TCHG CAPITAL PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

REGISTERED NUMBER: 08971695

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STRATEGIC REPORT

The directors present their strategic report for TCHG Capital PLC (the "Company") for the year ended 31 March 2019.

Activity, objective, business model and review of the year

The Company was incorporated in England and Wales on 1 April 2014 as a public limited company. The Company is a special purpose company established for the purpose of issuing secured bonds (including further secured bonds issued in accordance with the conditions set out in the Prospectus dated 1 July 2014) and lending the proceeds thereof to Town and Country Housing Group ("Town & Country") or one or more of its subsidiaries. The Company has the benefit of a financial guarantee from Town & Country for the full and punctual payment of interest and principal.

In July 2014, the Company issued £80,000,000 Fixed Rate 4.665% secured bonds due 2045, listed on the London Stock Exchange and granted a loan facility of £80,000,000 to Town & Country.

The movements on the loan account during the year were:

Date	Description	Amount (£)
Balance at 31 March 2018		70,820,875
9 April 2018	Drawdown	2,000,000
27 June 2018	Drawdown	2,500,000
11 March 2019	Repayment	(3,950,000)
12 March 2019	Repayment	(2,000,000)
18 March 2019	Repayment	(2,050,000)
Balance at 31 March 2019		67,320,875

The directors consider the financial position of the Company to be satisfactory.

Results

The Company's result for the year was £nil (2018: £nil) and the directors do not recommend the payment of a dividend.

Key performance indicators (KPIs)

Financial KPIs - the key performance indicators of the business are considered to be the payment and receipt of interest and the net equity shareholders' funds, which at the year-end were £13k (2018: £13k).

The actual receipts and payments of interest to and from the Company have been monitored to ensure these obligations are met. The directors believe that all conditions of the Prospectus and Loan Agreement have been met.

Non-financial KPIs – as the purpose of the business is entirely finance related, the directors are of the view that there are no meaningful non-financial KPIs that could be adopted.

Principal risk and uncertainty

The principal risk and uncertainty for the Company is credit risk as described more fully in note 13. This includes the correct and timely receipt of interest and principal on the loan due from Town & Country. During the year all amounts were received on time and in full.

The directors have considered the nature and structure of the Company and are satisfied that there is sufficient capital in relation to the business activities and the planned levels of financial performance of the Company.

STRATEGIC REPORT (CONTINUED)

Future developments

The directors consider the financial position of the Company to be satisfactory and that the Company will continue to operate in its principal activity.

By order of the Board

M.H. Filer
Director
24 July 2019

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

Directors

The directors of the Company who held office during the year and up to the date of signing this report were:

L.D.C. Securitisation Director No. 3 Limited
M.H. Filer
J.M. Ellis
R.O. Heapy
R.J. Tebbutt (resigned 30 April 2019)
A.J. Marriott (appointed 30 April 2019)

The directors are not subject to retirement by rotation.

Directors' interests

The directors have no interests in any shares in the Company or its ultimate controlling party.

Going concern

The directors consider that the Company has adequate capital and liquid resources, an appropriate business model and financial structure and suitable arrangements in place for it to be able to continue in operational existence for the foreseeable future. Therefore the directors believe it appropriate for the financial statements to be prepared on a going concern basis.

Financial instruments and borrowings

A discussion of the Company's objectives, policies, strategies and risks with regard to financial instruments can be found in note 13 to the financial statements.

The Company is party to an agreement which raised finance through a fixed rate bond issue, the proceeds of which were advanced to Town & Country.

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

Statement of disclosure to auditor

In so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to ensure that the Company's auditors are aware of that information.

Financial reporting, risk and internal controls

The Company has outsourced the financial reporting function to Law Debenture Corporate Services Limited.

Corporate governance and audit committee

Due to the Company's limited scope and nature of its activities, the Company's Board is itself responsible for all aspects of the Company's corporate governance. The Company does not, therefore, have a separate audit committee.

DIRECTORS' REPORT (CONTINUED)

Subsequent event

The Company's parent and controlling entity Town & Country joined the Peabody Group on 9 May 2019. TCHG will continue as an operating subsidiary of the Peabody Trust. There are no changes envisaged for the Company.

Auditors

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

By order of the Board

M.H. Filer
Director
24 July 2019

Registered Office
Fifth Floor
100 Wood Street
London EC2V 7EX

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 ("FRS 102"): The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm, to the best of their knowledge:

- the financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the financial statements and annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names of all the directors are stated on page 4.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TCHG CAPITAL PLC

Opinion

We have audited the financial statements of TCHG Capital PLC (the 'company') for the year ended 31 March 2019, which comprise the statement of comprehensive income, statement of financial position and notes to the financial statements, including a summary of significant accounting policies.
The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the result for the year then ended;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
Due to the nature of the entity and its activities, no key audit matters were identified.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
We determined materiality for the financial statements as a whole to be £809,200 which represents 1.0% of total assets.

We also apply a specific materiality level for all items within the statement of comprehensive income. The specific materiality level that we applied was £37,600 (2018 - £37,600) which is 1.0% of income.

We used total assets and income as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TCHG CAPITAL PLC (continued)

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2018 – 65%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £16,185 for areas considered using financial statement materiality and £750 (2018 - £750) for areas considered using specific materiality which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the accounting processes and controls, the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities, including fraud
The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

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

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the company in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

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

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

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TCHG CAPITAL PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters on which we are required to report

We were appointed by the directors on 14 December 2017 to audit the financial statements for the year ending 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 March 2018 to 31 March 2019.

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

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

Use of our report

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

E. Kulczycki

Elizabeth Kulczycki, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 31 July 2019

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March

	Note	2019 £000	2018 £000
Interest receivable	3	3,499	3,331
Other income	4	269	432
Interest payable	5	(3,732)	(3,732)
Administrative expenses		(36)	(31)
Result on ordinary activities before taxation	6	-	-
Taxation	7	-	-
Result for the year		-	-

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

The above amounts relate exclusively to continuing operations.

The notes on pages 14 to 19 form part of these financial statements.

TCHG CAPITAL PLC REGISTERED NUMBER: 08971695

STATEMENT OF FINANCIAL POSITION
As at 31 March

	Note	2019 £000	2018 £000
Financial assets			
Loans and receivables	8	**67,321**	70,821
Current assets			
Cash and cash equivalents	9	**12,674**	9,181
Debtors: Amounts falling due within one year	10	**929**	922
		13,603	10,103
Financial liabilities: Amounts falling due within one year	11	**(911)**	(911)
Net current assets		**12,692**	9,192
Total assets less current liabilities		**80,013**	80,013
Financial liabilities: Amounts falling due after more than one year	12	**(80,000)**	(80,000)
Net assets		**13**	13
Capital and reserves			
Called up share capital	14	**13**	13
Profit and loss account		**-**	-
Shareholders' funds		**13**	13

The notes on pages 14 to 19 form part of these financial statements.

The financial statements were approved and authorised for issue by the directors on 24 July 2019 and signed on the Company's behalf by:

M.H. Filer
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Share capital	Profit and loss account	Total
	£000	£000	£000
Total equity as at 1 April 2017	13	-	13
Net result for the year	-	-	-
Total equity as at 31 March 2018	13	-	13
Total equity as at 1 April 2018	13	-	13
Net result for the year	-	-	-
Total equity as at 31 March 2019	13	-	13

The notes on pages 14 to 19 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 March

	2019 £000	2018 £000
Operating activities		
Result on ordinary activities before taxation	-	-
Increase in debtors	(7)	(161)
Increase in creditors	-	2
Cash flow from operating activities	(7)	(159)
Investing activities		
Investments redeemed	-	-
Loan repaid	8,000	11,000
Loan advanced	(4,500)	(11,582)
Cash flow from investing activities	3,500	(582)
Increase /(decrease) in cash and cash equivalents	3,493	(741)
Cash and cash equivalents at beginning of year	9,181	9,922
Cash and cash equivalents at end of year	12,674	9,181

The notes on pages 14 to 19 form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

The financial statements have been prepared under the historical cost convention and in accordance with the Company's accounting policies.

Going concern
The directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place for it to continue in operational existence for the foreseeable future and therefore believe it appropriate for the financial statements to be prepared on the going concern basis.

Functional and presentational currency
The financial statements are presented in sterling, which is the Company's functional and presentational currency.

Income recognition
The Company's principal source of income is interest receivable and is recognised on an Effective Interest Rate basis. The directors consider it would be misleading to classify this source as turnover.

Other income comprises of commitment fees and amounts recharged to Town & Country in respect of administrative expenses incurred during the period.

Commitment fees arise in respect of any undrawn commitment on each loan payment date, equal to Town & Country's share of the applicable coupon amount in the relevant loan interest period and is recognised on a receivable basis.

All income derives from the Company's principal activity, wholly within the UK.

Administrative expenses
All administrative expenses, which comprise primarily professional fees and other overheads, are accounted for on an accruals basis.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank and short-term bank deposits with an original maturity of three months or less which are an integral part of the Company's cash management.

Impairment of assets
Financial assets are assessed for impairment at each balance sheet date using the expected credit loss model. Lifetime expected credit losses are recognised where there has been a significant increase in credit risk since initial recognition, otherwise 12 months' expected credit losses are recognised. Credit risk is assessed as the risk of a default occurring over the expected life of the financial instrument. Impairment gains or losses are recognised in profit or loss.

Taxation
Corporation tax is payable on profits based on the applicable tax law and is recognised as an expense in the year in which profits arise. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments
Financial assets and liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Investments in UK Gilts are initially recognised at cost and subsequently measured at amortised costs in accordance with IFRS 9. All other financial assets and liabilities are measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate on initial recognition.

As permitted by FRS 102 the Company has made an accounting policy choice of applying the recognition and measurement requirements of IFRS 9. Accordingly the loan to Town & Country is classified as loans and receivables and is initially recognised at fair value and then carried at amortised cost using the effective interest rate method.

The secured bonds issued are also initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Critical accounting judgements
There are no critical accounting judgements.

Key sources of estimation uncertainty
The key source of estimation uncertainty is in relation to impairment of assets. Details of the estimation uncertainty are included under the accounting policy on impairment of assets.

2. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

There were no employees in the Company during the year.

The directors received no emoluments in respect of their services to the Company during the year.

3. INTEREST RECEIVABLE

	2019 £000	2018 £000
Interest on loan to Town & Country	3,465	3,312
Interest on investments	34	19
	3,499	3,331

4. OTHER INCOME

	2019 £000	2018 £000
Commitment fee	233	401
Reimbursable expenses	36	31
	269	432

5. INTEREST PAYABLE

	2019 £000	2018 £000
Interest on secured bonds	**3,732**	3,732

6. RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION

The following amounts have been included in arriving at the result on ordinary activities before taxation.

	2019 £000	2018 £000
Auditor's remuneration for the audit of the Company's financial statements	5	4
Prior year under accrual	1	
	6	4
Fees to auditors for non-audit services	-	-

7. TAXATION

(a) Analysis of charge in the year

	2019 £000	2018 £000
Current tax:		
Corporation tax charge for the year	-	-
Total taxation charge for the year	-	-

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

The current tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2018:19%).

	2019 £000	2018 £000
Result for the year	-	-
Corporation tax levied at the standard rate of corporation tax in the UK of 19%	-	-
Total current tax charge for the year	-	-

8. LOANS AND RECEIVABLES

	2019 £000	2018 £000
Loan to Town & Country	**67,321**	70,821

The principal terms of the loan are detailed in note 13.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2019 (Continued)

9. CASH EQUIVALENTS

	2019 £000	2018 £000
Liquidity fund	**12,627**	9,152
Cash at bank	**47**	29
	12,674	9,181

10. **DEBTORS:** amounts falling due within one year

	2019 £000	2018 £000
Accrued interest and commitment fee	**922**	914
Prepayments	**7**	8
	929	922

11. **FINANCIAL LIABILITIES:** amounts falling due within one year

	2019 £000	2018 £000
Other creditors	**9**	9
Accrued interest	**902**	902
	911	911

12. **FINANCIAL LIABILITIES:** amounts falling due after more than one year

	2019 £000	2018 £000
Secured bonds (due October 2045)	**80,000**	80,000

The principal terms of the secured bonds are detailed in note 13 and are the same as the loan to TCHG.

13. FINANCIAL INSTRUMENTS

The Company's financial instruments are shown in the table below.

	2019 £000	2018 £000
Financial assets that are debt instruments measured at amortised cost	**68,250**	71,743
Financial liabilities measured at amortised cost	**80,911**	80,911

In July 2014, the Company granted a revolving loan facility to Town & Country of £80,000,000 which has been financed by a fixed rate secured bond issue.

The loan bears interest at a fixed rate of 4.665% payable six-monthly in January and July, the principal of which is due for repayment in 20 equal instalments from and including 3 January 2036 to and including 3 July 2045.

13. FINANCIAL INSTRUMENTS (continued)

The Company has the benefit of a financial guarantee from Town & Country for the due and punctual payment of interest and principal.

The bond is secured by a fixed charge over a specified pool of assets of Town & Country.

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

A description of the principal risks relating to financial instruments and their relevance to the Company and how they are managed is given below.

Liquidity risk
As noted above, the secured bonds are repayable by 2045. Repayment of the interest and principal on the loan to Town & Country is received prior to the interest payment dates and repayment dates of the secured bonds. In the event of a delay or default in the payment of interest by the borrower, the terms of the secured bonds make it clear that the Company is only obligated to pay interest and capital to Loan Note holders to the extent that amounts have been received from Town & Country.

Credit risk
Although Town & Country is the only client of the Company, the directors are satisfied that Town & Country will be able to fulfil its obligations.

Capital management
The Company has no externally imposed capital requirements and has been set up for the sole purposes of financing loans to Town & Country.

14. SHARE CAPITAL

	2018	2019
	£000	£000
50,000 ordinary £1 shares, each a quarter paid	13	13

The Company issued 50,000 ordinary £1 shares, each a quarter paid, on 1 April 2014, consideration for which was £12,500. The capital of the Company comprises share capital only.

15. RELATED PARTY TRANSACTIONS

The Company has entered into a loan agreement with Town & Country, an exempt charity registered as a Community Benefit Society. The Company's shares are held by an independent trustee with Town & Country having an option to purchase them. Town & Country met all of the Company's net interest and running costs so that it achieved a break-even position.

In July 2014, the Company granted an £80 million loan facility to Town & Country, of which the amount advanced at the balance sheet date is £67,321k (2018: £70,821k).

Interest, commitment fee and reimbursable expenses receivable from Town & Country in the year amounted to £3,739k (2018: £3,744k) of which £922k (2018: £914k) was outstanding at year end.

16. ULTIMATE PARENT AND THE CONTROLLING PARTY

Under a Trust Deed dated 27 June 2014, The Law Debenture Intermediary Corporation plc. acts as share trustee, holding the member's rights on a discretionary basis for charitable purposes.

Town and Country is the immediate parent entity and controlling party and TCHG Capital PLC's results are included in the consolidated Town and Country Housing Group's financial statements. Copies may be obtained from Town and Country Housing Group, Monson House, 1 Monson Way, Royal Tunbridge Wells TN1 1LQ.

From 9 May 2019 the ultimate parent is Peabody Trust, an entity incorporated in Great Britain. Copies of its financial statements can be obtained from the registered office: 45 Westminster Bridge Road, London SE1 7JB

17. SUBSEQUENT EVENT

The Company's parent and controlling entity Town & Country joined the Peabody Group on 9 May 2019. TCHG will continue as an operating subsidiary of the Peabody Trust. There are no changes envisaged for the Company.

18. DESCRIPTION OF RESERVES

The Company's reserves represent cumulative profits and losses, net of dividends paid and other adjustments.