euro**" are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3rd May, 1998 on the introduction of the euro as amended.

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 Base Prospectus are to London time.

APPENDIX 2

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by A2Dominion Housing Group Limited (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 25th October, 2016 made between the Issuer and Prudential Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 25th October, 2016 and made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon (Luxembourg) S.A. as registrar (the **Registrar**, which expression shall include any successor registrar), and a transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Registrar, the Paying Agents and other Transfer Agents are together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below), and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Principal Paying Agent being at 25th October, 2016 at One Canada Square, London E14 5AL and at the specified office of each of the other Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange, the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note in bearer or the registered holder of the relevant Global Note in registered form shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

If so specified in the applicable Final Terms, Notes may immediately be purchased by the Issuer on the Issue Date thereof. Such Notes are referred to as **Retained Notes**. Any Retained Notes may (in each case, together with the related Coupons and Talons) be purchased by and held by or for the account of the Issuer and may be sold or otherwise disposed of in whole or in part by private treaty at any time, and shall cease to be Retained Notes to the extent of and upon such sale or disposal.

Retained Notes shall, pending sale or disposal by the Issuer, carry the same rights and be subject in all respects to the same Conditions as the other Notes, except that Retained Notes will not be treated as outstanding for the purposes of determining quorum or voting at meetings of Noteholders or of considering the interests of the Noteholders save as otherwise provided in the Trust Deed. Notes which have ceased to be Retained Notes shall carry the same rights and be subject in all respects to the same Conditions as the other Notes.

Retained Notes will be held by The Bank of New York Mellon, London Branch as custodian (the **Custodian**) pursuant to a Custody Agreement dated 25th October, 2016 (the **Custody Agreement**) between the Issuer, the Trustee and the Custodian.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Global Notes in registered form

Transfers of beneficial interests in Global Notes in registered form will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Global Note in registered form will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note in registered form of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

2.2 Transfer of Registered Notes in definitive form

Subject as provided in Condition 2.3 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Trustee and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Trust Deed). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE NOTES

The Notes and any related 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.

4. INTEREST

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes or Floating Rate Notes.

4.1 Interest on Fixed Rate Notes

This Condition 4.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(i) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 4.1:

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

  (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

This Condition 4.2 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is:

(a) 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 London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subparagraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{M_1}$ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{M_2}$ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$\mathbf{D_1}$ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

$\mathbf{D_2}$ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Determination of Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above, as the case may be, and in each case in accordance with subparagraphs (d) and (e) above, the Trustee (or an agent on its behalf, appointed at the expense of the Issuer) shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

(h) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Principal Paying Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

5. COVENANTS

5.1 Financial Covenant of the Issuer

For so long as any of the Notes remain outstanding, the Issuer shall procure that 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 Issuer (and any entity with which the Issuer 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;

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

Net Available Properties Value means, in respect of each member of the A2Dominion Group, the Total Properties Value of such member of the A2Dominion Group less the Total Secured Debt of such member of 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 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 member of the A2Dominion Group of each of the Properties (each determined in accordance with the Applicable Valuation Basis), as confirmed to the Issuer by the Valuer, and the Fixed Asset Investments and Stock & WIP;

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

Total Unsecured Debt means, in respect of the A2Dominion Group, the aggregate of all unsecured borrowings (excluding any borrowings from other members of the A2Dominion Group) of all members of the A2Dominion Group as at the last day of each financial year of the Issuer, calculated by reference to the audited financial statements of the Issuer 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 Issuer or any other member of the A2Dominion Group.

5.2 Compliance Certificate

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

(a) compliance with the covenant in Condition 5.1; and

(b) any calculation under Condition 5.1; and

(c) any amount or quantification of any defined term under Condition 5.1,

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

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

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.

6. PAYMENTS AND EXCHANGES OF TALONS

6.1 Method of Payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

6.3 Payments in respect of Global Notes in bearer form

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

6.4 Payments in respect of Notes in registered form

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Note in registered form (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes in registered form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the obligations of the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(a) 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:

    (i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and

(b) either (1) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes; and

(e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as provided below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

7.2 Redemption for taxation reasons

Subject to Condition 7.6, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

This Condition 7.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an **Issuer Call**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be:

(i) the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms; or

(ii) if Spens Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount will be equal to the higher of (A) 100 per cent.

of the principal amount outstanding of the Notes to be redeemed or (B) the principal amount outstanding of the Notes to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Notes on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at the Quotation Time specified in the applicable Final Terms on the Reference Date of the Reference Bond, plus the Redemption Margin, all as determined by the Financial Adviser; or

(iii) if Make-Whole Amount is specified in the applicable Final Terms as the Optional Redemption Amount, the Optional Redemption Amount shall be an amount calculated by the Financial Adviser equal to the higher of (i) 100 per cent. of the outstanding principal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Note (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at the Reference Bond Rate, plus the Redemption Margin.

In this Condition 7.3:

FA Selected Bond means one or more government securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Financial Adviser means a financial adviser selected by the Issuer after consultation with the Trustee;

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the 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 4, Section One: Price/Yield Formulae "Conventional Gilts"; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8th June, 1998, as supplemented, amended, updated or replaced from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

Quotation Time shall be as specified in the applicable Final Terms;

Redemption Margin shall be as specified in the applicable Final Terms;

Reference Bond shall be as specified in the applicable Final Terms or the FA Selected Bond;

Reference Bond Price means, with respect to any redemption date, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (B) if the Financial Adviser obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

Reference Bond Rate means, with respect to any redemption date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such redemption date;

Reference Date will be specified in the relevant notice of redemption and

Reference Government Bond Dealer means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and any redemption date, the arithmetic average, as determined by the Financial Adviser, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer;

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Notes from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 7.3.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7.3 by the Financial Adviser, shall (in the absence of negligence, wilful deceit or bad faith) be binding on the Issuer, the Financial Adviser and the Trustee, the Paying Agents and all Noteholders and Couponholders.

7.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 7.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

7.5 Provisions relating to Partial Redemption

In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

7.6 Early Redemption Amount

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount.

7.7 Purchase of Notes by the Issuer or members of the A2Dominion Group

The Issuer and any of its subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or surrendered to any Paying Agent and/or the Registrar for cancellation.

The Issuer will purchase any Retained Notes on the Issue Date.

7.8 Cancellation

All Notes (other than Retained Notes) which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of its subsidiaries and surrendered for cancellation will forthwith be cancelled, together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

The Issuer may cancel any Retained Notes held by it or on its behalf at any time.

8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6).

As used herein:

(i) **Tax Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

9. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interested are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8).

There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6.2.

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 nominal amount of the Notes (excluding any Retained Notes) then outstanding or if so directed by an Extraordinary Resolution of the Noteholders 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 Issuer to comply with Condition 5.1), (c) and (k) inclusive, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give written notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption 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 in the Specified Currency of any principal or interest due in respect of the Notes 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 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 of written notice requiring the same to be remedied; or

(c) (A) any other present or future indebtedness of the Issuer 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 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 or any Material Subsidiary 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

(e) the Issuer 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 Notes 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 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 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 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 or any Material Subsidiary or an encumbrancer takes possession of all or substantially all of the undertaking or assets of the Issuer 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 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 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) other than (in the case of 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

(j) the Issuer 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 to perform or comply with its obligations under the Notes or the Trust Deed.

10.2 Interpretation

For the purposes of this Condition:

Material Subsidiary means:

(a) any subsidiary of the Issuer:

(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 Issuer, provided that in the case of a subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer 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 Issuer; 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 Issuer which immediately prior to such transaction(s) was a Material Subsidiary;

(b) A2Dominion Homes Limited; and

(c) A2Dominion South Limited.

Permitted Reorganisation means any transfer, amalgamation, merger, consolidation or transfer of engagements (whether entering into or acceptance thereof) of the whole of the Issuer 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 Issuer 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 Issuer; 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 Issuer whether or not addressed to the Trustee that, in their opinion, a subsidiary of the Issuer 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 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 as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons or ortherwise, but it shall not be bound to take any such proceedings or any other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding (excluding any Retained Notes) 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 without liability from doing anything that would or might in its opinion be contrary to any law of any state or jurisdiction (including but not limited to the United States of America or any jurisdiction forming a part of it and England and Wales) or any directive or regulation of any agency of any such state or jurisdiction and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation. 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 Noteholders

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, 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 NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

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

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any 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 agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. 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, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

16. SUBSTITUTION

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

(a) the Notes being unconditionally and irrevocably guaranteed by the Issuer;

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

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

17. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

17.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes 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 nominal amount of the Notes 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 nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

17.2 Modification, waiver, authorisation and determination

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

17.3 Trustee to have regard to interests of Noteholders 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 or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders 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 Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

18. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

18.1 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 Noteholders 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 Noteholders 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.

18.2 Trustee contracting with the Issuer

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 any of the Issuer'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 any of the Issuer'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 Noteholders 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.

19. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing Law

The Trust Deed, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

20.2 Jurisdiction of English Courts

(i) Subject to Condition 20.2(iii) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (a **Dispute**) and accordingly the Issuer submits to the exclusive jurisdiction of the English courts in relation to any Dispute.

(ii) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction, and (ii) concurrent proceedings in any number of jurisdictions.

21. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

APPENDIX 3

FORMS OF THE NOTES

Bearer and Registered Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and, together with a Temporary Global Note, each a **Bearer Global Note**) which, in either case, will:

(a) if the Bearer Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and

(b) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Notes are represented by either a Temporary Global Note or a Permanent Global Note, they are referred to as being held in “global form”. Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified as to whether or not such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Bearer Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Principal Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent. Definitive Bearer Notes are security-printed securities which may be transferred by delivery.

The exchange of a Permanent Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

The following legend will appear on all Bearer Notes (other than Temporary Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**). Whilst any Registered Notes are represented by a Registered Global Note, they are referred to as being in "global form".

Registered Global Notes will be deposited with a common depositary or, if the Registered Global Notes are to be held under the new safe-keeping structure (the **NSS**), a common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depositary of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche is intended to be held under the NSS, Euroclear and Clearstream, Luxembourg will be notified as to whether or not such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Registered Global Note held under the NSS will either by Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form and a certificate to that effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar. Definitive Registered Notes are security-printed securities which evidence the holder's rights in respect of the relevant Notes.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

CREST Depositary Interests

If so specified in the applicable Final Terms, investors may also hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) (**CREST**) through the issuance of dematerialised depositary interests (**CDIs**). See "*Book-Entry Clearing Systems – CREST Depositary Interests*" for more information regarding holding CDIs.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

APPENDIX 4

FORMS OF FINAL TERMS

PART 1 – NOTES WITH A DENOMINATION OF LESS THAN €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY)

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which have a denomination of less than €100,000 (or its equivalent in any other currency) issued under the Programme

[ ]

A2DOMINION HOUSING GROUP LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £1,000,000,000
Euro Medium Term Note Programme

Any person making or intending to make an offer of the Notes may only do so:

(i) in those Public Offer Jurisdictions mentioned in paragraph 8 of Part B below, provided such person is a Dealer or Authorised Offeror (as such term is defined in the Base Prospectus (as defined below)) and that the offer is made during the Offer Period specified in that paragraph and that any conditions relevant to the use of the Base Prospectus are complied with; or

(ii) otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 25th October, 2016 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus is available for viewing [on the website of the Issuer at [ ], during normal business hours at the offices of the Issuer and on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/news/market-news/rns/rns.htm.

1.	Issuer:		A2Dominion Housing Group Limited
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or

		about [ ]][Not Applicable]
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	(a) Series:	[ ] [of which [ ] [are/will, on the Issue Date, be] Retained Notes]
	(b) Tranche:	[ ] [of which [ ] [are/will, on the Issue Date, be] Retained Notes]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6.	(a) Specified Denominations:	[ ]
	(b) Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ]
7.	(a) Issue Date:	[ ]
	(b) Interest Commencement Date:	[[ ]/Issue Date/Not Applicable]
8.	Maturity Date:	[[ ]/Interest Payment Date falling in or nearest to [ ]]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate] (see paragraph [14]/[15] below)
10.	Redemption basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11.	Change of Interest Basis:	[ ]/[Not Applicable]
12.	Put/Call Options:	[Issuer Call] [Investor Put] [(see paragraph [17]/[[18] below)] [Not Applicable]
13.	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions	[Applicable/Not Applicable]

	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year [up to and including the Maturity Date]
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable]
15.	Floating Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f)	Screen Rate Determination:	
		• Reference Rate:	[ ] month [LIBOR/EURIBOR]
		• Interest Determination Date(s):	[ ]
		• Relevant Screen Page:	[ ]
	(g)	ISDA Determination:	

	•	Floating Rate Option:	[ ]
	•	Designated Maturity:	[ ]
	•	Reset Date:	[ ]
(h)		Linear Interpolation:	[Not Applicable/Applicable – the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(i)		Margin(s):	[+/-] [ ] per cent. per annum
(j)		Minimum Rate of Interest:	[ ] per cent. per annum
(k)		Maximum Rate of Interest:	[ ] per cent. per annum
(l)		Day Count Fraction:	[[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

16.	Notice periods for Condition 15:		Minimum period: [30] days Maximum period: [60] days
17.	Issuer Call:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[[ ] per Calculation Amount][[Spens Amount][Make-Whole Amount]
	(c)	Reference Bond:	[ ]/[FA Selected Bond]/[Not Applicable]
	(d)	Quotation Time:	[ ]
	(e)	Redemption Margin:	[[ ] per cent.]/[Not Applicable]
	(f)	If redeemable in part:	
		Minimum Redemption Amount:	[ ]
		Maximum Redemption Amount:	[ ]

	(g)	Notice periods:	Minimum period: [15] days Maximum period: [30] days
18.	Investor Put:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount
	(c)	Notice periods:	Minimum period: [15] days Maximum period: [30] days
19.	Final Redemption Amount:		[ ] per Calculation Amount
20.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:		[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:		
	(a)	Form:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Registered Notes: Registered Global Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg.] [CREST Depositary Interests: [Holders of CDIs will hold CDIs constituted and issued by the CREST Depositary representing indirect interests in the Notes. The CDIs will be issued and settled through CREST]]

	(b) New Global Note:	[Yes][No]
22.	Additional Financial Centre(s):	[Not Applicable/[ ]]
23.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of A2Dominion Housing Group Limited:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange and listing on the Official List of the UK Listing Authority with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange and listing on the Official List of the UK Listing Authority with effect from [ ].]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [[ ] by Fitch Ratings Ltd] [[ ] by Moody's Investors Service Ltd.] [[ ] by Standard & Poor's Ratings Group].

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealer[s], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Dealer[s] and [its]/[their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(a)	Reasons for the offer	[ ]
(b)	Estimated net proceeds:	[ ]
(c)	Estimated total expenses:	[ ]

5. YIELD

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].

7. OPERATIONAL INFORMATION

(a)	ISIN:	[ ]
(b)	Common Code:	[ ]
(c)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes/[ ]]
(d)	Delivery:	Delivery [against/free of] payment
(e)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

8. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names and addresses of Managers and underwriting commitments/quotas (material features):	[Not Applicable/[ ]]
(c)	Date of Subscription Agreement:	[ ]
(d)	Stabilisation Manager(s) (if any):	[Not Applicable/[ ]]
(e)	If non-syndicated, name and address of relevant Dealer:	[Not Applicable/[ ]]
(f)	Total commission and concession:	[ ] per cent. of the Aggregate Nominal Amount
(g)	U.S. Selling Restrictions:	Reg. S Compliance Category 2]; [TEFRA D/TEFRA C/TEFRA not applicable]
(h)	Public Offer where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus:	[Applicable] [Not Applicable]
	Public Offer Jurisdictions:	United Kingdom
	Offer Period:	[ ] until [ ]
	Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the Conditions in it:	[ ]
	General Consent:	[Not Applicable][Applicable]

Other Authorised Offeror Terms:	[Not Applicable] [ ]

9. [TERMS AND CONDITIONS OF THE OFFER

Offer Price:	[Issue Price/Not Applicable/[ ]]
Conditions to which the offer is subject:	[Not Applicable/[ ]]
Description of the application process:	[Not Applicable/[ ]]
Details of the minimum and/or maximum amount of application:	[Not Applicable/[ ]]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/[ ]]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/[ ]]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/[ ]]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/[ ]]
Whether tranche(s) have been reserved for certain countries:	[Not Applicable/[ ]]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/[ ]]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/[ ]]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[The Authorised Offerors identified in paragraph 8 above and identifiable from the Base Prospectus/None/[ ]].
Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:	[None/[ ]]

ANNEX

SUMMARY OF THE NOTES

[ ]

PART 2 - NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE

Set out below is the form of Final Terms which will be completed for each Tranche of Notes which has a denomination of €100,000 (or its equivalent in any other currency) or more issued under the Programme.

[*Date*]

A2DOMINION HOUSING GROUP LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £1,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 25th October, 2016 [and the supplement[s] to it dated [ ] [and [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing [on the website of the Issuer at [ ], during normal business hours at the offices of the Issuer and on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/news/market-news/rns/rns.htm.

1.	Issuer:		A2Dominion Housing Group Limited
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [ ]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ] [of which [ ] [are/will, on the Issue Date, be] Retained Notes]
	(b)	Tranche:	[ ] [of which [ ] [are/will, on the Issue Date, be] Retained Notes]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]

6.	(a)	Specified Denominations:	[ ]
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ]
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[[ ]/Issue Date/Not Applicable]
8.	Maturity Date:		[ ]/Interest Payment Date falling in or nearest to [ ]]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate] (see paragraph [14]/[15] below)
10.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11.	Change of Interest Basis:		[ ]/[Not Applicable]
12.	Put/Call Options:		[Issuer Call] [Investor Put] [(see paragraph [17]/[18] below)] [Not Applicable]
13.	[Date [Board] approval for issuance of Notes obtained:		[ ] [and [ ], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
	(d)	Broken Amount(s) for Notes in	[[ ] per Calculation Amount, payable on the

		definitive form (and in relation to Notes in global form see Conditions):	Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable]
15.	Floating Rate Note Provisions		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f)	Screen Rate Determination:	
		• Reference Rate:	[ ] month [LIBOR/EURIBOR]
		• Interest Determination Date(s):	[ ]
		• Relevant Screen Page:	[ ]
	(g)	ISDA Determination:	
		• Floating Rate Option:	[ ]
		• Designated Maturity:	[ ]
		• Reset Date:	[ ]
	(h)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
	(i)	Margin(s):	[+/-] [ ] per cent. per annum
	(j)	Minimum Rate of Interest:	[ ] per cent. per annum

	(k)	Maximum Rate of Interest:	[ ] per cent. per annum
	(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

16.	Notice periods for Condition 15		Minimum period: [30] days Maximum period: [60] days
17.	Issuer Call:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[[ ] per Calculation Amount][Spens Amount][Make-Whole Amount]
	(c)	Reference Bond:	[ ]/[FA Selected Bond]/[Not Applicable]
	(d)	Quotation Time:	[ ]
	(e)	Redemption Margin:	[[ ] per cent.]/[Not Applicable]
	(f)	If redeemable in part:	
		Minimum Redemption Amount:	[ ]
		Maximum Redemption Amount:	[ ]
	(g)	Notice periods:	Minimum period: [15] days Maximum period: [30] days
	(h)	Investor Put:	[Applicable/Not Applicable]
	(i)	Optional Redemption Date(s):	[ ]
	(j)	Optional Redemption Amount:	[ ] per Calculation Amount
	(k)	Notice period(s):	Minimum Period: [15] days Maximum Period: [30] days

18.	Final Redemption Amount:	[ ] per Calculation Amount
19.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20.	Form of Notes:	
	(a) Form:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 6o days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Registered Notes: Global Registered Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [CREST Depositary Interests: [Holders of CDIs will hold CDIs constituted and issued by the CREST Depositary representing indirect interests in the Notes. The CDIs will be issued and settled through CREST]]
	(b) New Global Note:	[Yes][No]
21.	Additional Financial Centre(s):	[Not Applicable/[ ]]
22.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

[**THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of A2Dominion Housing Group Limited:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange and to listing on the Official List of the UK Listing Authority with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange and to listing on the Official List of the UK Listing Authority with effect from [ ].]
(b)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [[ ] by Fitch Ratings Ltd] [[ ] by Moody's Investors Service Ltd.] [[ ] by Standard & Poor's Ratings Group].

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealer[s], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Dealer[s] and [its]/[their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. YIELD

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. [HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

6. OPERATIONAL INFORMATION

(a)	ISIN:	[ ]
(b)	Common Code:	[ ]
(c)	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes/[ ]]
(d)	Delivery:	Delivery [against/free of] payment
(e)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

7. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/[ ]]
(c)	Date of Subscription Agreement:	[ ]
(d)	Stabilisation Manager(s) (if any):	[Not Applicable/[ ]]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/[ ]]
(f)	U.S. Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]

APPENDIX 5

BOOK-ENTRY CLEARING SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or CREST (together, the ***Clearing Systems****) currently in effect. If you wish to use the facilities of any of the Clearing Systems you are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the the Issuer, any of the Dealers, the Trustee and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes or, in the case of CREST only, CDIs held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearing Systems (other than CREST)

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CREST Depository Interests

If so specified in the applicable Final Terms, following the delivery of an issue of Notes into Euroclear and/or Clearstream, Luxembourg (the **Relevant Clearing Systems** and each a **Relevant Clearing System**), investors may also hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) (**CREST**) through the issuance of dematerialised depositary interests (**CREST Depository Interests** or **CDIs**) issued, held, settled and transferred through CREST, representing interests in the relevant Notes underlying the CDIs (the **Underlying Notes**). CREST Depository Interests are independent securities distinct from the Notes, constituted under, and governed by, English law and transferred through CREST and will be issued by CREST Depository Limited (the **CREST Depository**) pursuant to the global deed poll dated 25th June, 2001 (as subsequently modified, supplemented and/or restated) (the **CREST Deed Poll**).

The CDIs will represent indirect interests in the interest of the CREST Nominee in the Underlying Notes. Pursuant to the CREST Manual (as defined below), Notes held in global form by the common depositary or common safekeeper may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities distinct from the Notes, constituted under English law, and may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with a Relevant Clearing System and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to CDI Holders any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holders. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by the Issuer.

Transfers of interests in Underlying Notes by a CREST participant to a participant of a Relevant Clearing System will be effected by cancellation of the corresponding CDIs and transfer of an interest in such Underlying Notes to the account of the relevant participant with a Relevant Clearing System.

The CDIs will have the same international securities identification number (**ISIN**) as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

Prospective subscribers for Notes represented by CDIs are referred to Section 3 (Crest International Manual) of the CREST Manual issued by CREST (including the CREST International Manual dated 14th April, 2008) as amended, modified, varied or supplemented from time to time (the **CREST Manual**) which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, the Relevant Clearing Systems and the Issuer including the CREST Deed Poll (in the form contained in Section 3 of the CREST Manual) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the **CREST International Settlement Links Service**). The settlement of the CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

(a) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.

(b) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a Relevant Clearing System. Rights in the Underlying Notes will be held through custodial and depositary links through the appropriate Relevant Clearing Systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the Relevant Clearing System in or through which the Underlying Notes are held.

(c) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in Relevant 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 the relevant intermediaries.

(d) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST Manual and the CREST Rules (the **CREST Rules**) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.

(e) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.

(f) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from the CREST website at www.euroclear.com/site/public/EUI.

(g) Potential investors should note that 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. 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 Notes through the CREST International Settlement Links Service.

(h) Potential investors should note that none of the Issuer, the relevant Dealer, the Trustee and the Paying Agents (as specified in the Agency Agreement) 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.

Potential investors should note that Notes in bearer form represented upon issue by a temporary global note in bearer form (the **Temporary Global Note**) exchangeable for a permanent global note in bearer form (the **Permanent Global Note**) will not be immediately eligible for CREST settlement as CDIs. In such case, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such Temporary Global Note is exchanged for a Permanent Global Note, which could take up to 40 days after the issue of the Notes. It is anticipated that Notes eligible for CREST settlement as CDIs will be issued (i) (in the case of Bearer Notes) directly in permanent global form or (ii) in registered global form.

APPENDIX 6

FINANCIAL STATEMENTS OF THE ISSUER

PART 1

FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 MARCH 2015

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 2015 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 (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 2015 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

23 July 2015

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

Consolidated income and expenditure account

For the year ended 31 March 2015

	Note	2015 £m	2014 £m
Turnover including share of joint ventures		**306.6**	274.2
Less: share of joint venture turnover		**(9.4)**	(2.1)
Group turnover	3	**297.2**	272.1
Cost of sales	3	**(67.2)**	(56.4)
Operating costs	3	**(147.1)**	(138.0)
Group operating surplus	3, 5	**82.9**	77.7
Share of joint venture operating profit		**2.9**	0.3
Operating surplus including joint ventures		**85.8**	78.0
Surplus on sale of fixed assets – housing properties	6	**6.7**	8.8
Operating surplus before interest		**92.5**	86.8
Interest receivable and other income	7	**1.8**	0.3
Interest payable and similar charges	8	**(49.0)**	(48.2)
Other finance costs			
Group	9	**0.1**	–
Joint ventures		**(0.6)**	–
Surplus on ordinary activities before taxation		**44.8**	38.9
Tax on surplus on ordinary activities	11	**–**	–
Surplus on ordinary activities after taxation		**44.8**	38.9
Minority interest	33	**(1.0)**	(0.8)
Surplus for the financial year	26	**43.8**	38.1

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 2015

	Note	2015 £m	2014 £m
Turnover	3	**41.5**	37.1
Cost of sales	3	**–**	–
Operating costs	3	**(41.0)**	(36.7)
Operating surplus	3, 5	**0.5**	0.4
Interest receivable and other income	7	**11.0**	10.6
Interest payable and similar charges	8	**(11.5)**	(11.0)
Other finance costs	9	**0.1**	–
Surplus on ordinary activities before taxation		**0.1**	–
Tax on surplus on ordinary activities	11	**–**	–
Surplus for the financial year	26	**0.1**	–

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 69–107 form part of these financial statements.

Statement of total recognised surpluses and deficits

For the year ended 31 March 2015

		Group		Association	
	Note	2015 £m	2014 £m	2015 £m	2014 £m
Surplus for the financial year		**43.8**	38.1	**0.1**	–
Unrealised surplus on revaluation of investments		**11.3**	7.3	**–**	–
Actuarial deficit relating to pension schemes	9	**(1.4)**	(1.5)	**(0.1)**	(0.5)
Total recognised surpluses and deficits relating to the year		**53.7**	43.9	**–**	(0.5)
Prior period adjustment	27	**(4.5)**	–		
Total recognised surpluses and deficits since last report		**49.2**	43.9		

Reconciliation of movements in Group's and Association's funds

For the year ended 31 March 2015

		Group		Association	
	Note	2015 £m	2014 restated £m	2015 £m	2014 £m
At 1 April		**636.5**	597.1	**(3.9)**	(3.4)
Prior period adjustment	27	**–**	(4.5)	**–**	–
At 1 April restated		**636.5**	592.6	**(3.9)**	(3.4)
Total recognised surpluses and deficits relating to the year		**53.7**	43.9	**–**	(0.5)
At 31 March		**690.2**	636.5	**(3.9)**	(3.9)

The notes on pages 69–107 form part of these financial statements.

Consolidated balance sheet

At 31 March 2015

		Note	2015 £m	2014 restated £m
Tangible fixed assets				
Housing properties:	Cost or valuation	12	**2,923.4**	2,841.5
	Social housing grant	12	**(1,173.0)**	(1,157.2)
	Depreciation	12	**(144.0)**	(125.2)
Total housing properties		12	**1,606.4**	1,559.1
Other tangible fixed assets		13	**21.2**	16.9
Homebuy investments				
Homebuy loans			**3.2**	3.3
Social housing grant			**(3.1)**	(3.3)
			0.1	–
Investments		14	**100.7**	69.4
Investment in joint ventures				
Share of gross assets			**99.4**	8.5
Share of gross liabilities			**(44.6)**	(0.9)
		14	**54.8**	7.6
			1,783.2	1,653.0
Current assets				
Properties for sale		15	**235.0**	174.7
Debtors less than one year		16	**45.1**	28.2
Debtors more than one year		16	**55.9**	0.3
Investments		17	**9.0**	1.3
Cash at bank and in hand		18	**29.4**	30.0
			374.4	234.5
Creditors: Amounts falling due within one year		19	**(94.1)**	(82.4)
Net current assets			**280.3**	152.1
Total assets less current liabilities			**2,063.5**	1,805.1
Creditors: Amounts falling due after more than one year		20	**1,362.3**	1,158.6
Provision for liabilities and charges		24	**4.2**	4.6
Net pension liability		9	**5.8**	4.6
			1,372.3	1,167.8
Capital and reserves				
Non-equity share capital		25	**–**	–
Revaluation reserves		26	**20.6**	9.3
Revenue reserves		26	**619.5**	562.1
Designated reserves		26	**49.6**	64.6
Restricted reserve		26	**0.5**	0.5
Consolidated funds		26	**690.2**	636.5
Minority interest		33	**1.0**	0.8
			2,063.5	1,805.1

The financial statements were approved by the Board and authorised for issue on 22 July 2015 and signed on its behalf by:

D Joseph **Chair**	S Dickinson **Board member**	Z Ollerearnshaw **Secretary**

The notes on pages 69–107 form part of these financial statements.

Association balance sheet
At 31 March 2015

	Note	2015 £m	2014 £m
Current assets			
Debtors due within one year	16	**12.5**	28.9
Debtors due after one year	16	**138.5**	233.3
Investment	17	**9.0**	1.0
Cash at bank and in hand	18	**13.9**	8.1
		173.9	271.3
Creditors: Amounts falling due within one year	19	**(36.4)**	(38.8)
Net current assets		**137.5**	232.5
Total assets less current liabilities		**137.5**	232.5
Creditors: Amounts falling due after more than one year	20	**138.5**	233.3
Provision for liabilities and charges	24	**0.7**	0.8
Net pension liability	9	**2.2**	2.3
		141.4	236.4
Capital and reserves			
Non-equity share capital	25	**–**	–
Revenue reserves	26	**(3.9)**	(3.9)
Association's deficit	26	**(3.9)**	(3.9)
		137.5	232.5

The financial statements were approved by the Board and authorised for issue on 22 July 2015 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

The notes on pages 69–107 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2015

	Note	2015 £m	2014 restated £m
Net cash inflow from operating activities	30	**19.9**	80.7
Returns on investments and servicing of finance			
Interest received		**1.8**	0.2
Interest paid		**(63.3)**	(54.1)
		(61.5)	(53.9)
Taxation paid			
Corporation tax paid		**–**	–
Capital expenditure and financial investment			
Purchase and construction of housing properties		**(102.5)**	(49.9)
Social housing grant – received (net)		**18.5**	7.3
Purchase of other fixed assets		**(4.2)**	(8.3)
Purchase of investments		**(17.6)**	(11.8)
Additional investment in joint ventures		**(53.9)**	–
Repayment of joint venture investment		**6.7**	–
Sales of housing properties		**36.2**	35.3
Loans receivable		**(23.3)**	–
		(140.1)	(27.4)
Net cash outflow before management of liquid resources and financing		**(181.7)**	(0.6)
Management of liquid resources			
Money market deposit		**(7.7)**	(1.0)
Financing			
Bank loans received		**433.9**	87.4
Other loans received		**150.0**	150.0
Loan repayments		**(395.1)**	(213.5)
(Decrease)/increase in cash	31	**(0.6)**	22.3

The notes on pages 69–107 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 Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency 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 33) at 31 March and are consolidated using acquisition accounting. This is in accordance with the requirements of FRS2 – 'Accounting for Subsidiary Undertakings'.

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; or

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.

2. Accounting policies (continued)

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.

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 Homes and Communities Agency (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
Social housing grants 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.

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 forecasted major repairs expenditure for the next three years. 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

	2015			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings	**187.7**	**–**	**(129.1)**	**58.6**
Other social housing activities				
Supporting people	**2.1**	**–**	**(2.2)**	**(0.1)**
Management services	**0.8**	**–**	**(0.2)**	**0.6**
First tranche sales	**12.4**	**(7.8)**	**–**	**4.6**
Other	**2.7**	**–**	**(3.9)**	**(1.2)**
	18.0	**(7.8)**	**(6.3)**	**3.9**
Non-social housing activities				
Lettings	**14.3**	**–**	**(9.1)**	**5.2**
Developments for sale	**75.8**	**(59.4)**	**(1.8)**	**14.6**
Other	**1.4**	**–**	**(0.7)**	**0.7**
Impairment	**–**	**–**	**(0.1)**	**(0.1)**
	91.5	**(59.4)**	**(11.7)**	**20.4**
	297.2	**(67.2)**	**(147.1)**	**82.9**

	2014			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £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

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

	2015						2014
	General housing £m	Supported housing £m	Temporary housing £m	Key worker £m	Low cost home ownership £m	Total £m	Total £m
Turnover from social housing lettings							
Rent receivable net of identifiable service charges	111.6	11.3	12.2	16.0	14.7	165.8	160.2
Service charges income	6.4	4.5	0.1	0.7	7.0	18.7	16.8
Charges for support services	–	–	–	–	–	–	0.4
Net rental income	118.0	15.8	12.3	16.7	21.7	184.5	177.4
Nomination fees	–	–	1.0	–	0.1	1.1	1.3
Other income	0.4	0.1	–	0.7	0.9	2.1	1.3
Turnover from social housing lettings	118.4	15.9	13.3	17.4	22.7	187.7	180.0
Expenditure on social housing lettings							
Management	(24.4)	(4.7)	(1.5)	(7.8)	(7.9)	(46.3)	(45.0)
Service charge costs	(12.1)	(5.2)	(0.4)	(0.8)	(6.8)	(25.3)	(22.2)
Routine maintenance	(12.3)	(1.8)	(0.6)	(0.8)	(0.7)	(16.2)	(15.3)
Planned maintenance and major repairs expenditure	(15.4)	(1.5)	(0.1)	(0.2)	(0.2)	(17.4)	(14.4)
Bad debts	(0.8)	(0.1)	(0.1)	(0.1)	0.1	(1.0)	(0.6)
Property lease charges	–	(0.2)	(3.7)	–	–	(3.9)	(4.3)
Depreciation of housing properties	(12.6)	(1.2)	(1.2)	(3.2)	–	(18.2)	(18.2)
Accelerated depreciation on asset components	(0.3)	–	–	(0.1)	(0.4)	(0.8)	(1.4)
Operating costs on social housing lettings	(77.9)	(14.7)	(7.6)	(13.0)	(15.9)	(129.1)	(121.4)
Operating surplus on social housing lettings	40.5	1.2	5.7	4.4	6.8	58.6	58.6
Void losses	(0.8)	(0.7)	(0.2)	(0.7)	(0.1)	(2.5)	(3.0)

Particulars of turnover from non-social housing lettings

	Group 2015 £m	Group 2014 £m
Private rent	**6.2**	4.7
Student accommodation	**7.3**	6.3
Other	**0.8**	0.9
	14.3	11.9

Association

2015	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Other social housing activities				
Management services	**38.9**	**–**	**(39.2)**	**(0.3)**
Other	**2.6**	**–**	**(1.8)**	**0.8**
	41.5	**–**	**(41.0)**	**0.5**

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

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group	
	2015 No.	2014 No.
Social housing		
General needs housing	**17,508**	17,536
Affordable housing	**321**	253
Supported housing and housing for older people	**2,413**	2,441
Shared ownership	**3,916**	4,027
Key worker accommodation	**2,775**	2,819
Temporary accommodation	**451**	424
Other	**1,219**	1,189
Total owned	**28,603**	28,689
Accommodation managed for others	**4,809**	4,251
Total owned and managed	**33,412**	32,940
Non-social housing		
Student accommodation	**1,295**	1,295
Private rent	**578**	466
Other – commercial	**114**	117
Total owned and managed	**1,987**	1,878
Accommodation managed for others	**–**	–
Total owned and managed	**1,987**	1,878
Overall		
Total owned	**30,590**	30,567
Total managed for others	**4,809**	4,251
Total owned and managed	**35,399**	34,818
Accommodation in development	**4,428**	4,641

The Association does not own or manage any accommodation.

5. Operating surplus

This is arrived at after charging (crediting):

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Depreciation of housing properties	**20.0**	19.6	**–**	–
Accelerated depreciation on replaced components	**0.8**	1.4	**–**	–
Depreciation of other tangible fixed assets	**2.5**	2.0	**–**	–
Impairment of housing properties and investments	**0.1**	–	**–**	–
Impairment of other tangible fixed assets	**–**	1.1	**–**	–
Operating lease rentals				
– land and buildings	**6.1**	7.5	**1.6**	2.4
– office equipment, computers and vehicles	**0.3**	0.3	**0.3**	0.3
Auditors' remuneration (including VAT)				
– for audit services	**0.2**	0.2	**0.2**	0.2
– other	**0.1**	0.1	**–**	0.1

6. Surplus on sale of fixed assets – housing properties

	Group	
	2015 £m	2014 £m
Disposal proceeds	**36.2**	29.1
Carrying value of fixed assets	**(29.3)**	(22.8)
Surplus on sale of fixed assets	**6.9**	6.3
Disposal proceeds from stock rationalisation	**–**	9.4
Carrying value of fixed assets within stock rationalisation	**–**	(5.9)
Surplus from stock rationalisation	**–**	3.5
Selling costs	**(0.2)**	(1.0)
	6.7	8.8

7. Interest receivable and other income

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Interest receivable and similar income	**1.8**	0.3	**0.1**	0.1
Received from other Group entities	**–**	–	**10.9**	10.5
	1.8	0.3	**11.0**	10.6

8. Interest payable and similar charges

	Group 2015 £m	Group 2014 £m	Association 2015 £m	Association 2014 £m
Loans and bank overdrafts	**61.5**	54.9	**10.9**	10.5
Finance related costs	**1.0**	1.8	**0.6**	0.5
Recycled capital grant fund	**0.1**	0.1	**–**	–
	62.6	56.8	**11.5**	11.0
Interest payable capitalised on housing properties under construction	**(13.6)**	(8.6)	**–**	–
	49.0	48.2	**11.5**	11.0
Capitalisation rates used to determine the finance costs capitalised during the year	**4.8% – 6.1%**	4.8% – 6.1%	**–**	–

9. Employees

Average monthly number of employees expressed in full time equivalents:

A full time equivalent is based on a 35 hour week.

	Group 2015 No.	Group 2014 restated No.	Association 2015 No.	Association 2014 restated No.
Administration	**181**	168	**179**	166
Development	**94**	88	**94**	88
Housing, support and care	**708**	681	**543**	535
	983	937	**816**	789

Employee costs:

	Group 2015 £m	Group 2014 £m	Association 2015 £m	Association 2014 £m
Wages and salaries	**33.8**	31.9	**29.1**	27.8
Social security costs	**3.4**	3.3	**3.0**	2.9
Other pension costs	**3.5**	3.2	**1.4**	1.2
	40.7	38.4	**33.5**	31.9

Salary banding for all employees earning over £60,000 (includes salary and performance related pay but excludes pension contributions paid by the Group).

	2015 No.	2014 No.
£60,000 to £70,000	**18**	14
£70,001 to £80,000	**16**	18
£80,001 to £90,000	**6**	10
£90,001 to £100,000	**7**	3
£100,001 to £110,000	**1**	8
£110,001 to £120,000	**9**	2
£120,001 to £130,000	**1**	1
£130,001 to £140,000	**1**	–
£150,001 to £160,000	**1**	2
£160,001 to £170,000	**1**	3
£170,001 to £180,000	**4**	1
£230,001 to £240,000	**–**	1
£240,001 to £250,000	**1**	1
£250,001 to £260,000	**1**	–
	67	64

The Group's employees are members of the Social Housing Pension Schemes or the Surrey and Oxfordshire County Council Schemes or the Scottish Widows scheme. There are two Scottish Widows schemes which are defined contribution schemes. One scheme is operated by A2Dominion Housing Group Limited and has two 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 20 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 new 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 2015.

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. The defined contributions cost for the year totalled £1m of which £0.2m was outstanding at the year end.

As at the balance sheet date there were 159 active members of the Defined Benefit Scheme employed by A2Dominion Housing Group Limited and 591 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%.

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 2015 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 ongoing 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 is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123m. There was a shortfall of assets compared with the value of liabilities of £1,323m, 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 2014. As of that date the estimated employer debt for A2Dominion Housing Group Limited was £93.4m.

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).

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 2015. The employer's contributions to the SCCPF by the Group for the year ended 31 March 2015 were £238,000 at a contribution rate of 26.4% 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 2015 % per annum	31 March 2014 % per annum	31 March 2013 % per annum	31 March 2012 % per annum
Rate of increase in salaries	**3.5**	3.9	5.1	4.8
Rate of increase in pensions in payment	**2.1**	2.6	2.8	2.5
Expected return on assets	**3.1**	6.0	5.2	5.7
Discount rate	**3.1**	4.1	4.5	4.8
Inflation assumption	**2.1**	2.6	2.8	2.5

Fair value and expected return on assets

The fair value and expected return on assets in the SCCPF related to the Association were:

	Long-term return at 31 March 2015 %	Assets at 31 March 2015 £m	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	**3.1**	**5.7**	6.7	5.1	5.7	5.1	6.3	4.3
Bonds	**3.1**	**1.2**	3.8	1.0	3.4	1.2	3.9	1.0
Property	**3.1**	**0.5**	4.8	0.4	3.9	0.3	4.4	0.3
Cash	**3.1**	**0.1**	3.7	0.1	3.0	0.1	3.5	0.2
	3.1	**7.5**	6.0	6.6	5.2	6.7	5.7	5.8

	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
Fair value of scheme assets	**7.5**	6.6	6.7	5.8
Present value of liabilities	**(9.7)**	(8.9)	(8.6)	(7.7)
Net pension liabilities	**(2.2)**	(2.3)	(1.9)	(1.9)

Recognition in the income and expenditure account

	2015 £m	2014 £m
Current service cost	**(0.1)**	(0.1)
Expected return on pension scheme assets	**0.4**	0.3
Interest on pension scheme liabilities	**(0.3)**	(0.4)
	–	(0.2)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**0.5**	(0.4)
Experience gains and losses arising on scheme liabilities	**0.1**	0.1
Changes in assumptions underlying the present value of scheme liabilities	**(0.7)**	(0.2)
Actuarial deficit recognised in STRSD	**(0.1)**	(0.5)

Reconciliation of present value of plan liabilities

	2015 £m	2014 £m
At the beginning of the year	**(8.9)**	(8.6)
Current service cost	**(0.1)**	(0.1)
Interest cost	**(0.3)**	(0.4)
Actuarial losses	**(0.6)**	(0.1)
Benefits paid	**0.2**	0.3
	(9.7)	(8.9)

Reconciliation of present value of plan assets

	2015 £m	2014 £m
At the beginning of the year	**6.6**	6.7
Expected return on plan assets	**0.4**	0.3
Contributions by the Group	**0.2**	0.3
Actuarial gains	**0.5**	(0.4)
Benefits paid	**(0.2)**	(0.3)
	7.5	6.6

9. Employees (continued)

Movement in deficit during the year

	2015 £m	2014 £m
Group share of scheme liabilities at beginning of year	**(2.3)**	(1.9)
Current service costs	**(0.1)**	(0.1)
Contributions	**0.2**	0.2
Actuarial assumption change	**–**	–
Other finance costs	**0.1**	–
Actuarial deficit	**(0.1)**	(0.5)
Group and association share of scheme liabilities at end of year	**(2.2)**	(2.3)

History of experience gains and losses

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Difference between the expected and actual return on assets	**0.5**	(0.4)	0.6	(0.3)	(0.3)
Value of assets	**7.5**	6.6	6.7	5.8	5.5
Percentage of assets	**6.7%**	-5.6%	8.7%	-4.8%	-5.9%
Experience losses on liabilities	**0.1**	0.1	–	(0.2)	(0.2)
Total present value of liabilities	**9.7**	8.9	8.6	7.7	7.0
Percentage of the total present value of liabilities	**-0.9%**	-1.6%	-0.2%	1.4%	2.2%
Actuarial deficit recognised in STRSD	**(0.1)**	(0.5)	(0.2)	(0.6)	1.8
Total present value of liabilities	**9.7**	8.9	8.6	7.7	7.0
Percentage of the total present value of liabilities	**1.6%**	5.7%	2.6%	7.4%	-25.7%

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. This scheme is closed to new entrants.

Assumptions
The main financial assumptions used by the actuary were:

	31 March 2015 % per annum	31 March 2014 % per annum	31 March 2013 % per annum
Rate of increase in salaries	**4.3**	4.6	4.8
Rate of increase in pensions in payment	**2.5**	2.8	2.6
Expected return on assets	**–**	6.2	5.3
Discount rate	**3.4**	4.5	4.6
Inflation assumption	**2.5**	2.8	2.6

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 2015 %	Assets at 31 March 2015 £m	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
Equities	**6.6**	**5.2**	7.0	4.8	6.0	5.1
Gilts	**2.3**	**0.9**	3.6	0.8	3.0	0.7
Other Bonds	**3.0**	**0.3**	4.2	0.3	4.1	0.4
Property	**5.8**	**0.5**	6.1	0.3	5.0	0.4
Cash	**2.0**	**0.2**	3.4	0.3	0.5	0.3
LLPs	**6.6**	**0.3**	4.2	0.3	6.0	0.2
Hedge Funds	**6.6**	**–**	7.0	0.1	6.0	0.2
Diversified Growth Fund	**5.0**	**0.3**	–	–	–	–
	5.7	**7.7**	6.2	6.9	5.3	7.3

	2015 £m	2014 £m
Fair value of scheme assets	**7.7**	6.9
Present value of liabilities	**(11.3)**	(9.2)
Net pension liabilities	**(3.6)**	(2.3)

Recognition in the income and expenditure account

	2015 £m	2014 £m
Current service cost	**(0.2)**	(0.2)
Expected return on scheme assets	**0.4**	0.4
Interest on obligation	**(0.4)**	(0.4)
Total operating charge	**(0.2)**	(0.2)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**0.4**	(0.1)
Experience losses	**–**	(0.3)
Actuarial assumption change	**(1.7)**	(0.6)
Actuarial recognised in STRSD	**(1.3)**	(1.0)

9. Employees (continued)

Reconciliation of present value of plan liabilities

	2015 £m	2014 £m
At the beginning of the year	**(9.2)**	(8.6)
Current service cost	**(0.2)**	(0.2)
Interest cost	**(0.4)**	(0.4)
Actuarial losses	**(1.7)**	(0.1)
Benefits paid	**0.2**	0.1
	(11.3)	(9.2)

Reconciliation of present value of plan assets

	2015 £m	2014 £m
At the beginning of the year	**6.9**	7.3
Expected return on plan assets	**0.4**	0.4
Contributions by the Group	**0.2**	0.2
Actuarial gains/(losses)	**0.4**	(0.9)
Benefits paid	**(0.2)**	(0.1)
	7.7	6.9

Movement in deficit during the year

	2015 £m	2014 £m
Group share of scheme liabilities at beginning of year	**(2.3)**	(1.3)
Current service costs	**(0.2)**	(0.2)
Contributions	**0.2**	0.2
Other finance costs	**–**	–
Actuarial	**(1.3)**	(1.0)
Group and association share of scheme liabilities at end of year	**(3.6)**	(2.3)

History of experience gains and losses

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Difference between the expected and actual return on assets	**0.4**	(0.1)	0.9	(0.3)	0.5
Scheme assets	**7.7**	6.9	7.3	6.0	5.7
Percentage of assets	**6.7%**	-0.2%	12.6%	-5.0%	8.0%
Experience losses on liabilities	**(0.0)**	(0.3)	(0.2)	0.0	0.6
Total present value of liabilities	**11.3**	9.2	8.6	7.9	6.2
Percentage of the total present value of liabilities	**-0.0%**	-3.3%	-2.5%	0.0%	9.5%
Actuarial recognised in STRSD	**(1.3)**	(1.0)	0.7	(1.5)	2.8
Total present value of liabilities	**11.3**	9.2	8.6	7.9	6.2
Percentage of the total present value of liabilities	**-11.0%**	-10.6%	8.2%	-19.0%	45.2%

Group pension analysis – consolidated

Recognition in the income and expenditure account

	2015 £m	2014 £m
Current service cost	**(0.3)**	(0.3)
Expected return on pension scheme assets	**0.8**	0.7
Interest on pension scheme liabilities	**(0.7)**	(0.8)
Past service cost	**–**	–
Total operating charge	**(0.2)**	(0.4)

Analysis of amount recognised in the consolidated statement of total recognised surpluses and deficits (STRSD)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**0.9**	(0.5)
Experience gains and losses arising on scheme liabilities	**0.1**	(0.2)
Changes in assumptions underlying the present value of scheme liabilities	**(2.4)**	(0.8)
Actuarial (deficit) recognised in STRSD	**(1.4)**	(1.5)

	2015 £m	2014 £m
Group share of scheme liabilities at beginning of year	**(4.6)**	(3.2)
Service costs	**(0.3)**	(0.3)
Contributions	**0.4**	0.4
Other finance costs	**0.1**	–
Actuarial (deficit)	**(1.4)**	(1.5)
Group share of scheme liabilities at end of year	**(5.8)**	(4.6)

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 page 1 and any other person reporting directly to the Group Chief Executive.

Fees of £166,664 (2014: £181,190) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £17,183 (2014: £16,613). Non-executive board members as at 31 March 2015 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	5,000	●				●	
Peter Braithwaite	4,000			●			
Jane Clarke	4,000		●				
David Coates	4,825	●	●				
Terence Cook	12,000		●				●
Ian Cox	11,008			●		●	●
Jan Czezowski	7,000	●		●			
Sara Dickinson	8,311				●		●
Sue Eggleton	13,000	●				●	●
Mark Gallagher	4,825			●	●		
Kerrie Green	4,825		●	●			
Martin Huckerby[1]	2,351	●					
Brenda Jenner	13,000				●	●	●
Derek Joseph (Chair)	22,000					●	●
David Lewis	10,000		●			●	●
Nick Martin[1]	2,570	●			●		
Pauline McMichael	4,000		●				
Anne Murray	4,000		●				
Ross Proudfoot	5,000	●			●		
Carl Rudd[1]	1,779		●				
Ingrid Temmerman	4,000		●				

[1] These board members commenced their roles part way through the year ended 31 March 2015.

The executive officers participate in the pension schemes on the same terms as all other eligible staff.

	Group 2015 £'000	Group 2014 £'000
Total emoluments paid to executive officers (including pension contributions)	**1,764**	1,589
Emoluments of the highest paid executive officer (excluding pension contributions and pay in lieu thereof[1] but including performance related pay and benefits in kind)	**255**	249

[1] On the 31 March 2012 the highest paid director opted out of the company pension scheme. A payment in lieu of £17,291 (2014: £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 Governance & Remuneration Committee.

Executive officers

		2015 Total remuneration[1] £'000	2014 Total remuneration[1] £'000
J Allan	Executive Director (Commercial, South East)	**–**	63
A Boyes	Executive Director (IT & Facilities)	**174**	–
K Bull	Executive Director (Corporate Services)	**125**	169
A Evans	Executive Director (Operations)	**175**	170
J Knevett	Group Commercial Officer	**245**	238
D Mercer	Group Chief Executive	**255**	249
S Potts	Executive Director (Commercial, South East)	**157**	93
D Tufts	Executive Director (Finance & Strategy)	**174**	170
A Waterhouse	Executive Director (Financial Services)	**174**	169
N Yeeles	Executive Director (Commercial, London)	**161**	157

[1] Total remuneration includes performance related pay and benefits in kind but excludes pension contributions.

11. Tax on surplus on ordinary activities

Current tax

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
UK corporation tax on surplus for the year	**–**	–	**–**	–
Adjustments in respect of prior years	**–**	–	**–**	–
	–	–	**–**	–

Deferred tax

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £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	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Surplus on ordinary activities before tax:	**43.8**	38.1	**–**	–
UK corporation tax at 21% (2014: 23%)	**9.2**	8.8	**–**	–
Effects of:				
Other tax adjustments, reliefs and transfers	**0.5**	0.6	**–**	–
Capital gains	**0.1**	0.1	**–**	–
Unrelieved tax losses and other deductions	**(3.7)**	(1.2)	**–**	–
Expenses not deductible for tax purposes	**56.0**	61.7	**–**	–
Income not taxable for tax purposes	**(61.4)**	(70.4)	**–**	–
Timing differences	**–**	0.4	**–**	–
Relief for donations	**(0.6)**	–	**–**	–
Fixed asset differences	**(0.1)**	–	**–**	–
Current tax charge for year	**–**	–	**–**	–

12. Tangible fixed assets – properties

Group

Housing properties	Properties held for letting Social £m	Properties held for letting Non-social £m	Properties held for letting Total £m	Housing to let properties under construction Social £m	Housing to let properties under construction Non-social £m	Housing to let properties under construction Total £m	Shared ownership properties Completed £m	Shared ownership properties Under Con-struction £m	Total £m restated
Cost or valuation									
At 1 April 2014	2,324.4	96.6	**2,421.0**	82.0	2.9	**84.9**	332.9	13.0	**2,851.8**
Prior period adjustment	(4.5)	–	**(4.5)**	(8.4)	2.6	**(5.8)**	–	–	**(10.3)**
At 1 April 2014 as restated	2,319.9	96.6	**2,416.5**	73.6	5.5	**79.1**	332.9	13.0	**2,841.5**
Reclassification	(1.1)	0.2	**(0.9)**	0.3	1.7	**2.0**	(0.8)	(1.0)	**(0.7)**
Additions at cost									
New developments	0.4	–	**0.4**	45.8	34.2	**80.0**	0.1	19.8	**100.3**
Works to existing properties	19.5	0.3	**19.8**	–	–	**–**	–	–	**19.8**
Transfer (to)/from current assets	(4.5)	–	**(4.5)**	–	–	**–**	(1.2)	(4.4)	**(10.1)**
Schemes completed	32.7	–	**32.7**	(32.7)	–	**(32.7)**	3.9	(3.9)	**–**
Disposals									
Planned disposals	(4.3)	–	**(4.3)**	–	–	**–**	–	–	**(4.3)**
Replaced components	(2.1)	–	**(2.1)**	–	–	**–**	(0.4)	–	**(2.5)**
Staircasing sales	–	–	**–**	–	–	**–**	(18.0)	–	**(18.0)**
Transfer to other fixed assets	–	–	**–**	–	(2.6)	**(2.6)**	–	–	**(2.6)**
At 31 March 2015	**2,360.5**	**97.1**	**2,457.6**	**87.0**	**38.8**	**125.8**	**316.5**	**23.5**	**2,923.4**
Social housing grant									
At 1 April 2014	986.6	4.4	**991.0**	23.5	–	**23.5**	139.5	3.2	**1,157.2**
Reclassification	(0.8)	–	**(0.8)**	1.2	–	**1.2**	(1.3)	0.5	**(0.4)**
Social housing grant received	–	–	**–**	19.8	–	**19.8**	–	3.6	**23.4**
Social housing grant recycled	0.1	–	**0.1**	3.7	–	**3.7**	–	0.8	**4.6**
Schemes completed	14.3	–	**14.3**	(14.3)	–	**(14.3)**	1.0	(1.0)	**–**
Transfer (to)/from current assets	(2.8)	–	**(2.8)**	–	–	**–**	–	–	**(2.8)**
Disposals									
Planned disposals	(1.5)	–	**(1.5)**	–	–	**–**	(6.3)	–	**(7.8)**
Replaced components	(1.2)	–	**(1.2)**	–	–	**–**	–	–	**(1.2)**
At 31 March 2015	**994.7**	**4.4**	**999.1**	**33.9**	**–**	**33.9**	**132.9**	**7.1**	**1,173.0**
Depreciation and impairment									
At 1 April 2014	111.0	7.5	**118.5**	11.0	–	**11.0**	4.1	–	**133.6**
Prior period adjustment	–	–	**–**	(8.4)	–	**(8.4)**	–	–	**(8.4)**
At 1 April 2014 as restated	111.0	7.5	**118.5**	2.6	–	**2.6**	4.1	–	**125.2**
Reclassification	(0.3)	–	**(0.3)**	–	–	**–**	–	–	**(0.3)**
Charge for the year	18.2	1.8	**20.0**	–	–	**–**	–	–	**20.0**
Impairment	–	0.1	**0.1**	–	–	**–**	–	–	**0.1**
Disposals									
Planned disposals	(0.2)	–	**(0.2)**	–	–	**–**	(0.2)	–	**(0.4)**
Replaced components	(0.5)	–	**(0.5)**	–	–	**–**	–	–	**(0.5)**
Transfer (to)/from current assets	(0.1)	–	**(0.1)**	–	–	**–**	–	–	**(0.1)**
At 31 March 2015	**128.1**	**9.4**	**137.5**	**2.6**	**–**	**2.6**	**3.9**	**–**	**144.0**
Net book value									
At 31 March 2015	**1,237.7**	**83.3**	**1,321.0**	**50.5**	**38.8**	**89.3**	**179.7**	**16.4**	**1,606.4**
At 31 March 2014	1,222.3	84.7	1,307.0	47.5	5.5	53.0	189.3	9.8	1,559.1

The amount of cumulative interest capitalised in housing properties since 2009 is £22.3m. Reclassifications represent the reapportionment of base costs between tenures.

12. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties

	Group	
	2015 £m	2014 £m
Amounts capitalised	**19.8**	14.4
Amounts charged to income and expenditure account	**17.6**	15.0
Total	**37.4**	29.4

The amounts charged to the income and expenditure are split between £17.4m for social housing (2014: £14.4m) and £0.2m for non-social housing (2014: £0.6m).

Social housing grant

	Group	
	2015 £m	2014 £m
Total accumulated social housing grant receivable at 31 March was:		
Capital grants	**1,173.0**	1,157.2

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	
	2015 £m	2014 restated £m
Freehold land and buildings	**1,112.0**	1,074.2
Long leasehold land and buildings	**438.4**	427.7
Short leasehold land and buildings	**56.0**	57.2
	1,606.4	1,559.1

Valuation for disclosure only

	2015 £m
Completed housing properties at valuation	**2,290.6**
Revaluation reserve – completed housing properties	**789.9**

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 2015, 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 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: for shared ownership	RPI + 0.5%
for rented stock	CPI + 1.0%

Property valuation disclosure: The Group reports its housing properties at cost and has disclosed the current value of these properties. The basis of this valuation for social and affordable properties takes account of the property's future rental streams which have been calculated using the rental guarantee inflator of CPI plus 1%. This inflator will change to a 1% nominal decrease over the next four years. The impact of this change will be disclosed within the Group's financial statements for the year ended 31 March 2016. In accordance with Financial Reporting Standard 21 'Events after the balance sheet date', the Government's budget statement is a non-adjusting post balance sheet event.

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 2014	2.5	1.2	0.6	14.6	14.6	33.5
Additions	1.3	0.7	–	2.0	0.2	4.2
Transfer to/from fixed assets	–	–	–	–	2.3	2.3
Disposals	–	–	–	(8.8)	–	(8.8)
At 31 March 2015	**3.8**	**1.9**	**0.6**	**7.8**	**17.1**	**31.2**
Depreciation						
At 1 April 2014	1.7	0.7	0.6	11.9	1.7	16.6
Charged in year	0.3	0.2	–	1.6	0.4	2.5
Disposals	–	–	–	(8.8)	–	(8.8)
Transfer to/from fixed assets	–	–	–	–	(0.3)	(0.3)
At 31 March 2015	**2.0**	**0.9**	**0.6**	**4.7**	**1.8**	**10.0**
Net book value						
At 31 March 2015	**1.8**	**1.0**	**–**	**3.1**	**15.3**	**21.2**
Net book value						
At 31 March 2014	0.8	0.5	–	2.7	12.9	16.9

One of the Group's freehold offices is currently being redeveloped and converted into housing properties to let. Historic cost of £2.9m and depreciation of £0.3m have been transferred to fixed assets – properties.

The redevelopment of another freehold office has been completed during the year and construction cost of £5.2m has been transferred from fixed assets – properties.

14. Fixed asset investments

Group

	Investments £m	Commercial property held for letting £m	Equity loans £m	Total £m
At 1 April 2014	20.3	49.1	2.6	72.0
Prior period adjustment	–	(2.6)	–	(2.6)
At 1 April 2014 restated	20.3	46.5	2.6	69.4
Additions	0.1	21.3	–	21.4
Disposals	–	(1.2)	(0.2)	(1.4)
Revaluation	0.9	10.4	–	11.3
At 31 March 2015	**21.3**	**77.0**	**2.4**	**100.7**

31 March 2015	31 March 2014

	Cost £m	Market value £m	Cost £m	Market value £m
Investments listed in a recognised stock exchange	**1.2**	**1.4**	1.2	1.4
British government securities	**3.2**	**4.9**	3.2	4.0
Cash and similar investments	**15.0**	**15.0**	14.9	14.9
	19.4	**21.3**	19.3	20.3

These investments are included in the financial statements at valuation.

The valuation of the commercial property held for letting was taken at 31 March 2015 by Jones Lang LaSalle LLP professional external valuers. 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 Market Value subject to Tenancies (MV-T) for the private 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 2015 is not less than the cost.

The Group holds an interest in five joint ventures:

Joint Venture	**Partner**	**Group Interest and voting rights**
Essex Wharf Homes LLP	Sherry Green Homes Limited	50% through A2Dominion Developments Limited
Green Man Lane LLP	Real (Ealing) Limited	50% through A2Dominion Developments Limited
Queen's Wharf Riverside LLP	Hammersmith Developments Holdco Limited	50% through A2Dominion Developments Limited
Keybridge House LLP	Mount Anvil (Keybridge) Limited	50% through A2Dominion Developments Limited
Secure Storage Solutions LLP	Tim Woodcock and Tickland Limited	25% through A2Dominion Developments Limited

During the year the Group made significant investments in two single scheme joint ventures in London, Queen's Wharf Riverside LLP and Keybridge House LLP. A2Dominion Developments Limited has invested £20.7m in Queen's Wharf Riverside LLP and £30.2m in Keybridge House LLP which has been matched by its external partner. Both LLPs are funded by a loan from A2Dominion Residential Limited negotiated on a commercial arm's length basis.

The amount included in respect of joint ventures includes the following:

	Essex Wharf Homes LLP £m	Green Man Lane LLP £m	Queen's Wharf Riverside LLP £m	Keybridge House LLP £m	Secure Storage Solutions LLP £m	Total £m
Turnover	8.2	1.2	–	–	–	9.4
Cost of sales and administration expenses	(5.5)	(1.0)	–	–	–	(6.5)
Other finance costs	–	–	(0.5)	(0.1)	–	(0.6)
Surplus for the year	**2.7**	**0.2**	**(0.5)**	**(0.1)**	**–**	**2.3**
Share of:						
Current assets	7.3	8.7	32.1	51.2	0.1	99.4
Liabilities due within in one year	(0.4)	(8.5)	(14.6)	(21.1)	–	(44.6)
Net assets	**6.9**	**0.2**	**17.5**	**30.1**	**0.1**	**54.8**

15. Properties for sale

	Group 2015 £m	Group 2014 restated £m
Open market sale – completed properties	**4.4**	3.5
Open market sale – under construction	**205.6**	125.6
Shared ownership – completed properties	**2.5**	6.0
Shared ownership – under construction	**14.5**	8.0
Land held for development	**0.7**	26.8
Agency schemes for sale	**14.5**	10.4
Social housing grant on agency schemes for sale	**(8.2)**	(5.6)
Property held for development	**1.0**	–
	235.0	174.7

Capitalised interest included in the stock balances is £18.3m (2014: £15.1m).

16. Debtors

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Due within one year				
Rent and service charges receivable	**11.7**	10.1	**–**	–
Less: Provision for bad and doubtful debts	**(6.1)**	(5.2)	**–**	–
Net arrears	**5.6**	4.9	**–**	–
Trade debtors	**0.2**	0.1	**0.2**	0.1
Other debtors	**11.6**	13.1	**3.0**	6.3
VAT recoverable	**–**	0.1	**–**	–
Deposits on purchased schemes	**–**	3.1	**–**	–
Prepayments and accrued income	**4.9**	5.1	**1.1**	1.2
Amounts due from Group entities	**–**	–	**8.2**	21.3
Capital and agency debtors	**22.8**	1.8	**–**	–
	45.1	28.2	**12.5**	28.9
Due after more than one year				
Loans due from subsidiary undertakings under on-lending arrangements	**–**	–	**138.5**	233.3
Deposits on purchased schemes	**26.0**	–	**–**	–
Loans due from joint ventures	**23.3**	–	**–**	–
Other debtors	**6.6**	0.3	**–**	–
	55.9	0.3	**138.5**	233.3
	101.0	28.5	**151.0**	262.2

17. Current asset investments

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Money market deposits	**9.0**	1.3	**9.0**	1.0

18. Cash at bank and in hand

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Cash at bank	**24.0**	25.4	**13.9**	8.1
Sinking funds	**5.4**	4.6	**–**	–
	29.4	30.0	**13.9**	8.1

At 31 March 2015 £1.2m (2014: £1.7m) of cash balances were charged to lenders.

19. Creditors: amounts falling due within one year

		Group		Association	
	Note	2015 £m	2014 restated £m	2015 £m	2014 £m
Loans and borrowings	23	**15.3**	21.1	**5.8**	12.3
Trade creditors		**10.8**	11.5	**4.7**	9.1
Rent and service charges received in advance		**10.3**	8.3	**–**	–
Social housing grant in advance		**–**	6.0	**–**	–
Recycled Capital Grant Fund	21	**4.8**	4.6	**–**	–
Disposal Proceeds Fund	22	**0.8**	–	**–**	–
Amounts owed to Group entities		**–**	–	**19.6**	12.3
Other taxation and social security		**1.3**	0.9	**1.1**	0.8
Other creditors		**3.7**	4.2	**2.1**	1.4
Accruals and deferred income		**20.1**	16.2	**3.1**	2.9
Interest accrued		**4.9**	5.2	**–**	–
Capital creditors		**22.1**	4.4	**–**	–
		94.1	82.4	**36.4**	38.8

20. Creditors: amounts falling due after more than one year

		Group		Association	
	Note	2015 £m	2014 £m	2015 £m	2014 £m
Loans and borrowings	23	**1,332.8**	1,138.2	**138.5**	233.3
Recycled Capital Grant Fund	21	**14.1**	11.3	**–**	–
Sinking funds		**5.4**	4.6	**–**	–
Disposal Proceeds Fund	22	**1.9**	1.3	**–**	–
Deferred grant		**2.0**	2.0	**–**	–
Capital creditors		**2.8**	–	**–**	–
Other		**3.3**	1.2	**–**	–
		1,362.3	1,158.6	**138.5**	233.3

21. Recycled Capital Grant Fund

	Group	
	2015 £m	2014 £m
At 1 April	**15.9**	13.5
Grants recycled	**7.5**	6.2
Interest accrued	**0.1**	0.1
Purchase/development of properties	**(4.6)**	(3.9)
Balance at 31 March	**18.9**	15.9
Due within one year	**4.8**	4.6
Due in more than one year	**14.1**	11.3
Amount due for repayment to the Homes and Communities Agency (HCA) and Greater London Authority (GLA)	**–**	–

22. Disposal Proceeds Fund

	Group	
	2015 £m	2014 £m
At 1 April	**1.3**	1.3
Net sale proceeds recycled	**1.4**	0.5
Interest accrued	**–**	–
Purchase/development of properties	**–**	(0.5)
Balance at 31 March	**2.7**	1.3
Due within one year	**0.8**	–
Due in more than one year	**1.9**	1.3
Amount due for repayment to the HCA and GLA	**–**	–

23. Loans and borrowings

	Group 2015 £m	Group 2014 £m	Association 2015 £m	Association 2014 £m
Due within one year				
Bank overdraft	**0.1**	0.1	**0.1**	0.1
Bank loans	**13.9**	19.7	**5.7**	12.2
Other loans	**1.3**	1.3	**–**	–
	15.3	21.1	**5.8**	12.3
Due after more than one year				
Bank loans	**1,019.8**	973.2	**138.5**	233.3
Other loans	**319.9**	171.1	**–**	–
Loan issue costs	**(6.9)**	(6.1)	**–**	–
	1,332.8	1,138.2	**138.5**	233.3
Within one year	**15.3**	21.1	**5.8**	12.3
Between one and two years	**25.8**	16.0	**5.8**	8.3
Between two and five years	**118.8**	96.8	**18.4**	26.7
After five years	**1,195.1**	1,031.5	**114.3**	198.3
Loan issue costs	**(6.9)**	(6.1)	**–**	–
	1,348.1	1,159.3	**144.3**	245.6

Loans and borrowings consist of bank loans secured by fixed charges on individual properties and proceeds from two retail bonds.

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 0.76% to 12.48%. The final instalments fall to be repaid in the period 2016 to 2045.

At 31 March 2015 the Group had undrawn loan facilities of £290.2m (2014: £364.5m).

Group Derivative Transactions
As at 31 March 2015 the following financial derivative contracts were in place:

	Notional Principal £m	Fair value/ (loss) £m
Standalone		
Interest rate swaps without options	291.1	(81.5)
	291.1	(81.5)
Embedded		
Interest rate swaps without options	498.4	–
	498.4	–
Total		
Interest rate swaps without options	789.5	(81.5)
Total as at 31 March 2015	789.5	(81.5)
Interest rate swaps without options	799.0	(51.2)
Total as at 31 March 2014	799.0	(51.2)

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, £89.6m are amortising in line with the underlying debt.

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 2015 the amount of cash posted as collateral was £12.6m (2014: £nil) and the value of properties charged was £33.7m (2014: £35m).
No additional security is required in respect of embedded derivatives.

Group Hedging Position
As at 31 March borrowings were hedged as follows:

	31 March 2015 £m	31 March 2014 £m
Interest rates fixed for more than 12 months	**1,101.8**	1,050.6
Fixed interest rates with lender's options to cancel	**–**	–
	1,101.8	1,050.6
Floating rate (interest rates fixed for less than 12 months)	**143.6**	52.8
Total	**1,245.4**	1,103.4

24. Provisions for liabilities and charges

Group

	Major works £m	Contractual disputes £m	Total £m
At 1 April 2014	4.3	0.3	4.6
Amounts provided for	0.4	1.1	1.5
Amounts utilised	(1.5)	(0.4)	(1.9)
At 31 March 2015	**3.2**	**1.0**	**4.2**

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 one to three year period.

Association
The Association holds a provision of £0.7m (2014: £0.8m) which reflects potential legal and settlement costs the Association is likely to incur.

25. Non-equity share capital

	2015 £	2014 £
Shares of £1 each issued and fully paid		
At 1 April	**7**	8
Shares issued during the year	**2**	–
Shares surrendered during the year	**(2)**	(1)
At 31 March	**7**	7

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 31 March 2014	0.5	64.6	9.3	566.6	641.0
Prior period adjustment	–	–	–	(4.5)	(4.5)
At 1 April 2014 as restated	0.5	64.6	9.3	562.1	636.5
Surplus for the year	–	–	–	43.8	43.8
Revaluation for the year	–	–	11.3	–	11.3
Transfer from designated reserves	–	(16.4)	–	16.4	–
Transfer to designated reserves	–	1.4	–	(1.4)	–
Actuarial deficit on pension schemes	–	–	–	(1.4)	(1.4)
At 31 March 2015	**0.5**	**49.6**	**20.6**	**619.5**	**690.2**

Association

	Revenue reserve £m
At 1 April 2014	(3.9)
Surplus for the year	0.1
Actuarial loss relating to pension scheme	(0.1)
At 31 March 2015	**(3.9)**

27. Prior period adjustment

The individual entities record their assets at historical cost but on consolidation the Group records the assets of any entities that have been acquired at fair value as at the date of acquisition. The prior period adjustment reflects the adjustment between historical cost and fair value for assets that have subsequently been disposed.

In addition commercial property held for letting under construction had been included within fixed asset investments. These have now been separated out and reported as housing properties in accordance with SSAP19 Accounting for Investment Properties.

	Commercial property held for letting £m	Housing property £m	Revenue reserves £m
As previously stated 31 March 2014	49.1	1,561.0	566.6
Fair value adjustment	–	(4.5)	(4.5)
Restatement of commercial property under construction	(2.6)	2.6	–
At restated at 31 March 2014	**46.5**	**1,559.1**	**562.1**

28. Financial commitments

Capital expenditure commitments were as follows:

	Group	
	2015 £m	2014 £m
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	**242.1**	195.6
Expenditure authorised by the Board, but not contracted	**590.0**	646.7
	832.1	842.3

The total commitments above are phased up to and including the year ended 31 March 2018. The Group expects to meet the above commitments from the following sources:

- Undrawn loan facilities totalling £290.2m (2014: £364.5m)
- Social housing grant and projected proceeds from first tranche sales of shared ownership dwellings and build for sale of properties of £1,223.2m (2014: £964.2m).

Operating leases
The payments which the Group and Association are committed to make in the next year under operating leases are as follows:

	Group		Association	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Land and buildings				
Within one year	**0.5**	1.7	**–**	0.8
Two to five years	**1.7**	1.6	**–**	–
Over five years	**2.5**	2.5	**1.6**	1.6
	4.7	5.8	**1.6**	2.4
Vehicles and other equipment	**0.3**	0.3	**0.3**	0.3

29. Contingent liabilities

The Group and Association had no contingent liabilities at 31 March 2015 (2014: £nil).

30. Reconciliation of operating surplus to net cash inflow from operating activities

	2015 £m	2014 £m
Operating surplus	**85.8**	78.0
Depreciation of tangible fixed assets	**22.5**	21.6
Accelerated depreciation on components	**0.8**	1.4
Impairment	**0.1**	1.1
	109.2	102.1
Working capital movements		
Properties for outright sale	**(93.2)**	(15.8)
Debtors	**(5.3)**	(1.6)
Provisions	**(0.4)**	(5.2)
Creditors	**9.6**	1.2
Net cash inflow from operating activities	**19.9**	80.7

31. Reconciliation of net cash flow to movement in net debt

	2015 £m	2014 £m
(Decrease)/increase in cash in the year	**(0.6)**	22.3
Cash flow movement in liquid resources	**7.7**	1.0
Cash flow from increase in debt	**(188.8)**	(23.9)
Increase in net debt from cash flows	**(181.7)**	(0.6)
Net debt at 1 April	**(1,128.0)**	(1,127.4)
Net debt at 31 March	**(1,309.7)**	(1,128.0)

32. Analysis of net debt

	1 April 2014 £m	Cash flow £m	31 March 2015 £m
Cash at bank and in hand	30.0	(0.6)	**29.4**
Overdraft	(0.1)	–	**(0.1)**
Current assets investment	1.3	7.7	**9.0**
Loans due within one year	(21.0)	5.8	**(15.2)**
Loans due after more than one year	(1,138.2)	(194.6)	**(1,332.8)**
Net debt	(1,128.0)	(181.7)	**(1,309.7)**

33. Group

The financial statements consolidate the results of the following subsidiaries:

		Group's share of 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%
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 rent	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	Non trading	100%
Kingsbridge Residential Limited	Dormant company	100%
Pyramid Plus London LLP	Property maintenance services	70%
Pyramid Plus South LLP	Property maintenance services	70%
Upper Richmond Buildings Limited	Non trading	100%

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 £38.9m (2014: £36.2m). At 31 March 2015 A2Dominion Housing Group owed £11.4m to its subsidiaries (2014: was owed £9m). 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 (2014: £0.3m) relates to Breyer Group PLC's 30% share of the LLPs 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 £0.7m (2014: £0.5m) relates to Mitie Property Services (UK) Limited's 30% share of the LLPs profit.

34. Transactions with related parties

A2Dominion Housing Group consists of the companies listed in note 33. The Group also has interests in five joint ventures detailed in note 14.

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 which has a small number of employees. The management costs are apportioned on a unit basis with 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:

	2015 £m	2014 £m
A2Dominion South Ltd	**16.8**	15.5
A2Dominion Homes Ltd	**15.4**	15.1
A2Dominion Housing Options Ltd	**1.0**	0.9
A2Dominion Enterprises Ltd	**–**	0.4
A2Dominion Residential Limited	**0.1**	–
A2Dominion Developments Limited	**4.1**	2.8
Pyramid Plus London LLP	**0.7**	0.7
Pyramid Plus South LLP	**0.8**	0.8
	38.9	36.2

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2015 are summarised as follows:

2015	Services provided £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited							
A2Dominion Homes Limited	**14.6**	**(6.8)**	**–**	**(124.1)**	**–**	**(1.4)**	**–**
A2Dominion South Limited	**11.2**	**(5.7)**	**–**	**(140.7)**	**–**	**–**	**–**
A2Dominion Housing Group Limited	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**–**
A2Dominion Treasury Limited							
A2Dominion Homes Limited	**–**	**–**	**3.6**	**–**	**119.1**	**(0.2)**	**–**
A2Dominion South Limited	**–**	**–**	**3.3**	**–**	**71.3**	**(0.1)**	**–**
A2Dominion Housing Options Limited	**–**	**–**	**0.3**	**–**	**5.8**	**(2.1)**	**–**
A2Dominion Housing Group Limited	**–**	**–**	**0.5**	**–**	**–**	**–**	**–**
Pyramid Plus London LLP							
A2Dominion Housing Group Limited	**8.5**	**–**	**–**	**–**	**–**	**–**	**0.8**
Pyramid Plus South LLP							
A2Dominion Housing Group Limited	**11.7**	**–**	**–**	**–**	**–**	**–**	**1.5**

2014	Services provided £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited							
A2Dominion Homes Limited	15.2	(6.7)	–	(87.2)	–	(0.2)	–
A2Dominion South Limited	11.9	(2.6)	–	(73.0)	–	(0.4)	–
A2Dominion Treasury Limited							
A2Dominion Homes Limited	–	–	1.3	–	54.9	–	–
A2Dominion South Limited	–	–	1.1	–	50.0	–	–
A2Dominion Housing Options Limited	–	–	0.1	–	5.8	–	–
A2Dominion Residential Limited							
A2Dominion Housing Group Limited	–	–	–	–	–	–	0.2
A2Dominion Homes Limited	–	(0.8)	–	–	–	–	–
Pyramid Plus London LLP							
A2Dominion Housing Group Limited	7.1	–	–	–	–	–	1.1
Pyramid Plus South LLP							
A2Dominion Housing Group Limited	10.1	–	–	–	–	–	1.0

Transactions between Group entities and other related parties are summarised as follows:

A2Dominion Developments Limited is a 50% joint venture partner of Essex Wharf Homes LLP. Capital contributions of £3.9m were made to Essex Wharf Homes LLP and capital repayments received of £6.7m resulting in a net repayment of £2.8m (2014: £3.2m net contribution).

A2Dominion Developments Limited is a 50% joint venture partner of Green Man Lane LLP. A2Dominion Developments Limited provided a loan facility of £15m (2014: £3.6m) to Green Man Lane LLP. As at 31 March 2015, £nil (2014: £0.4m) was due to A2Dominion Developments Limited.

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 £nil (2014: £0.6m) of which £nil (2014: £0.4m) was drawn down. Rydon Construction Limited provided a loan facility of £15m (2014: nil) to Green Man Lane LLP. As at 31 March 2015, £nil (2014: £0.4m) was due to Rydon Construction Limited. Rydon Construction Limited and Real (Ealing) Limited are both wholly owned subsidiaries of Rydon Holdings Limited.

Green Man Lane LLP entered into lease agreements with A2Dominion Homes Limited for the lease of housing blocks and a car park at premiums totalling £10m. The contractual term of the lease is 250 years and the premium for each Lease is to be paid in 30 monthly instalments until paid in full. In addition, there is an amount of £1.5m due to A2Dominion Homes Ltd in relation to costs being paid for prior to lease agreements being signed.

A2Dominion Treasury Limited has been provided with a loan facility of £300m (2014: £150m) by A2D Funding Plc during the year. As at 31 March 2015, £300m (2014: £150m) was owed by A2Dominion Treasury Limited.

Pyramid Plus South LLP received services during the year from Mitie Property Services (UK) Limited with a value of £5.9m (2014: £5.8m). As at the 31 March 2015 £0.7m (2014: £nil) was owed by Pyramid Plus South LLP.

Pyramid Plus London LLP received services during the year from Breyer Group PLC with a value of £5.2m (2014: £4m). As at the 31 March 2015 £0.6m (2014: £nil) was owed by Pyramid Plus London LLP.

A2Dominion Residential Limited has entered into a funding agreement with Queen's Wharf Riverside LLP a joint venture between A2Dominion Developments Limited and Hammersmith Developments Holdco Limited. As at the 31 March 2015 £5.8m was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £1.2m.

A2Dominion Residential Limited has entered into a funding agreement with Keybridge House LLP a joint venture between A2Dominion Developments Limited and Mount Anvil (Keybridge House) Limited. As at the 31 March 2015 £17.2m was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £0.3m. Additionally A2Dominion Residential Limited has paid a deposit of £23m for the purchase of properties to be held and used for private rent.

A2Dominion Residential Limited has paid a deposit of £3m to Green Man Lane LLP for the purchase of properties to be held and used for private rent.

PART 2

FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 MARCH 2016

Independent auditor's report to the members of A2Dominion

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 2016 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated statement of cash flows 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 87 of the Co-operative and Community Benefit Societies Act 2014. 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 (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 2016 and of the Group's and parent association's surplus/deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP, statutory auditor
London
United Kingdom
29 July 2016

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

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 March 2016

	Note	2016 £m	2015 £m restated
Group turnover	4	378.4	312.3
Cost of sales	4	(102.4)	(67.2)
Operating costs	4	(163.0)	(158.6)
Group operating surplus	4, 6	113.0	86.5
Share of jointly controlled entities profit	18	2.7	2.3
Surplus on sale of fixed assets – housing properties	10	15.3	6.5
Interest receivable and other income	11	2.4	1.8
Interest payable and similar charges	12	(49.1)	(49.0)
Other finance costs	31	(0.6)	(0.8)
Change in fair value of investments	18	0.1	0.9
Movement in fair value of financial instruments		1.9	0.9
Movement in fair value of investment properties	16	30.1	28.2
Surplus on ordinary activities before taxation		115.8	77.3
Tax on surplus on ordinary activities	13	(0.5)	(3.1)
Surplus on ordinary activities after taxation		115.3	74.2
Non-controlling interest		(0.8)	(1.0)
Surplus for the financial year		114.5	73.2
Actuarial gains/(losses) on defined benefit pension scheme	31	1.0	(1.1)
Movement in fair value of hedging financial instrument		(2.5)	(34.7)
Total comprehensive income for year		113.0	37.4
Surplus for the year attributable to:			
Non-controlling interest		0.8	1.0
Parent association		114.5	73.2
		115.3	74.2
Total comprehensive income attributable to:			
Non-controlling interest		0.8	1.0
Parent association		112.2	36.4
		113.0	37.4

Association statement of comprehensive income

For the year ended 31 March 2016

	Note	2016 £m	2015 £m
Turnover	4	41.0	41.5
Cost of sales	4	–	–
Operating costs	4	(48.0)	(39.4)
Operating (deficit)/ surplus	4, 6	(7.0)	2.1
Interest receivable and other income	11	6.8	11.0
Interest payable and similar charges	12	(6.8)	(11.5)
Other finance costs	31	(0.5)	(0.7)
(Deficit)/ surplus on ordinary activities before taxation		(7.5)	0.9
Tax on surplus on ordinary activities	13	–	–
(Deficit)/ surplus for the financial year		(7.5)	0.9
Actuarial gains on defined benefit pension scheme	31	0.4	–
Total comprehensive income for the year		(7.1)	0.9

All amounts relate to continuing activities.

The notes on pages 66–108 form part of these financial statements.

Consolidated statement of financial position

At 31 March 2016

	Note	2016 £m	2015 £m restated
Fixed assets			
Tangible fixed assets – housing properties	14	2,530.6	2,480.5
Tangible fixed assets – other	15	21.3	21.2
Investment properties	16	361.5	276.4
Investments – Homebuy loans	17	2.9	3.2
Investments – other	18	18.3	23.9
Investments – jointly controlled entities	18	58.2	54.8
		2,992.8	2,860.0
Current assets			
Properties for sale	19	201.2	243.2
Debtors less than one year	20	41.8	45.1
Debtors more than one year	20	64.3	52.5
Investments	21	8.0	9.0
Cash and cash equivalents	22	37.3	29.4
		352.6	379.2
Creditors: Amounts falling due within one year	23	(105.5)	(111.7)
Net current assets		247.1	267.5
Total assets less current liabilities		3,239.9	3,127.5
Creditors: Amounts falling due after more than one year	24	(2,464.1)	(2,467.8)
Provision for liabilities and charges	30	(21.3)	(17.1)
Net assets excluding pension liability		754.5	642.6
Net pension liability	31	(4.9)	(5.8)
Net assets		749.6	636.8
Capital and reserves			
Non-equity share capital		–	–
Cash flow hedge reserve		(47.4)	(44.9)
Income and expenditure reserve		749.9	630.6
Designated reserve		45.8	49.6
Restricted reserve		0.5	0.5
Consolidated funds		748.8	635.8
Non-controlling interest		0.8	1.0
		749.6	636.8

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 20 July 2016 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

The notes on pages 66–108 form part of these financial statements.

Association statement of financial position

At 31 March 2016

	Note	2016 £m	2015 £m
Current assets			
Debtors due within one year	20	20.1	12.5
Debtors due after one year	20	131.3	138.5
Investments	21	8.0	9.0
Cash and cash equivalents	22	16.2	13.9
		175.6	173.9
Creditors: Amounts falling due within one year	23	(47.1)	(36.4)
Net current assets		128.5	137.5
Total assets less current liabilities		128.5	137.5
Creditors: Amounts falling due after more than one year	24	(131.3)	(138.5)
Provision for liabilities and charges	30	(19.4)	(13.6)
Net assets excluding pension liability		(22.2)	(14.6)
Net pension liability	31	(1.7)	(2.2)
Net assets		(23.9)	(16.8)
Capital and reserves			
Non-equity share capital		–	–
Income and expenditure reserve		(23.9)	(16.8)
Association's deficit		(23.9)	(16.8)

Co-operative and Community Benefit Society (FCA) 28985R.

The financial statements were approved by the Board and authorised for issue on 20 July 2016 and signed on its behalf by:

D Joseph
Chair

S Dickinson
Board member

Z Ollerearnshaw
Secretary

The notes on pages 66–108 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2016

	Cash flow hedge reserve £m	Income and expenditure reserve £m	Designated and restricted reserve £m	Total excluding non-controlling interests £m	Non – controlling interests £m	Total including non – controlling interests £m
Balance at 1 April 2015	**(44.9)**	**630.6**	**50.1**	**635.8**	**1.0**	**636.8**
Surplus for the year	**–**	**114.5**	**–**	**114.5**	**0.8**	**115.3**
Actuarial gains on defined benefit pension scheme	–	1.0	–	1.0	–	1.0
Movement in fair value of hedged financial instrument	(2.5)	–	–	(2.5)	–	(2.5)
Other comprehensive income for the year	(2.5)	1.0	–	(1.5)	–	**(1.5)**
Reserves transfers:						
Capital contribution and distributions	–	–	–	–	(1.0)	(1.0)
Transfer of designated expenditure from income and expenditure reserve	–	(8.0)	8.0	–	–	–
Transfer of designated expenditure to income and expenditure reserve	–	11.8	(11.8)	–	–	–
Balance at 31 March 2016	**(47.4)**	**749.9**	**46.3**	**748.8**	**0.8**	**749.6**

Consolidated statement of changes in equity

For the year ended 31 March 2015

	Cash flow hedge reserve £m	Income and expenditure reserve £m	Designated and restricted reserve £m	Total excluding non-controlling interests £m	Non – controlling interests £m	Total including non – controlling interests £m
Balance at 1 April 2014	(10.2)	557.4	65.1	612.3	0.8	613.1
Prior period adjustment (note 34)	–	(13.9)	–	(13.9)	–	(13.9)
Balance at 1 April 2014 as restated	(10.2)	543.5	65.1	598.4	0.8	599.2
Surplus for the year	–	73.2	–	73.2	1.0	74.2
Actuarial losses on defined benefit pension scheme	–	(1.1)	–	(1.1)	–	(1.1)
Movement in fair value of hedged financial instrument	(34.7)	–	–	(34.7)	–	(34.7)
Other comprehensive income for the year	(34.7)	(1.1)	–	(35.8)	–	(35.8)
Reserves transfers:						
Contributions by and distributions to members	–	–	–	–	(0.8)	(0.8)
Transfer of designated expenditure from income and expenditure reserve	–	(1.4)	1.4	–	–	–
Transfer of designated expenditure to income and expenditure reserve	–	16.4	(16.4)	–	–	–
Balance at 31 March 2015	(44.9)	630.6	50.1	635.8	1.0	636.8

The notes on pages 66–108 form part of these financial statements.

Association statement of changes in equity

For the year ended 31 March 2016

	Income and expenditure reserve £m	Total excluding non-controlling interests £m
Balance at 1 April 2015	**(16.8)**	**(16.8)**
Deficit for the year	**(7.5)**	**(7.5)**
Actuarial gains on defined benefit pension scheme	0.4	**0.4**
Other comprehensive income for the year	**0.4**	**0.4**
Balance at 31 March 2016	**(23.9)**	**(23.9)**

For the year ended 31 March 2015

	Income and expenditure reserve £m	Total excluding non-controlling interests £m
Balance at 1 April 2014	(17.7)	(17.7)
Surplus for the year	0.9	0.9
Balance at 31 March 2015	(16.8)	(16.8)

The notes on pages 66–108 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2016

	2016 £m	2015 £m
Cash flows from operating activities		
Surplus for the financial year	114.5	73.2
Adjustments for:		
Depreciation of fixed assets – housing properties	26.0	32.4
Depreciation of fixed assets – other	2.7	2.5
Accelerated depreciation on replaced components	5.4	0.8
Impairment	–	0.1
Amortised grant	(16.1)	(14.9)
Share of surplus in jointly controlled entities	(2.7)	(2.3)
Net fair value gains recognised in statement of comprehensive income	(32.1)	(30.0)
Interest and finance costs	49.7	49.8
Interest received	(2.4)	(1.8)
Surplus on the sale of fixed assets – housing properties	(15.3)	(6.5)
Taxation expense	0.5	3.1
Non-controlling interest	0.8	1.0
Increase in trade and other debtors	(3.7)	(5.3)
Decrease/ (increase) in stocks	56.8	(93.2)
(Decrease)/ increase in trade creditors	(0.8)	9.5
Increase/ (decrease) in provisions	3.8	(1.4)
Cash from operations	187.1	17.0
Tax paid	(0.1)	–
Net cash generated from operating activities	187.0	17.0
Cash flows from investing activities		
Purchase of fixed assets – housing properties	(116.4)	(102.5)
Receipt of grant	7.7	18.5
Repayment of grant	(0.2)	–
Purchase of fixed assets – other	(2.5)	(4.2)
Purchase of fixed asset investments	(55.7)	(17.6)
Sale of fixed asset investments	10.1	–
Sale of current asset investments	1.0	(7.7)
Investment in jointly controlled entities	(11.9)	(51.6)
Repayment of jointly controlled entities capital	6.4	6.7
Distribution of jointly controlled entities profits	4.3	-
Proceeds from sale of fixed assets – housing properties	40.5	36.2
Loans advanced to jointly controlled entities	(15.0)	(23.3)
Interest received	2.4	1.8
Net cash from investing activities	(129.3)	(143.7)
Cash flows from financing activities		
Interest paid	(65.7)	(62.7)
New loans – bank	50.0	433.9
New loans – other	–	150.0
Repayment of loans – bank	(34.1)	(395.1)
Net cash used in financing activities	(49.8)	126.1
Net increase/ (decrease) in cash and cash equivalents	7.9	(0.6)
Cash and cash equivalents at the beginning of year	29.4	30.0
Cash and cash equivalents at end of year	37.3	29.4

The notes on pages 66–108 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 Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency as a social landlord. The Association is a public entity.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for the Group includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. These financial statements are the first financial statements prepared under FRS 102. Information on the impact of first-time adoption of FRS 102 is given in note 39.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the totals for the Group as a whole.

Basis of consolidation

As required by the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2014, the Group has prepared consolidated financial statements.

The Group consolidated financial statements present the results of the Association and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

As required by FRS 102 Section 9 Paragraph 11 Special Purpose Entities (SPE) are fully consolidated in the Group's financial statements where the Group controls that entity. An entity is controlled by the Group where the Group retains the risks, receives the majority of the benefits, has ultimate decision making powers and the activities of the SPE are being conducted on behalf of the Group.

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 statement of comprehensive income and statement of financial position, respectively.

Business combinations that are gifts

Where there is a business combination that is in substance a gift, any excess of fair value over the assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense.

Jointly controlled entities

An entity is treated as jointly controlled entity where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the jointly controlled entities. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated statement of financial position, the interests in jointly controlled entity undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

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. Rental income is recognised at the point properties become available for letting and income from first tranche sales and developed for sale properties are recognised at point of legal completion. Other income is recognised in the period it is receivable.

Operating segments

There are publically traded securities within the Group and therefore a requirement to disclose information about the Group operating segments under IFRS 8. Segmental information is disclosed in note 4 and as part of the analysis of housing properties in note 14. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Group Board do not routinely receive segmental information disaggregated by geographical location.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Income earned from such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the statement of comprehensive income, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Supporting people income and expenditure

Income receivable and costs incurred from contracts are recognised in the period they relate to on a receivable basis and included within other social housing activities in the statement of comprehensive income. Any excess of cost over the grant received is borne by the Group where it is not recoverable from tenants.

Supported housing managed by agencies

Social Housing Grants and other revenue grants for supported housing claimed by the Group are included in the statement of comprehensive income and statement of financial position 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 statement of comprehensive income.

Service charges

Service charges receivable are recognised in turnover. The Group adopts the variable method for calculating and charging service charges to its leaseholders and shared owners. Tenants are charged a fixed service charge.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income. Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 statement of comprehensive income includes VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset in the statement of financial position.

Finance costs

FRS 102 requires finance costs to be charged to the profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount after initially recognising issue costs as a reduction in the proceeds of the associated capital instrument. 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:

- Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- 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 statement of comprehensive income in the year.

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.

2. Accounting policies (continued)

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.

Pensions

Contributions to the Group's defined contribution pension schemes are charged to the statement of comprehensive income in the year in which they become payable.
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 and therefore SHPS has been accounted for under FRS 102 as if it were a defined contribution pension scheme. The deficit repayments of SHPS have been measured at the present value of the contributions payable discounted at a rate with reference to market yields on high quality corporate bonds at the reporting date.

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 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 and finance costs with any actuarial gains and losses are recognised in the consolidated statement of comprehensive income. The difference between the fair value of the assets held in the Group's defined benefit pension scheme and the scheme's liabilities are recognised in the Group's statement of financial position.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Housing properties

Housing properties are principally properties available for rent and shared ownership.

On transition to FRS 102 the A2Dominion Group took the option of stating completed housing properties at cost.

Housing properties under construction are stated at cost. 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 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 statement of comprehensive income 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 Housing properties 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 directly attributable overhead costs associated with new developments or improvements are capitalised.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the cost 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
Bathrooms	25 years
Roof	50 years
Lifts	20 years
Kitchens	15 years
Heating	15 years
Windows and doors	25 years
Electrical	30 years

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the annual expected depreciation charge for such assets is considered material, individually or in aggregate.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Donated land

Land donated by local authorities and others is added to cost at the fair value of the land at the time of the donation, taking into account any restrictions on the use of the land.

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 statement of comprehensive income.

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 statement of comprehensive income, with the apportioned cost being shown within operating results as the cost of sale.

Subsequent tranches sold ("staircasing sales") are disclosed in the statement of comprehensive income 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 statement of comprehensive income in arriving at the surplus or deficit.

Mixed tenure developments
Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on appropriateness for each scheme.

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.

Social housing grant (SHG)
Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the SORP for Registered Social Housing Providers 2014. Grant is carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with SORP for Registered Social Housing Providers 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives above).

Where SHG funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a qualifying new development and moved to work in progress. When the new development is completed the SHG is moved back into deferred income and amortised. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to revenue are recognised in statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

Other grants
Other grants are receivable from local authorities and other organisations. Capital grants are carried as deferred income in the statement of financial position and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate.

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.

Sales under Right to Buy
Surpluses and deficits arising from the disposal of properties under the Right to Buy legislation are included within surplus on sale of fixed assets on the face of the statement of comprehensive income 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.

Investment properties
Investment properties consist of commercial, student accommodation and market rent properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

Valuation of investments
Investments in subsidiaries are measured at cost.

Cash and unlisted investments classified as fixed asset investments are measured at cost.

Listed investments classified as fixed asset investments are remeasured to fair value at each balance sheet date. Gain and losses on remeasurement are recognised in the statement of comprehensive income.

2. Accounting policies (continued)

Impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at value in use service potential (VIU-SP).

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

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.

Shared ownership first tranche and commercial outright sale developments, both completed and under construction, are carried on the statement of financial position 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.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in operating costs.

Recoverable amount of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor based on the age profile of the debt, historical collection rates and the class of debt.

Concessionary loans

Concessionary loans are those loans made or received by the Group that are made:

- To further its public benefit objectives,
- At a rate of interest which is below the prevailing market rate of interest
- Not repayable on demand.

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. Any associated grant is recognised as deferred income until the loan is redeemed.

The Group has a number of arrangements that are considered concessionary loans:

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 statement of financial position.

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.

Rent and service charge agreements

The Group has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Loans

All loans, investments and short term deposits held by the Group, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), and subsequently measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits and short term investments with an original maturity date of three months or less. 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.

Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. Hedge effectiveness is assessed using the hypothetical derivative method. To the extent the hedge is effective, movements in fair value adjustments (other than adjustments for Group or counter party credit risk) are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for credit risk (whether relating to the Group or the counterparty) are recognised in the statement of comprehensive income.

Leased assets
Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Leasehold sinking funds
Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

Provisions
The Group recognises provisions for liabilities of uncertain timing or amounts. Provision is made for specific and quantifiable liabilities, measured at the best estimate of expenditure required to settle the obligation at the balance sheet date.

Where the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as finance cost in the statement of comprehensive income in the year it arises.

Contingent liabilities
A contingent liability is disclosed for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. This includes a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed of.

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.

The donations fund was created from charitable donations received by the Group and from investment income from the fund's investments.

Going concern
The Group and Association's financial statements have been prepared on the going concern basis. The Association is supported by its asset owning subsidiaries. A2Dominon Housing Group Limited's Board has effective control over these subsidiaries and their assets. These subsidiaries provide ongoing support to their parent which will continue to allow A2Dominion Housing Group Limited to meet its liabilities as they fall due.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- Whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- The exemptions to be taken on transition to FRS 102
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review

Other key sources of estimation uncertainty
- Tangible fixed assets (see note 14 and 15)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as economic conditions are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Market rent investment properties are professionally valued annually using a discounted cash flow method, in nominal terms, in line with the traditional approach used by private investors when appraising an opportunity. In each case, 10 year holding period has been used, with reversion of an exit value, defined by the type of asset. Appropriate assumptions have been used as set as below, and have had regard for the investors target rates of return and appropriate costs of servicing the buildings and tenancies. In each model the assumption for rent and house price growth is either 3.5% (in London) or 2.5% (everywhere else).

- Discount rate – 7.75% - 8.25%
- Average cost per unit per annum – £2,781
- Exit yield – 4.6% - 4.9%
- Investments (see notes 17 and 18)

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through income and expenditure.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

In determining this amount, the Group follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

- Rental and other trade receivables (debtors) (see note 20)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

- Recovery of properties developed for sale

Properties developed for sale are carried on the statement of financial position at the lower of cost or net realisable value.

- Fair value measurement of derivatives

These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates.

4. Turnover, cost of sales, operating costs and operating surplus

Group

2016	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings	209.5	–	(138.0)	71.5
Other social housing activities				
Supporting people	1.8	–	(1.9)	(0.1)
Management services	0.8	–	(0.8)	–
First tranche sales	26.1	(15.2)	–	10.9
Agency sale	4.1	(4.1)	–	–
Other	4.6	–	(5.1)	(0.5)
	37.4	(19.3)	(7.8)	10.3
Non-social housing activities				
Lettings	17.1	–	(7.6)	9.5
Developments for sale	113.6	(83.1)	(1.7)	28.8
Pension provision	–	–	(7.1)	(7.1)
Other	0.8	–	(0.8)	–
	131.5	(83.1)	(17.2)	31.2
	378.4	(102.4)	(163.0)	113.0

2015	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m
Social housing lettings	202.6	–	(143.3)	59.3
Other social housing activities				
Supporting people	2.1	–	(2.2)	(0.1)
Management services	0.8	–	(0.2)	0.6
First tranche sales	12.4	(7.8)	–	4.6
Other	2.9	–	(2.3)	0.6
	18.2	(7.8)	(4.7)	5.7
Non-social housing activities				
Lettings	14.3	–	(8.0)	6.3
Developments for sale	75.8	(59.4)	(1.8)	14.6
Other	1.4	–	(0.7)	0.7
Impairment	–	–	(0.1)	(0.1)
	91.5	(59.4)	(10.6)	21.5
	312.3	(67.2)	(158.6)	86.5

4. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group

	General housing £m	Supported housing £m	Temporary housing £m	Key worker £m	Low cost home ownership £m	2016 Total £m	2015 Total £m
Turnover from social housing lettings							
Rent receivable net of identifiable service charges	115.7	11.7	11.8	16.5	15.0	170.7	165.8
Service charges income	6.9	4.9	–	0.7	7.6	20.1	18.7
Amortised government grants	12.4	1.3	0.4	0.3	1.7	16.1	14.9
Net rental income	135.0	17.9	12.2	17.5	24.3	206.9	199.4
Nomination fees	–	–	0.8	–	0.3	1.1	1.1
Other income	0.4	0.1	0.1	0.1	0.8	1.5	2.1
Turnover from social housing lettings	135.4	18.0	13.1	17.6	25.4	209.5	202.6
Expenditure on social housing lettings							
Management	(24.7)	(5.4)	(1.4)	(7.1)	(7.4)	(46.0)	(46.3)
Service charge costs	(12.0)	(4.1)	(0.3)	(0.7)	(5.8)	(22.9)	(25.3)
Routine maintenance	(12.5)	(1.9)	(0.6)	(1.0)	(0.7)	(16.7)	(16.2)
Planned maintenance and major repairs expenditure	(14.2)	(0.9)	(0.1)	(0.6)	(1.0)	(16.8)	(17.4)
Bad debts	(0.3)	(0.1)	–	(0.1)	(0.5)	(1.0)	(1.0)
Property lease charges	–	(0.1)	(3.1)	–	–	(3.2)	(3.9)
Depreciation of housing properties	(21.6)	(2.0)	(0.7)	(1.7)	–	(26.0)	(32.4)
Accelerated depreciation on asset components	(4.7)	(0.5)	(0.1)	(0.1)	–	(5.4)	(0.8)
Operating costs on social housing lettings	(90.0)	(15.0)	(6.3)	(11.3)	(15.4)	(138.0)	(143.3)
Operating surplus on social housing lettings	45.4	3.0	6.8	6.3	10.0	71.5	59.3
Void losses	(0.7)	(0.6)	(0.2)	(0.4)	(0.2)	(2.1)	(2.5)

Particulars of turnover from non-social housing lettings

	Group	
	2016 £m	2015 £m
Market rental	8.3	6.2
Student accommodation	8.0	7.3
Other	0.8	0.8
	17.1	14.3

Association

	2016		
	Turnover £m	Operating costs £m	Operating surplus/ (deficit) £m
Other social housing activities			
Management services	39.6	(47.5)	(7.9)
Other	1.4	(0.5)	0.9
	41.0	(48.0)	(7.0)

	2015		
	Turnover £m	Operating costs £m	Operating surplus/ (deficit) £m
Other social housing activities			
Management services	38.9	(39.2)	(0.3)
Other	2.6	(0.2)	2.4
	41.5	(39.4)	2.1

5. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group	
	2016 No.	2015 No.
Social housing		
General needs housing	17,573	17,508
Affordable housing	424	321
Supported housing and housing for older people	2,375	2,413
Shared ownership	3,905	3,916
Key worker accommodation	2,692	2,775
Temporary accommodation	440	451
Other	1,250	1,219
Total owned	28,659	28,603
Accommodation managed for others	5,152	4,809
Total owned and managed	33,811	33,412
Non-social housing		
Student accommodation	1,378	1,295
Market rent	852	578
Other – commercial	89	114
Total owned	2,319	1,987
Overall		
Total owned	30,978	30,590
Total managed for others	5,152	4,809
Total owned and managed	36,130	35,399
Accommodation in development	3,856	4,428

The Association does not own or manage any accommodation.

6. Operating surplus

This is arrived at after charging (crediting):

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Depreciation of housing properties	**26.0**	32.4	**–**	–
Accelerated depreciation on replaced components	**5.4**	0.8	**–**	–
Depreciation of other tangible fixed assets	**2.7**	2.5	**–**	–
Impairment of housing properties and investments	**–**	0.1	**–**	–
Operating lease rentals				
– land and buildings	**5.5**	6.1	**1.6**	1.6
– office equipment, computers and vehicles	**0.3**	0.3	**0.3**	0.3
Auditor's remuneration (exclusive of VAT)				
– fees payable for the audit of the Group's annual accounts	**0.2**	0.2	**0.2**	0.2
– fees for the audit of associated entities	**0.1**	–	**–**	–
– fees for tax computations	**–**	–	**–**	–
– fees for tax advice	**–**	–	**–**	–
– fees for other non-audit services	**–**	0.1	**–**	–

7. Employees

Average monthly number of employees expressed in full time equivalents:

A full time equivalent is based on a 35 hour week.

	Group		Association	
	2016 No.	2015 No.	2016 No.	2015 No.
Administration	**184**	181	**182**	179
Development	**100**	94	**100**	94
Housing, support and care	**744**	708	**574**	543
	1,028	983	**856**	816

Employee costs:

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Wages and salaries	**35.5**	33.8	**30.4**	29.1
Social security costs	**3.3**	3.4	**2.9**	3.0
Pension costs	**1.5**	1.5	**1.4**	1.4
Pension provision (note 31)[1]	**7.9**	1.0	**7.9**	1.0
	48.2	39.7	**42.6**	34.5

[1] The current year includes a £5.4m movement on the present value of future SHPS pension deficit payments and £2.1m provision for the local government pension schemes.

Notes to the financial statements (continued)

8. Directors and senior executive remuneration

The executive officers participate in the pension schemes on the same terms as all other eligible staff.

	Group 2016 £'000	Group 2015 £'000
Total emoluments paid to executive officers (including pension contributions)	**1,823**	1,764
Emoluments of the highest paid executive officer (excluding pension contributions and pay in lieu thereof[1] but including performance related pay and benefits in kind)	**263**	255

[1] A payment in lieu of £18,256 (2015: £17,291), the equivalent employer's contribution was received by the highest paid director. The Group defines by management personnel as the Board, the Chief Executive and the Executive management team. There were no payments to key management personnel for compensation for loss of office during the year (2015: £nil).

The emoluments of the executive officers are reviewed and agreed on an annual basis by the Group Governance and Remuneration Committee.

Executive officers

		2016 Total remuneration[1] £'000	2015 Total remuneration[1] £'000
A Boyes	Executive Director (IT and Facilities)	**177**	174
K Bull	Executive Director (Corporate Services)	**143**	125
A Evans	Executive Director (Operations)	**179**	175
J Knevett	Group Commercial Officer	**250**	245
D Mercer	Group Chief Executive	**263**	255
S Potts	Executive Director (Commercial, South East)	**166**	157
D Tufts	Executive Director (Finance & Strategy)	**177**	174
A Waterhouse	Executive Director (Financial Services)	**177**	174
N Yeeles	Executive Director (Commercial, London)	**165**	161

[1] Total remuneration includes performance related pay and benefits in kind of life insurance, private medical and company car where applicable but excludes pension contributions.

Salary banding for all employees earning over £60,000 (includes salary and performance related pay but excludes pension contributions paid by the Group).

	2016 No.	2015 No.
£60,000 to £70,000	**19**	18
£70,001 to £80,000	**17**	16
£80,001 to £90,000	**8**	6
£90,001 to £100,000	**8**	7
£100,001 to £110,000	**6**	1
£110,001 to £120,000	**7**	9
£120,001 to £130,000	**1**	1
£130,001 to £140,000	**1**	1
£140,001 to £150,000	**1**	–
£150,001 to £160,000	**–**	1
£160,001 to £170,000	**2**	1
£170,001 to £180,000	**4**	4
£240,001 to £250,000	**–**	1
£250,001 to £260,000	**1**	1
£260,001 to £270,000	**1**	–
	76	67

9. Board members

Fees of £174,080 (2015: £166,664) were paid to non-executive board members during the year. Taxable travel allowances paid during the year to board members amounted to £13,400 (2015: £17,183). Non-executive board members as at 31 March 2016 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
Suzanne Avery[1]	2,333				●		
Peter Braithwaite	4,000			●			
Jane Clarke	5,333		●				
David Coates	13,233	●	●				●
Terence Cook	10,000						●
Ian Cox	13,750			●		●	●
Jan Czezowski	7,750	●		●			
Sara Dickinson	12,000				●		●
Sue Eggleton[2]	2,316						
Mark Gallagher	5,750			●	●		
Kerrie Green[2]	4,083						
Martin Huckerby	5,750	●		●			
Brenda Jenner[2]	13,750						
Derek Joseph (Chair)	22,000					●	●
David Lewis[2]	12,750						
Nick Martin	5,750	●			●		
Pauline McMichael	4,000		●				
Anne Murray[2]	2,000						
Ross Proudfoot[2]	2,750						
Carl Rudd	4,000		●				
Ingrid Sadiki	5,333		●				
Richard Smith-Ainsley	–		●				
Caroline Tiller[3]	3,667	●					●
Caroline Tolhurst[3]	5,449	●				●	●
Peter Walker[1]	2,333				●		
Peter Wyeth[1]	4,000		●				

[1] These board members commenced their roles part way through the year ended 31 March 2016.
[2] These board members resigned during the year ended 31 March 2016.
[3] These board members commenced their roles part way through the year ended 31 March 2016 and joined the Group Board on the 1 April 2016.

10. Surplus on sale of fixed assets

Group

	2016					2015
	Shared ownership £m	Sales to other registered providers £m	Other housing properties £m	Investments (Homebuy and equity loans) £m	Total £m	Total restated £m
Housing properties						
Disposal proceeds	30.0	3.5	6.6	0.4	40.5	36.2
Cost of disposals	(17.4)	(2.7)	(3.8)	–	(23.9)	(29.4)
Selling costs	(0.2)	–	(0.1)	–	(0.3)	(0.2)
Grant recycled	(0.7)	–	(0.1)	(0.2)	(1.0)	(0.1)
Surplus on disposal of fixed assets – housing properties	11.7	0.8	2.6	0.2	15.3	6.5
Surplus on disposal of other tangible fixed assets	–	–	–	–	–	–
Surplus on disposal of fixed assets	11.7	0.8	2.6	0.2	15.3	6.5

11. Interest receivable and other income

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Interest receivable and similar income	2.4	1.8	–	0.1
Received from other Group entities	–	–	6.8	10.9
	2.4	1.8	6.8	11.0

12. Interest payable and similar charges

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Loans and bank overdrafts	65.3	61.5	6.8	10.9
Finance related costs	1.8	1.0	–	0.6
Recycled capital grant fund	0.1	0.1	–	–
	67.2	62.6	6.8	11.5
Interest payable capitalised on housing properties under construction	(18.1)	(13.6)	–	–
	49.1	49.0	6.8	11.5
Capitalisation rates used to determine the finance costs capitalised during the year	4.8-6.1%	4.8-6.1%	–	–
Other financing costs through other comprehensive income				
Loss on fair value of hedged derivative instruments	2.5	34.7	–	–

13. Tax on surplus on ordinary activities

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Current tax				
UK corporation tax on surplus for the year	0.1	–	–	–
Adjustments in respect of prior years	–	–	–	–
Total current tax charge	0.1	–	–	–
Deferred tax				
Adjustment in respect of prior periods	–	1.9	–	–
Origination and reversal of timing differences	0.7	1.2	–	–
Effect of tax rate change on opening balance	(0.3)	–	–	–
Total deferred tax charge	0.4	3.1	–	–
Total charge in the year	0.5	3.1	–	–
Movement in deferred tax charge				
Provision at start of year	3.1	–	–	–
Deferred tax charged in the income and expenditure account for the year	0.4	3.1	–	–
Provision at end of year	3.5	3.1	–	–

A reconciliation of the tax charge to the surplus on ordinary activities before tax is provided below:

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Surplus/(deficit) on ordinary activities before tax:	114.5	73.2	(7.5)	0.9
UK corporation tax at 20% (2015: 21%)	22.9	15.4	(1.5)	0.2
Effects of:				
Other tax adjustments, reliefs and transfers	1.1	0.6	–	–
Capital gains	0.9	0.1	–	–
Deferred tax not recognised	0.5	(4.5)	–	–
Adjust closing deferred tax to average rate	(0.2)	–	–	–
Expenses not deductible for tax purposes	51.1	58.7	12.6	11.0
Income not taxable for tax purposes	(75.6)	(69.1)	(11.1)	(11.2)
Adjustment in respect of prior years	–	1.9	–	–
Fixed asset differences	(0.2)	–	–	–
Current tax charge for year	0.5	3.1	–	–

14. Tangible fixed assets – properties

Housing properties	Social Housing completed £m	Social Housing under construction £m	Shared Ownership completed £m	Shared Ownership under construction £m	Keyworker completed £m	Total £m
Cost or valuation						
At 1 April 2015	2,215.5	87.7	306.6	23.6	127.2	**2,760.6**
Prior period adjustment (note 34)	(14.3)	–	–	–	–	**(14.3)**
At 1 April 2015 as restated	2,201.2	87.7	306.6	23.6	127.2	**2,746.3**
Reclassification	(0.5)	0.5	0.3	(0.1)	(0.4)	**(0.2)**
Additions at cost						
Construction works	–	76.2	–	25.4	–	**101.6**
Works to existing properties	19.4	–	–	–	0.7	**20.1**
Transfer to equity loans	(3.5)	–	–	–	–	**(3.5)**
Transfer (to)/ from Investment properties	0.4	–	–	–	(0.4)	**–**
Transfer to current assets	–	(6.5)	(0.3)	(8.0)	–	**(14.8)**
Schemes completed	37.7	(37.8)	16.9	(16.8)	–	**–**
Disposals						
Planned disposals	(1.9)	–	–	–	–	**(1.9)**
Replaced components	(10.5)	–	–	–	(0.5)	**(11.0)**
Sales to other registered providers	(2.7)	–	–	–	–	(2.7)
Staircasing sales	–	–	(17.4)	–	–	**(17.4)**
Transfer to other fixed assets	(0.3)	–	–	–	–	**(0.3)**
At 31 March 2016	**2,239.3**	**120.1**	**306.1**	**24.1**	**126.6**	**2,816.2**
Depreciation and impairment						
At 1 April 2015	243.9	2.6	0.3	–	19.0	**265.8**
Reclassification	(0.2)	–	0.1	–	(0.2)	**(0.3)**
Charge for the year	24.3	–	–	–	1.7	**26.0**
Disposals						
Planned disposals	(0.3)	–	–	–	–	**(0.3)**
Replaced components	(5.2)	–	–	–	(0.4)	**(5.6)**
At 31 March 2016	**262.5**	**2.6**	**0.4**	**–**	**20.1**	**285.6**
Net book value						
At 31 March 2016	**1,976.8**	**117.5**	**305.7**	**24.1**	**106.5**	**2,530.6**
At 31 March 2015	1,957.3	85.1	306.3	23.6	108.2	2,480.5

The amount of cumulative interest capitalised in housing properties since 2009 is £31.1m. Reclassifications represent the reapportionment of base costs between tenures. Prior to the adoption of FRS 102 social housing grant was classified within fixed assets; under those accounting rules social housing and keyworker accumulated depreciation would have been £135.4m.

Housing properties book value, net of depreciation comprises

	Group	
	2016 £m	2015 £m
Freehold land and buildings	1,785.4	1,676.2
Long leasehold land and buildings	671.7	723.9
Short leasehold land and buildings	73.5	80.4
	2,530.6	2,480.5

Expenditure on works to existing properties

	Group	
	2016 £m	2015 £m
Amounts capitalised	20.1	19.8
Amounts charged to income and expenditure account	17.7	17.6
Total	37.8	37.4

The amounts charged to income and expenditure are split between £16.8m for social housing (2015: £17.4m) and £0.9m for investment properties (2015: £0.2m).

The amount of assets given as security (EUV basis of valuation) as at 31 March 2016 is £1,674m (2015: £1,576m).

Valuation for disclosure only

	Group
	2016 £m
Completed housing properties at valuation	2,422.2
Revaluation reserve – completed housing properties	950.2

For information purposes only, completed housing properties are valued at 31 March 2016 by Jones Lang LaSalle Limited and Savills (L&P), qualified professional independent external valuers.

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 Existing Use Value for Social Housing (EUV-SH), for all Social Housing and Shared Ownership properties, or Market Value Tenanted (MV- T) 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	5.0%–6.25%
Rent assumptions:	
Social rented	Minus 1% for the next four years and CPI + 1.0% thereafter
Supported housing for older people	CPI or CPI +1.0% if under or on formula rent. Minus 1.0% for year's two to four and CPI + 1.0% thereafter.
Shared ownership	RPI +0.5%
Other rents	RPI +1.0% or in accordance with any relevant lease or nominations agreements.

15. Other tangible fixed assets

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 2015	3.8	1.9	0.6	7.8	17.1	31.2
Additions	0.9	0.1	–	1.3	0.2	2.5
Transfer to/from fixed assets	–	–	–	–	0.3	0.3
Disposals	–	–	–	(1.3)	–	(1.3)
At 31 March 2016	**4.7**	**2.0**	**0.6**	**7.8**	**17.6**	**32.7**
Depreciation						
At 1 April 2015	2.0	0.9	0.6	4.7	1.8	10.0
Charged in year	0.4	0.2	–	1.8	0.3	2.7
Disposals	–	–	–	(1.3)	–	(1.3)
At 31 March 2016	**2.4**	**1.1**	**0.6**	**5.2**	**2.1**	**11.4**
Net book value						
At 31 March 2016	**2.3**	**0.9**	–	**2.6**	**15.5**	**21.3**
Net book value						
At 31 March 2015	1.8	1.0	–	3.1	15.3	21.2

16. Investment properties

Group

	Student accommodation £m	Market rent £m	Commercial £m	Properties under construction at cost £m	Total £m
At 1 April 2015	85.7	135.8	16.7	38.2	276.4
Additions	0.1	39.9	0.5	14.7	55.2
Disposals	–	(0.1)	(0.1)	–	(0.2)
Schemes completed	5.6	20.5	0.8	(26.9)	–
Transfer from /(to) fixed asset properties	0.4	0.2	(0.6)	–	–
Revaluation	4.9	24.8	0.4	–	30.1
At 31 March 2016	96.7	221.1	17.7	26.0	361.5

The Group's investment properties are valued annually on 31 March at fair value, determined by Jones Lang LaSalle Limited, qualified professional independent external valuers. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

In valuing investment properties, a discounted cash flow methodology was adopted with the following key assumptions:

Discount rate	5.25%
Annual inflation rate	2%
Level of long term annual rent increase	RPI +1%

Commercial properties have been valued using a term and reversion method (where the current rental stream has been capitalised for the term certain of the lease and thereafter the market rent has been capitalised into perpetuity).

Full vacant possession for the market rent properties at 31 March 2016 is £247.9m. This gives an indication of the worth of these if they were to be sold individually in the open property market.

Student accommodation has been valued using a market based approach, where each asset has been valued on an individual basis.

The surplus on revaluation of investment property arising of £30.1m (2015: £28.2m) has been credited to the statement of comprehensive income for the year.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	Student accommodation £m	Market rent £m	Commercial £m	2016 £m	2015 £m
Historic cost	63.5	161.2	8.5	233.2	154.8
Accumulated depreciation	(10.1)	(5.9)	(0.4)	(16.4)	(15.3)
	53.4	155.3	8.1	216.8	139.5

17. Investments – Homebuy loans

Group

	2016 £m	2015 £m
At 1 April	3.2	3.3
Loans redeemed	(0.3)	(0.1)
At 31 March	2.9	3.2

Investments in Homebuy loans represent an equity stake in third party properties purchased under the Homebuy scheme. Security for the loans is provided by the assets the loans relate to. Terms of repayment for all loans are on redemption.

18. Fixed asset investments

Group

	Equity loans £m	Other £m	Total £m
Cost			
At 1 April 2015	2.4	21.3	23.7
Prior year adjustment (note 34)	0.2	–	0.2
At 1 April 2015 as restated	2.6	21.3	23.9
Additions	0.2	0.3	0.5
Transfer from fixed assets	3.5	–	3.5
Disposal/redeemed	(0.3)	(9.4)	(9.7)
Movement in fair value	–	0.1	0.1
At 31 March 2016	**6.0**	**12.3**	**18.3**

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 2016 is not less than the cost.

Other investments relate to the following, representing fair value remeasurements:

	31 March 2016		31 March 2015	
	Cost £m	Market value £m	Cost £m	Market value £m
Investments listed on a recognised stock exchange	**1.2**	**1.3**	1.2	1.4
British government securities	**3.2**	**5.0**	3.2	4.9
Cash and similar investments	**5.5**	**5.5**	15.0	15.0
Other	**0.5**	**0.5**	–	–
	10.4	**12.3**	19.4	21.3

Group

	Jointly controlled entities £m
Cost	
At 1 April 2015	55.1
Additions	11.9
Disposal/redeemed	(4.8)
At 31 March 2016	**62.2**
Share of retained profits	
At 1 April 2015	(0.3)
Profit for the year	2.7
Distributions	(6.4)
At 31 March 2016	**(4.0)**
Net book value	
At 31 March 2016	**58.2**
At 31 March 2015	54.8

There was no premium on acquisition relating to the jointly controlled entities.

The Group holds an interest in six jointly controlled entities through A2Dominion Developments Limited:

Entity	Country of incorporation or registration	Partner	Group Interest	Group voting rights
Essex Wharf Homes LLP	England	Sherry Green Homes Limited	50%	50%
Green Man Lane LLP	England	Real (Ealing) Limited	50%	50%
Queens Wharf Riverside LLP	England	Hammersmith Developments Holdco Limited	50%	50%
Keybridge House LLP	England	Mount Anvil (Keybridge) Limited	50%	50%
Crest A2 (Walton Court) LLP	England	Crest Nicholson Operations Limited	50%	50%
Secure Storage Solutions LLP	England	Tim Woodcock and Tickland Limited	25%	50%

The amount included in respect of jointly controlled entities includes the following:

	Essex Wharf Homes LLP £m	Green Man Lane LLP £m	Queens Wharf Riverside LLP £m	Keybridge House LLP £m	Crest A2 (Walton Court) LLP £m	Secure Storage Solutions LLP £m	Total £m
Turnover	10.6	–	–	–	–	–	10.6
Cost of sales and administration expenses	(6.8)	–	–	–	–	–	(6.8)
Other finance costs	–	–	0.1	(1.2)	–	–	(1.1)
Surplus for the year	**3.8**	**–**	**0.1**	**(1.2)**	**–**	**–**	**2.7**
Share of:							
Current assets	0.1	16.6	38.3	59.7	11.9	0.1	126.7
Liabilities due within in one year	–	(16.6)	(20.9)	(31.0)	–	–	(68.5)
Net assets	**0.1**	**–**	**17.4**	**28.7**	**11.9**	**0.1**	**58.2**
Share of capital commitments	**–**	**52.1**	**33.5**	**81.9**	**–**	**–**	**167.5**

Notes to the financial statements (continued)

18. Fixed asset investments (continued)

The principal undertakings in which the Association has an interest are as follows:

Company	Country of incorporation or registration	Group's share of ordinary share capital	Nature of business	Nature of entity
A2Dominion Enterprises Limited	England	100%	Dormant Company	Incorporated Company
A2Dominion Housing Options Limited	England	100%	Rents properties for affordable housing	Non-charitable registered provider of social housing
A2Dominion Housing Finance Limited	England	100%	Raise funds for the operational business	Non-charitable Co-operative and Benefit Society
A2Dominion South Limited	England	100%	Rents properties for social housing	Registered provider of social housing
A2Dominion Homes Limited	England	100%	Rents properties for social housing	Registered provider of social housing
A2Dominion Residential Limited	England	100%	Rents properties at market rents	Incorporated Company
A2Dominion Developments Limited	England	100%	Develops and sells properties	Incorporated Company
A2Dominion Treasury Limited	England	100%	Raise funds for the operational business	Incorporated Company
A2Dominion Investments Limited	England	100%	Dormant Company	Incorporated Company
Affordable Property Management Limited	England	100%	Dormant Company	Incorporated Company
Home Farm Exemplar Limited	England	100%	Non Trading	Incorporated Company
Kingsbridge Residential Limited	England	100%	Dormant Company	Incorporated Company
Pyramid Plus London LLP	England	70%	Property maintenance services	Limited Liability Partnership
Pyramid Plus South LLP	England	70%	Property maintenance services	Limited Liability Partnership
Upper Richmond Buildings Limited	England	100%	Non Trading	Incorporated Company
A2D Funding PLC	England	–	Issue retail bonds and lend proceeds	Public Limited Company
A2D Funding II PLC	England	–	Issue retail bonds and lend proceeds	Public Limited Company

19. Properties for sale

	Group	
	2016 £m	2015 £m
Open market sale – completed properties	2.2	4.4
Open market sale – under construction	183.2	205.6
Shared ownership – completed properties	3.7	2.5
Shared ownership – under construction	7.1	14.5
Land held for development	0.6	1.7
Agency schemes for sale	4.4	14.5
	201.2	243.2

Capitalised interest included in the stock balances is £19.7m (2015: £18.3m).

20. Debtors

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Due within one year				
Rent and service charges receivable	11.8	11.7	–	–
Less: Provision for bad and doubtful debts	(6.0)	(6.1)	–	–
Net arrears	5.8	5.6	–	–
Trade debtors	0.1	0.2	0.2	0.2
Other debtors	15.1	11.6	8.8	3.0
VAT recoverable	2.0	–	–	–
Deposits on purchased schemes	3.0	–	–	–
Prepayments and accrued income	9.1	4.9	0.9	1.1
Amounts due from Group entities	–	–	10.2	8.2
Capital and agency debtors	6.7	22.8	–	–
	41.8	45.1	20.1	12.5
Due after more than one year				
Loans due from subsidiary undertakings under on-lending arrangements	–	–	131.3	138.5
Deposits on purchased schemes	27.1	26.0	–	–
Loans due from jointly controlled entities	34.7	19.9	–	–
Capital and agency debtors	1.9	–	–	–
Other debtors	0.6	6.6	–	–
	64.3	52.5	131.3	138.5
	106.1	97.6	151.4	151.0

21. Current asset investments

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Money market deposits	8.0	9.0	8.0	9.0

22. Cash at bank and in hand

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash at bank	31.2	24.0	16.2	13.9
Sinking funds	6.1	5.4	–	–
	37.3	29.4	16.2	13.9

At 31 March 2016 £1.3m (2015: £1.2m) of cash balances were charged to lenders.

23. Creditors: amounts falling due within one year

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Loans and borrowings (note 28)	29.2	15.3	7.3	5.8
Trade creditors	7.0	10.8	3.2	4.7
Rent and service charges received in advance	10.1	10.3	–	–
Deferred capital grant (note 25)	15.0	17.6	–	–
Recycled Capital Grant Fund (note 26)	6.6	4.8	–	–
Disposal Proceeds Fund (note 27)	0.5	0.8	–	–
Amounts owed to Group entities	–	–	29.4	19.6
Other taxation and social security	1.1	1.3	1.0	1.1
Other creditors	6.6	3.7	2.1	2.1
Accruals and deferred income	20.3	20.1	4.1	3.1
Interest accrued	5.7	4.9	–	–
Capital creditors	3.4	22.1	–	–
	105.5	111.7	47.1	36.4

24. Creditors: amounts falling due after more than one year

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Loans and borrowings (note 28)	1,335.3	1,332.8	131.3	138.5
Deferred capital grant (note 25)	1,011.0	1,023.5	–	–
Interest rate SWAP – cash flow hedge	84.8	84.2	–	–
Recycled Capital Grant Fund (note 26)	14.4	14.1	–	–
Sinking funds	6.6	5.4	–	–
Disposal Proceeds Fund (note 27)	3.1	1.9	–	–
Capital creditors	5.4	2.8	–	–
Deferred tax (note 32)	3.5	3.1	–	–
	2,464.1	2,467.8	131.3	138.5

25. Deferred capital grant

	2016 Housing property £m	2016 Homebuy £m	2016 Total £m	2015 Housing property £m	2015 Homebuy £m	2015 Total £m
At 1 April	1,038.0	3.1	1,041.1	1,032.7	3.3	1,036.0
Grants received during the year:						
– Housing properties	7.7	–	7.7	23.4	–	23.4
– Recycled Capital Grant Fund	4.8	–	4.8	4.6	–	4.6
– Disposal Proceeds Fund	0.9	–	0.9	–	–	–
Grants recycled during the year:						
– Recycled Capital Grant Fund	(5.9)	(0.2)	(6.1)	(7.3)	(0.2)	(7.5)
– Disposal Proceeds Fund	(0.6)	–	(0.6)	(0.5)	–	(0.5)
Amortised grant	(16.1)	–	(16.1)	(14.9)	–	(14.9)
Transfer on asset disposal to other registered provider	(5.7)	–	(5.7)	–	–	–
At 31 March	1,023.1	2.9	1,026.0	1,038.0	3.1	1,041.1
Due within one year	15.0	–	15.0	17.6	–	17.6
Due in more than one year	1,008.1	2.9	1,011.0	1,020.4	3.1	1,023.5

Without the amortisation of grant introduced under FRS 102, the amount of grant as at 31 March 2016 would have been £1,187.0m.

	Group	
	2016 £m	2015 £m
Work in progress grant	38.7	41.2
Completed grant	1,148.3	1,131.8
	1,187.0	1,173.0

Notes to the financial statements (continued)

26. Recycled Capital Grant Fund

Group	HCA 2016 £m	GLA 2016 £m	Total 2016 £m	HCA 2015 £m	GLA 2015 £m	Total 2015 £m
At 1 April	4.1	14.8	18.9	4.4	11.5	15.9
Inputs to fund:						
Grants recycled from deferred capital grants	0.8	5.3	6.1	1.7	5.8	7.5
Grants recycled from statement of comprehensive income	0.1	0.6	0.7	–	–	–
Interest accrued	–	0.1	0.1	–	0.1	0.1
Recycling of grant:						
New build	(1.4)	(3.4)	(4.8)	(2.0)	(2.6)	(4.6)
At 31 March	3.6	17.4	21.0	4.1	14.8	18.9
Due within one year	0.8	5.8	6.6	1.4	3.4	4.8
Due in more than one year	2.8	11.6	14.4	2.7	11.4	14.1

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

27. Disposal Proceeds Fund

Group	HCA 2016 £m	GLA 2016 £m	Total 2016 £m	HCA 2015 £m	GLA 2015 £m	Total 2015 £m
At 1 April	0.6	2.1	2.7	0.4	0.9	1.3
Inputs to fund:						
Funds recycled from deferred capital grants	0.3	0.3	0.6	–	0.5	0.5
Funds recycled from statement of comprehensive income	0.1	1.1	1.2	0.2	0.7	0.9
New build	(0.4)	(0.5)	(0.9)	–	–	–
At 31 March	0.6	3.0	3.6	0.6	2.1	2.7
Due within one year	0.2	0.3	0.5	0.2	0.6	0.8
Due in more than one year	0.4	2.7	3.1	0.4	1.5	1.9

Withdrawals from the disposal proceeds fund were used for approved works to existing properties.

28. Loans and borrowings

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Due within one year				
Bank overdraft	0.1	0.1	0.1	0.1
Bank loans	27.8	13.9	7.2	5.7
Other loans	1.3	1.3	–	–
	29.2	15.3	7.3	5.8

	Group 2016 £m	Group 2015 £m	Association 2016 £m	Association 2015 £m
Due after more than one year				
Bank loans	**1,024.0**	1,019.8	**131.3**	138.5
Other loans	**318.6**	319.9	**–**	–
Loan issue costs	**(7.3)**	(6.9)	**–**	–
	1,335.3	1,332.8	**131.3**	138.5

	Group 2016 £m	Group 2015 £m	Association 2016 £m	Association 2015 £m
Within one year	**29.2**	15.3	**7.3**	5.8
Between one and two years	**32.9**	25.8	**6.5**	5.8
Between two and five years	**128.6**	118.8	**19.1**	18.4
After five years	**1,181.1**	1,195.1	**105.7**	114.3
Loan issue costs	**(7.3)**	(6.9)	**–**	–
	1,364.5	1,348.1	**138.6**	144.3

Loans and borrowings consist of bank loans secured by fixed charges on individual properties and proceeds from two retail bonds.

	Loan balance £m	Premium/ (discount) £m	Interest Rate Lowest	Interest Rate Highest	Interest Rate Weighted average	Margin Lowest	Margin Highest
Loans on floating rates	144.5	–	LIBOR	LIBOR	LIBOR	0.23%	0.75%
Floating rate loans hedged with interest rate swaps	238.9	–	4.04%	4.96%	4.62%	0.22%	1.35%
Non-cancellable floating rate loans hedged with embedded fixes	516.3	–	3.45%	5.97%	4.75%	0.23%	0.75%
Index linked loans	3.3	–	3.88%	5.50%	3.88%	0.00%	0.63%
Bond issue	448.4	0.4	1.96%	11.50%	5.49%	0.00%	0.00%
Total	**1,351.4**	**0.4**					

The bank and other loans are repaid by bullet payments or in half-yearly and quarterly instalments and are fixed and variable rates of interest ranging from 0.76% (LIBOR + margin) to 11.5%. The final instalments fall to be repaid in the period 2019 to 2044 as tabulated below:

	Interest rate maturity ladder[1] £m	Loan repayments bullet £m	Loan repayments Instalment £m
Within 1 year	148.7	2.5	25.4
2 to 5 years	160.9	28.9	127.3
6 to 10 years	189.5	150.0	204.7
11 to 15 years	212.8	150.0	248.3
16 to 20 years	270.5	56.1	189.2
21 to 25 years	229.5	50.0	98.3
More than 25 years	139.9	–	21.1
Total	1,351.8	437.5	914.3

[1]The interest rate maturity ladder indicates the timeline of when periods of fixed interest rates within the Groups loan portfolio end which is not necessarily the same timeline as the underlying borrowing.

28. Loans and borrowings (continued)

At 31 March 2016 the Group had undrawn loan facilities of £353.2m (2015: £290.2m) which carry margins between 0.23% and 1.4%.

Cash balances held at 31 March 2016 include £1.3m (2015: £1.2m) charged to lenders.

29. Financial instruments

	Group		Association	
Financial assets	2016 £m	2015 £m	2016 £m	2015 £m
Financial assets measured at historical cost:				
– Trade receivables	**0.1**	0.2	**0.2**	0.2
– Rent and service charge	**11.8**	11.7	**–**	–
– Other receivables	**65.5**	71.9	**151.2**	150.8
– Investments	**21.2**	27.1	**–**	–
– Investments in short term deposits	**8.0**	9.0	**8.0**	9.0
– Cash and cash equivalents	**37.3**	29.4	**16.2**	13.9
Financial assets that are debt instruments measured at amortised cost:				
– Loans receivable	**34.7**	19.9	**–**	–
Total financial assets	**178.6**	169.2	**175.6**	173.9
Financial liabilities				
Financial liabilities measured at historical cost:				
– Trade creditors	**7.0**	10.8	**3.2**	4.7
– Other creditors	**1,113.3**	1,136.4	**36.6**	25.9
Derivative financial instruments designated as standalone interest rate swaps without options measured at fair value[1]	**84.8**	84.2	**–**	–
Financial liabilities measured at amortised cost:				
– Loans payable	**1,364.5**	1,348.1	**138.6**	144.3
Total financial liabilities	**2,569.6**	2,579.5	**178.4**	174.9

[1] The fair value of the derivative financial instrument is estimated in accordance with FRS 102 section 11 paragraph C.

These are the interest rate swaps without options to receive floating/pay fixed rates for a fixed period:

Entity	Profile	Notional £m	Swap Fixed Rate	Start Date	End Date	Payments	LIBOR Basis
A2Dominion South	Bullet	35.0	4.570%	30/05/2013	30/11/2037	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.450%	01/04/2009	01/07/2035	Quarterly	3 Month
A2Dominion South	Bullet	25.0	4.520%	21/05/2013	21/05/2038	Quarterly	3 Month
A2Dominion South	Amortising	40.0	4.760%	30/06/2011	05/09/2030	Quarterly	3 Month
A2Dominion South	Amortising	22.9	4.250%	30/06/2011	30/12/2022	Quarterly	3 Month
A2Dominion Homes	Bullet	15.0	4.75%	–	31/12/2017	Quarterly	3 Month
A2Dominion Homes	Bullet	16.0	4.040%	01/01/2009	22/09/2036	Quarterly	3 Month
A2Dominion Homes	Bullet	30.0	4.960%	30/09/2009	30/09/2018	Quarterly	3 Month
A2Dominion Homes	Bullet	30.0	4.930%	30/09/2009	30/09/2019	Quarterly	3 Month
A2Dominion Housing Options	Bullet	15.5	4.460%	01/07/2005	02/07/2035	Quarterly	3 Month

The Group holds floating rates loans, which expose the Group to interest rate risk, to mitigate this risk, the Group uses interest rate swaps.

During the year the change in fair value of the interest rate swaps was a £0.6m loss (2015: £33.8m).

Of the total notional value, £62.9m are amortising in line with the underlying debt.

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 2016 the amount of cash posted as collateral was £nil (2015: £12.6m) and the value of properties charged was £45.5m (2015: £33.7m). No additional security is required in respect of embedded derivatives.

Financial institution disclosures

The Group has two retail bond arrangements in place. All borrowings are unsecured but are guaranteed by the parent company, A2Dominion Housing Group Limited. Borrowings are repayable by bullet payments in 2022 (£150.0m) and 2026 (£150.0m) and rates of interest are fixed at 4.75125% and 4.50125% respectively. Total issue costs incurred of £2.2m have been deducted from the initial carrying value and will be charged to the statement of comprehensive income as part of the interest charge using the effective interest rate method.

Retail bonds	2016 £m	2015 £m
Financial liabilities that are debt instruments measured at amortised cost	298.1	298.0

The retail bonds are not secured but are guaranteed by the parent company. The loan covenants of the bonds state the asset cover of unencumbered stock against the loans' value cannot fall below 130%.

The risks associated with these bonds are as follows:

- Credit & liquidity risks:

The risk of being unable to service the bonds or repay the principles as they fall due. The Group manages its cash flow requirements by monitoring medium and long-term cash flows monthly. The Group also monitors its loan repayment profile and ensures as far as possible that when negotiating facilities maturity dates are spread.

- Market risk:

As coupon rates remain unchanged throughout the life of the bonds, the Group is not exposed to fluctuations in interest rates. There is a risk that as the bonds mature the Group may not be able to refinance them at similar rates. The Group monitors and manages this risk by modelling the impact of interest rate rises in its long term forecasts. The Group has extended loan facilities to two LLPs which are joint ventures between A2Dominion Developments Limited and a third party. These are financed with proceeds of a retail bond issued by the Group (note 28). Any interest and other fees receivable are added to the loan and will be paid when the facility matures. Loan interest payable on monies borrowed to on-lend are paid as they fall due. At 31 March, amounts due and payable in respect of these loans are as follows:

Financial assets	2016 £m	2015 £m
Loans to joint ventures, measured at amortised cost	25.9	19.4

Financial liabilities	2016 £m	2015 £m
Loans from external lenders, measured at amortised cost	(22.1)	(18.3)

Turnover and costs relating to these loans are as follows:

Turnover	2016 £m	2015 £m
Loans to joint ventures, measured at amortised cost	3.0	1.2

Costs	2016 £m	2015 £m
Loans from external lenders, measured at amortised cost	(1.0)	(0.2)

The loans are for use by the LLP's to develop units for sale in London.

The risks associated with these loans are as follows:

- Credit risk

The risk of default from a borrower failing to make required payments. The Group shares control of the LLPs and monitors their performance to assess that the loan obligations can be met. The loans are secured against the projects being developed under the LLP agreements and the market value of these projects is in excess of the value of the loans.

29. Financial instruments (continued)

- Liquidity risk

Delays to the developments and associated income from the sales could impact on the LLP's ability to meet the loan terms. The Group manages this risk by careful monitoring of cashflow requirements (both of the Group and of the joint ventures) which are updated to reflect sales expectations including sales delay scenarios, ensuring that it always has sufficient cash to meet obligations as they fall due. Further, Group policy requires it to have spare committed facilities to draw on in the event of a sales downturn.

- Market risk

The loans receivable are linked to LIBOR whilst those payable are fixed, therefore there is a risk that were LIBOR to fall further interest receivable may not cover interest payable on monies borrowed to on-lend. However, the Group receives other income related to the loans (setup and exit fees and commitment fees on undrawn facility) which result in the all-in turnover from loans receivable exceeding costs. Conversely, an increase in LIBOR would increase the interest receivable without affecting costs.

30. Provisions for liabilities

Group	Pension £m	Major works and defects £m	Legal and contractual £m	Holiday pay £m	Total £m
At 1 April 2015	12.6	1.8	2.4	0.3	17.1
Charged to income and expense					
Additions	7.1	–	–	–	7.1
Contributions paid	(1.6)	–	–	–	(1.6)
Unwinding of discount factor	0.4	–	–	–	0.4
Utilised in the year	–	(0.9)	(0.8)	–	(1.7)
At 31 March 2016	**18.5**	**0.9**	**1.6**	**0.3**	**21.3**

The pension provision is the present value of the Social Housing Pension Scheme (SHPS) defined benefit scheme deficit contributions payable up to 2026 of £16.4m and £2.1m for provision for any future cessation events of the Oxford and Surrey LGPS schemes.

Major works and defects provisions reflects the latent defect work contractually required by the company but yet to be completed. The provision provided relates to a number of schemes with work expected to be completed within 18 months. The provision reflects the total cost the company expects to incur on its contractual liabilty.

The legal and contractual provision relates to an ongoing dispute and future contractual obligations.

Association	Pension £m	Contractual £m	Holiday pay £m	Total £m
At 1 April 2015	12.6	0.7	0.3	13.6
Charged to income and expense				
Additions	7.1	–	–	7.1
Contributions paid	(1.6)	–	–	(1.6)
Unwinding of discount factor	0.4	–	–	0.4
Utilised in the year	–	(0.1)	–	(0.1)
At 31 March 2016	**18.5**	**0.6**	**0.3**	**19.4**

31. Pensions

The Group's employees are members of the SHPS or the Surrey and Oxfordshire County Council Schemes or the Scottish Widows scheme. There are two Scottish Widows schemes which are defined contribution schemes. One scheme is operated by A2Dominion Housing Group Limited and has 2 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 20 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 SHPS defined benefit scheme (DB) and defined contribution scheme (DC). As at the balance sheet date there were 142 active members of the DB Scheme employed by A2Dominion Housing Group Limited and 627 active members of the DC Scheme.

During the year A2Dominion Housing Group Limited paid contributions at the rate of 20.6%. Member contributions varied between 8.0% and 11.9% depending on their age into the DB scheme. The Group and members contributed between a range of 2% to 8% into the DC scheme. The defined contributions cost for the year totalled £0.7m (2015: £0.7m) of which £0.1m (2015: £0.1m) was outstanding at the year end.

The long-term joint contribution rates that will apply from April 2016 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	20.6
Career average revalued earnings with a 1/60th accrual rate	16.7

The DB scheme is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	From 1 April 2016 to September 2020	£40.6m per annum	Payable monthly and increasing by 4.7% each year on 1st April
Tier 2	From 1 April 2016 to September 2023	£28.6m per annum	Payable monthly and increasing by 4.7% each year on 1st April
Tier 3	From 1 April 2016 to September 2026	£32.7m per annum	Payable monthly and increasing by 3.0% each year on 1st April
Tier 4	From 1 April 2016 to September 2026	£31.7m per annum	Payable monthly and increasing by 3.0% each year on 1st April

Note: the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

The financial assumptions underlying the valuation as at 30 September 2014 were as follows:

Valuation discount rates:	% pa
Pre retirement	5.9
Non-pensioner post retirement	3.3
Pensioner post retirement	3.3
Pensionable earnings growth	4.2
Price inflation	3.1

Notes to the financial statements (continued)

31. Pensions (continued)

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

	2016 £m	2015 £m	2014 £m
Present value of provision	**(16.4)**	(12.6)	(13.5)

Reconciliation of opening and closing provisions

	2016 £m	2015 £m
Provision at start of period	**(12.6)**	(13.5)
Unwinding of the discount factor (interest expense)	**(0.4)**	(0.6)
Deficit contribution	**1.6**	1.5
Remeasurements – impact of change in assumptions	**–**	–
Remeasurements – amendments to the contribution schedule	**(5.0)**	–
Provision at the end of period	**(16.4)**	(12.6)

Income and expenditure impact

	2016 £m	2015 £m
Interest expense	**(0.4)**	(0.6)
Remeasurements – impact of change in assumptions	**–**	–
Remeasurements – amendments to the contribution schedule	**(5.0)**	–

Assumptions

	2016 %	2015 %	2014 %
Rate of discount	**4.1**	4.1	4.1

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit Contributions Schedule

	2016 £m	2015 £m	2014 £m
Year 1	2.2	1.6	1.5
Year 2	2.3	1.7	1.6
Year 3	2.4	1.8	1.7
Year 4	2.5	1.8	1.8
Year 5	2.1	1.9	1.8
Year 6	1.8	1.6	1.9
Year 7	1.9	1.2	1.6
Year 8	1.6	1.2	1.2
Year 9	1.3	1.0	1.2
Year 10	1.3	0.6	1.0
Year 11	0.7	1.7	0.6
Year 12	–	0.3	0.7
Year 13	–	–	0.3
Year 14	–	–	–

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the statement of comprehensive income i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's statement of financial position liability.

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 new 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 and career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2016.

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.

31. Pensions (continued)

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.

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.

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).

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 2015. As of that date the estimated employer debt for A2Dominion Housing Group Limited was £104.2m.

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.

Surrey County Council Pension Fund (SCCPF) (Association)

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 2016. The employer's contributions to the SCCPF by the Association for the year ended 31 March 2016 were £233,000 at a contribution rate of 26.4% of pensionable salaries, set until the next funding valuation. This scheme is closed to new entrants.

Oxfordshire County Council Local Government Pension Scheme (OCCLGPS) (Group)

The Group also has 15 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. This scheme is closed to new entrants.

Reconciliation of present value liabilities

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
At the beginning of the year	(9.7)	(11.3)	(21.0)	(8.9)	(9.2)	(18.1)
Current service cost	–	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Interest cost	(0.3)	(0.4)	(0.7)	(0.3)	(0.4)	(0.7)
Actuarial gains/(losses)	0.5	0.9	1.4	(0.6)	(1.6)	(2.2)
Benefits paid	0.6	0.2	0.8	0.2	0.1	0.3
At the end of the year	(8.9)	(10.8)	(19.7)	(9.7)	(11.3)	(21.0)

Reconciliation of fair value of plan assets

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
At the beginning of the year	7.5	7.7	15.2	6.6	6.9	13.5
Interest income on plan assets	0.2	0.3	0.5	0.3	0.3	0.6
Actuarial (losses)/gains	(0.1)	(0.3)	(0.4)	0.6	0.5	1.1
Contributions by Group	0.2	0.2	0.4	0.2	0.2	0.4
Benefits paid	(0.6)	(0.3)	(0.9)	(0.2)	(0.2)	(0.4)
At the end of the year	7.2	7.6	14.8	7.5	7.7	15.2

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
Fair value of plan assets	7.2	7.6	14.8	7.5	7.7	15.2
Present value of plan liabilities	(8.9)	(10.8)	(19.7)	(9.7)	(11.3)	(21.0)
Net pension scheme liability	(1.7)	(3.2)	(4.9)	(2.2)	(3.6)	(5.8)

Amounts recognised in income and expenditure are as follows:

	2016 SCCPF £m	2016 OCCLGPS £m	2016 Total £m	2015 SCCPF £m	2015 OCCLGPS £m	2015 Total £m
Included in administrative expenses:						
Current service cost	–	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Past service cost	–	–	–	–	–	–
	–	(0.2)	(0.2)	(0.1)	(0.2)	(0.3)
Amounts included in other finance costs	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)
Net interest cost	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)

31. Pensions (continued)

Analysis of actuarial loss recognised in other comprehensive income

	2016			2015		
	SCCPF £m	OCCLGPS £m	Total £m	SCCPF £m	OCCLGPS £m	Total £m
Actual return less interest income included in net interest income	(0.1)	(0.3)	(0.4)	0.6	0.5	1.1
Experience gains and losses arising on the scheme liabilities	0.1	–	0.1	0.1	–	0.1
Changes in assumptions underlying the present value of the scheme liabilities	0.4	0.9	1.3	(0.7)	(1.6)	(2.3)
	0.4	0.6	1.0	–	(1.1)	(1.1)

Composition of plan assets

	2016			2015		
	SCCPF £m	OCCLGPS £m	Total £m	SCCPF £m	OCCLGPS £m	Total £m
Equities	5.4	4.9	10.3	5.7	5.2	10.9
Bonds and gilts	1.2	1.3	2.5	1.2	1.2	2.4
Property	0.5	0.6	1.1	0.5	0.4	0.9
Cash	0.1	0.2	0.3	0.1	0.2	0.3
LLP's	–	0.3	0.3	–	0.3	0.3
Diversified Growth Fund	–	0.3	0.3	–	0.4	0.4
Total plan assets	7.2	7.6	14.8	7.5	7.7	15.2
Actual return on plan assets	0.1	–	0.1	0.9	0.8	1.7

Principal actuarial assumptions used at the balance sheet date

	SCCPF %	OCCLGPS %	SCCPF %	OCCLGPS %
Discount rates	3.4	3.7	3.1	3.4
Future salary increases	3.6	4.2	3.5	4.3
Future pension increases	2.1	2.4	2.1	2.5
Inflation assumption	2.1	2.4	2.1	2.5

Mortality rates

	years	years	years	years
For a male aged 65 now	22.5	23.3	22.5	23.3
At 65 for a male member aged 45 now	24.5	25.6	24.5	25.5
For a female aged 65 now	24.6	25.8	24.6	25.7
At 65 for a female member aged 45 now	26.9	28.1	26.9	28.0

32. Deferred Tax

	Group	
	2016 £m	2015 £m
Deferred tax liabilities		
Investment property revaluations	3.5	3.1

The net reversal of deferred tax and liabilities expected in 2017 is not possible to estimate. Further reversals or increases in deferred tax balance may arise as a result of revaluations of investment property and financial instruments. As the future deferred tax balances, if any will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any further future reversals.

33. Non-equity share capital

Shares of £1 each issued and fully paid

	2016 £m	2015 £m
At 1 April	7	7
Shares issued during the year	1	2
Shares surrendered during the year	(3)	(2)
At 31 March	5	7

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.

34. Prior period adjustment

The Group records the assets of any entities that have been acquired through merger at fair value as at the date of acquisition. During the year all assets subject to fair value on acquisition were reviewed for the years 2008 through to 2015 and the prior period adjustment reflects the adjustment between historical cost and the fair value of the assets still held.

Equity loans for the value below had not been recognised in the statement of financial position. They have now been accounted for and both the financial position and statement of comprehensive income have been restated.

	Housing property £m	Investments – other £m	Revenue reserves brought forward £m	Surplus in year £m
As previously stated at 31 March 2015	2,760.6	23.7	557.4	73.4
Fair value adjustment	(14.3)	–	(13.9)	(0.4)
Restatement of equity loans	–	0.2	–	0.2
As restated at 31 March 2015	2,746.3	23.9	543.5	73.2

35. Contingent liabilities

The Group receives grant from the Homes and Communities Agency and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. The Group has a future obligation to recycle such grant once the properties are disposed of. At 31 March 2016, the value of grant amortised in respect of these properties that had not been disposed of was £142.4m (2015: £157.6m).

As the timing of any future disposal is uncertain, no provision has been recognised in these financial statements.

36. Operating leases

The payments which the Group and Association are committed to make under operating leases are as follows:

	Group		Association	
	2016 £m	2015 £m	2016 £m	2015 £m
Land and buildings				
Within one year	4.6	4.8	1.6	1.6
Two to five years	11.2	11.6	5.8	6.1
Over five years	13.9	15.9	9.7	11.0
	29.7	32.3	17.1	18.7
Vehicles and other equipment	0.3	0.3	0.3	0.3

36. Operating leases (continued)

The Group had minimum lease receivables under non-cancellable operating leases as set out below:

	Group	
	2016 £m	2015 £m
Amounts receivable as lessor:		
Not later than one year	8.8	7.7
Later than 1 year and not later than 5 years	19.1	16.9
Later than 5 years	35.1	30.7
	63.0	55.3

Amounts receivable as a lessor includes only non-cancellable leases and excludes any lease that can be cancelled within a month by either party.

37. Capital commitments

Capital expenditure commitments were as follows:

	Group	
	2016 £m	2015 £m
Capital expenditure		
Expenditure contracted for but not provided in the financial statements	251.5	242.1
Expenditure authorised by the Board, but not contracted	340.3	590.0
Maintenance expenditure contracted and authorised by the board	41.0	44.4
	632.8	876.5

The Group expects to meet the above commitments from the following sources:

- Undrawn loan facilities totalling £353.2m (2015: £290.2m)
- Social housing grant and projected proceeds from first tranche sales of shared ownership dwellings and build for sale properties of £646.0m (2015: £1,223.2m).

38. Related party transactions

The ultimate controlling party of the Group is A2Dominion Housing Group Limited. There is no ultimate controlling party of A2Dominion Housing Group Limited.

A2Dominion Housing Group consists of the companies listed in note 18. The Group also has interests in six joint ventures detailed in note 18.

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 which has a small number of employees. The management costs are apportioned on a unit basis with sales and marketing costs on the number of sales. During the year A2Dominion Housing Group Limited provided management services to other Group entities and charged £39.7m (2015: £38.9m). At 31 March 2016 A2Dominion Housing Group Limited owed £19.2m to its subsidiaries (2015: £11.5m). This was in relation to working capital balances and management services.

Pyramid Plus London LLP and Pyramid Plus South LLP are apportioned management and administration services based on agreed values representing actual services provided.

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 £0.2m (2015: £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 £0.6m (2015: £0.7m) relates to MITIE Property Services (UK) Limited's 30% share of the LLP's profit.

The total management and administration costs apportioned in the year were:

	Association	
	2016 £m	2015 £m
A2Dominion South Limited	17.1	16.8
A2Dominion Homes Limited	14.7	15.4
A2Dominion Housing Options Limited	1.1	1.0
A2Dominion Residential Limited	1.2	0.1
A2Dominion Developments Limited	4.2	4.1
Pyramid Plus London LLP	0.7	0.7
Pyramid Plus South LLP	0.7	0.8
	39.7	38.9

The board includes one tenant who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £6,274 (2015: £5,863) and the tenant had a credit balance of £29 at the 31 March 2016 (31 March 2015: credit balance of £143).

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2016 are summarised as follows:

2016	Services provided £m	Gift Aid £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited								
A2Dominion Homes Limited	40.8	(3.2)	(8.5)	–	(106.6)	–	(0.5)	–
A2Dominion South Limited	27.6	–	(7.8)	–	(106.6)	–	–	–
A2Dominion Housing Group Limited	–	–	–	–	–	–	–	–
A2Dominion Treasury Limited								
A2Dominion Homes Limited	–	–	–	5.2	–	77.2	–	–
A2Dominion South Limited	–	–	–	2.6	–	50.3	–	–
A2Dominion Housing Options Limited	–	–	–	0.2	–	–	–	–
A2Dominion Housing Group Limited	–	–	–	–	–	–	(2.1)	–
A2Dominion Residential Limited								
A2Dominion Homes Limited	–	(0.5)	–	–	–	–	–	–
A2Dominion Housing Finance Limited								
A2Dominion South Limited	–	–	–	0.3	–	30.0	–	–
Pyramid Plus London LLP								
A2Dominion Housing Group Limited	8.8	–	–	–	–	–	–	0.9
Pyramid Plus South LLP								
A2Dominion Housing Group Limited	12.3	–	–	–	–	–	–	1.5

A2Dominion Homes Limited and A2Dominion South Limited lend to A2Dominion Developments Limited at a fixed rate of 6% on a three year revolving facility. The loans are secured with floating charges.

A2Dominion Housing Finance Limited lends to A2Dominion South Limited at Libor + 0.4% - the facility is revolving until 2022 thereafter the drawn loan balance converts to term and is payable by instalments until 2033.

A2Dominion Treasury Limited lends to A2Dominion Homes Limited, A2Dominion South Limited and A2Dominion Housing Options Limited at an all-in rate of 4.5875%. These are the proceeds of retail bond 2 which matures in 2026 and must be repaid in full on that date. Any company may repay any part of their loan prior to that date, in such a case another company in the Group must borrow the funds to ensure that £150m remains due to A2Dominion Treasury Limited at all times. The loans are not secured.

38. Related party transactions (continued)

2015	Services provided £m	Gift Aid £m	Loan interest payable £m	Loan interest receivable £m	Loans creditors £m	Loans debtors £m	Other creditors £m	Other debtors £m
A2Dominion Developments Limited								
A2Dominion Homes Limited	14.6	(0.2)	(6.8)	–	(140.7)	–	(1.4)	–
A2Dominion South Limited	11.2	–	(5.7)	–	(124.3)	–	–	–
A2Dominion Housing Group Limited	–	–	–	–	–	–	(0.4)	–
A2Dominion Treasury Limited								
A2Dominion Homes Limited	–	–	–	3.6	–	119.1	(0.2)	–
A2Dominion South Limited	–	–	–	3.3	–	71.3	(0.1)	–
A2Dominion Housing Options Limited	–	–	–	0.3	–	5.8	(2.1)	–
A2Dominion Housing Group Limited	–	–	–	0.5	–	–	–	–
A2Dominion Housing Finance Limited								
A2Dominion South Limited	–	–	–	0.1	–	35.0	–	–
Pyramid Plus London LLP								
A2Dominion Housing Group Limited	8.5	–	–	–	–	–	–	0.8
Pyramid Plus South LLP								
A2Dominion Housing Group Limited	11.7	–	–	–	–	–	–	1.5

Transactions between Group entities and other related parties are summarised as follows:
A2Dominion Developments Limited has completed its joint venture partnership with Essex Wharf Homes LLP with all of the private development units now legally complete. During the year the final capital repayment of £4.3m was received by A2Dominion Developments Limited. (2015: £2.8m net contribution).

A2Dominion Developments Limited is a 50% joint venture partner of Green Man Lane LLP. A2Dominion Developments Limited provided a loan facility of £15.0m to Green Man Lane LLP. As at 31 March 2016, £8.2m (2015: £nil) was due to A2Dominion Developments Limited.

Rydon Construction Limited provided a loan facility of £15.0m to Green Man Lane LLP. As at 31 March 2016, £8.2m (2015: £nil) was due to Rydon Construction Limited. Rydon Construction Limited is a wholly owned subsidiary of Rydon Holdings Limited.

Green Man Lane LLP entered into lease agreements with A2Dominion Homes Limited for the lease of housing blocks and a car park at premiums totalling £6.0m (2015: £10.0m). The contractual term of the lease is 250 years and the premium for each lease is to be paid in 30 monthly instalments until paid in full.

During the year A2Dominion Developments Limited became a 50% joint venture partner of Crest A2 (Walton Court) LLP. Capital contributions of £11.9m (2015: £nil) were made to Crest A2 (Walton Court) LLP.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0m (2015: £150.0m) by A2D Funding PLC. As at 31 March 2016, £150.0m (2015: £150.0m) was owed by A2Dominion Treasury Limited.

A2Dominion Treasury Limited has been provided with a loan facility of £150.0m (2015: £150.0m) by A2D Funding II PLC. As at 31 March 2016, £150.0m (2015: £150.0m) was owed by A2Dominion Treasury Limited.

A2Dominion Housing Group guarantees both bond issues principal and interest and interest in A2D Funding PLC and A2D Funding II PLC.

Pyramid Plus South LLP received services during the year from MITIE Property Services (UK) Limited with a value of £7.0m (2015: £5.9m). As at the 31 March 2016 £0.5m (2015: £0.7m) was owed by Pyramid Plus South LLP.

Pyramid Plus London LLP received services during the year from Breyer Group PLC with a value of £5.4m (2015: £5.2m). As at the 31 March 2016 £0.5m (2015: £0.6m) was owed by Pyramid Plus London LLP.

A2Dominion Residential Limited has entered into a funding agreement with Queens Wharf Riverside LLP a joint venture between A2Dominion Developments Limited and Hammersmith Developments Holdco Limited. As at the 31 March 2016 £8.3m (2015: £4.3m) was owed to A2Dominion Residential Limited. Due to FRS 102 adjustments, the interest and similar income receivable on this loan during the year was £0.1m (2015: £1.0m).

A2Dominion Residential Limited has entered into a funding agreement with Keybridge House LLP a joint venture between A2Dominion Developments Limited and Mount Anvil (Keybridge House) Limited. As at the 31 March 2016 £17.6m (2015: £15.1m) was owed to A2Dominion Residential Limited. The interest and similar income receivable on this loan during the year was £2.8m (2015: £0.1m). Additionally A2Dominion Residential Limited has paid a deposit of £23.0m (2015: £23.0m) for the purchase of properties to be held and used for market rent.

A2Dominion Residential Limited has paid a deposit of £3.0m (2015: £3.0m) to Green Man Lane LLP for the purchase of properties to be held and used for market rent.

39. First time adoption of FRS 102

						Group
	Note	Reserves as at 1 April 2014 £m	Surplus for year ended 31 March 2015 £m	Revaluation movement on investments £m	Other comprehensive income movement £m	Reserves as at 31 March 2015 £m
As previously stated under former UK GAAP		636.5	43.8	11.3	(1.4)	690.2
Prior year adjustment (note 34)		(13.9)	(0.2)	–	–	(14.1)
		622.6	43.6	11.3	(1.4)	676.1
Revaluation to fair value of fixed asset investments	a	–	0.9	(0.9)	–	–
Change to measurement of fixed assets depreciation and grant amortisation	b	10.0	2.1	–	–	12.1
Hedge financial instruments at fair value	c	(40.2)	0.9	–	–	(39.3)
Cash flow hedge reserve	d	(10.2)	–	–	(34.7)	(44.9)
Presentation of gains and losses on revaluation of investment property in profit or loss	e	30.0	28.2	(10.4)	–	47.8
Multi-employer defined benefit scheme treated as defined contribution	f	(13.5)	0.9	–	–	(12.6)
Pension finance and service cost	g	–	(0.3)	–	0.3	–
Holiday accrual	h	(0.3)	–	–	–	(0.3)
Deferred tax	i	–	(3.1)	–	–	(3.1)
		598.4	73.2	–	(35.8)	635.8

					Association
	Note	Reserves as at 1 April 2014 £m	Surplus for year ended 31 March 2015 £m	Other comprehensive income movement £m	Reserves as at 31 March 2015 £m
As previously stated under former UK GAAP		(3.9)	0.1	(0.1)	(3.9)
Multi-employer defined benefit scheme treated as defined contribution	f	(13.5)	0.9	–	(12.6)
Pension finance and service cost	g	–	(0.1)	0.1	–
Holiday accrual	h	(0.3)	–	–	(0.3)
		(17.7)	0.9	–	(16.8)

39. First time adoption of FRS 102 (continued)

Explanation of changes to previously reported surplus and reserves

a. FRS 102 requires that changes in the fair value of fixed asset investments to be recognised in income and expenditure for the period. Under previous UK GAAP these changes were recognised outside of income and expenditure and presented separately in a revaluation reserve. This change has increased the reported surplus for the year ended 31 March 2015 but has not affected the measurement of fixed asset investments on the statement of financial position.

b. The change is due to the required accounting treatment under FRS 102, whereby the Social Housing Grant (SHG) previously held within fixed assets is removed from the depreciable cost, held as a creditor, and amortised annually. The SHG previously allocated to the non-depreciating land component is now being amortised. In addition the SHG attributable to low cost home ownership is being amortised, whereas under current UK GAAP no depreciation is charged on such properties.

c. Interest rates swaps used for hedging purposes were previously not accounted for but are recognised under FRS 102. Ineffective movements on the derivatives values are recognised through income and expenditure.

d. Interest rate swaps used for hedging purposes were previously not accounted for but are recognised under FRS 102. Effective movements on the derivatives' values are recognised directly in reserves.

e. FRS 102 requires that changes in the fair value of investment properties be recognised in the profit or loss for the period. Under previous UK GAAP these changes were recognised outside of profit or loss and presented separately in a revaluation reserve. This change has increased reported profit for the year ended 31 March 2015 but has not affected the measurement of investment property on the statement of financial position.

f. SHPS is a multi-employer defined benefit scheme where liability cannot be attributed to individual employers. The defined benefit scheme is therefore accounted for under FRS 102 as if it was a defined contribution scheme. FRS 102 requires that a liability is recognised for any agreed deficit funding plan. The present value of the future deficit payments is calculated using the rate of an appropriate high yield corporate bond. This is recognised through the statement of comprehensive income and recorded as a liability in the statement of financial position.

g. An adjustment on the pension finance cost and service cost is a result of using financial assumptions that comply with FRS 102. The increase in the finance cost corresponds with the increase in other comprehensive income shown under actuarial gain/ (loss).

h. Under FRS 102 the liability attributable to holiday pay or any other employee entitlements is provided for through the statement of comprehensive income and recorded as a provision in the statement of financial position.

i. FRS 102 requires that deferred tax be recognised on revaluation of investment property. This was not required under previous UK GAAP unless there was a binding agreement to sell the revalued asset and the gains or losses expected to arise on sale had been recognised. This change has been retrospectively applied, leading to the recognition of additional deferred tax liabilities at the date of transition and to increase the deferred tax charge for the year ended 31 March 2015.

j. A2D Funding PLC and A2D Funding II PLC were created to issue the Group's bonds and on lend those funds to other Group companies and thus meet the definition of a special purpose entity (SPE). FRS 102 requires SPE's that are controlled by the Group are consolidated within the Group accounts. Both companies meet the definition of a SPE that is controlled by the Group, as the Group retains the risks, receives the majority of the benefits, has ultimate decision making powers and the activities of the SPE are being conducted on behalf of the Group.

THE ISSUER

A2Dominion Housing Group Limited
The Point
37 North Wharf Road
London W2 1BD

ARRANGER

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

WHOLESALE DEALER

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE

DEALER

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

THE TRUSTEE

Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH

THE PRINCIPAL PAYING AGENT AND CUSTODIAN

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

THE REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris, 2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISERS

To the Issuer
Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

To the Wholesale Dealer, the Dealer and the Trustee
Allen & Overy LLP
One Bishops Square
London E1 6AD

AUDITORS TO THE ISSUER

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA