

**Industrial and Provident Society number 26702R
Homes and Communities Agency Registration No. LH3958**

TCHG LIVING LIMITED
Report and Financial Statements
for the year ended
31 March 2014

TCHG LIVING LIMITED
Year ended 31 March 2014

REPORT AND FINANCIAL STATEMENTS

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TCHG LIVING LIMITED
Year ended 31 March 2014

BOARD, DIRECTORS, ADVISERS AND BANKERS

BOARD MEMBERS

Francis Salway, Ordinary Member and Chair (appointed August 2013)
Graham Hill, Ordinary Member and Chair of Audit Committee (appointed August 2013)
Peter Cooke, Tenant Member (appointed August 2013)
Mark Easton, Ordinary Member (appointed August 2013)
Robert Heapy, Executive Member (appointed August 2013)
Jenine Langrish, BSc. (Hons) ACIB, Ordinary Member (appointed August 2013)
Charles Leigh-Dugmore, MCIOB, Ordinary Member (appointed August 2013)
Jenny Molloy, Tenant Member (appointed August 2013; resigned June 2014)
Christine Pointer, MSc, Ordinary Member (appointed August 2013)
Alan Riddell, Ordinary Member and Chair of TCHG Foundation (appointed August 2013)
Sanaya Robinson, BSc (Hons) ACA MCT, Ordinary Member (appointed August 2013)
Darren Hughes, Ordinary Member and Chair (until August 2013; resigned November 2013)
David Nutley, Ordinary Member (resigned July 2013)
Isabel Shaw, Ordinary Member (resigned July 2013)
Karen Southon, Ordinary Member (resigned July 2013)
John Ashelford, Ordinary Member (resigned July 2013)
Patrick Barr, Ordinary Member (resigned July 2013)

EXECUTIVE DIRECTORS

Robert Heapy, Chief Executive
Robin Tebbutt, Finance Director (from April 2013)
Jo Ellis, Operations Director (from April 2013)
Christine Mumcoughlu, Business Services Director
Colin Lissenden, Development Director

AUDITORS

External

Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

Internal

Mazars LLP
Tower Bridge House
St Katherine's Way
London
E1W 1DD

BANKERS

National Westminster Bank plc

LEGAL STATUS

Registered under the Industrial and Provident Societies Act 1965 No: 26702R
Registered under Section 3 of the Housing and Regeneration Act 2008 number: LH3958

REGISTERED OFFICE

Monson House, Monson Way, Tunbridge Wells, Kent TN1 1LQ

TCHG LIVING LIMITED

Year ended 31 March 2014

REPORT OF THE BOARD

The Board presents its report and the audited financial statements for TCHG Living Limited Group (TCHG Living, or the Company) for the year ended 31 March 2014.

Principal activities

TCHG Living is an Industrial and Provident Society, registration number 26702R.

TCHG Living owns 531 properties, including a portfolio of 94 general needs units and 3 affordable units, which are managed by the parent, Town & Country Housing Group (TCHG). The remaining stock is managed by TCHG Living and consists of 136 market rent units, which are categorised as investment properties, 105 shared ownership and 193 intermediate rent units. In addition, TCHG Living manages the parent company's intermediate rented, Rent to Home-Buy, shared ownership and market rented units.

Governance

The Company complies with the principal recommendations of the NHF Code of Governance revised (2010).

Board members and executive directors

The present Board Members and the Executive Directors are set out on page 1. The Board members are drawn from a wide range of backgrounds, bringing together professional, commercial and local experience.

Following a review of Town and Country Housing Group's governance arrangements, the membership of TCHG Living's board was changed in August 2013, to have an identical membership to that of the Town and Country Housing Group.

The Board consists of ten persons, nine of whom are Non-Executive Members and one who is an Executive Member. The nine Non-Executive Members are paid as Members of the Parent Board. Details of membership are set out on page 1. The nine Non-Executive Board Members each own one non-beneficial share in TCHG Living Limited. These shares are not transferable or withdrawable and carry no rights of interest, dividend or bonus.

Statement of Board's responsibilities

As a Registered Provider of Social Housing, the Board is responsible for preparing the report and financial statements for each financial year in accordance with applicable law and regulations, Industrial and Provident Societies Acts and registered provider legislation. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that TCHG will continue in business

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of TCHG and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012, and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2010.

The Board has general responsibility for safeguarding the assets of the Company and hence for the prevention and detection of fraud and other irregularities.

TCHG LIVING LIMITED

Year ended 31 March 2014

REPORT OF THE BOARD (continued)

Results

TCHG Living made a surplus of £647k for the year 2014 (2013: £343k).

Turnover in 2014 shows an increase of £260k from the prior year. Operating costs increased by £83k from £1,467k to £1,550k.

Customers

TCHG Living supports a varied client group: market and intermediate rented tenants, shared ownership leaseholders and prospective purchasers and tenants.

TCHG Living also provides services to the parent. These are governed by a service level agreement.

Property services

TCHG Living invested £162k in repairs, maintenance and improvement works (2013: £111k). The main areas of expenditure were responsive and void repairs, internal redecoration, heating works, replacement of components and servicing of communal installations.

Housing properties

TCHG Living's property portfolio is valued annually by independent external valuers, Savills (L&P) Ltd. The value of the stock as at 31 March 2014 was £46.5m, an increase of £1.5m.

Financing and treasury management

TCHG Living has a long-term loan facility in place with Nationwide Building Society and Co-operative Bank, with Nationwide Building Society as facility agent. This facility totals £27.8m, which is fully drawn. In addition, TCHG Living has a long-term loan facility from the parent of £8m, which is interest free; £5.7m was drawn at 31 March 2014 (2013: £8m).

The average interest rate for TCHG Living on its third-party borrowings during the year was 4.06% (2013: 4.33%).

The majority of TCHG Living's funds are currently at a fixed rate of interest to enable it to reduce risk and to provide stability for planning and forecasting purposes. Living has also benefited from the continuing low interest rates applicable to its variable rate loans.

TCHG Living's treasury management is undertaken by the parent. The focus of the Group's treasury management, and therefore TCHG Living's, is to minimise interest costs while retaining the flexibility to take advantage of any opportunities that may arise and ensuring sufficient funds are in place at all times.

Value for money statement

TCHG Living adopts the same value for money principles and policies as its parent. TCHG Living is committed to delivering value for money in achieving our social purpose. Our aim is to ensure that value for money underpins every aspect of our decision-making.

Our strategic approach to value for money was completely refreshed and reinvigorated during 2012/13 to reflect changes within our operating environment. It has been driven by a strong desire on the part of the Board to focus not only on working efficiently (saving money) but also on the wider impact and value of our work in making a positive difference to residents' lives and their communities. This is reflected in our definition of value for money, which is: *"to produce as much social, financial and environmental value as possible from the resources we use in order to deliver quality homes and services, in neighbourhoods people choose, with the ultimate goal of improving lives."*

TCHG LIVING LIMITED

Year ended 31 March 2014

REPORT OF THE BOARD (continued)

How we deliver value for money

We aim to deliver value for money through:

- **Clarity of purpose** – we are clear about our value for money approach, which is to enable us to make the best use of resources in order to achieve our mission.
- **Undertaking the right activities** – we are focused on carrying out the right mix of activities and continuing to grow in order to achieve our objectives. This includes investment in non-social housing with the aim of generating surpluses that can be reinvested into social housing activities.
- **Investing in the right assets** – we have a coherent asset management strategy covering repair and improvement, disposal and stock rationalisation across the entire portfolio so that we are investing in the stock that provides the optimum return in financial, social and environmental terms.
- **Ensuring the right delivery** – our aim is to do things right through efficient operations and effective business practices. Our culture change programme helps us promote a value for money culture within the organisation.
- **Delivering the right outcomes and impact** – customer satisfaction with our homes and services is a key outcome measure for Town & Country and therefore our 2013/14 delivery plan contains various actions to improve customer services, and therefore customer satisfaction, to inform our future plans.

Details of specific Group value for money achievements in 2013-14 and plans for improving value for money in 2014-15 are set out in TCHG's value for money assessment at <http://www.tchg.org.uk/vfm>.

An extract from TCHG's value for money assessment is as follows.

Extract of TCHG value for money statement

Executive summary:

Our core business continues to be the provision of social housing and therefore our approach to value for money is to make full use of our asset base to achieve our social purpose of delivering affordable homes and to generate appropriate social, financial and environmental returns on our assets. This approach is reflected in our value for money self-assessment.

The key points from this year's value for money self-assessment are:

- Financially we remain a strong organisation – our surplus before interest and property sales was £24.0m in 2013/14 compared to £17.7m in 2012/13.
- Our EBITDA (earnings before interest, taxes, depreciation and amortisation) was 53% of our turnover, which exceeded the target of 50%.
- Our return on assets was 5.6% compared to an average of 5.0% for our peer group.
- We achieved efficiency gains of £670,580.
- We continue to provide social value by building new homes and in 2013/14 we generated £6.92 of benefit back to society for every £1 of government grant received to build new homes.
- As a result of building new homes, our debt per unit remains relatively high (£45,887 compared to £24,011 for our peers).
- Our costs for the majority of services are lower than the average for other housing associations in our peer group, with the exception of rent arrears collection, allocations and lettings, and resident involvement.
- All of our homes meet the government's decent homes standard and our performance remains strong in terms of re-letting empty homes and controlling rent arrears.
- Customer satisfaction with our overall services remains below our target (78% compared with the target of 81%).
- The Foundation continued to generate social value by supporting community development, such as the Domestic Abuse Volunteer Support Services and the Nourish Food-bank.

TCHG LIVING LIMITED

Year ended 31 March 2014

REPORT OF THE BOARD (continued)

We recognise that there are areas for improvement and in 2014/15 we will:

- Continue developing our systems to measure the return on assets at a more detailed level and use the results to inform our decision-making;
- Carry out a comprehensive programme to improve customer services and customer satisfaction;
- Reduce our operating cost per property by 0.5% in real terms;
- Achieve efficiency gains of at least £627,367.

Our Board continues to seek assurances that we are providing good value for money to our customers and therefore during 2014/15 the Investment and Finance Committee will be closely scrutinising value for money issues.

Social value delivered by TCHG Living

TCHG Living provides social value by offering affordable housing in the form of intermediate rental homes and *Rent to HomeBuy* properties, both of which are rented at 80% of market rents. The social value generated by these products includes intermediate rent properties helping applicants live closer to family members and/or work and therefore helping to create stronger communities; and *Rent to HomeBuy* helping applicants save for a deposit in order to get onto the home ownership ladder. This provides greater financial security in later life.

TCHG Living specific achievements

- Town and Country Living generated an additional £200,000 surplus in 2013/14 (over the amount budgeted for). (This additional sum was partly used to fund 26 boiler replacements for the sum of £81,000.)
- Approximately £184,250 savings per year (TCHG Group) by carrying out legal work in-house for non-payment of rent and other tenancy breaches instead of using solicitors. This included our in-house repairs team obtaining their first injunction without the use of external solicitors to gain access to carry out the annual gas safety check and TCHG Living dealing with 13 cases for non-payment of rent.

TCHG Living specific targets

- Our key target is *to achieve an annual reduction in our operating cost per property of 0.5% in real terms*. This will equate to £57,000.

Going concern

After making enquiries, the Board has a reasonable expectation that TCHG Living has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

At the date of making this report, each of the Company's Board Members, as set out on page 1, confirms the following:

- So far as each Board member is aware there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- Each Board member has taken all the steps that they ought to have taken as a Board member to make them aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Staff

All staff are employed by the parent, with costs charged to TCHG Living.

TCHG LIVING LIMITED
Year ended 31 March 2014

REPORT OF THE BOARD (continued)

Equal opportunities

The TCHG Living ensures that in all of its activities it does not allow unlawful discrimination. It also promotes equality of opportunity and treatment for all sections of the community. In particular, the Group recognises its responsibility to persons with special needs and has set standards within its development and housing management programmes and employment policies to ensure that such needs can be readily met.

Health & safety

The health, safety and welfare of TCHG Living's residents and staff are paramount. Appropriate policies and procedures are in place to control, monitor and ensure TCHG Living complies with its duties as a landlord and employer. There have been no material breaches of health and safety in the year.

Approved by the Board and signed on its behalf:

Francis Salway
Chair
31 July 2014

TCHG LIVING LIMITED
Year ended 31 March 2014

STATEMENT ON INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintaining the whole system of internal controls and for reviewing its effectiveness.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, and not absolute, assurance against material misstatement or loss.

TCHG Living is integrated into the Group-wide approach to risk adopted by Town & Country Housing Group. The risks faced by TCHG Living are considered both in relation to TCHG Living and their impact on the Group as a whole.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2013 up to the date of approval of the annual report and financial statements. Some of the key elements of the control framework that the Group has established are as follows:

- The key risks are identified and recorded in a risk map, with the Group's audit committee being delegated to consider risk as a separate agenda item at least every six months. TCHG Living Board and senior staff identify and regularly review the key risks specific to TCHG Living twice a year.
- Business plans, comprehensive financial budgets and long-term financial plans are produced and approved at least annually by the Group Board.
- TCHG Living regularly reviews key performance indicators and management accounts, and ensures that appropriate action is taken to address any areas of underperformance.
- Standing orders and financial regulations, including delegated authorities, have been approved by the Group Board and are reviewed on a regular basis.
- A comprehensive treasury management policy and strategy is maintained and reviewed annually by the Group Board.
- An outsourced internal audit service reports quarterly to the Group audit committee and has direct access to the Chair of this committee.
- The Board appraises all significant new business opportunities as recommended by the Chief Executive.
- There has been significant investment in training and staff development to minimise control weaknesses through error.
- The Group audit committee and the Group Board receive and review annually a report from the Chief Executive on the effectiveness of the system of internal controls.

The Board confirms that there have been no regulatory concerns that have led to the regulator intervening in the affairs of TCHG Living, nor are there significant problems in relation to failures of internal controls that require disclosure in the financial statements.

Signed on behalf of the Board

Francis Salway, Chair
31 July 2014

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TCHG LIVING LIMITED

We have audited the financial statements of TCHG Living Limited for the year ended 31 March 2014, which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Surpluses and Deficits, and the related notes 1 to 23. 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 Company's members, as a body, in accordance with the requirements of statute. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 2, the Board is responsible for the preparation of financial statements which 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/auditscopeprivate.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, 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 the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date:

TCHG LIVING LIMITED
Year ended 31 March 2014

INCOME AND EXPENDITURE ACCOUNT

	Note	2014 £'000	2013 £'000
Turnover	2	3,205	2,945
Operating costs	2	(1,550)	(1,467)
Operating surplus	2	1,655	1,478
Surplus on the sale of fixed assets	7	113	45
Surplus before interest and taxation		1,768	1,523
Interest receivable and other income	4	11	30
Interest payable and similar charges	5	(1,132)	(1,210)
Surplus on ordinary activities before taxation		647	343
Tax on surplus ordinary activities	10	-	-
Surplus for the financial year		647	343

The above results relate solely to continuing activities.
The notes on pages 11 to 26 form part of these financial statements.

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS
Year ended 31 March 2014

	2014 £'000	2013 £'000
Reported surplus on ordinary activities	647	343
Component accounting adjustments relating to prior years	-	(62)
Realisation of property revaluation gains	198	9
	845	290

TCHG LIVING LIMITED
Year ended 31 March 2014

BALANCE SHEET
As at 31 March 2014

	Note	2014 £'000	2013 £'000
Tangible fixed assets			
Housing properties	11	46,485	45,015
		46,485	45,015
Current assets			
Debtors – due within one year	12	92	80
Cash at bank and in hand		732	1,263
		824	1,343
Creditors: amounts falling due within one year			
	13	(838)	(442)
Net current (liabilities)/assets		(14)	901
Total assets less current liabilities		46,471	45,916
Creditors: amounts falling due after more than one year			
	14	33,580	35,928
Capital and reserves			
Revaluation reserve	11 & 22	12,112	10,054
Revenue reserve	22	779	(66)
		12,891	9,988
Non-equity capital and reserves		46,471	45,916

These financial statements were approved by the Board and signed on its behalf on 31 July 2014 by:

Francis Salway
Chair

Robert Heapy
Chief Executive

Robin Tebbutt
Company Secretary

TCHG LIVING LIMITED
Year ended 31 March 2014

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
For the year ended 31 March 2014

	2014 £'000	2013 £'000
Surplus for the year	647	343
Unrealised surplus on the revaluation of properties	2,256	767
	<hr/>	<hr/>
Total recognised surplus relating to the year	2,903	1,110
	<hr/>	<hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the applicable accounting standards and the Statement of Recommended Practice (SORP): accounting by Registered Social Housing Providers (updated 2010) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

The Board is satisfied that the current accounting policies are the most appropriate for the Company.

The Company is exempt from producing a cash flow statement under Financial Reporting Standard 1 because its cash flows are included within publicly available consolidated accounts.

Turnover

Turnover comprises rent and service charge income receivable in the year. Any under- or over-recovery of service charges is shown as a debtor or creditor, respectively. Other services are recognised based upon value (excluding value added tax, VAT) of goods and services supplied in the year.

Value added tax

TCHG Living charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by TCHG Living 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 current debtor.

Investment properties

Investment properties are included in the accounts at open market value (being market value with vacant possession) at the year-end in accordance with the Statement of Standard Accounting Practice 19: Investment Properties. Any surplus on revaluation is recognised in the statement of total recognised surpluses and deficits and the revaluation reserve. Any deficit on revaluation, if temporary, is recognised in the statement of total recognised surpluses and deficits and the revaluation reserve. If a deficit below original cost arises and is deemed to be permanent it is recognised in the income and expenditure account.

No depreciation is provided in respect of freehold and long leasehold investment properties where the lease has more than 20 years to the date of expiry.

Housing properties

Housing properties are properties available for rent and properties subject to shared ownership leases.

Completed housing properties are held at valuation. The following valuation basis is adopted:

- General needs housing – existing use value for social housing;
- Intermediate rent – market value subject to tenancies;
- Shared ownership properties – market value subject to tenancies.

Housing properties under construction are stated at cost less related social housing grant 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 capital improvements, as well as direct incremental overhead costs and staff time associated with new developments, improvements and component works.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Housing properties (continued)

The Company accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components that are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives.

The particular components identified by the Company and their respective useful economic lives are as follows:

Component	Useful economic life
Structure	135 years
Roof	60 years
Bathroom	30 years
Windows and doors	35 years
Kitchen	20 years
Heating system: boiler	15 years
Lift	30 years

Where a separate identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

Expenditure on items not separately identified as components are capitalised if they result in an increase in the net rental stream over the life of the property, over the standard originally assessed when the property was first acquired or constructed.

Depreciation of housing properties

Freehold land is not depreciated. Depreciation of housing properties is charged so as to write down their net book value to the estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. Depreciation is provided against the revalued asset value.

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 that are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, a review is conducted to ascertain whether its effect is to reduce the value of the property beyond that which meets the internal criteria for the approval of schemes. Deficits that fall within these criteria are regarded as planned internal subsidies and are not treated as impairments. If an impairment above the acceptable level exists, a charge is made to the income and expenditure account to the extent that the impairment exceeds the acceptable deficit.

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Mixed developments

Where a development is evaluated as a single scheme but has more than one element, such that one or more of the elements is expected to generate a surplus and one or more of the other elements has a valuation below the cost less attributable grant ("the shortfall") then the surplus is reduced by the shortfall through the apportionment of the costs of each element of the scheme. This policy is applicable to all mixed development schemes where surpluses from properties are used to cross-subsidise rented properties.

Social housing grant

When developments have been financed wholly or partly by a social housing grant (SHG), the cost of those developments has been reduced by the amount of the grant receivable. At the balance sheet date, if the SHG recoverable on the development programme as a whole is greater than gross cost, the difference is included in creditors and shown as SHG in advance. SHG is repayable under certain circumstances, primarily following the sale of a property supported by a SHG, but this will normally be restricted to the net proceeds of the sale.

Recycled capital grant fund

The grant element on the net sale receipts of grant-funded properties, typically right to buy or shared ownership staircasing but not right to acquire, are required to be credited to a recycled capital grant fund under the terms of the SHG originally paid on such properties. Within the terms defined by the Homes and Communities Agency (HCA) the fund is to be used to provide replacement properties for rent, land acquisition and works to existing stocks or, if unused, to be repaid to HCA.

Disposal proceeds fund

The net proceeds on the sale of the properties made under Right to Acquire and Social HomeBuy are required to be credited to a disposal proceeds fund under the terms of the SHG originally paid on such properties. Within the terms defined by the HCA, the fund is to be used to provide replacement properties for rent.

Pensions

The parent company, TCHG, employs all of the Group's employees and contributes to the Kent County Council Superannuation Scheme, a defined benefit, final salary scheme. TCHG closed membership of this scheme during 2003 for new joiners, who are instead entitled to receive employer's contributions into their personal pension scheme.

Taxation

The charge for taxation is based upon the surplus for the year and includes current tax and deferred tax.

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets, which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Any assets or liabilities recognised have not been discounted.

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

1. Accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured at the tax rates expected to apply in the periods when the timing differences are expected to reverse, based on the tax rate and law enacted or substantially enacted at the balance sheet date.

Related parties

Advantage has been taken of the exemption available with Financial Reporting Standard 8: Related Parties from reporting related party transactions with group entities as the Company is included within the consolidated financial statements of the group.

2. Turnover, cost of sales, operating costs and operating surplus

	Turnover 2014 £'000	Operating costs 2014 £'000	Operating surplus 2014 £'000
Social housing lettings	2,238	(928)	1,310
Non-social housing activities			
Market rented lettings	967	(622)	345
	<hr/> 3,205	<hr/> (1,550)	<hr/> 1,655
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Turnover 2013 £'000	Operating costs 2013 £'000	Operating Surplus 2013 £'000
Social housing lettings	2,096	(762)	1,334
Non-social housing activities			
Market rented lettings	843	(705)	138
Other	6	-	6
	<hr/> 849	<hr/> (705)	<hr/> 144
	<hr/> <hr/> 2,945	<hr/> <hr/> (1,467)	<hr/> <hr/> 1,478
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

3. Income and expenditure for social housing lettings

	General needs 2014 £'000	Intermediate rent 2014 £'000	Shared ownership 2014 £'000	Total 2014 £'000	Total 2013 £'000
Rents receivable	477	1,143	344	1,964	1,798
Service charges receivable	32	6	92	130	98
Services to parent	34	67	39	140	184
Other	-	-	4	4	16
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Turnover from social housing lettings	543	1,216	479	2,238	2,096
Management	253	45	14	312	269
Services	30	61	89	180	120
Routine maintenance	5	2	1	8	59
Planned maintenance	23	48	1	72	8
Major repairs expenditure	11	7	1	19	(3)
Bad debts	10	33	-	43	6
Depreciation of housing properties	81	159	27	267	287
Write-off housing components replaced in year	1	26	-	27	16
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating costs on social housing lettings	414	381	133	928	762
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus	129	835	346	1,310	1,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Losses from voids	3	53	1	57	123
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

4. Interest receivable

	2014 £'000	2013 £'000
Bank interest receivable	8	15
Interest on short-term loan to parent	3	15
	<hr/>	<hr/>
	11	30
	<hr/>	<hr/>

5. Interest payable and similar charges

	2014 £'000	2013 £'000
On loans and bank overdrafts		
On loans wholly or partly repayable in more than 5 years	1,132	1,210
	<hr/>	<hr/>

6. Surplus on ordinary activities before taxation

	2014 £'000	2013 £'000
This is arrived at after charging		
Depreciation of housing properties	267	287
Write-off of housing components disposed	27	16
Auditors' remuneration (excluding VAT):		
- for audit services	5	9
- for taxation services	1	1
	<hr/>	<hr/>

7. Surplus on sale of fixed assets

	2014 £'000	2013 £'000
Disposal proceeds	891	208
Carrying value of fixed assets and sales costs	(559)	(161)
	<hr/>	<hr/>
	332	47
Transferred to disposals proceeds fund	(103)	-
Transferred to recycled capital grant fund	(116)	(2)
	<hr/>	<hr/>
	113	45
	<hr/>	<hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

8. Employee information

	2014 No.	2013 No.
Average number of full-time equivalent persons: (including part-time employees) who worked wholly on behalf of TCHG Living during the year:		
Office staff	5	5
	<hr/>	<hr/>
	2014 £'000	2013 £'000
Staff costs (for above persons)		
Wages and salaries	153	147
Social security costs	13	14
Pension cost	15	16
	<hr/>	<hr/>
	181	177
	<hr/>	<hr/>

All staff are contracted to and paid by the parent company. The above costs represent the staff costs of persons solely engaged on TCHG Living activities.

9. Senior Executives and Board Members' emoluments

Non-Executive Board Members received emoluments in the year up to 31 July 2013 specifically relating to TCHG Living as follows:

	£
Darren Hughes (Chair)	680
David Nutley	680
Isabel Shaw	680
Karen Southon	680
John Ashelford	1,735
	<hr/>
	4,455
	<hr/>

The Chief Executive is also a member and along with the other executives is employed by the parent, with their costs recharged in accordance with the service level agreement. Darren Hughes was also a Non-executive Board Member of the parent and received further payment in respect of this role from the parent.

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

10. Taxation

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax on surplus for the year	-	-
Deferred tax:		
Net origination and reversal of timing differences	-	-
	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Factors affecting the tax (credit)/charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (23%), as explained below:

	2014 £'000	2013 £'000
Surplus for the year before tax	<u>647</u>	<u>343</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax of 23% (2013: 24%)	149	82
Effects of:		
Fixed asset differences	39	59
Chargeable gains	22	-
Decrease in tax losses	(210)	(141)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

Factors affecting the tax charge for the year

As at 31 March 2014, TCHG Living Limited had tax losses of £13.2m (2013:£14.2m). These losses maybe set against certain profits arising in that Company in future accounting periods. The deferred tax asset of £2.6m (March 2013 £3.3m) has not been recognised due to uncertainties as to extent and timing of its recovery.

No provision has been made for deferred tax on gains recognised in revaluing TCHG Living's property to its market value. Such tax would only be payable if the property were sold without it being possible to reclaim rollover relief. The unprovided deferred tax in relation to the revalued property amounts to approximately £2.4m as at 31 March 2014 (2013: £2.0m).

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

11. Tangible fixed assets – housing stock

	General needs £'000	Intermediate £'000	Shared ownership & leasehold £'000	Investment properties £'000	Total £'000
Cost or valuation					
At 1 April 2013	6,595	16,026	7,769	14,625	45,015
Property additions	-	-	-	-	-
Component additions	(2)	65	-	-	63
Property disposals	(74)	-	(481)	-	(555)
Component disposals	-	(27)	-	-	(27)
Surplus on revaluation	92	847	243	807	1,989
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	6,611	16,911	7,531	15,432	46,485
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 April 2014	-	-	-	-	-
Charge for the year	(83)	(158)	(26)	-	(267)
Property disposals	-	-	-	-	-
Eliminated on revaluation	83	158	26	-	267
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2014	6,611	16,911	7,531	15,432	46,485
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	6,595	16,026	7,769	14,625	45,015
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

11. Tangible fixed assets – housing stock (continued)

Comparable amounts determined according to the historical cost convention

	General needs £'000	Intermediate £'000	Shared ownership & leasehold £'000	Investment properties £'000	Total 2014 £'000	Total 2013 £'000
Gross cost	11,539	19,423	6,698	9,091	46,751	47,273
<u>Less:</u>						
Social housing grant	(5,037)	(3,743)	(1,200)	-	(9,980)	(10,128)
Depreciation on historic cost	(754)	(1,506)	(138)	-	(2,398)	(2,184)
	5,748	14,174	5,360	9,091	34,373	34,961
Revaluation surplus	863	2,737	2,171	6,341	12,112	10,054
	6,611	16,911	7,531	15,432	46,485	45,015

Valuation

The properties have been valued by professional external valuers, Savills (L&P) Limited, Chartered Surveyors of 37-39 Perrymount Road, Haywards Heath, West Sussex, TH16 3BN as at 31 March 2014 in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors using the following bases:

Tenure	Valuation Method
General needs	Existing use value subject to tenancies (EUV-SH)
Intermediate	Market value subject to tenancies (MV-STT)
Shared ownership	Market value subject to tenancies (MV-STT)
Market rented	Market value subject to tenancies (MV-VP)

Improvements to properties	2014 £'000	2013 £'000
Capitalised works to existing properties and replacement of components	63	46
Improvements taken through I & E account	19	(3)
	82	43

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

12. Debtors

	2014 £'000	2013 £'000
Rent debtors	148	179
Less: provision for bad and doubtful debts	(89)	(113)
	<hr/>	<hr/>
	59	66
Other debtors	33	14
	<hr/>	<hr/>
	92	80
	<hr/> <hr/>	<hr/> <hr/>

13. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	80	38
Accrued loan interest & commitment fees	128	135
Accruals	136	92
Tenants deposits	16	20
Rent received in advance	123	104
Other taxation and social security	-	1
Recycled capital grant fund (note 15)	-	32
Amounts owed to parent company	355	20
	<hr/>	<hr/>
	838	442
	<hr/> <hr/>	<hr/> <hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

14. Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
Housing loans:		
Loans from parent company, more than 5 years	5,695	7,200
Loans from parent, 2-5 years	-	800
Housing loans external:		
Within 1-2 years	-	-
Within 2-5 years	3,339	2,504
In 5 years or more	24,482	25,316
	<hr/>	<hr/>
Total housing loans	33,516	35,820
Recycled capital grant fund (note 15)	-	2
Disposal proceeds fund (note 16)	-	52
Leaseholder sinking funds in respect of future major repairs	64	54
	<hr/>	<hr/>
	33,580	35,928
	<hr/> <hr/>	<hr/> <hr/>

A separate bank account is held in trust for leaseholder sinking funds. This totals £53k (2013: £54k) and forms part of the balance of £732k shown as cash at bank and in hand.

Amounts due to banks and building societies are secured by a fixed charge over specified assets of TCHG Living.

TCHG Living takes advantage of a mix of fixed and variable interest rates. During the year the average interest rate (incl. margins etc.) on borrowings excluding the loan from the parent company was 4.06% (2013: 4.33%).

The loan from the parent company is unsecured at 0% interest (2013: 0%) and is repayable in equal instalments over 10 years commencing in 2020.

15. Recycled capital grant fund (RCGF)

	2014	2013
	£'000	£'000
At 1 April	34	32
Grants recycled	116	2
Transferred to parent	(150)	-
	<hr/>	<hr/>
As at 31 March	-	34
	<hr/>	<hr/>
Due within 1 year	-	32
Due within 2 years	-	-
Due within 3 years	-	2
	<hr/>	<hr/>
	-	34
	<hr/> <hr/>	<hr/> <hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

16. Disposals proceeds fund

	2014 £'000	2013 £'000
At 1 April	52	52
Grant recycled	103	-
Transferred to parent	(155)	-
	<hr/>	<hr/>
As at 31 March	-	52
	<hr/> <hr/>	<hr/> <hr/>

No amounts are due for repayment to the HCA (2013: nil)

17. Contingent liabilities

There were no contingent liabilities at 31 March 2014 (2013: nil).

18. Share capital – non-equity

	2014	2013
At 1 April	7	5
Issued during the year	10	2
Surrendered during the year	(7)	-
	<hr/>	<hr/>
As at 31 March	10	7
	<hr/> <hr/>	<hr/> <hr/>

The shares provide members with the right to vote at general meetings, but are not transferable or withdrawable and carry no rights to interest, dividend or bonus.

19. Capital commitments

TCHG Living had no capital commitments as at 31 March 2014 (2013: nil).

20. Operating leases

There are no operating leases (2013: nil).

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

21. Accommodation in management

The following number of units were in management at the end of the year:

At 31 March 2014	Owned & directly managed	Owned & managed by parent	Total owned	Not owned & managed for parent	Total managed
Social housing					
Shared ownership	105	-	105	284	389
Rent to HomeBuy	-	-	-	210	210
Intermediate rent	193	-	193	53	246
General needs	-	94	94	-	-
Affordable	-	3	3	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	298	97	395	547	845
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Non-social housing					
Market rented	136	-	136	15	151
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
All housing	434	97	531	562	996
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013					
Social housing					
Shared ownership	112	-	112	276	388
Rent to HomeBuy	-	-	-	180	180
Intermediate rent	193	-	193	54	247
General needs	-	96	96	-	-
Affordable	-	2	2	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	305	98	403	510	815
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Non-social housing					
Market rented	136	-	136	15	151
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
All housing	441	98	539	525	966
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

TCHG LIVING LIMITED
Year ended 31 March 2014

NOTES TO THE ACCOUNTS

22. Movement on reserves

	Revenue reserve £'000	Revaluation reserve £'000	Total £'000
At 1 April 2013	(66)	10,054	9,988
Surplus for the period	647	-	647
Surplus on revaluation of properties		2,256	2,256
Realisation of property revaluation surpluses	198	(198)	-
At 31 March 2014	779	12,112	12,891

23. Related parties and controlling party

The immediate and ultimate parent undertaking and controlling entity is Town & Country Housing Group (TCHG), an entity incorporated in Great Britain. TCHG's accounts can be obtained from its registered office: Monson House, Monson Way, Tunbridge Wells, Kent TN1 1LQ. TCHG and TCHG Living are managed on a unified basis and the members of TCHG Living are approved by the TCHG Board.