Charity number 206061
Homes and Communities Agency number L0014

PEABODY

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

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BOARD, EXECUTIVE OFFICERS AND ADVISORS

BOARD	Lord Robert Kerslake	(Chair, appointed 1 June 2015)
	Malcolm Levi	(Chair until 1 June 2015)
	Jennifer Daly	(Appointed 1 April 2015)
	Helen Edwards	(Appointed 4 July 2016)
	Shirley Garrood	(Retired 30 April 2016)
	David Hardy	(Appointed 1 June 2016)
	Stephen Howlett	
	Karl King	(Retired 12 December 2015)
	Paul Loft	
	Elizabeth Peace	
	Janice Tucker	
	Baroness Josephine Valentine	
	Peter Vernon	(Appointed 1 April 2015)
	June Welcome	

TRUST SECRETARY — Sarah Cameron

CHIEF EXECUTIVE — Stephen Howlett

EXECUTIVE DIRECTORS

Stephen Burns (Community Investment)
Pauline Ford (Interim Thamesmead from 1 July 2015 to 18 July 2016)
Susan Hickey (Finance)
David Lavarack (Corporate Services)
John Lewis (Thamesmead from 18 July 2016)
Dale Meredith (Interim Development & Sales from 27 July 2015)
Sandra Skeete (Housing)
Jeremy Stibbe (Development & Sales until 30 June 2015)

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CHAIR'S STATEMENT AND CHIEF EXECUTIVE'S STATEMENT

CHAIR'S STATEMENT

I am delighted to present the Peabody Group annual report and financial statements for the year ended 31 March 2016.

I have now completed my first year as Chair of Peabody and am incredibly proud to be part of such an ambitious, compassionate and forward-thinking organisation. Peabody has never shied away from its social purpose, which is as relevant today as it has been at any time during Peabody's long and distinguished history. This annual report showcases Peabody's achievements in the past year, and demonstrates our strong foundations for the future; foundations from which we can continue our work, improving the lives of Londoners.

London is in the grip of a housing crisis, which is damaging the opportunities and aspirations of generations of Londoners. I have described this as one of the biggest public policy failures of the past 50 years. The challenge is likely to continue; with London's population set to grow by 1.5 million people by 2030. Thanks to our strong financial performance and strategic vision, Peabody is in a position to help tackle this challenge.

Peabody operates all across London, from Bexley to Barnet, Westminster to Walthamstow. We provide homes at low rents that are affordable to low income households. We house London's key workers such as teachers, nurses and police officers – people who could not afford to live and work in London without our help. Alongside looking after existing properties, and supporting Londoners from all walks of life, we are also building an average of 1,000 homes each year, helping more and more people find a good home. We will be building many new homes in Thamesmead where the Group owns considerable land assets as well as existing homes where we have already made great headway and are beginning to deliver on-the-ground results.

We are currently witnessing the greatest upheaval in housing policy in decades. The government is committed to delivering a huge boost in house-building, a positive and welcome step towards easing the housing crisis. We look forward to working constructively with both central and London government to build the homes Londoners so desperately need. As we build out our ambitious development pipeline, refurbish existing homes and improve estates, we will provide a wider array of tenure types, benefitting both new and existing residents. Continuing to provide good homes for Londoners and building more homes that are affordable remains at the heart of our plans for the future.

However, some government policies will prove challenging. At the time of writing, Austerity continues to bite and the results of the EU referendum will have a profound impact on our social and economic outlook – an impact that is yet unknown. To overcome this, we will have to stay on the front foot by understanding the operating environment, adapting to change and becoming ever more efficient. We must continue our good work with communities, helping over 1,000 people into work each year, and helping our residents through the difficult times ahead.

Challenges lie ahead, but there are also significant opportunities. I look forward to Peabody working alongside the new Mayor of London and playing our part in shaping the future of housing in London and addressing London's housing crisis

Lord Kerslake

Chair

CHAIR'S STATEMENT AND CHIEF EXECUTIVE'S STATEMENT

CHIEF EXECUTIVE'S STATEMENT

These are challenging but exciting times for Peabody and I am proud of our achievements over the past year.

We are in the midst of a housing crisis, which represents a serious risk to London's communities and our city's unique character. Housing is fast becoming unaffordable for countless Londoners, with more and more people being forced to live in crowded and expensive substandard housing, or being forced out of the city altogether.

154 years after Peabody was founded, we continue to help improve housing for Londoners: building thousands of new homes, helping over a thousand people into work every year and championing thriving communities. In the past year we have accomplished a great deal. We have built 1,080 new homes, 819 of which were affordable, and we are making real progress with our plans for Thamesmead. Since we put together our original vision for Thamesmead, our ambitions for the area have grown. We are now campaigning for improved transport links, specifically river crossings, which will allow us to greatly improve the area's connectivity and build more homes. Our resident consultation for South Thamesmead is well underway and we will be working alongside residents to deliver an exciting future for Thamesmead. I would like to thank all Peabody staff, board members, investors and partners for all their good work this year.

By remaining true to our core purpose, of making London a city of opportunity for all, we are doing our bit to tackle the London housing crisis. We are rising to the challenge, and are now one of the largest developers in London. Building more homes is only part of the solution; we go further, giving people a real sense of purpose and a strong feeling of belonging by providing volunteering opportunities, apprenticeships and ultimately helping Londoners into work. At Peabody we are about more than just bricks and mortar; people and communities are at the heart of everything we do. Last year across the Group we supported 1,084 people into employment, 24% of whom were Peabody residents, and supported 1,149 active volunteers throughout the year. This year we have made a real difference to the lives of thousands of Londoners - investing £5 million in our community services, with a return on investment of £9 for every £1 spent in 2016 in our employment and training.

Our residents remain at the heart of everything we do. We have worked hard to deliver excellent customer focussed services and improve those that matter most to our residents, including repairs. Over the past year our resident satisfaction has increased by 2% to 74%; we will always strive to continuously improve our services. In the future, we will transform our technology to provide our residents with easy to access digital services that work efficiently and effectively.

Our financial performance has placed us in a strong position to continue George Peabody's legacy. Our surplus for the year is £116 million and our total asset base is £3 billion, which we will use to leverage future finance to build more new homes. Our sales programme generated £148 million all of which was reinvested in the provision of new homes. Over the past year, we have invested £51 million in maintaining and improving our residents' homes, demonstrating our commitment to provide excellent homes and services for our residents.

Despite our strong financial performance there will be difficult challenges ahead. The 1% rent reduction will see social and affordable rents fall by 1% for each of the next four years, significantly reducing Peabody's income. Other policies will also undoubtedly affect how we operate. But we will not allow this to affect our long term goals, or our determination to stay true to our core purpose. To respond to these challenges and to ensure we deliver on our commitments to provide value for money we have implemented an efficiency programme to help us become the most effective and efficient organisation we can be. This will include reviewing our operating model, maximising our income in other areas such as intelligent asset management and reducing arrears, ensuring we are an organisation fit for the future in IT, contract management and the way we are structured. There is no doubt in my mind that Peabody's employees and Board members will be able to rise to this challenge.

Stephen Howlett

Chief Executive

STRATEGIC REPORT

SECTION ONE: PRINCIPAL ACTIVITIES

The Peabody Group comprises Peabody Trust ('Peabody') and its subsidiary undertakings listed in Note 34 to the accounts. Founded in 1862 by the banker and philanthropist George Peabody, the Peabody Group is one of London's oldest and largest charitable housing associations. We have a portfolio of more than 29,000 homes and annual turnover in excess of £350 million.

Our enduring mission is to make London a city of opportunity for all by ensuring as many people as possible have a good home, a real sense of purpose and a strong feeling of belonging. By bringing these three elements together, we help to create vibrant, cohesive and thriving neighbourhoods in one of the world's great cities – places where people and whole communities can improve their quality of life and fulfil their aspirations.

A good home
A place that is safe, warm, clean, light and well-maintained.

A real sense of purpose
Regular endeavour through work, learning, caring for others, personal development or volunteering.

A strong feeling of belonging
Active involvement in the neighbourhood and the spirit of togetherness and friendliness that goes with that.

Peabody's key activities are the:

- Provision of rented housing for people who are unable to afford to rent or buy in the open market.
- Provision of low-cost home ownership, particularly shared ownership.
- Development of new homes across the full range of tenures to alleviate housing need in London.
- Delivery of community services activities.

Peabody owns and manages homes in the majority of London's boroughs. As well as homes, we provide community programmes for the benefit of our residents and for people living in surrounding neighbourhoods, including employment and training support; health and wellbeing projects; family support programmes; welfare benefits advice; and activities for younger and older people. This work aims to tackle poverty at its roots, supporting people to transform their lives and communities for the better. We currently provide homes and services to more than 80,000 Londoners.

GROUP PROPERTIES BY TENURE TYPE		
	2016	**2015**
Social rent	20,086	19,975
Affordable rent	1,353	995
Other sub-market social rented housing	1,615	1,698
Shared ownership	1,544	1,187
Leasehold managed	2,750	2,209
Non-social housing	1,666	1,793
TOTAL	**29,014**	**27,857**

STRATEGIC REPORT

Guiding principles and public benefit

We have a clear and compelling vision for the 21st Century that informs our long-term mission. This vision was developed in partnership with our residents, supported by experts and thought leaders. It is underpinned by seven core aspirational principles to define an exemplary community for the 21st Century. These principles guide the development and delivery of our strategic and operational plans.

An exemplary community is one where:

1. People feel they belong.
2. People have homes that meet their needs and are suitable for the changing circumstances of life.
3. The landlord's service is tailored to the individual.
4. No child is living in poverty.
5. All residents are supported in their daily lives and in their longer-term aspirations.
6. It feels part of the wider, local area.
7. There is a sustainable environment.

An Act of Parliament stipulates Peabody's objectives to work solely within London for the relief of poverty. Peabody is subject to the Charities Act 2011, which includes the obligation to demonstrate that our aims deliver explicit public benefit. In setting our objectives and planning our activities we have given careful consideration to the Charity Commission's general guidance on public benefit.

Through the provision of rented affordable housing, development of affordable homes for shared ownership, provision of supported housing and care for those needing additional support and delivery of community services and initiatives, Peabody actively creates social and financial opportunities to relieve poverty in London. These opportunities directly benefit our residents and other customers, and indirectly benefit the wider London population.

Our rolling three year business plan sets out specific actions under four main headings in order to achieve our mission and public benefit objectives. Our achievements, and the way in which they have benefited residents and others who we seek to serve, are set out in this report. In addition we publish a report to residents, which is available at www.peabody.org.uk. The value for money section of this report provides additional information on how we work to ensure value for money and add value for the benefit of beneficiaries.

The context in which we operate

Peabody's economic, social and political operating context continues to develop, and Peabody is responding to such changes by suitably altering its business and financial model. While public spending, revenue streams and household incomes are under continued stress, house prices in London have remained strong, increasing the return potential from selling on the open market. Working in the context of political and macro-economic issues such as the recent decision to leave the European Union, we have resolute and unwavering focus on identifying and mitigating risks in the operating environment. Further analysis of the strategic risks and mitigations is available in our risk section, later in this report.

Across London, the capital continues to be in critical need of housing. House prices are increasingly out of reach for many Londoners, with average property prices increasing by almost 14% during the last year. With the capital's average house price now exceeding £530,000, a range of housing options is necessary.[1] The statistics demonstrate an on-going affordability crisis, which is having an impact right up the income scale. Private sector

[1] Land Registry, *House Price Index January 2016* (released 26 February 2015).

STRATEGIC REPORT

rent increases have slowed somewhat but are still up 8% on last year, so are continuing to squeeze incomes[2]. Although the cost of renting may change following the EU referendum vote, recent analysis suggested a near 23% increase in London's average rental cost was anticipated over the next five years[3]. There is great need for social housing: in 2015, more than 260,000 households were on local authority lists in London boroughs.[4]

Persistent demand increases and continued supply gaps in new homes provision are major contributors to London's housing concerns. The city's population reached a record high of 8.6 million people last year,[5] and the number of households is projected to grow by around 40,000 a year over the next couple of decades.[6] According to City Hall's own assessment, London requires at least 49,000 new homes a year to meet the needs of its growing population and to address the existing backlog of housing need, including overcrowded households.[7] New housing supply has fallen far short of meeting these demands. Last year only 18,000 new homes were built in London and the number of new homes completed has failed to reach even half of the current annual requirement in any single year over the last 20 years.[8]

The scale of demand for new homes and rising pressure in terms of affordability has meant that housing has become a major political issue in the capital. London's housing crisis has become the subject of increased political and media attention. This was evidenced during the 2016 London Mayoral race, where each of the candidates put housing at the heart of their campaign. The new Mayor, Sadiq Khan, has said he will work with housing associations and other developers to deliver 50,000 new homes a year. He has recognised the need to increase the supply of land for development, especially brownfield sites, and achieve higher densities, including through the regeneration of existing estates.

Following the 2015 General Election, the Conservative government has concentrated its efforts on supporting routes into home ownership. The government aims to deliver 1 million new homes over this Parliament, including 200,000 starter homes for first time buyers under 40, to be sold at 20% below market value. This has been accompanied by a refocus of public subsidy on the delivery of starter homes and shared ownership, whilst funding to deliver low-cost rented homes is set to decline further over the course of this Parliament. Housing association tenants will also be newly eligible for the Right to Buy, with a publicly-funded discount worth up to £103,900. This will be implemented in line with a voluntary agreement with the sector, including discretion over the sale of certain properties, such as homes built with charitable funds, although providers will still be expected to offer a "portable discount" for tenants to use to purchase an alternative property.

The government's shift in capital subsidies towards home ownership has added further momentum to our use of an internal cross-subsidy model with the government continuing to expect housing associations to make a greater contribution to the costs of new developments by utilising their assets. Our market sale, commercial property and market rent operations have continued to expand so that new sources of income can be generated, enabling us to deliver our fundamental social purpose. We also continue to seek funding from other sources, including the capital markets, to fund our future growth. This represents a valuable source of finance.[9]

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[2] HomeLet, *Rental Index* (February 2016).

[3] Savills, *5 year rental forecasts* (November 2015).

[4] Department for Communities and Local Government (DCLG), *Numbers of Households on Local Authorities' Housing Waiting Lists* (updated 21 January 2016).

[5] GLA, *London population confirmed at record high* (February 2015).

[6] GLA, *London Strategic Housing Market Assessment 2013.*

[7] Ibid.

[8] Department for Communities and Local Government (DCLG), *Permanent dwellings started and completed, by tenure and district* (updated 25 February 2016).

[9] RBC Capital Markets, *Brexit...or do you mean Smexit* (March 2016).

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Welfare reform is also set to continue over the next four years, with £12 billion a year of savings to be made to working-age benefits by 2020. This will have a profound and sustained impact on many of our residents. Meanwhile the government's flagship welfare reform, Universal Credit, continues to pose uncertainties for housing providers, especially with the move to single monthly payment of benefits and an end to direct payment of housing costs, though its full implementation continues to be subject to delay. The level of earnings at which Universal Credit will be withdrawn from claimants will also be lower than originally planned, potentially reducing the financial incentive for some groups of residents to find work.

Other welfare reforms of direct relevance to Peabody include the reduction in social housing rents, freezing of working-age benefits, reduction in the household benefit cap, end in automatic entitlement to Housing Benefit for 18-21 year olds, and capping of Housing Benefit claims for social housing tenants at the relevant rate which applies in the private rented sector. This is in addition to the continued effect of policies such as the removal of the Spare Room Subsidy and end of a centrally-administered system of council tax benefit. Each of these reforms presents a distinct challenge to Peabody and the cumulative effect of these changes on our residents can be considerable.

Despite difficult choices for housing associations in regards to supporting residents and protecting revenues, Peabody maintains its commitment to support residents in coping with these changes, for example through budgeting advice, employment and training opportunities. This challenge will be exacerbated by the full introduction of Universal Credit. Peabody has so far been able to mitigate the impact of welfare reform, limiting the effect on residents largely through engagement with affected residents to aid their transition. With more pressures expected from subsequent reform, safeguarding of our residents and revenue through support and mitigation will remain under close review.

The reduction in social housing rents will affect housing associations' business plans due to the loss in rental income and increase in debt repayments. From April 2016, social housing rents will be reduced by 1% a year, rather than increasing by CPI +1% as previously. This will result in a cumulative reduction in rents of 12% over the next four years, compared with current forecasts, and it has been estimated that this policy, in combination with other measures, will result in 34,000 fewer new homes being built by housing associations over the next four years.[10] The reduction in rents will be of financial benefit to those residents who do not claim Housing Benefit; however, it will not benefit those who do claim Housing Benefit who will simply see a reduction in their claim.

Such policy changes are framed by the recent reclassification of housing associations as public bodies. The Office for National Statistics recently reclassified housing associations as public bodies for the purpose of national accounts, placing £60 billion of debt onto the national balance sheet. In response the government has introduced, via the Housing and Planning Act, a package of measures to deregulate the sector in an attempt to have housing associations reclassified as private bodies once again. This includes greater powers over the disposal of assets and the introduction of market rents for high income tenants (i.e. "Pay to Stay") on a voluntary basis for housing associations.

Following recent changes to the social housing regulatory framework, Peabody's regulatory environment is now tighter with large housing associations subject to more intensive assessments covering finance, compliance, liquidity, and security. Peabody was subject to an In-Depth-Assessment by the HCA in July 2016.

These changes in the political environment have led housing associations to pursue opportunities to become more effective and efficient, in order to continue delivering great services to our residents and provide more homes. Peabody has identified a series of efficiency gains from a combination of reduced costs and increased

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[10] OBR, *Economic and fiscal outlook* (November 2015).

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revenue, whilst protecting front-line services. We are also making progress with our plans to integrate Peabody's subsidiary Registered Providers into Peabody so as to create a single landlord.

Peabody continues to respond to the evolving needs and expectations of our increasingly diverse residents and customers. We remain committed to improve the responsiveness and accessibility of our services in line with rising demand. Our Group Value for Money Strategy continues to be reviewed annually with an on-going central aim to improve the delivery and value of our services in order to maintain our enduring commitment to achieving optimum value for money for residents and customers.

STRATEGIC REPORT

SECTION TWO: BUSINESS REVIEW

Peabody's objectives and strategy are set out in a four-year business plan, reviewed annually and approved by the Board. The business planning and budgeting process includes an assessment of organisational strengths, weaknesses, opportunities and threats, which guides and informs the development and delivery of our strategy and plans. Progress against the plan is monitored by the Board and Executive Team, and measured against key performance indicators. Value for money is embedded in the business planning and budgeting process and our approach, achievement and plans are described more fully below. The key risks to the delivery of our business plan are summarised in the Internal Control and Risk Management section below.

To deliver Peabody's mission to make London a city of opportunity for all by ensuring that as many people as possible have a good home, a real sense of purpose and a strong feeling of belonging, the Group's core business objectives are to:

- Deliver great services and quality homes
- Achieve business excellence
- Achieve influential growth
- Build thriving communities

We have summarised below our progress and performance in achieving each of these business objectives in 2015/16. This includes an assessment against key performance indicators and associated targets that allow us to monitor, evaluate and demonstrate delivery.

We outlined five critical priorities to be achieved over the course of our four-year business plan:

- Deliver an average of 1,000 homes per year.
- Support 1,000 people into employment each year.
- Provide great services to 80,000 residents and even more Londoners, through an enhanced digital offer.
- Design and start to deliver an exciting and compelling future for Thamesmead.
- A high quality responsive repairs service that meets the expectations of residents.

In working towards achieving these priorities, in 2015/16 we:

- Built 1,080 new homes, 812 of which were affordable.
- Supported 1,084 people into jobs and apprenticeships, exceeding our target of 1,000.
- Set up a new Residents Council and carried out research into digital inclusion to help us better understand the needs of residents.
- Made progress with our repairs improvement programme and increased resident satisfaction with repairs over the year.
- Set out a compelling vision for Thamesmead and are beginning to turn that vision into reality.

STRATEGIC REPORT

DELIVER GREAT SERVICES AND QUALITY HOMES

To deliver great services and quality homes our goals are to:

- *Be great at the basics: deliver excellent customer-focused services and continuously improve those that our residents value most.*
- *Develop a greater understanding of our residents and customers and how they use our services to enable us to better meet their diverse needs and preferences.*
- *Provide good quality homes and open spaces that are environmentally sustainable, clean, safe and meet our residents' expectations*

Deliver great services and quality homes Key Performance Indicator	2015/16 actual	2015/16 target	2014/15 actual	2013/14 actual	2012/13 actual
Resident satisfaction with overall service (*social only, Group based on monthly surveys)*	74%	75%	72%	74%	75%
Resident satisfaction with last completed repair	73%	85%	74%	79%	74%
Repairs appointments made and kept	88%	95%	93%	92%	86%
Complaints resolved at Stage 1	91%	85%	80%	86%	81%

Resident satisfaction continues to be our main focus, reflecting our commitment to put customers at the heart of everything we do. Satisfaction with our overall service increased this year, by 2% to 74%, narrowly missing our target of 75%. The proportion of residents satisfied with the way we dealt with repairs and maintenance was 73%, below our target of 85%. We are committed to ensuring that the repairs service meets our residents' expectations, and have reflected this commitment in our 2016-2020 Group Strategy.

We carried out a review of our complaints process in December 2015 and produced a target operating model in March 2016. The new process is currently being tested and piloted. We plan to begin implementing the new complaints process in September 2016, after which it will be phased into all service areas.

We spoke to over 1,000 residents every month as part of our insight and research programme, using their feedback to inform the development and delivery of services.

Being great at the basics

Thriving Peabody communities are about high-quality, well-designed homes and open spaces that residents can be proud of, and consistently high levels of service. One of our critical priorities for 2015/16 was providing a high quality repairs service. We have begun an independent review to look at how we can better provide a first class responsive repairs service that meets the needs and expectations of our residents. Work is ongoing to merge the Gallions and Peabody Responsive Repairs and Voids contracts, which will provide consistency for residents and value for money for the Group.

Our repairs improvement team has worked with contractor Axis to start sending text messages to Peabody and Gallions residents to confirm their repairs appointments. This will help to keep residents informed about their repair, so they are reminded of their appointment and are more likely to be present at the agreed time. It will also reduce the number of appointments that are missed because of 'no access', and ensure that Axis can provide an efficient first time fix service.

Repairs Transformation Programme

To resolve an issue we identified with residents in 2015, we have embarked on a comprehensive transformation of our repairs procedures. An important step in this process was to remove ambiguity by clarifying which repairs are residents' responsibilities. Quick reference guides on this are now available on our website. We are working to develop a new IT scheduling system to help us keep track of where our contractor's operatives are located. We now notify residents that if their repairs operative does not arrive as agreed they can claim £25 and, to improve efficiency, that they may be charged if they are not at home for their appointment. We will always call to double check if the resident is at home or nearby.

In the next phase of the repairs programme we will design and implement new processes for teams involved in repairs – including Peabody Direct and Building Maintenance – to further improve the service to residents. We are also working to improve resident's experience during the repairs process, giving them more opportunities to feed back to us and taking a proactive approach to preventing complaints.

Understanding our residents and customers
At Peabody we are committed to providing the best possible services. To help us achieve this, we need to know that residents' needs and expectations are being met and maintained to the highest standard. Improved communication with residents helps us to understand how they feel about the services we provide.

In 2016 we set up a new residents group with direct links to the Peabody Board. The Residents Council will ensure that we consult properly on customer-facing strategies and policies. They will also undertake detailed scrutiny reviews into specific services. The existing scrutiny panels have conducted scrutiny reviews into repairs feedback and antisocial behaviour, the recommendations of which will be shared with the organisation. In addition to this we have developed a digital service improvement group for homeowners and are consulting, using a range of channels, on the regeneration plans in Thamesmead.

Investing in our homes and open spaces
Our goal is to provide good quality homes and open spaces that are environmentally sustainable, clean, safe and meet our residents' expectations.

Good quality homes and open spaces Key Performance Indicator	2015/16 actual	2015/16 target	2014/15 actual	2013/14 actual	2012/13 actual
Homes meeting the Decent Homes Standard[1]					
• Peabody and CBHA	100%	100%	99.6%	100%	100%
• Gallions	100%	100%	65%	100%	100%
Antisocial behaviour cases resolved	77%	80%	81%	77%	75%
Resident satisfaction with antisocial behaviour case handling (general needs)	58%	67%	51%	59%	Not measured

[1] self-certified, based on asset management records

Great homes and cleaner, greener estates
Our Asset Management Strategy is the framework to ensure our homes are good places in which to live; it has been updated over the past year to cover the assets of all landlord entities in the Peabody Group. We continue to deliver our Quality Homes Programme, investing £32.5 million in our properties in 2015/16, and ensuring all qualifying homes across the group continue to meet the Decent Homes Standard. Resident satisfaction with Quality Homes work completed for 2015/16 exceeded our target of 82%, achieving 83.5% satisfaction at the end of March 2016.

A good home is about much more than bricks and mortar. Our IMPROVE programme creates and enhances open spaces where families and neighbours can meet, children can play, and people can participate in healthy living activities and enjoy the great outdoors. Work on our Shadwell estate is progressing well and we're working with Groundwork London, Landscape Architects NPS and residents, on plans to deliver improved outdoor spaces at our Whitecross Street estate in Islington.
A major IMPROVE project this year was "Lesnes to Crossness" in South Thamesmead. Our investment of more than £850,000 was supplemented by £300,000 from the Greater London Authority and £80,000 from the London

STRATEGIC REPORT

Marathon Charitable Trust to deliver high quality environmental and infrastructure improvements to the public realm, including a vibrant new park space, and play spaces with attractive and colourful planting and seating between Southmere Lake and Yarnton Way.

We have updated our sustainability strategy to ensure that we continue to protect the environment now and in the future. This includes looking at how we can make our homes even more energy efficient, working with local councils to improve recycling and improving the drainage on existing estates to reduce the risk of surface water flooding and damage to properties.

We have expanded our Home Energy Advice Service which plays an integral role in helping people identify the source of high fuel bills – whether through patterns of usage, or switching energy suppliers. In 2015/16 we supported over 500 households make around £60,000 worth of savings on their energy bills. The team will continue to visit residents to help them find cheaper tariffs, and show them how to use their heating systems and appliances more efficiently.

Targeting antisocial behaviour

We have strengthened our approach to dealing with antisocial behaviour; the safety of our residents and employees is paramount. We resolved 77% of all antisocial behaviour (ASB) cases, narrowly missing our target of 80%, but are concerned that we did not meet our target for residents' satisfaction with the way cases are handled: 58% of our residents were satisfied, against a target of 67%. This is a 7% increase on last year's level of satisfaction; however, we still have progress to make to improve this performance over the coming year.

We are responding to new cases more quickly, are identifying areas of risk and carrying out preventative work, and we have improved staff vigilance and awareness. Our resident scrutiny panel recently undertook a review to help improve ASB satisfaction; we will work to put in place further improvements once the final report recommendations are released. We also have a working group of staff updating our ASB training programme which will benefit all staff involved in investigating ASB.

Satisfaction with the way domestic abuse cases are handled increased to 90% from 72.7% in 2015-16. We have carried out successful multi-agency working by attending MARACs - local, multi-agency meetings where information is shared on the highest risk cases of domestic abuse. At the 2016 UK Housing Awards we were awarded for our outstanding approach to tackling anti-social behaviour, in particular around domestic abuse, and improving the safety and well-being of the communities we serve.

Peabody is the first housing provider in Europe to have a Violence against Women and Girls (VAWG) Policy, which was launched in November 2015. We have delivered workshops to frontline staff on tackling hate crime, and identify and report residents who may be at risk of radicalisation.

ACHIEVE BUSINESS EXCELLENCE

Our goals in order to achieve business excellence are to:

- *Invest in our people to achieve our objectives*
- *Ensure our information systems support continuous improvements in services and efficiency*
- *Ensure we have the financial strength and optimal business structures to achieve our objectives*

Investing in our people

Our employees are the key to our long-term success and we want to be recognised as an employer of choice. Following an assessment in May 2015, we were awarded Investors in People Gold Accreditation in spring 2016. Investors in People is an internationally recognised standard which reflects best practice in people management and this accreditation acknowledges our commitment to good employee communications and conditions.
We have made rapid progress in developing the first class organisation that will allow us to deliver on our goals.

We use a variety of methods to engage, motivate and involve our employees, including an Employee Council and a regular employee survey, which in 2015/16 saw an overall employee engagement score of 84%, demonstrating our employees' firm commitment to Peabody and its values.

Peabody has a comprehensive learning and development programme, with all Peabody employees participating in the bespoke Peabody *Customer First* programme. We have six Peabody behaviours that set the standard for how we work with our colleagues and customers:

- *Customer focused* – we deliver excellent service.
- *Results focused* – we get things done.
- *Collaborative* – we work effectively with others.
- *Can do* – we are positive and helpful
- *Principled* – we are trustworthy and fair
- *Continuously improving* – we are always looking to improve.

During 2015/16 we continued to implement our comprehensive Leadership and Management Programme (LAMP) as part of our commitment to strengthen Peabody's future leadership and capability. We continued to embed LAMP by incorporating it into our corporate induction and one day programme for new managers. In addition we have launched LAMP Champions across the business to deliver bite size sessions for employees. In February 2016 we launched LAMP 360 feedback for the Leadership Team with three follow-up workshops to focus on opportunities for development. It is planned that the questionnaire will be launched to tier 3 managers from September, incorporating any insights learnt from phase 1.

We have used the Investors in People (IIP) framework to underpin our Learning and Development Strategy, helping to drive continuous improvement by encouraging the involvement of all employees in the decision making process. In June 2016 we were accredited IIP Gold, a rating only achieved by 14% of companies who are IIP accredited.

To assist employees with career development and progression we designed an in-house course - "Realise Your Career Potential" which was rolled out across the organisation. This will encourage employees to take ownership of their learning and help to meet Peabody's need to support and retain its talent. Over the 2015/16 period, the number of internal appointments was 47%, against a target of 35%.

Investing in our Information Systems and Business Solutions

We have transformed our information systems and business processes to better serve our customers. In summer 2015 we upgraded our IT infrastructure network to make it more stable and secure. This was followed by an upgrade of our Windows desktop environment, including an upgrade to email and remote access to services and software. We provided all offices with new landline phones and printers between January and March 2016. We have also established new security and use policies so that anyone who uses our IT systems is aware of the responsibilities we all have in keeping our information safe and secure.

During 2015/16 we continued to implement a robust approach to programme and project management that supports us to more effectively deliver, monitor, report and benchmark the savings and benefits achieved. As part of this the Peabody Programme and Project Management Guide has been updated, supported by an internal training and development programme.

Our Data Quality Improvement Programme, reporting to the Information Management Group, is helping to ensure that Peabody has the governance, systems, tools and support required to ensure that data is properly managed and used across the whole organisation.

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Our digital offer

Over the year, we made the transition from a printed resident magazine to an e-newsletter, supported by a printed copy on request for our residents who need a choice of formats. Our May 2016 email newsletter went to 8,500 residents, and achieved a 43% unique open rate. This means that around 3,500 individuals opened the email, with 1,150 of those choosing to click on an article to find out more. This is strong compared to an average open rate of 25% (cited by Smartsights) for email marketing by non-profit organisations. This is supporting our strategy of encouraging residents to go online, visit our website, and increasingly access information and services there.

We enhanced our offer on our sales website to include shared ownership on new-build homes. This is an end-to-end service covering mobile and web to make it easier for people to interact with us via our digital platforms. Our sales website continues to win industry awards for the quality of the customer experience, most recently winning Best Website 2016 at the Property Marketing Awards. We launched the Thamesmead Now website to support our consultation on the regeneration of South Thamesmead in February 2016. This includes a digital feedback form, cutting down on the bureaucracy of having to fill in physical forms. We continue to make improvements to our internal systems and processes to create a better continuity of service for residents.

Ensuring we have the financial strength to achieve our objectives

Financial Strength Key Performance Indicator	2015/16 actual	2015/16 target	Benchmark G15 Median quartile 2014/15	2014/15 actual	2013/14 actual	2012/13 actual
Rent roll in arrears (social)	4.70%	4.47%	3.57%	4.6%	4.7%	5.4%
Bad debts (% of social housing income)	1.25%	1.13%	n/a	1.0%	0.5%	0.7%
Void loss	1.86%	1.60%	0.57%	1.3%	1.2%	1.3%

Our performance in relation to arrears in 2015/16 is in line with recent trends. We continue to monitor both arrears and bad debts and the impact of welfare reform on these measures. We are particularly pleased with the continued support provided to residents in the current context of welfare reform and the introduction of Universal Credit, such as providing information, advice and support. In addition, our robust preventative, supportive and enforcement actions have enabled us to continue to mitigate the level of rent arrears. In 2015/16 we collected 99.8% of rental income (social) due for Peabody, 101% for CBHA and 99.9% for Gallions. Our continued focus in the year ahead will be to understand and mitigate the impact of future welfare reform, and to ensure homes are re-let as soon as possible to meet the high demand in the areas we operate. Total void loss for all tenures including sub units and commercial properties is outside the 1.60% target at 1.86%, however void loss for New Build units (time between practical completion and let or sale) is high at 16.5%. Excluding all New Build units practically completed this year, void loss is within target at 1.47%.

Welfare reform

Welfare reform continues to be a major challenge facing Peabody and the residents we serve. Many of our residents have been affected by cuts in the level of financial support available to them, as the government aims to make over £12 billion a year worth of savings to the welfare budget by 2021. Cumulatively, the further changes to welfare we have seen in the last year will put pressure on some residents' household budgets, making it more difficult for them to pay their rent. To reduce the housing benefit bill, the government has introduced a 1% annual reduction in social housing rents over the next four years. This will impact on Peabody's revenue stream, reducing our anticipated income by £49 million over the four year period. To continue our levels of investment in our communities we must operate efficiently as an organisation at the same time as offering additional support to residents who may be experiencing challenging financial circumstances.

We have a welfare reform strategy in place and are continuing to invest in services including employment and training and welfare benefits and budgeting advice, to support residents through these changes. We continue our long-standing support to help residents into work, helping to reduce reliance on the welfare system. This year we helped over 1,000 people into work. We also created 147 apprenticeships internally and through our supply chain. This was achieved through a series of careers and jobs fairs across London as well as tailored one-to-one employment and training support at our employment hubs.

As part of our Winter Wellbeing campaign, Peabody employees visited 1,344 residents aged 70+ to check that they were safe, warm and able to manage during the cold weather. Our Tenant and Family Support Team (TFST) coordinated a two week food and toy collection in November 2015. Employees at 20 locations across London donated enough food for 2,358 meals, which was distributed to seven local foodbanks providing support to those who need it the most.

Group structure
Throughout the year we have been working on a complex project to simplify our corporate structure. At the heart of this was a proposal to merge our landlord entities in to a single organisation. We formally consulted with all our residents in October 2015, gaining valuable feedback from around 800 residents that the Board considered before making its decision to go ahead with the integration. A number of complex legal, financial and regulatory steps have been initiated to take this forward.

A financial review of results for the year is provided in section 3.

ACHIEVE INFLUENTIAL GROWTH
Our goals in order to achieve influential growth are to:
- *Build and manage more homes.*
- *Shape and influence the national housing agenda.*

Building and managing more homes Key Performance Indicator	2015/16 actual	2015/16 target	2014/15 actual
Completions	1,080	1,240	580
Sales (units)	641	620	118
Sales (revenue)	£148m	£125m	£22m

Build and manage more homes
Peabody has been an agent for social and physical improvement in London for more than 150 years. We are continuing that tradition, bringing new life and opportunities to communities through mixed use and mixed tenure developments.

Last year we completed 1,080 new homes for Londoners to buy and rent. Of these, 819 were affordable homes (rented and shared ownership). We produced 14% of all mixed tenure completions by London's 15 largest housing associations (known as the G15).

These include:

- 153 top quality homes and public spaces in Phase 1 of our St John's Hill regeneration in Clapham Junction

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- 13 new affordable homes at Darbishire Place on our Whitechapel Estate, which were nominated for the 2015 Stirling Prize

- 112 mixed tenure homes alongside new community and retail facilities for residents of the Silchester Estate in Kensington and Chelsea
- 104 new homes utilising the historic Victorian buildings of the former Plaistow Hospital. The design of this scheme emerged as a result of our design competition held in 2012 to mark 150 years since Peabody was created. The completed scheme will provide a total of 169 new homes and community facilities

Our 2015/16 sales programme of 641 homes, including 453 shared ownership and 188 market sale, generated £148m, which exceeds the financial year target of £125m. Our work to help first time buyers onto the housing ladder was recognised by both industry experts and the public at the 2016 First Time Buyer Awards, where we were named 'Affordable Housing Provider of the Year'. As well as winning the top prize, we were also highly commended in two other categories: Best Urban Regeneration for our Pembury Circus scheme in Hackney, and Best Show Home for the Chancery Building at Embassy Gardens.

Our development activities are guided by the principles of design excellence, supporting communities and innovation. In addition to our Stirling-Prize nomination for Darbishire Place, our Mint Street and Darbishire Place developments were awarded the Royal Institute of British Architects (RIBA) London Award for architectural excellence in May 2015.

Our Development Strategy for 2016-20 outlines our key strategic aims for the period. These include maintaining a supply of an average 1,000 new homes a year; delivering a largely self-funding programme; maintaining a supply of truly affordable rented homes; and doing more in joint venture and partnership with organisations with complementary skills and resources.

Thamesmead

Our ambitions for Thamesmead have grown enormously since South Thamesmead and Abbey Wood, and Plumstead and West Thamesmead were granted housing zone status back in early 2015. Our initial plans outlined the potential for around 900 additional homes in ten years in Thamesmead. Since then, working closely with our partners in the Greater London Authority (GLA), the London Borough of Bexley, the Royal Borough of Greenwich and others, we have now completed detailed plans to deliver more than 2,800 homes in two Housing Zones in both boroughs. Focusing on the areas around Abbey Wood and Plumstead stations we have now submitted a series of detailed and outline planning applications to the local authorities. The Crossrail project is on track to bring faster connections to Abbey Wood in 2018.

In South Thamesmead/Abbey Wood in Bexley we submitted planning applications for 1,500 new homes along Harrow Manor Way in May 2016 – a landmark in our South Thamesmead regeneration plans - having consulted with more than 3,000 community members across five events between August 2015 and February 2016.

In West Thamesmead/Plumstead in Greenwich we have submitted a planning application for The Reach which includes 66 new homes. In the wider Plumstead and West Thamesmead Housing Zone we intend to deliver over 900 new homes on three sites close to Plumstead station.

Our work on the two Housing Zones is complemented by a wider programme of regeneration activity in South Thamesmead. We have spent two years engaging with residents across Thamesmead on improvements they would like to see in their area and in early 2016 we launched a specific and detailed consultation on our plans for South Thamesmead.

These proposals represent the first significant investment in regenerating South Thamesmead over the next ten years. Our mixed approach proposes to refurbish thirteen tower blocks whilst upgrading the public realm in the Southmere and Parkview neighbourhoods. We also propose to remove the Yarnton Way wall and demolish around 600 homes in the Wolvercote Road area. All tenants will be offered a brand new home in the same area, on the same tenure as before. We continue to discuss our offer to homeowners.

To support the consultation we set up a dedicated website (www.ThamesmeadNow.org.uk) and undertook a programme of outreach activities over fifteen weeks including door-knocking, drop-in events and one-to-one meetings. Through this we engaged with 80% of households in the Wolvercote Road area and more than 600 households overall.

We have received broad support for our proposals and are therefore able to progress plans for the tower blocks, public realm and Yarnton Way wall, and put forward a more dedicated 'resident offer' to Wolvercote Road residents around demolition, buy-backs and rehousing.

Our overarching priority for Thamesmead is that existing residents welcome the changes and wish to remain part of their communities. This year we have stepped up our investment in neighbourhood improvements and remain determined to enhance the quality of the area for people in Thamesmead now. These improvements will also support vibrant communities into the future as new people visit and come to live in Thamesmead.

Shape and influence the national and local agenda
2015 saw the Government announce a number of measures affecting Peabody and our residents. Throughout 2015/16, our Chair, Lord Kerslake, played an important part in amending and improving the Housing and Planning Bill in Parliament. We made our views known on the impact of extending the right to buy to housing association tenants, and made representations to government on a range of issues including pay-to-stay, starter homes and changes to the social security system.

As a result of our experience managing homes for 80,000 residents, as well as our expertise in regeneration, place-making and development, we are in a good position to influence policy at a national, regional and local level. We will continue to work with all tiers of government towards our shared objectives of increasing housing supply and providing more opportunities for Londoners. This year, we worked to build and maintain a range of key relationships at a local and national level. During the year we had a series of meetings and networking opportunities with Ministers, Shadow Ministers, MPs, councillors, GLA members and think tanks, which were opportunities to promote our work and to gather intelligence on the changing operating environment. We will look to build these relationships at all levels in the coming year.

We also work with a range of think-tanks and influencers to explore effective policy solutions to benefit Londoners. In 2015/16 we worked with Centre for London on a report exploring the best mechanisms for building out major sites for housing development. We worked throughout the year with Future of London, exploring best practice in regeneration, housing, infrastructure and economic development in the capital. We also worked on a report with the Confederation of British Industry (CBI) which articulates the business case for investment in affordable housing in London, highlighting that social housing residents in London contribute around £15bn each year to the economy.

BUILD THRIVING COMMUNITIES
To build thriving communities our goals are to:
- *Provide opportunities for people in our communities to get the most out of their lives*
- *Create desirable neighbourhoods where people want to live.*

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Build thriving communities Key Performance Indicator	2015/16 actual	2015/16 target	2014/15 actual	2013/14 actual	2012/13 actual
People supported into employment	1,084	1,000	525	415	332
Total number of volunteers	1,149	1,000	572	409	Not measured
Fundraising	£446,000	£800,000	£744,000	£1,955,871	Not measured
Total hours of community work delivered	44,608	36,000	23,646	19,447	14,185

Community programmes have been an important part of Peabody's offer to London for almost twenty years. We have invested over £20m since 1997 to support our residents and create opportunities for people across the capital. This work has never been more important, and we aim to empower people to lead happier and more fulfilled lives through education, employment, good health and involvement in their communities.

In 2015/16 we invested a total of £5.3 million in programmes that provide opportunities for people in Peabody communities and to enhance our neighbourhoods, including £3.6 million in grant funding. In July 2015 we published our inaugural Impact Report, which details the activities, outcomes and social value of our community programmes. Key highlights from 2015/16 for the Group are outlined below.

Employment and apprenticeships
A central part of our role is to offer employment support, training and advice to people who are unemployed and looking for work. During the year we supported 1,084 people into employment, of which 24% were Peabody Group residents. In addition to this we increased the percentage of Peabody residents aged 16 to 24 being engaged by our employment team to 11.4%. This was achieved through the work of our resident facing teams to promote apprenticeship opportunities and refer interested residents to our employment and training team. This will impact positively on the number of residents securing apprenticeships at Peabody, or through our development and maintenance supply chains.

Community development
We support residents and community partner organisations to manage our community spaces, and offer support to entrepreneurs through our enterprise hubs. In 2015/16, we helped management committees to run our community centres providing free-to-access community activities, from art classes to Zumba. We also worked with a range of community-based, external partner organisations to deliver activities at our centres. In 2015/16 volunteers from our management committees and externally managed spaces put in a total of 44,608 hours, against a target of 36,000, exceeding our target by 24%.

Volunteering
Our Investors in Volunteering accredited pan-London programme has helped to change the lives of Peabody residents, service users and the volunteers themselves. During 2015/16 we had a total of 1,149 active volunteers in our offices, community centres and on our estates. Highlights include the involvement of over 400 employees as Peabody Promise volunteers taking advantage of over 27 opportunities, including our Winter Warmers campaign, making sure that residents have adequate heating and living conditions, and making referrals where necessary.

Young People's Services
We are committed to improving life chances for young people across London, with a focus on Peabody residents. Working with schools, local authorities and a range of organisations from the public and private sectors, we provide accredited opportunities which increase access to and participation in education, employment, training and social action.
In 2015/16 we directly supported 1,258 children and young people, exceeding our target of 1,000 by 26%. A

number of new projects have been implemented over the year including the Westminster homelessness project as well as our Young Leaders and Ambassadors Programme. Delivered in partnership with the US Embassy, this project is supporting and empowering young people aged 11 to 24 to become leaders in their communities whilst developing their core employability and life skills. Young leaders can access up to £500 to run activities for their peers and gain a nationally recognised leadership accreditation, whilst representing their peers. As part of this project, a group of young people visited the United States in early 2016. This project will enable a higher number of young people from a wide range of Peabody neighbourhoods in London to influence their peers and promote social action.

Peabody Children's Community

A ten-year programme delivered in partnership with the London Borough of Hackney, our Children's Community aims to significantly improve the life chances of children and young people aged up to 24 on the Pembury estate. Inspired by the Harlem Children's Zone in New York, we are seeking to address the multiple causes and consequences of child poverty simultaneously within a defined area.

Part of a wider national pilot for children's community approaches, championed by Save the Children and evaluated by the University of Manchester, the programme has four work streams: early years and primary school; secondary school and transition to adulthood; support for parents; child poverty. During 2015/16 the programme supported over 230 parents and over 300 children and young people through initiatives run by the Children's Community Partnership on the estate, These initiatives have included a youth club, breakfast and afterschool clubs, 'stay and play' sessions, family literacy programmes, parent training and support groups, casework support for young people and parents, volunteer placements, adult education and employment and training advice.

A new community centre was opened on the Pembury estate in October 2015 with a stakeholder event held in December. This was attended by 50 partners and stakeholders from Hackney Council, the local voluntary sector, nurseries and local churches. During 2015/16, 97% of children surveyed reported that the Children's Community had made a positive impact on them (improving their confidence, skills or knowledge or giving them new friends and opportunities) and 100% of parents surveyed reported a positive impact.

Cleaner, greener estates and neighbourhoods

In 2015/16 we successfully achieved our target to ensure that 95% of our estates are rated at Gold standard for cleanliness, to ensure that our residents have a clean, safe place to live. We continue to deliver our Thamesmead improvement programme and will invest around £3million between 2015 and 2017 in initiatives that reflect the priorities of local people including high quality play areas, improvements to the public realm and resident- led projects.

We are also conducting an extensive consultation in South Thamesmead on our 10 year investment proposals, the feedback received will feed into plans for the future of the area. Over the past year improvements to the local area have been planned and implemented. This includes security railings at Coralline walk and Yarnton Way Crossing, and a zebra crossing next to the Southmere Village development, a priority for residents. We are also continuing our partnership projects including the Ridgeway and Thamesmead path, and have initiated some pilot way-finding schemes including renewed signage in the Moorings estate.

Lesnes to Crossness

In October 2015 we officially launched the first phase of the Lesnes to Crossness path in Thamesmead. The area which has been named Southmere Square has undergone a major transformation and now offers a beautiful park, play area and seating which offers stunning views across Southmere Lake.

This was Peabody's first major project to be delivered in South Thamesmead and shows our commitment to making changes on the ground now while longer term plans are developed. The path is very well used and is hugely popular with local residents.

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SECTION THREE: FINANCIAL REVIEW

The financial position and results for the year are set out on pages 64 to 67 of these statements. The Group's principal accounting policies are set out on pages 68 to 78.

The change in financial reporting standards (adopting "FRS102") has had a significant impact on reported results, adding £1.1 billion to the Group's opening financial position as at 31 March 2015. The source of this uplift is the revised carrying value of property assets, with all investment properties now carried at valuation and the cost of sub-market housing properties now rebased to March 2014 existing use values. Further analysis of the effect of adopting FRS102 is provided in note 39 to the financial statements.

Performance against key financial ratios remains positive and reflects continued strong performance in line with our business plan projections.

On 23 June 2016, the UK electorate voted in favour of leaving the European Union. This is likely to have a range of economic, political and social consequences. Markets reacted with a fall in the value of the Pound, a UK credit downgrade, a fall in the share price of listed house builders, and a negative outlook for property prices.

Peabody's credit rating has been adjusted to A3 negative outlook. The impact of current market conditions on future borrowing costs is uncertain, but current levels of liquidity are sufficient to meet foreseeable needs. New funding arrangements have been entered into since the vote to leave the European Union.

Consolidated Statement of Comprehensive Income

12 months to 31 March	GROUP COMPREHENSIVE INCOME				
	2016 £m	2015 £m Restated	2014 £m	2013 £m	2012 £m
Turnover	**352**	**225**	**166**	**128**	**122**
Cost of sales	(85)	(20)	(11)	-	(1)
Operating costs	(146)	(150)	(105)	(85)	(90)
Surplus on sale of fixed assets	5	19	Formerly classified below		
Operating surplus	**126**	**74**	**49**	**43**	**31**
Surplus on sale of fixed assets	Now classified above		8	1	13
Net financing costs	(36)	(30)	(22)	(18)	(24)
Change in value of investment properties	32	31	-	-	-
Surplus before taxation	**122**	**75**	**35**	**26**	**20**
Other comprehensive income	(6)	(4)	-	-	-
Gift on acquisition	-	48	256	-	-
Taxation	-	2	-	-	-
Surplus	**116**	**121**	**291**	**26**	**20**

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During the year Group turnover has increased by £127 million with a £123 million increase in sale of newly built homes.

Of total turnover of £352 million, £101 million has come from open market sales, £47 million from shared ownership sales, £170 million from social housing lettings, and £34 million from other sources, primarily lettings.

The operating surplus of £126 million gives an operating margin of 36% (2015: 33%) with an underlying operating margin on social housing lettings of 35% (2015: 25%). The improved margin on social housing reflects revenue streams for newly completed properties (where corporate costs were invested in advance in 2015) and a review of cost allocations to a method more appropriate to the diverse operations of the Group.

Sales are a planned part of the development programme, provided much needed cross-subsidy for new affordable rented homes. Surpluses recognised now will cross-subsidise new low rent homes for many years to come. The sale of newly built property has achieved an operating margin of 43% (2015: 34%), better than expected and resulting from a favourable point in the property cycle. Fewer sales are forecast for the coming year and this fits well with the uncertain economic climate.

The operating surplus also reflects discretionary expenditure on community programmes of £5 million (2015: £5 million), without which the operating margin would have been 38% (2015: 35%).

Operating results are analysed further in note 3 to the accounts. The operating surplus includes a £2 million loss on commercial lettings, resulting from a £4m increase in provisions for future expenditure to public realm assets in Thamesmead.

£170 million (48%) of turnover in the year came from social housing lettings. This revenue includes a high level of rental subsidy, with 73% of rents in the 22,000 social rental portfolio sitting below £130 per week; a clear demonstration of the Group's contribution to truly affordable housing in London.

Results for the year recognise £32 million upward valuation in investment properties, revalued annually. Other comprehensive income of minus £6 million relates to pension scheme actuarial losses.

The Group's policy is to gift aid surpluses in subsidiaries to the charitable parent. Gift aid payments allow the Group to mitigate the majority of its tax liability and mean that development profits can be re-invested for charitable purposes.

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Consolidated Statement of Financial Position

	SUMMARY OF GROUP STATEMENT OF FINANCIAL POSITION				
As at 31 March	2016 £m	2015 £m Restated	2014 £m Restated	2013 £m	2012 £m
Fixed assets at cost	2,714	2,623	2,475	864	797
Investment properties	318	267	169	-	-
Net current assets	171	174	94	15	43
Total assets less current liabilities	**3,203**	**3,064**	**2738**	**879**	**840**
Creditors due in over one year	1,356	1,346	1,163	558	546
Pension deficit	61	52	44	31	31
Reserves	1,765	1,653	1,529	290	263
Provisions	21	13	2	-	-
	3,203	**3,064**	**2,738**	**879**	**840**

The changes introduced by FRS102 include the restatement of earlier years, beginning with the restatement of the 2014 Statement of Financial Position to provide the opening position for 2015 comprehensive income comparatives.

The Group has invested heavily in new property during the year, spending £155 million and receiving £6 million in grant. The balance has been funded mainly from operations, including the proceeds on sale of some new homes on the open market and through shared ownership. New bank loans of £6 million (net of repayments) have been drawn during the year.

The net current asset position is maintained at efficient levels. In addition, a fully secured £125 million undrawn facility is available at short notice.

Included in net current assets is £17 million of completed properties awaiting sale (2015: £52 million), all of which have a clear sales plan.

The Group participates in three pension schemes: the SHPS Care scheme, the Local Government Defined Benefit Pension Scheme (LGPS) and a defined contribution scheme with Friends Provident. All schemes offer good benefits for our employees. The first two schemes are closed to new members. An overarching admissions agreement for the enlarged Group is now in place with LGPS, facilitating consideration of a future pension strategy.

During the year the LGPS pension provision has increased by £8.6 million, with the present value of obligations rising by £4.2 million and the fair value of fund assets falling by £4.4 million. The next triennial LGPS valuation is due in September 2016, based on data as at 31 March 2016.

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Indicator	2016	HCA 2015 Global Accounts[3]	2015 Restated	2014	2013	2012
Social housing: Turnover	48%	84%	70%	73%	82%	82%
Operating margin	36%	28%	33%	30%	34%	25%
Net margin[1]	33%	19%	32%	21%	20%	16%
EBITDA[2] interest cover[1]	512%	156%	441%	285%	258%	254%
Social housing interest cover[4]	1.7 x	1.6 x	1.4 x	1.5 x	1.9 x	1.2 x
Adjusted cash generation	£65m	n/a	£21m	£24m	£16m	£10m
Gearing	34%	44%	35%	42%	41%	38%
Debt per unit	£35,000	£28,000	£36,000	£31,400	£28,300	£24,900
Debt : Turnover	2.9	3.9	4.4	4.0	4.3	4.4

1. excluding gain on acquisition
2. earnings before interest, tax, depreciation and amortisation
3. annual review of the financial status of Registered Providers in England
4. measures the ability to meet interest costs from the core business of social housing letting, a key credit rating metric

Social housing represents an unusually low proportion of turnover in 2016 as a result of the unusually high level of sales.

Adjusted cash generation, or free cash, is a key measure for the Group both in terms of current operations but also longer term planning. It measures the ability to meet from operational surpluses (I.e. without recourse to additional debt) both the underlying investment need of our existing properties (including capital investment) and the cost of servicing the borrowing for the development of new homes. Adjusted cash generation is the headroom that is available to fund future investment in existing and new homes in our communities.

The Group maintains a strong balance sheet in terms of future debt capacity and serviceability and is committed to prudently applying this to the availability and quality of homes in London and its thriving communities.

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TREASURY MANAGEMENT

As at 31 March 2016 the Group had £1,222 million of committed debt funding (2015; £1,254 million), of which £1,097 million was drawn and £125 million available to draw (all of which is fully secured and immediately available as revolving credit facilities). A further £101 million of cash held gives total available liquidity of £226 million. In line with Group treasury policy this resource is sufficient to meet the Group's contractual commitments and the anticipated net funding requirement of the development programme for at least the next 18 months.

Funding sources are diversified with 45% of committed funding coming from the capital markets and 55% coming from banks, building societies and the European Investment Bank. Refinancing risk is limited, with only £28 million (2.5% of drawn funds) repayable within 5 years.

At 31 March 2016, Peabody had a Moody's credit rating of A3 stable. A downgrade from A2 negative outlook during the year reflected Moody's view of the Group's willingness to continue its development activities in a more risky social housing sector environment. On 29 June 2016, Moody's indicated that it has changed the outlook to A3 negative outlook following the UK referendum vote in favour of leaving the European Union and the recent change in the outlook on the UK's Aa1 government bond rating from stable to negative. Peabody's rating remains at investment grade.

The Group was compliant with its covenants to lenders in the year to 31 March 2016.

During the year the Group simplified its on-lending structures following the restatement of some of its facilities, which removed two restrictive covenants. The restatement also saw a reduction in available facilities at the time, which were replaced with new revolving credit facilities.

The Group is risk averse in respect of interest rate management with 82% (2015: 83%) of the portfolio currently held at fixed rates. This means we are well insulated against rises in variable interest rates.

There are no stand-alone swaps, non-sterling interest rates or exchange rate exposures. The weighted average actual cost of funds for the year was 4.1% (2015: 4.4%).

A formal counterparty policy is maintained where the prime objective in respect of cash investment is the security of the sums invested.

The Group has significant property security available and will continue to look to optimise use of security and funding arrangements across the Group.

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SECTION FOUR: VALUE FOR MONEY

Our Group Value for Money Strategy

Peabody's Group-wide Value for Money Strategy is the foundation for the delivery of value for money objectives. The Strategy is reviewed each year as part of the Group's annual business planning and budgeting process, and is published on the Peabody website at www.peabody.org.uk

Our strategy is a Group-wide approach that sets the framework for our subsidiaries, who also report separately against each of the chosen value for money benchmarks.

This self-assessment covers both the Peabody Group (for corporate and Group-wide functions), and, where appropriate, also reports specifically on Peabody's performance as a landlord. Subsidiary reports for CBHA and Gallions can be found at www.peabody.org.uk.

What we have achieved in 2015-16

Providing social and affordable rented homes remains at the heart of our business model. Our new Group Strategy, published in April 2016, reaffirms our goal to maximise the number of social and affordable homes we build, subsidised through the sale of homes on the open market. In 2015-16 the Peabody Group built 418 new social and affordable rented homes for the people of London.

Shared ownership and homes for rent to key workers also remain important in meeting London's housing need. In 2015-16 we built 394 new shared ownership homes.

We also invest in our properties for the long-term. In 2015-16 we invested £32.5 million in existing properties through our Quality Homes programme.

We also helped 1,084 people into jobs or apprenticeships, generating an estimated social return on investment of £9 for every £1 invested in our employment programme using the HACT social value methodology. At current London Living Wage levels, the hours put in by volunteers associated with our programmes equated to over £1.9m during 2015-16.

Our value for money goals in 2015-16	What we achieved
Through the Business Review, deliver appropriate ongoing efficiency savings and set out a routemap to improve our operating margin by one per cent each year over the next three years.	A Business Review was piloted with a number of business areas in spring and summer 2015, including Resident Services, Property Services and Strategy and Communications. Savings opportunities of over £2m were identified – these were incorporated into budgets for 2016-17 as part of our Efficiency Programme, launched in autumn 2015.
Undertake a thorough review of our repairs performance and put in place an action plan that will deliver improved performance.	We commissioned an external review of our responsive repairs service and have put a programme of improvement in place. The number of days taken to complete a repair has reduced considerably and we have reduced the backlog of repairs. Repairs satisfaction has improved.
Review our voids performance and achieve a re-let time of no more than 26 days in 2015-16.	In 2015-16 our Voids relet time reduced from 29 days to 22 days, exceeding our target of 26 days. Our like for like Void loss (excluding new builds) percentage also reduced to just below 1.5%, meeting our target to achieve void loss of below 1.6%.
Benchmark our development programme against robust industry standards and put in place a programme of cost control and efficiency savings from 2016.	The Development programme is benchmarked through the Catalyst benchmarking group. The new Development and Sales Control Manual was implemented in 2015/16 and included comprehensive cost control measures to ensure close management of scheme budgets. Procurement routes are being designed to optimise value and efficiency and to decrease risk.

Looking ahead – value for money in 2016-17

In 2015-16 we piloted a Business Review approach that identified specific savings from a rolling review of a number of key business areas.

Over the summer, we conducted a thorough review of our long-term financial plan, taking into account changes to the external operating environment such as the reduction of social rents by 1% each year from April 2016.

In autumn 2015, we agreed more comprehensive efficiency targets covering the whole of the Peabody Group, and setting ambitious efficiency targets up to 2020 and beyond. These efficiency targets are reflected in budgets for 2016-17 and built into our long-term financial plan agreed by the Board.

Our new Group Strategy, published in April 2016, sets out the areas of focus for the next four years.

We will put in place a business transformation programme to improve and streamline our business whilst protecting front-line services. This will include:

- Reviewing our operating model and benchmarking with the most efficient Housing Associations;
- Implementing our IT strategy to enable more digital and self-service options and streamline internal processes;
- A focus on third-party spending – reviewing and consolidating our external contracts and embedding excellent contract management and partnership working;
- Maximising income through intelligent asset management, reducing arrears, and effective partnership fundraising for the Peabody Community Foundation;
- Reviewing our corporate estate to ensure we are making best use of our offices and community buildings, with more flexible working and hot-desking;
- Reviewing our people strategy to ensure our organisational structures are fit for purpose and we continue to recruit and empower high quality staff, building on our Leadership and Management Programme (LAMP).

Value for money priorities for 2016-17

Achieve our 2016-17 efficiency target of £6m, through a combination of cost savings and revenue improvements. This includes: • Around £4m planned efficiencies in Housing Services, from a combination of cost savings and increased revenues; • Over £1m from cost reduction in the corporate centre, with better business processes and reduced use of consultants.
Complete a programme of operating model reviews to support our plans to deliver efficiency targets from 2017 onwards.
Ensure that staff have the capability and tools to deliver the change required. Working with our Portfolio Support Office we are ensuring that our leaders are equipped to identify and deliver the changes required to achieve our efficiency goals.

STRATEGIC REPORT

Thamesmead: creating long-term value for current and future residents

We have made good progress in developing the strategic framework that will guide and inform the transformation of Thamesmead in the short, medium and long term. We have also forged the partnerships necessary to achieve our mission, including with the London Borough of Bexley and the Royal Borough of Greenwich as delivery partners in the Abbey Wood and Plumstead Housing Zones. In 2016/17, we will translate our strategic ambition into on-the-ground results in Thamesmead. This includes making headway on the delivery of long-term strategies that are fundamental to sustainable success, including securing inward investment, first-rate transport infrastructure, enhanced arts and culture and exemplary public spaces. In July 2015, we created a new executive post for Thamesmead to give it the right level of focus. For the past year the post has been filled on an interim basis, before a permanent Executive Director began in July 2016.

The Thamesmead Regeneration team has remained focused on delivering more for less throughout their work. The team has sought to maximise value through the Housing Zones by increasing unit numbers, thereby creating more income in the long-run and looking at a variety of delivery methods to drive efficiencies and bring in new investment. We are leaving the most valuable sites until last to maximise returns and value, cross-subsidising riskier sites, and reviewing the tenure mix across the sites. Our early acquisition strategy has also involved buying back leaseholder properties now to reduce the risk of increased costs at a later stage.

The regeneration team has also been finding efficiencies through reduced rates for professional fees, rationalising and re-assigning projects and costs to meet strategic direction, and reducing the costs of consultancy and temporary staff through the recruitment of a permanent team.

Value for money in our services to residents

Supporting residents to pay their rent in full and on time helps us achieve value for money by keeping our finances strong.

In 2015-16, we started to see the benefits of a new system to help manage our rent collection. We estimate that in 2015-16 the net improvement in rent collected was around £350,000. Building on this initiative, we have now replaced an external software system with an in-house version, which will save around £100,000 per year in software licensing fees. We have set stretching but realistic targets for revenue improvement in 2016-17 and expect to improve rent collection even further.

Peabody helps residents to maximise and manage their income effectively. Our Welfare Benefits Advisors helped residents maximise their income by £469,000 during the year.

Our Home Energy Advice Service continues to achieve savings for our residents which are worth a combined total of around £60,000 a year. These savings come from making simple behavioural changes, changing energy tariffs and using heating programmers more effectively. We also reduce costs for residents through energy efficiency works such as insulation and double glazing, and water saving devices.

We also continue to look for better value in other areas such as training our Community Safety team to become in-house facilitators and renegotiating the costs of our emergency hotel accommodation contract. Looking forward, we will improve revenues by increasing the level of sub units we let and increasing the number of residents who pay their rent by direct debit.

Financially sustainable asset management

Our asset management activities are driven by a financially sustainable 30-year plan which guides the investment we make across our stock, both commercial and residential. Our investment strategy was reviewed by the Board in April 2016. As part of this strategy we are continuing work to analyse property performance at Estate level. This includes looking at tenure mix, repair costs, investment need and social impact. A better understanding of our Estate-level performance will enable us to take sustainable long-term decisions about how best to manage the portfolio and deliver our social objectives whilst maintaining strong finances.

Specific efficiency gains in 2015-16 included:

- the installation of new door entry systems, which generated £400,000 in savings on a single estate;
- solar panels on our estates generated income of over £500,000 this year.
- a new approach to asbestos surveys, saving us approximately £1,000 per home.

Our Property Services team employs a range of skilled construction professionals and technical support staff which enable the delivery of the majority of the work packages without the need to be supported by external consultants. This assists in driving value for money, enhancing the skills of in-house staff as well as being able to offer an appropriately tailored service to Peabody and its residents.

Procurement savings

The procurement team strives to obtain maximum Value for Money via effective contract management and comparative commercial analysis. All savings identified via procurement are captured on a register which has enabled us to achieve savings of over £2.1million against a target of £500,000. We also aim to obtain maximum purchasing leverage through consolidating the Group's spend through reducing the number of suppliers. Over the past year the number of live suppliers has been reduced by almost 10%.

Our value for money indicators – performance in 2015-16

RETURN ON CAPITAL EMPLOYED BY THE MAIN BUSINESS				
GROUP	2016 Operating and revaluation surplus £'000	2016 Capital deployed £'000	2016 Return	2015 Return
Social housing lettings	59,725	2,626,942	2.3%	1.5%
Investment property	33,459	284,542	11.8%	16.6%

An improved return on social housing lettings reflects increased revenue from new homes completed in the year and a review of cost allocation methodology to better match the diverse operations of the Group.

The lower return on commercial properties is a result of increased provisions and investment in Thamesmead. On-going review of the operational performance of all property tenures is central to the Group's Asset Management Strategy and work continues to ensure the optimum delivery of front line services is supported by appropriate capital investment.

STRATEGIC REPORT

Group value for money performance

Peabody Group and subsidiaries are benchmarked against the 'G15', a group of London's largest housing associations. In the tables below we show whether performance is upper quartile, lower quartile or in the middle two quartiles when compared with G15 general needs benchmarks.

Our results for 2015-16 show that residents remain very satisfied that our rents and service charges are value for money. Overall customer satisfaction remains below target, and we know that this is highly influenced by customer experience of our repairs service. Repairs are a critical priority for us, and we have a programme of continuous improvement in place – customer satisfaction has now begun to improve.

Peabody Group has relatively high costs, partly reflecting the additional costs of operating in London and partly relating to our programme of investment in improving and maintaining our homes, and our commitment to high quality resident services.

Even taking these factors into account, some of our unit costs remain higher on average than our peers. We are not complacent and we are determined to do better, reducing costs whilst continuing to provide good services.

Over the next four years we aim to become more efficient and effective. Achieving our Efficiency Programme targets will result in an improvement of around 10% in our cost per property by 2020.

VALUE FOR MONEY MEASURE GROUP	2015/16	G15 comparison	2014/15	2013/14
OPERATING MARGINS				
Operating margin	36%	32%	33%	34%
Operating margin on social housing letting	35%	34%	25%	28%

The operating surplus of £126 million gives an operating margin of 36% (2015: 33%) with an underlying operating margin on social housing lettings of 35% (2015: 25%). The improved margin on social housing reflects revenue streams for newly completed properties (where corporate costs were invested in advance in 2015) and a review of cost allocations, more appropriate to the diverse operations of the Group.

This change in cost allocations means that 2015-16 figures cannot be directly compared with previous years. In the tables below we show whether performance is upper quartile, lower quartile or in the middle two quartiles when compared with G15 general needs benchmarks.

UNIT COST OF DELIVERING SERVICES GROUP				
	2015/16	**G15 comparison - quartiles**	**2014/15**	**2013/14**
Operating cost per social home excluding property depreciation, including capitalised repairs	£5,468	[redacted]	£5,429	£5,409
Maintenance costs per social home (routine, cyclical and major repairs including capitalised)	£3,671	[redacted]	£3,634	£2,123
Management costs per social home	£1,321	MIDDLE	£1,687	£1,229

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CORPORATE COSTS				
Chief Executive pay per social home	£8.36	N/A	£8.79	£8.41

CUSTOMER SATISFACTION GROUP ALL TENURES AND GENERAL NEEDS (GN)	2015/16		G15 comparison - quartiles	2014/15	
	All (%)	GN (%)	GN	All (%)	GN (%)
Overall satisfaction with service	66%	74%	[redacted]	70%	72%
Satisfaction with repairs and maintenance	66%	72%	MIDDLE	63%	69%
Complaints resolved at stage 1	29%	27%	N/A	27%	N/A
Satisfaction with handling of anti-social behaviour	65%	70%	MIDDLE	47%	52%
Satisfaction that rent provides value for money	76%	81%	UPPER	74%	78%
Satisfaction that service charges provide value for money	67%	74%	UPPER	65%	72%

Peabody as a landlord

In addition to monitoring Group performance, we also look at Peabody's performance as a landlord separately from our subsidiary organisations. Results are shown in the tables below.

CUSTOMER SATISFACTION ALL TENURES AND GENERAL NEEDS (GN) PEABODY ONLY (Does not include Gallions or CBHA)	2015/16		G15 comparison - quartiles	2014/15	
	All (%)	GN (%)	GN	All (%)	GN (%)
Overall satisfaction with service	66%	71%	[redacted]	66%	67%
Satisfaction with repairs and maintenance	64%	68%	MIDDLE	60%	65%
Complaints resolved at stage 1	24%	27%	N/A	25%	24%
Satisfaction with handling of anti-social behaviour	64%	67%	[redacted]	47%	51%
Satisfaction that rent provides value for money	77%	81%	UPPER	73%	77%
Satisfaction that service charges provide value for money	69%	75%	UPPER	66%	73%

STRATEGIC REPORT

MANAGEMENT OF SOCIAL HOUSING PEABODY ONLY (Does not include Gallions or CBHA)	2015/16	G15 comparison - quartiles	2014/15	2013/14
Current rent arrears	5.4%	[redacted]	5.4%	4.7%
Bad debts (% of social housing income)	0.6%	N/A	1%	0.5%
Time taken to re-let social properties (days)	22	UPPER	29	25
Homes meeting Decent Homes	100%	UPPER	99.6%	100%

HCA unit cost analysis 2014-15

In 2016, the HCA published updated unit cost analysis for registered providers. The HCA analysis uses 2014-15 figures, and compares the unit costs of providers in England. In 2014-15, the median cost per social home in England was £3,550. Even taking into account the higher cost of London wages, this means that Peabody's cost was higher than the average for England. As set out above, Peabody plans significant reductions in unit costs over the next four years.

New Homes for Londoners

Our development programme continues to grow and building new homes is a key plank of our strategy to help meet housing need in London. We have a current pipeline of 8,000 homes and have completed a number of major schemes over the last year, including the regeneration of St Johns Hill estate in Clapham, where we are replacing the existing 351 homes with 528 new ones. We also completed the development of Pembury Circus in Hackney, which features 268 new homes, including a mixture of social, shared ownership and outright sale.

Looking forward we aim to deliver an average of 1,000 new homes a year. As we build these new homes, and refurbish older properties, we expect that our estates will have a wider range of tenure types and that this will benefit both new and existing residents. Our development strategy will be focused on maximising the number of affordable homes we build, subsidised using the surplus from the homes we sell on the open market.

NEW HOMES DELIVERED (GROUP)			
	2015/16	2014/15	2013/14
For social and affordable rent	418	378	97
For intermediate rent	7	14	0
For affordable home ownership	394	156	62

NEW HOMES DELIVERED (PEABODY)			
	2015/16	2014/15	2013/14
For social and affordable rent	362	337	56
For intermediate rent	7	14	0
For affordable home ownership	358	113	31

STRATEGIC REPORT

SECTION FIVE: CORPORATE GOVERNANCE STATEMENT

Peabody has adopted the principles and provisions of the NHF Code of Governance - Promoting board excellence for housing associations (2015 edition) and complies with the provisions of the code. Peabody has also committed to meet the principles of the NHF Code of Conduct (2012 edition) through adherence to the Peabody Code of Conduct. In fulfilling its obligations under both codes, the Peabody Group (the "Group") follows good practice drawn from supporting guidance. An assessment of compliance with both codes is conducted on at least an annual basis: the last reviews were completed in May 2016.

During the year the Board has been kept updated on, and provided oversight and challenge in relation to, the Group's compliance with the Homes and Communities Agency ("HCA") Regulatory Framework (the "Regulatory Framework"), including the Governance and Financial Viability Standard. The Board takes its responsibilities under regulation and relevant good practice guidance very seriously and has taken appropriate steps to ensure compliance with the requirements set out in the Regulatory Framework. Peabody and its subsidiaries are committed to transparent and timely communication with the HCA. A certificate of compliance with the Governance and Financial Viability Standard has been included within this report in accordance with regulatory requirements.

As part of being regulated by the HCA, the Group has been given a rating for governance, as assessed against the Governance and Financial Viability Standard. Our current G1 rating ("the provider meets the requirements") being the highest rating on the scale. The Group also retained the strongest rating for financial strength (V1) throughout the financial year ended 31 March 2016.

Leadership and Control
The Board is responsible for the effective governance of the Group and has ensured that the governance framework of the Group continues to evolve in order to reflect the changing external and internal economic, risk and regulatory environment. Changes to the governance framework during the financial year, following the Board's approvals and, where required, relevant regulatory consents included:

- Progress towards integration of the subsidiary registered providers of social housing (Gallions and CBHA) into Peabody so as to create a single Peabody landlord including undertaking resident consultation and seeking relevant regulatory consents;

- the expansion of the geographic remit of Peabody Community Foundation (formerly Trust Thamesmead Limited) following confirmation of required approvals;

- the creation of a new Board committee, the Development Committee, to oversee development, sales and commercial activities (including activities relating to Thamesmead regeneration) and performance; and

- approval of new Operating Regulations, Financial Regulations, Delegated Authorities and Major Project Framework.

The continuous review of the governance framework remains a priority for the Board in order to support objectives set out in the 2016 -2020 Group Strategy and Peabody's evolving business model. The Board will continue to consider proposals to streamline the corporate structure as necessary during the current financial year in order to ensure that the Group structure is appropriate for Peabody's evolving business model, whilst managing risk and delivering quality services to residents. In pursuing these changes, Peabody has taken the opportunity to enhance the effectiveness and efficiency of risk management, governance systems, controls and decision-making processes to ensure the Group has both the capacity and capability to deliver its vision.

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The Board has delegated day-to-day management to the Chief Executive and his Executive Team. During the year a new post of Executive Director, Thamesmead, reporting directly to the Chief Executive, was created to lead the regeneration programme in Thamesmead.

Early in the financial year the Group notified the HCA of non-compliance with the Decent Homes standard as at 31 March 2015 in relation to some of the housing stock in Gallions. During the year the compliance status of Gallions with the Decent Homes standard has steadily increased from 65% (as recorded in Gallions accounts for the year ended 31 March 2015) to 100% at 31 March 2016.

The HCA was aware of and supported the Group's plans to achieve full compliance and in November 2015 confirmed that there was no evidence to support any change to Peabody's existing G1 regulatory rating.

Responsibilities of the Board and the Executive

The Peabody Group Board has overall responsibility for the strategic oversight and management of the Group, including subsidiary companies. The Board approves the strategy for the Group, ensures effective management of resources and risk, oversees performance and the achievement of the Group's strategic goals, and ensures effective governance and external reporting. The Board uses its powers to direct and when necessary, will intervene with governance of operating subsidiary companies. The Board also reviews the Delivery Plans for CBHA and Gallions, and approves the Thamesmead Strategic Framework and reviews the Thamesmead Delivery Plans, which are aligned to the 2016-20 Group Strategy, and sets budgets and establishes policies and codes to apply across the Group. Intragroup Agreements govern the relationship between the parent and principal subsidiary companies including those not regulated by the HCA.

The composition of boards of directors of operating subsidiaries are reviewed regularly by the Nominations and Remuneration Committee, which oversees appointments to the boards of all Group companies and makes recommendations to the Peabody Group Board. The Peabody Board appoints or has nomination rights to each of the subsidiary boards, and makes all the appointments to the Group's Board committees.

The remit and composition of all Group boards and committees have been reviewed to take account of ambitious development and sales plans and the changing risk profile of the more complex Group. In November 2015 the Board decided to establish a Development Committee, chaired by Elizabeth Peace, to provide more holistic oversight and scrutiny to the development and commercial property activities across the Group, and to consider risks and rewards of the development and commercial property programme.

In anticipation of the Group's strategic goals, to provide an average of 1,000 homes a year over 4 years and to deliver the current and new targeted development programme, the Development Committee works in parallel with the restructured development company boards: Peabody Enterprises Limited, Peabody (Services) Limited, Peabody Land Limited and Tilfen Land Limited, each chaired by Elizabeth Peace and with the same membership as the Development Committee. In relation to the monitoring, scrutiny and delegated authorities for certain finance and treasury matters, these remain the remit of the Treasury Committee, chaired during the year by Shirley Garrood.

Four Board committees met during the year: Audit and Risk Committee; Nominations and Remuneration Committee; Development Committee and Treasury Committee. All these committees are accountable to and report to the Peabody Board.

The two main landlord subsidiaries are Gallions Housing Association Limited and CBHA, both of which are registered providers of social housing and exempt (Gallions) or registered (CBHA) charities. Peabody Community Foundation (formerly Trust Thamesmead) is also a registered charity. With effect from 1 April 2016 the objects of Trust Thamesmead Limited were changed to expand its area of operation to Greater London and to reflect this, the name of the company was changed to Peabody Community Foundation. This entity is now the Group's principal charitable community investment vehicle. Other Group subsidiaries include Peabody Enterprises Limited, a development company and not-for-profit registered provider of social housing, Peabody Land which holds commercial property and development land, and Tilfen Land Limited, a company which has been repositioned primarily as a commercial asset management company in Thamesmead. Details of other subsidiaries are provided in the notes to the accounts.

The roles of Chair of the Peabody Board and Chief Executive are separate, reflecting the different responsibilities of leading the Board and the Executive. The Vice-Chair is a non-executive member of the Board. The role profile of the Chief Executive, the Chair, the Vice-Chair, together with a schedule of the matters reserved to the Peabody Board and the terms of reference of each of the Board committees are set out in the Group's Operating Regulations which were fully re-written and approved by the Board in November 2015. Each member of the Board is bound by an Agreement for Services, the Peabody Code of Conduct and other agreed documents. The Secretary keeps a Group Register of Board Members' Interests which is updated on a regular basis and considered by the Board at least annually.

Resident Involvement

Resident involvement is achieved through a number of mechanisms including local focus groups and more formal groups which report their findings to the Board, or the relevant subsidiary board. Following a review in 2015, the 'One Peabody' Resident Involvement Strategy sets out Peabody's new approach to providing a modern range of engagement options. The 'One Peabody' Resident Involvement Strategy ensures a strong Group-wide approach to improving the effectiveness of resident led scrutiny of services and provides clarity on key aims for residents, staff, regulators and other stakeholders. Peabody is committed to working with residents and stakeholders to provide meaningful local involvement and to encourage and foster greater resident involvement within the Group's decision-making structures. Following additional consultation with residents in 2015, it became clear that Peabody's goal of enhancing resident involvement at the strategic level could be achieved within a simpler and more effective governance structure than had initially been envisaged by introducing a Residents Council with a scrutiny remit.

The new Residents Council will strengthen links between the Board and residents. The Residents Council will improve the effectiveness of Peabody governance; ensure the accountability of the Board to residents; and increase transparency about how decisions are made and why. The Board will receive regular reports from the new Resident Council which will:

- Undertake in-depth scrutiny reviews of customer facing services
- Ensure the Group is consulting meaningfully on customer facing strategies and policies
- Escalate issues and concerns from local involvement to the Board.

In addition to the Residents Council, the existing CBHA Scrutiny Panel has worked with us to develop the terms of reference for a new Waltham Forest Scrutiny Panel. The new Waltham Forest Scrutiny Panel will work with us to help ensure that the Group continues to provide excellent services to the residents of Waltham Forest.

In 2015/16 the existing CBHA Scrutiny Panel undertook a review of our approach to surveying residents following a repair. The Peabody Scrutiny Panel undertook a review of how neighbourhood managers promote resident involvement, and a review of the Group's Anti-Social Behaviour service. The Peabody Board and the CBHA board were grateful for the time and commitment of the panel members and the helpful insights and proposals provided through the scrutiny process, which were accepted by the boards and will be acted upon to help deliver service improvements. The new Residents Council and Waltham Forest Scrutiny Panel will continue this good work.

STRATEGIC REPORT

During the financial year there were two residents on the Peabody Board and one resident on the Gallions Board. In July 2015 the CBHA board was replaced following a fundamental difference of opinion regarding the proposal to simplify the legal structure of the Group. CBHA's residents were advised of the appointment of new board members and recruitment of two CBHA residents to the new CBHA board commenced in August 2015. The two successful candidates joined the CBHA Board early in the new financial year. The CBHA board now comprises an independent Chair, two Peabody Governors (one of whom is a Peabody resident and was on the previous CBHA board), two Peabody executive directors (one of whom was on the previous CBHA board) and two resident members (one of whom was on the previous CBHA board).

Residents across the Group (including CBHA and Gallions) were consulted on the proposals to amalgamate the social landlords in the Group in autumn 2015, the results of which were considered by the respective boards and the Peabody board (for the Group as a whole) in January 2016. The results of the boards' consideration, and the decision to progress the merger, were reported back to residents in April 2016.

Stakeholders, transparency and diversity

Peabody Group continues to exercise a strategic approach to influencing by building strategic and operational relationships with a range of stakeholders and policymakers. These include representatives of local, regional and national government; Peabody's funders and regulators; and delivery partners from a number of sectors. This engagement also feeds into the work of representative bodies such as the G15 Group, the National Housing Federation and the Chartered Institute of Housing, to influence policy decisions in the sector. This approach has helped us to deliver our strategic goals and achieve the social purpose expressed through our mission statement. This is evident in Thamesmead, where the strength of Peabody's relationships with stakeholders and its partnerships with the London Borough of Bexley, the Royal Borough of Greenwich, the Greater London Authority ("GLA") and Transport for London ("TfL") among others will underpin the success of the Thamesmead regeneration programme over the years to come.

The Group has adopted the NHF voluntary code on Mergers, Group Structures and Partnerships. In line with the rest of the sector, the Board is keeping under review how the Peabody Group can most efficiently and effectively meet current challenges and will ensure that any proposal or opportunity is properly and transparently evaluated against Peabody's purpose and objectives.

We are committed to being open and transparent in the way we conduct our business and interact with our residents and other customers. We believe in being accountable for our actions, spending and performance, by demonstrating how we deliver value for money. We publish information about our priorities, our strategic goals and performance information and how we use our resources on our website for all our stakeholders. We provide specific information about our work, on request, unless there are good reasons not to, for example, for legal reasons or on the grounds of data protection, personal confidentiality, commercial confidentiality or practicality.

We embed corporate responsibility and sustainability across our organisation. This includes working with suppliers to embed sustainable practices and our commitment to openness and transparency in the way we conduct our business and interact with our customers. Peabody is committed to achieving equality and diversity in all aspects of its operations, and our policies, strategies and practices reflect this. We have a new Group Equality and Diversity Strategy and Action Plan, which builds upon previous achievements, to make sustainable progress towards our vision, to embed equality and diversity throughout the full breadth of our work.

STRATEGIC REPORT

Modern Slavery Act statement

New legislation means that large organisations have a duty to prepare a slavery and human trafficking statement for each financial year. The Group has a number of strategies, policies and procedures in place which help prevent and detect slavery and human trafficking, both in our workforce, in our supply chain and amongst our residents and the wider communities the Group works with across London.

These include:

- payment of the London Living Wage as a minimum to all employees;
- requirements for all new employees before their start date to provide original documents (such as their passports) to verify their eligibility to work in the UK;
- induction training for all new employees on equality and diversity and on the work of the Group's Community Safety and Support team, which seeks to recognise and work with vulnerable people and safeguard children in our communities;
- policies and strategies on equality and diversity, safeguarding, domestic abuse and violence against women and girls;
- specialist training for front line employees in safeguarding, domestic abuse and violence against women and girls;
- the requirement that all employees adhere to the Peabody Code of Conduct which includes provisions against bribery, and requirements in relation to workplace behaviour and equality and diversity;
- a whistle-blowing policy which protects employees and contractors from negative repercussions if they make a report in good faith about an apparent breach of legislation or Peabody's Code of Conduct, and requires that all such reports will be properly investigated and acted upon, as necessary.

Peabody regularly reviews its policies and practices to make sure that they are compliant with legislation and in line with organisational needs and best practice.

As a housing association and organisation active in community work across London, Peabody is well placed to spot signs of slavery and human trafficking, as our front line employees have direct access to homes and individuals.

During the year, Peabody inserted a new standard clause in its formal tender documents and contract forms requiring every new supplier to use all reasonable endeavours to ensure that its business and that of its subcontractors (of all tiers) and supply chains are free from slavery and human trafficking.

The Group is considering what further steps to take in relation to due diligence of existing suppliers and potential new suppliers in this area, particularly in areas of operation (such as construction, maintenance and cleaning) which are known to use sub-contractors and casual labour.

STRATEGIC REPORT

Board Membership and attendance

Malcolm Levi was Acting Chair of the Peabody Board (the "Board") for five months until 1 June 2015 when Lord Kerslake was appointed as a member and Chair of the Board with effect from the same date. After stepping down from his Acting Chair position, Malcolm Levi has remained as a member and Vice-Chair of the Board.

As at 31 March 2016, the Board had eleven members, following the retirement of Karl King from the Board in December 2015 after nine years' service. On 30 April 2016 Shirley Garrood retired from the Board after three years' service.

Following a review by the Nominations and Remuneration Committee of the skills required on the Board, the Board committees and on principal subsidiary boards, a recruitment exercise was commenced for two additional non-executive directors in January 2016. The recruitment for a board member with skills and experience in community and charitable activities to also serve as Chair of the Peabody Community Foundation, and for a board member with recent and relevant financial and treasury experience to also serve as Chair of the Treasury Committee and a member of the Audit and Risk Committee, attracted strong fields of applicants for both roles. The Board appointed David Hardy to fulfil the financial and treasury remit with effect from 1 June 2016 and Helen Edwards to fulfil the Peabody Foundation role with effect from 4 July 2016.

Outline details of the strengths and experience which each Board member brings to Peabody are set out as follows.

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Lord Robert Kerslake

- Chair of the Board since 1 June 2015
- Member of the Nominations and Remuneration Committee
- Chair of Peabody Capital plc Board
- Chair of Peabody Capital No.2 plc Board

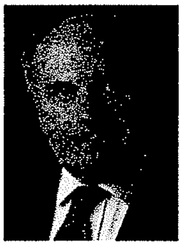
Lord Kerslake (Bob) joined the Peabody Board on 1 June 2015. Bob was Permanent Secretary of the Department for Communities and Local Government (DCLG) from November 2010 until he stepped down in February 2015 and was Head of the Civil Service from 2012 to 2014.

Prior to his DCLG role, Bob was the first Chief Executive of the Homes and Communities Agency, where he was responsible for promoting new and affordable housing supply; supporting the regeneration of cities, towns and neighbourhoods; improving existing housing stock, and advancing sustainability and good design.

Before joining the Civil Service, Bob received a knighthood for his services to local government, spending eight years serving the London Borough of Hounslow and then a further 11 years leading Sheffield Council. Bob was appointed Chair of London's King's College Hospital NHS Foundation Trust in April 2015 and became President of the Local Government Association and Chair of the Centre for Public Scrutiny in June 2015. He was appointed as the Chair of London Pension Collective Investment Vehicle in September 2015.

Bob's extensive experience of local and national government, together with his expertise in housing, development and regeneration, are instrumental in leading the Board.

Malcolm Levi



- Acting Chair 1 January until 1 June 2015
- Vice-Chair since 2014
- Chair of the Nominations and Remuneration Committee (member of the Committee for 5 months to 1 June 2015)
- Member of the CBHA Board since 8 July 2015
- Member of Peabody Capital plc Board
- Member of Peabody Capital No.2 plc Board
- Member of Peabody Community Foundation Board (from 1 April 2016)

Malcolm Levi joined the Peabody Board in 2009 and is currently Vice-Chair. Malcolm was acting Chair of the Board for five months until Lord Kerslake's appointment on 1 June 2015.

Malcolm has been Chief Executive of three housing associations: Genesis, Warden and, for the 10 years to 2008 until his retirement, Home Group. In 2001 he was made a distinguished member of the Chartered Institute of Housing.

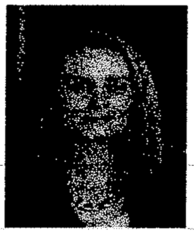
Malcolm is now an adviser to Savills Housing Division, a member of the HCA regulation committee adviser panel, a Board member at Richmond Housing Partnership, a Board member of Gallions following its acquisition by Peabody and also a Board member of CBHA.

Malcolm's wealth of housing experience brings an in-depth understanding of operational and performance issues to the Board and provides constructive challenge to the executive.

STRATEGIC REPORT

Jennifer Daly

- Member of the Development Committee
- Member of Peabody Enterprises, Peabody (Services), Peabody Land and Tilfen Land Boards



Jennie Daly joined the Peabody Board on 1 April 2015.

Jennie is a Chartered Member of the Royal Town Planning Institute with over 20 years' experience in planning assessment and strategic promotion, with a strong development and commercial focus.

In 2002 she joined Harrow Estates PLC. In 2009 she became Managing Director and oversaw its sale to Redrow Plc later that year, joining the Redrow Executive Board on completion.

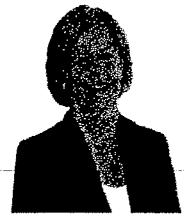
In May 2014 Jennie joined Taylor Wimpey UK as UK Director of Planning and in September 2015 became Group Land Director and joining the Group Management Team, where she has oversight of planning and land matters across the operational businesses, is responsible for the training and development of land and planning skills within the Group and political engagement across the planning policy arena.

Jennie's excellent development skills add value throughout scheme planning and help to ensure Peabody Group's developments are buildable, deliverable and viable.

Helen Edwards

(Appointed 4 July 2016)

- Chair elect of Peabody Community Foundation



Helen joined the Peabody Board in July 2016.

Most recently Helen served as Deputy Permanent Secretary and Director General for Local Government and Public Services at the Department for Communities and Local Government from 2013.
Between 2008 and 2013 she was Director General of Criminal Justice in the Ministry of Justice. This followed a number of senior roles at the Home Office, including three years as Chief Executive of the National Offender Management Service.

Prior to joining the Home Office, Helen undertook a number of roles at Nacro, the national crime reduction charity, before becoming Chief Executive in 1997. Before joining Nacro Helen worked for Save the Children in the London Borough of Lambeth, having trained and practised originally as a social worker.

Helen was appointed Chair of Recovery Focus (a coalition of mental health charities) in April 16 and is also a Non-Executive Director at Central and North West London NHS Foundation Trust as well as a Trustee of Lloyds Bank Foundation. Helen brings a wealth of experience from the community and voluntary sector as well as central and local government.

STRATEGIC REPORT

Shirley Garrood

(Retired 30 April 2016)

- Member of Audit and Risk Committee
- Chair of the Treasury Committee

Shirley Garrood joined the Peabody Board in 2013 and retired from the Board at the end of April 2016.

Shirley qualified as a chartered accountant with KPMG and is also a corporate treasurer.

From 2009 until June 2013 Shirley was Chief Financial Officer of Henderson Group plc – a FTSE250 investment manager. Prior to that, she had been a Chief Operating Officer since 2000, firstly at Morley Fund Management Limited (part of Aviva) and then at Henderson.

Shirley is currently a non-executive director of Hargreaves Lansdown plc and of esure Group plc, where she is also the Deputy Chair and Senior Independent Director. She chairs the Audit Committee of both Boards.

Shirley's extensive financial, operational, and treasury experience have been of great benefit to the Peabody Group across a variety of financial matters.

David Hardy

(Appointed 1 June 2016)

- Member of Audit and Risk Committee
- Chair of the Treasury Committee

David joined the Peabody Board in June 2016.

David qualified as a chartered accountant with KPMG and is a Member of the Institute of Chartered Accountants in England and Wales.

David is currently a director of John Laing Capital Management Limited, the fund management subsidiary of John Laing Group plc, and is also a director and trustee of the John Laing Pension Trust. He has over 20 years' corporate finance, M&A, fundraising and deal closure experience spanning infrastructure, PFI and renewable energy projects.

Joining John Laing in 2005, he led the equity investment of numerous UK PFI/PPP projects across various sectors.

From 2011 he was responsible for raising co-investment funds from institutional investors on large infrastructure projects and leading the divestment of mature projects for the Group.

Prior to joining John Laing Capital Management, David was a Corporate Finance partner at KPMG.

David's financial acumen and operational experience, his in- depth knowledge of treasury and funding and current knowledge of financial services regulatory matters all help to ensure that Peabody's financial plans and strategies and, arrangements with lenders are scrutinised and challenged constructively.

STRATEGIC REPORT

Stephen Howlett

- Member of Peabody Capital plc Board
- Member of Peabody Capital No. 2 plc Board

Stephen Howlett joined Peabody as Chief Executive in March 2004. Stephen joined the Peabody Board in 2011.

Before joining Peabody, Stephen was Chief Executive of the Amicus Group — a group of housing organisations working in London and the South East — and a director of Notting Hill Housing Trust.

Prior to this, he worked for the National Housing Federation and the Housing Corporation, precursor of the Homes and Communities Agency. Stephen was Chair of g15, the group of London's major housing associations from 2009 to 2011.

He has a particular interest in education and skills and is a trustee of Open-City, London's leading architecture education charity and voluntary Chair and Pro Chancellor of the University of Greenwich.

Stephen's wealth of experience in housing, and his role as Chief Executive brings executive and operational accountability and insight to the Board.

Karl King

(Retired 12 December 2015)

- Member of Audit and Risk Committee

Karl King joined the Peabody Board in December 2006.

Karl is a barrister at Hardwicke Chambers, specialising in real property, landlord and tenant, housing and professional negligence.

Karl is a member of the Common Law Bar Association and the Property Bar Association and is formerly elected member of the South Eastern Circuit.

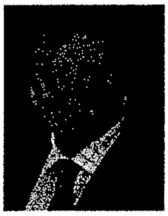
Karl has also served as a member of the Civil Justice Council and was appointed a Recorder in 2004. He has been an active member of the legal profession undertaking a number of roles on behalf of the Bar Council including being appointed Vice-Chair of the Bar Council Equality and Diversity Committee in 2007.

Karl's legal and analytical skills support scrutiny of complex projects and ensure any legal exposures are properly considered by the Board.

STRATEGIC REPORT

Paul Loft

- Member of Audit and Risk
- Committee from 22 April 2015
- Member of the Treasury
- Committee from 1 April 2015



Paul Loft joined the Peabody Board in 2013.

Paul was the Managing Director of Homebase and Habitat until May 2015.

He has had a 25-year career in retailing, in senior finance and general management roles.

Before Homebase he was the Managing Director of GUS Home Shopping and prior to that he was the Finance Director of Argos.

Earlier in his career he spent 11 years in the Burton Group in a number of finance roles including the Finance Director of Debenhams.

Paul's finance and customer service background bring key skills to the Board in making sure service delivery is achieved and the full impact of projects is properly considered.

Elizabeth Peace

- Member of the Nominations and Remuneration Committee
- Chair of the Development Committee
- Chair of Peabody Enterprises, Peabody (Services), Peabody Land and Tilfen Land boards

Liz Peace joined the Peabody Board in 2010.

Liz was Chief Executive of the British Property Federation (BPF) until her retirement in December 2014. She now holds a number of non-executive, voluntary and advisory positions, including the chairmanship of LandAid and the Architectural Heritage Fund, and non-executive directorships at Howard de Walden Estates, Redrow plc and Morgan Sindall plc. She has also been appointed shadow chair of the government's New Property Model organisation and shadow chair of the board of the Curzon Urban Regeneration Company in Birmingham.

Before joining the BPF Liz was the company secretary and director of corporate affairs at the Defence Evaluation and Research Agency, which later became QinetiQ Group plc (1990-2002), and prior to that a career civil servant in the Ministry of Defence.

Liz's experience and knowledge of the property sector combined with experience of national government bring essential insights to the Board on property, development and stakeholder management.

STRATEGIC REPORT

Janice Tucker

- Member of Audit and Risk Committee

Jan Tucker joined the Peabody Board as a resident Board member in 2011.

Jan is Chair of the Palmer Estate Tenants' Association and has been actively involved in a number of groups within the community.

Jan is an executive member of Islington Safer Neighbourhood Board. She is also a school community Governor (currently Vice-Chair). In May 2016 she was appointed Chair of Archway Town Centre Group.

Jan's perspective as a resident and her regular contact and engagement with residents at a grassroots level ensure that the voice of residents is heard at the Board.

Baroness Josephine Valentine

- Chair of the Audit and Risk Committee
- Chair of the Nominations and Remuneration Committee for 5 months; now a member of the Committee
- Member of the Treasury Committee

Baroness Valentine joined the Peabody Board in 2012, having already worked with us on a number of projects.

Jo is Chief Executive of London First, acting as representative for some of London's leading businesses, influencing national, London and local government.

She entered the House of Lords as a Crossbench Peer in 2005, having previously held the role of National Lottery Commissioner.

Jo is also a Non-Executive Director of High Speed 2 and a Council member of UCL. She has established public-private regeneration partnerships — the Central London Partnership in 1995 and the Blackburn Partnership in 1988.

Jo's knowledge and experience of key issues for London (including transport, infrastructure and employment) bring a breadth of expertise and a number of different and important perspectives to the Board.

Peter Vernon

- Member of the Development Committee
- Member of Peabody Enterprises, Peabody (Services), Peabody Land and Tilfen Land Boards

Peter Vernon joined the Peabody Board on 1 April 2015.

Peter has been the Chief Executive of Grosvenor Britain & Ireland since July 2008. He joined Grosvenor in 2005.

He is the Deputy Chairman of the West End Partnership, Director of London First, a member of the British Property Federation Policy Committee and is on the Royal & Sun Alliance London Regional Board.

Peter was a Commissioner of the independent City Growth Commission launched by RSA and chaired by Lord O'Neill and is a member of the Estates Regeneration Panel Chaired by Lord Heseltine.

Previously he was a Partner at IBM Business Consulting Services and PricewaterhouseCoopers.

Peter's extensive experience of complex real estate transactions and place-making are particularly valuable in evaluating Peabody's large scale residential projects.

June Welcome

- Member of the CBHA Board

June Welcome joined the Peabody Board as a resident board member in 2009.June has worked in the social housing sector for 25 years.

She has been a trustee on local community projects in West Silvertown, including the Village Foundation and been involved in establishing community groups on Fort Street Estate with local charities.

Having previously taken a keen interest in the area of combatting anti-social behaviour, June has worked with Newham's Peer Support Group to empower and support victims of crime in the borough as well as contributing to Home Office studies on the topic. June has also delivered key note presentations to other housing organisations on the topic of the importance of resident involvement in combatting crime and anti-social behaviour.

June was one of the founder members of and formally chair of Peabody's Diversity Forum.

She initially joined the board of CBHA in 2010. She was re-appointed to the CBHA board when it was re-structured in July 2015. June's involvement with social housing and community issues and her perspective as a resident bring critical insights to the Board on resident involvement and engagement issues.

Details of Board members' experience and main commitments are also available at www.peabody.org.uk, together with similar information for the Executive Team. The Board and the Nominations and Remuneration Committee keeps the composition of the Board, Board committees and the boards of subsidiaries under regular review to ensure that the appropriate balance of skills, relevant experience, independence and knowledge is maintained to enable them to discharge their respective duties and responsibilities effectively given the changing profile of the organisation and challenging operating environment.

The board selection process is aligned to the Board Statement of Preferred Composition, and ensures that non-executive members of the Board have the experience and skills to be able to debate and constructively challenge management in relation to both the development of strategy, monitoring of risk and evaluation of performance against goals set by the Board.

The Board holds dedicated strategy sessions each year. These focus on long-term targets, operating environment and future landscape, organisational design, housing strategy and initiatives to deliver growth. The work to deliver growth includes Thamesmead vision, streamlining the Group structure, improving efficiency and capability of directorates and operating subsidiaries within the Group. The Board also receives regulatory or other topical presentations and briefings, including briefings on the regulatory framework, housing policy changes and health and safety law.

STRATEGIC REPORT

Appointments to the Board

The Nominations and Remuneration Committee has a formal and rigorous procedure for the appointment of new Board members which are made on merit and objective criteria, having due regard for the benefits of diversity, including gender balance. Board members are drawn from diverse backgrounds bringing together professionals with a range of perspectives to ensure healthy debate with and challenge of the executive management team.

As at 31 March 2016, there were 5 men on the Board and 6 women (i.e. a gender balance of 42% male and 58% female). Following the retirement of Shirley Garrood and the recruitment of David Hardy and Helen Edwards there are now 6 women and 6 men on the Board (i.e. 50% male and 50% female). During the year, three of the four main Board committees, Audit and Risk, Development and Treasury, were chaired by women.

The recruitment for the new non-executive directors was carried out by an independent search firm, Saxton Bampfylde, with no other connection to Peabody. Advertisements were placed in a national newspaper and on-line. A detailed specification was produced for each role, including the experience, attributes and skills sought to support and challenge Peabody to deliver its strategic goals. Following a rigorous recruitment and interview process involving the Chair and Vice-Chair of the Board, the Nominations and Remuneration Committee carefully considered the interview panel's proposals and recommended the appointments to the Board for approval.

There are at least seven Board meetings held a year enabling major business decisions to be made and reviewed and the Board to monitor performance against plans which it has approved. Additional meetings are held to consider strategy or urgent items, as required. Each Board member (with the exception of the Chief Executive) is expected to serve on at least one Board committee or principal subsidiary board.

Name	Appointed	Committee membership financial year 2015/16
Jennifer Daly	01/04/2015	Development (Member from 19 November 2015)
Shirley Garrood	06/11/2013	Audit and Risk; Treasury (Chair from 18 March 2015)
Robert Kerslake (Chair)	01/06/2015	Nominations and Remuneration (Member from 1 June 2015)
Malcolm Levi (Vice-Chair)	20/05/2009	Nominations and Remuneration (Member to 1 June 2015, Chair from this date)
Paul Loft	06/11/2013	Audit and Risk (Member from 22 April 2015); Treasury (Member from 1 April 2015)
Elizabeth Peace	01/01/2010	Nominations and Remuneration; Development (Chair from 19 November 2015)
Janice Tucker	20/07/2011	Audit and Risk
Josephine Valentine	01/02/2012	Audit and Risk (Chair), Nominations and Remuneration (Chair from 30 December 2014 to 1 June 2015, Member after this date), Treasury
Peter Vernon	01/04/2015	Development (From 19 November 2015)
Susan Hickey (Co-optee)		Treasury (From 18 March 2015), Development (From 10 February 2016)
David Avery (Co-optee)		Audit and Risk (From 12 January 2016)
Stephen Burns (Co-optee)		Development (From 10 February 2016)

There is a formal schedule of matters reserved for the Board and terms of reference for each of the Group committees. The Board is responsible for determining the strategic direction of the Group, its mission, vision and values; approving high level strategies, long term plans and objectives to achieve that vision; financial control and managing risk; governance and the system of delegation; monitoring performance; and ensuring accountability to stakeholders. The Board has delegated the operational management of Peabody and subsidiaries to the Chief Executive and his executive team and holds them to account.

STRATEGIC REPORT

The Audit and Risk Committee oversees the work of both the external and internal audit function and the system of risk management and internal control framework. This includes monitoring, reviewing and challenging ,where necessary in relation to external audit, internal audit, internal controls, risk management systems, compliance, whistleblowing, fraud, financial viability, financial reporting, narrative reporting, risk management, risk appetite, and risk strategy and any other related matters which the Board requests support from, or scrutiny by, the Committee. The Audit and Risk Committee also reviews the audited Group financial statements and recommends them to the Board for approval.

The Nominations and Remuneration Committee oversees the composition and membership of the Group's boards and board committees, reviews the effectiveness of those boards and committees, overseeing the appraisal of the skills and contribution of the directors, and advising on succession, recruitment and training and development needs. The Committee also considers remuneration, recruitment and severance policies and practice, in order to enable the Group to recruit and retain the employees it needs at all levels, at a cost that is reasonable in terms of its overall budget and market conditions, and which complies with prevailing legislation and regulatory guidance. The Committee provides specific oversight of the appraisal of the Chief Executive and makes a recommendation to the Board on his remuneration.

The Development Committee considers the approval of certain development, sales and commercial activities; including activities relating to Thamesmead regeneration, monitors the performance of the Group's investment in new homes and development; advises on major proposals relating to property and land transactions; and monitors the exercise of specific controls in relation to development and cumulative development risks.

The Treasury Committee provides scrutiny and support to the Board and the boards of Peabody subsidiaries concerning the Group's treasury management policy and treasury strategy and their implementation, including proposals for the Group's treasury structure, funding strategy and hedging and investment strategy.

The terms of reference for the Committees are reviewed annually. Each Committee reports regularly to the Board on the discharge of its functions.

All Board members have the same legal status and share collective responsibility for decisions taken by the Board regardless of whether they are executive, non-executive, independent or residents.

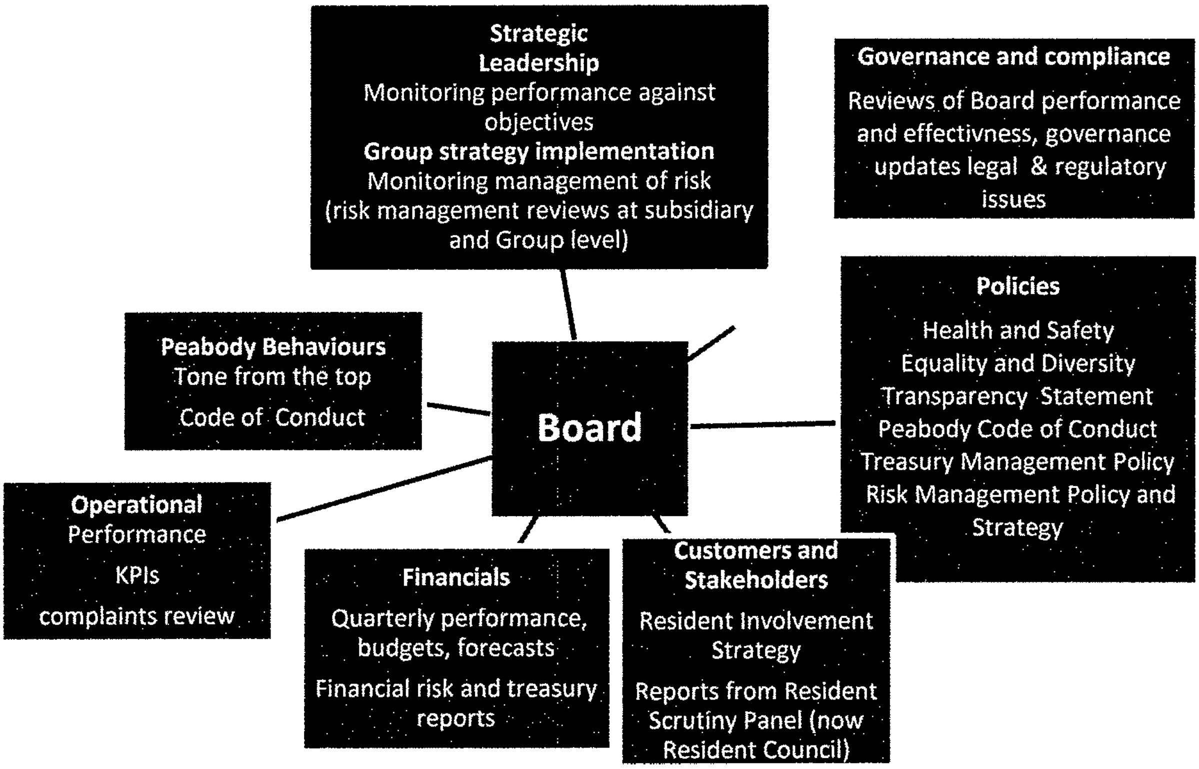
Board Meetings

The table below shows the board meetings held during the financial year and the attendance of each director. The Board regards attendance at the Board and committee meetings as only one measure of the directors' contributions to Peabody. Board members who are unable to attend meetings due to unavoidable commitments are provided with papers for meetings and invited to submit comments or queries. Board members also attend additional meetings, consider information, contribute to discussions outside of formal board and committee meetings, and, where necessary, make decisions by written circulation.

BOARD ATTENDANCE FINANCIAL YEAR 2015/16	April 2015	May 2015	Jul 2015		Sep 2015	Nov 2015	Jan 2016	Feb 2016	Total	%
Robert Kerslake (Chair From 1 June 2015)			Y	Y	Y	Y	Y	Y	6	100%
Malcolm Levi (Acting Chair to 1 June)	Y	Y	Y	Y	Y	Y	Y	Y	8	100%
Shirley Garrood	Y	Y	Y	Y	Y	Y	Y	X	7	88%
Stephen Howlett	Y	Y	Y	Y	Y	Y	Y	Y	8	100%
Karl King (To 12 December 2015)	X	X	Y	Y	X	Y			3	50%
Paul Loft	Y	Y	X	Y	Y	Y	Y	Y	7	88%
Elizabeth Peace	Y	Y	X	Y	Y	Y	Y	X	6	75%
Janice Tucker	Y	Y	Y	Y	Y	Y	Y	Y	8	100%
Josephine Valentine	Y	Y	X	Y	Y	Y	Y	Y	7	88%
June Welcome	Y	Y	Y	Y	Y	Y	X	Y	7	88%
Peter Vernon	Y	Y	X	Y	Y	X	Y	Y	6	75%
Jennifer Daly	Y	Y	X	Y	Y	Y	Y	Y	7	88%
TOTAL MEMBERS	11	11	12	12	12	12	11	11		
ATTENDANCE (Number)	10	10	7	12	11	11	10	9		
ATTENDANCE (%)	91%	91%	58% */ 100%		92%	92%	91%	82%	**Average: 88%**	

*the first meeting in July was scheduled on shorter notice than usual; accordingly whilst it was not possible for some Board members to attend, all were provided with requisite notice and invited to submit comments

STRATEGIC REPORT



Committee Meetings

AUDIT AND RISK COMMITTEE FINANCIAL YEAR 2015/16					
	Jul 2015	**Sep 2015**	**Jan 2016**	**Total**	**%**
Josephine Valentine (Chair)	Y	Y	Y	3	100%
Shirley Garrood	Y	Y	Y	3	100%
Karl King (To 12 December 2015)	Y	X		1	50%
Janice Tucker	X	Y	Y	2	67%
Paul Loft (From 22 April 2015)	Y	Y	Y	3	100%
David Avery (Co-optee from 12 January 2016)			Y	1	100%
TOTAL MEMBERS	5	5	5		
ATTENDANCE (Number)	4	4	5		
ATTENDANCE (%)	80%	80%	100%	**Average: 87%**	

STRATEGIC REPORT

NOMINATIONS AND REMUNERATION COMMITTEE FINANCIAL YEAR 2015/16						
	May 2015	Jul 2015	Nov 2015	Mar 2016	Total	%
Malcolm Levi (Chair from 1 June 2015)	Y	Y	Y	Y	4	100%
Robert Kerslake		Y	Y	Y	3	100%
Elizabeth Peace	Y	Y	Y	Y	4	100%
Josephine Valentine (Chair from 30 December 2014 to 1 June 2015)	Y	Y	X	Y	3	75%
TOTAL MEMBERS	3	4	4	4		
ATTENDANCE (Number)	3	4	3	4		
ATTENDANCE (%)	100%	100%	75%	100%	**Average: 94%**	

DEVELOPMENT COMMITTEE FINANCIAL YEAR 2015/16 (established 19 November 2015)			
	Feb 2016	Total	%
Elizabeth Peace (Chair)	Y	1	100%
Peter Vernon	Y	1	100%
Jennifer Daly	Y	1	100%
Susan Hickey (Co-optee from 10 February 2016)	Y	1	100%
Stephen Burns (Co-optee from 10 February 2016)	Y	1	100%
TOTAL MEMBERS	5		
ATTENDANCE (Number)	5		
ATTENDANCE (%)	100%	**Average: 100%**	

TREASURY COMMITTEE FINANCIAL YEAR 2015/16								
	May 2015	Jun 2015	Jul 2015	Sep 2015	Nov 2015	Jan 2016	Total	%
Shirley Garrood (Chair)	Y	X	Y	Y	Y	Y	5	83%
Josephine Valentine	Y	Y	Y	Y	X	Y	5	83%
Paul Loft	Y	Y	Y	Y	Y	Y	6	100%
Susan Hickey (Co-optee)	Y	Y	Y	Y	Y	Y	6	100%
TOTAL MEMBERS	4	4	4	4	4	4		
ATTENDANCE (Number)	4	3	4	4	3	4		
ATTENDANCE (%)	100%	75%	100%	100%	75%	100%	**Average: 92%**	

Board Evaluation, induction, development and appraisal of board members

The Board undertakes a formal and rigorous evaluation of its own performance annually. The latest evaluation of the Board's collective performance was undertaken in spring 2016 by an independent external consultant, Elaine Sullivan of Manchester Square Partners, who has no other connection with the Group.

The evaluation process involved completion of a detailed bespoke questionnaire by each Board director, followed by 1:1 interviews with each Board member, the Trust Secretary and each member of the Executive Committee. Elaine Sullivan assembled her findings into a detailed report, which was presented and discussed separately with each of the Chair and Trust Secretary, and by the Board as a whole in a workshop session in May 2016.

Areas included in the evaluation were:

- the Board's understanding and involvement of its oversight responsibilities in relation to key areas including strategy, finance, performance, key stakeholders, people, risk and reputation;
- the Board's effectiveness as measured against a number of criteria;
- the performance of the Chair;
- the effectiveness of the Board Committees.

The areas covered under Board of Directors' oversight responsibilities link directly to Peabody's strategic goals.

The Board discussed the findings of the report, noting the strengths highlighted and the areas where additional focus might be useful, including:

- possibility of additional Board -only informal meetings to help strengthen contact between formal meetings;

- considering the optimum Committee structure and composition to provide oversight and challenge for next stages in relation to Development programme and Thamesmead;

- potential advantages to occasional single issue strategic Board meetings; and

- approaches to gain more visibility of senior managers below the executive team to inform talent management and succession planning.

The Board determined that formal decisions in relation to any changes to structures and approaches flowing from the review would be determined after further consideration by the Board and would inform activities and focus during 2016/17.

The directors also completed individual skills self-appraisals rating their own skills and competencies (citing examples of qualifications or experience gained) against a number of general competencies and specific skills, including:

General competencies:

- Think strategically
- Stewardship and effective use of resources
- Accountability to stakeholders
- Work collegiately
- Uphold principles of good governance and ethics
- Communicate effectively, focus on key issues
- Foster high performing culture in management and staff

Specific skills:

- Strategic leadership
- Organisational management
- Housing management/services users' needs and aspirations
- Financial management

- Governance, regulation, compliance and assurance
- Development and regeneration
- Government, Community and Stakeholder relationships

Annual individual Board members appraisals were carried out by the Chair, Lord Kerslake.

Board evaluations and individual director skills appraisals were also conducted by the boards of Gallions and CBHA. Peabody Community Foundation has recently reviewed its board composition and it is intended that a board evaluation and skills appraisal will be conducted in 2017 following the appointment and induction of the new Chair of the Foundation.

All members have access to the advice and services of the Director of Legal, Governance and Assurance (Trust Secretary to the Board of Governors of Peabody) and her team. Newly appointed members undergo an induction programme to ensure that they have the necessary knowledge and understanding of Peabody Group and its activities. They attend briefing sessions on governance, strategy, finance and risk management, housing services and community investment. In addition, directors participate in site visits to build a deeper understanding of Peabody homes and services as well as development schemes and the Thamesmead regeneration programme, and give them an opportunity to meet residents and other service users.

The directors have the benefit of the Group's directors' and officers' indemnity insurance policy.

Remuneration of non-executive board members

The Peabody Board is not remunerated. The Charity Commission has granted in-principle consent for the Peabody Constitution to be amended to permit remuneration to the Board. However, the Board has decided to suspend the amendment of the Constitution until the completion of the Group Structure review.

Eligible board members of CBHA and Gallions, both charitable registered providers of social housing, were paid during the year. Pay of board members is subject to review: the principles applied as part of any review are that the level of the remuneration of board members is arrived at after benchmarking levels of board member pay in comparable housing associations, taking into account the need to attract, retain and motivate members who have the required levels of skill and experience and to promote and support diversity.

Services provided to, and contractual relationships with, Board members who are residents of Peabody or of a subsidiary company are conducted in the spirit of the approach set out in former Schedule 1 of the Housing Act 1996 and Homes and Communities Agency guidance. Any decisions which would previously have been taken by the Regulator are now made by the Board. The total remuneration paid to subsidiary board directors is disclosed in the accounts for those entities.

Jan Tucker and June Welcome are residents of Peabody. Both are tenants. Their tenancies are on the same terms and conditions as other residents. They cannot use their positions as Board members to their advantage in their relationships with Peabody as residents.

Approach to executive remuneration

Our approach to setting senior executive pay is based on independent professional advice and sector benchmarks, taking into account the need to attract and retain suitably qualified people to lead an organisation of the size and complexity of Peabody in this sector. This includes senior leaders in the fields of: finance, development, housing, community investment and corporate services. At the tier below we also recruit leaders and specialists in fields such as governance, IT and human resources, as well as leaders in development, regeneration, housing, finance and other fields. The overall framework is agreed by our Nominations and Remuneration Committee and decisions about bonus payments to senior executives are also made by that committee. The Board has responsibility for agreeing the pay of the Chief Executive. We have provided detailed information on the amount paid to our Chief Executive, Stephen Howlett. With regard to other employees we have provided information about the number of employees in each salary band above £60,000.

Auditors
As KPMG LLP have indicated their willingness to continue in office as auditors of Peabody Trust and its subsidiaries, they are deemed to be re-appointed.

Compliance with the Governance and Financial Viability Standard ("the Standard")
The Board has carefully considered and reviewed the requirements of the Standard and the various measures in place throughout the year ended 31 March 2016 which provide the Board with assurance of compliance with the Standard including:

i. The review and input of the Board into business planning including the review of the Group Strategy 2016-2020 conducted by the Board in January 2016 and February 2016 and the approval by the Board of the Group Financial Plan in May 2016;

ii. The approval of new Operating Regulations, Financial Regulations, Delegated Authorities Matrix and Major Project Framework ("the Governing Documents") in November 2015 and the subsequent changes to the Governing Documents agreed by the Board during the year;

iii. The measures in place to protect social housing assets including:
   (a) proper segregation of charitable and non-charitable activities by legal entity, and the use of the corporate structure to ensure that development activity is not carried out by the three social landlords (Peabody, Gallions and CBHA) and that profits made by commercial companies are gift aided to their parent entities (as approved by the respective boards during the year);
   (b) approval by the Board on a project by project basis of specific funding for major activities in Thamesmead (e.g. housing zones and refurbishment of towers) and all major development projects (subject to prior scrutiny by the Development Committee) in accordance with the Delegated Authority Matrix and Major Projects Framework;
   (c) ongoing and active risk management in relation to the onerous assets in Tilfen Land, as monitored by the Tilfen Land board, the Development Committee and the Audit and Risk Committee, including the transfer during the year of development and land assets to Peabody Land and the gift aid distribution from Tilfen, as approved by the respective boards;
   (d) approval by the Board of any proposed new external funding, subject to prior scrutiny by the Treasury Committee; and
   (e) other processes and measures in relation to business planning, risk and governance as set out.

iv. Comprehensive reviews of compliance with all legal and regulatory requirements as presented to the Board in January 2016 in respect of the 9 months ended 31 December 2015 and May 2016 in respect of the period ended 31 March 2016, and regular updates on legal and regulatory issues in the Trust Secretary's report at every Board meeting;

v. The review of communications and information from and to regulators, residents and other stakeholders, including consideration of the recommendations of the Resident Scrutiny Panel;

vi. The oversight by the Board of the Assets and Liabilities Registers and the process for ensuring that they are regularly reconcilable and regularly reconciled, as conducted by the Board in February and April 2016;

vii. The information on risk management and internal controls considered by the Board regularly during the financial year, and by the Audit and Risk Committee, the revision by the Board of the Group's risk appetite statement in May 2015 and February 2016, and the Board risk workshop conducted in March 2016;

viii. The financial performance monitoring, financial viability, treasury information and stress testing considered by the Board regularly throughout the year, as supported by the additional scrutiny and challenge provided by Audit and Risk Committee and the Treasury Committee;

ix. The monitoring and challenge provided by the Board of key performance indicators, Peabody's role in the sector and in local and national Government and the Group's reputation;

x. The highlighting of risks and legal and financial implications in every committee and board paper and the inclusion of risk registers with all major projects

Having considered the above and the requirements of the HCA's regulatory framework, the Board certifies that all registered providers within the Peabody Group (Peabody Trust, Gallions Housing Association, CBHA and Peabody Enterprises Limited) comply with the Governance and Financial Viability Standard as at 31 March 2016 and there have been no material changes since that date.

INTERNAL CONTROL AND RISK MANAGEMENT

The overall internal control and risk review process

The Board is ultimately responsible for the system of risk management and the internal control framework across the Group and for reviewing their effectiveness. The Audit and Risk Committee ("the Committee") provides oversight on behalf of the Board regarding the system of risk management and the internal control framework and regularly reviews their effectiveness.

The system of risk management and internal control is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide reasonable, not absolute assurance against material misstatement or loss. The system of risk management and internal control also exists to give reasonable assurance about the reliability of financial and operational information and the safeguarding of Peabody's assets and interests.

Risk review process

Over the last two years the Group has grown in scale and ambition and is now larger and more complex. Given that this growth is against the backdrop of increased regulation and an increasingly demanding external environment, the Board and the Committee have focused on ensuring that there is a robust risk management framework.

There was increased Board level discussion of risk during the year, which recognised the growing complexity of the Group's risks. In particular, the Board considered the risks related to the Thamesmead regeneration, regulation, development and sales, and the core landlord service and the possibility of contagion or multiple risks coalescing at the same time. The Board and the Committee also requested and received further good practice models of risk analysis, presentation and reporting, in particular information to highlight direction of travel of key risks.

The Board also kept the aggregate risk profile of the Group under regular review. Additional stress testing has been performed and information provided to the Committee and the Board. The linkages between the key risks have been made clearer and modelled via stress testing.
During the year the Board also considered and revised the Group's Risk Management Strategy, including the risk

appetite in May 2015 and February 2016. The Group's risk appetite statement recognises that the Group is not averse to taking risks based on a considered judgment of the circumstances of each potential situation and appropriate appraisal of the anticipated return. It sets thresholds for types of risk to inform decision making by the Board and the business.

An externally facilitated Board risk workshop was held in March 2016 with the Board, the Chair of the Gallions and CBHA boards (who is a co-optee to the Committee) and the direct reports to the Chief Executive ("the Executive Team"), led by Housing Quality Network (HQN), which is an independent consultancy with no other connection to the Group. The workshop, which involved consideration of a number of hypothetical scenarios relevant to the Group's risks, enabled the Board to have an in-depth discussion about the Group's key risks, consider how they would crystalize and what action it would take. The follow-up report noted that the attendees had a good grasp of all relevant issues and impacts, including strategy, organisational dynamics, financial resilience, risk profile and mitigation and governance. It is expected that these criteria will be considered by the Homes and Communities Agency when it conducts an in-depth assessment of the Group.

The Committee met three times during the year to review the effectiveness of the system of risk management and internal control. The Committee considered internal audit and other assurance reports at every meeting along with the fraud register.

The Risk Review Panel comprising the Executive Team met three times during the year to review organisational and strategic risk registers at a more granular level. Management has clear responsibility for the identification, evaluation and control of significant risks.

The Risk Assurance team provides support and guidance to better enable management to fulfil their responsibility. During the year risk leads were put in place within directorates to provide an agreed nominated point of contact between each service area and the Risk Assurance team. Work was also undertaken to review and challenge the corporate risk registers including controls, mitigations and actions. Further work is being taken to strengthen operational risk registers in conjunction with risk leads.

Peabody has addressed the implications of the Governance and Financial Viability Standard, as it relates to its system of risk management. The Standard's increased focus on risk management, mitigation strategies and stress testing business models has been captured in the risk management and treasury management work plans.

The Group plan to simplify its legal structure to enhance governance has been the subject of ongoing discussions between the Board and the boards of Gallions and CBHA boards to ensure risk management actions continue to be appropriate, particularly after the simplification of the Group. The HCA and residents have also been kept informed as necessary.

New government initiatives including the extension of the right to buy to housing association tenants, pay to stay and planned welfare reform are also being kept under close review to assess the implications for the Group.

Key risks
The Group's top four key risks as agreed by the Risk Review Panel, the Committee and the Board are:

i) Regulatory compliance and reputation
As the regulatory environment continues to change we continue to align our corporate governance framework and culture to protect our reputation and ensure good governance. We have put in place compliance monitoring mechanisms and our ongoing Group restructure will ensure that the Group's structure is fit for purpose and aligned to the Group's complexity and growth plans. Work is also firmly in hand to strengthen awareness of and full compliance across the Group with the regulatory framework. Bi-annual reviews of compliance with legal and

regulatory requirements are considered by the Board to ensure that the Board appropriately discharges its responsibilities in respect of compliance.

ii) Delivery and marketing of the Group's development programme
Development is a key area of risk for the Group, due to multiple factors including the risks inherent in the market, contractor failure and reduction in grant funding. There is also an increased degree of complexity in the "typical" development scheme entered into by Peabody and its subsidiaries, and this requires more sophisticated project management skills.

Our current development pipeline of 8,000 homes, and our target to deliver an average of 1,000 homes each year over the next four years, represents an unprecedented demand on Peabody's skills, capacity and resources. We have put in place a new development strategy and continue to ensure that our financial plans are based on cautious assumptions and forecasts that are stress-tested against a range of scenarios. This may enable us to further increase our pipeline in future years.

iii) Scale and complexity of Thamesmead regeneration (including Tilfen)
The risk captured in respect of the Thamesmead regeneration highlights the Group's understanding of the enormous opportunity presented by the Thamesmead regeneration.

Peabody's vision for the regeneration of Thamesmead involves significant investment and ambitious delivery targets, working in partnership with local authorities, including the London Borough of Bexley and the Royal Borough of Greenwich, and other local agencies. Failing to meet expectations poses a risk to our financial health and reputation, as well as to the area and its residents. With our key partners, we are putting in place comprehensive plans including a clear vision for success. We will attract and retain skilled and experienced staff, and explore a range of options for delivery and governance, learning lessons from successful regeneration schemes elsewhere.

We are also cognisant of the challenges posed by the particular nature of some of Tilfen's assets (river wall, piers and landfills) and have put in place tailored mitigations including insurance and monitoring and inspection regimes.

iv) Core landlord service
We remain committed to delivering improvements across our core landlord service functions. We are implementing a responsive repairs improvement programme to deliver improvements in our repairs service and take advantage of opportunities to use digital technology to streamline our business processes. We will continue to maintain our stock in accordance to the required standard. We will manage our risk in this area cognisant of resident satisfaction and regulation.

Three of the top four key risks are typical for the sector, whilst the complexity and scope of the Thamesmead regeneration is unique to Peabody. The gross score for each of these four risks is rated as high with a medium residual score post mitigation.

Other risks
During the year all Group risks were kept under review by the Risk Review Panel, with the Board and the Committee providing oversight and challenge. The four top risks and their mitigations have been subject to particularly in-depth ongoing review and discussion by the Committee.

The Committee also focused on the Group's 'data and information', 'IT' and 'health and safety' risks, with a focus on data quality, improved IT capabilities and systems and gas safety, given their linkages to each of the four top risks.

STRATEGIC REPORT

In March 2016 the Risk Review Panel, after careful consideration of the linkages between the Group risks, risk proximity and the fundamental underlying issues agreed the following nine risks (including the four top risks set out above), which were reviewed by the Committee in April 2016 and the Board in May 2016. All nine risks have a medium residual risk score (i.e. after mitigation). There is a programme to keep these risks and the mitigating controls under regular review. These nine risks are set out in the table below along with the mitigating controls identified.

Risk	Mitigating controls
1. Failure to implement and maintain Health and Safety system	Effective Health and Safety Management System in line with HSG 65 Health and Safety integrated into the process of acquiring sites, developing premises, construction, maintenance and renovating current premises Effective fire risk assessment and fire risk mitigation, gas safety, water hygiene, asbestos and mechanical and electrical management programmes Regular audits and reviews of the health and safety management systems along with updates on legislation
2. Failure to maintain robust compliance arrangements and maintain reputation	Simplified Group structure better aligned to operating model Corporate governance framework appropriate to business model and risk profile Effective board(s) with appropriate composition Accurate and timely completion of statistical and regulatory returns Group standards, policies and procedures and governance arrangements Governance/Director oversight of all strategic matters requiring regulatory approval or interaction with regulator Senior management completion of quarterly control risk self-assessment Reputational consideration incorporated into decision-making process for key initiatives and projects Understanding of drivers for stakeholder perceptions
3. Failure to improve value for money, optimise income and manage impact of welfare benefit reforms	Appropriate contractual arrangements, contract terms and documentation Open and visible contract terms at outset of project or programme Robust contract management processes and dispute resolution mechanisms incorporated into all significant contracts Clear internal Procurement Framework and Procurement Forward plan Effective due diligence on outsourcing contract and procurement process Effective procedures for setting and collecting income Effective measurement and monitoring of monthly performance indicators Targeted response to adverse variances Voids management action plan Viability review of stock including market value and sales potential Effective arrangements to manage commercial assets and income Effective market rent portfolio management Money management, payment options and benefit advice to residents Hardship fund to help households in financial distress Regular review of the impact of welfare benefit reforms
4. Increased cost of and reduced access to funding as a result of internal, sector and external events	Frequent monitoring and analysis of covenants drivers and compliance Lender relationship management Sensitivity analysis performed on the financial plan to demonstrate the ability to accommodate repricing Analysis of external operating environment reported to the Board

STRATEGIC REPORT

Risk	Mitigating controls
5. Failure to maintain and improve the Group IT service, performance, infrastructure and system support	IT strategy, governance and risk management IT financial management and organisation structure Enterprise architecture, services, processes and metrics IT infrastructure and core business applications Fit for purpose suppliers
6. Poor control over the delivery and marketing of the Group's development programme	Expert governance at Executive and Board level Sales values, sales cashflow and scheme costs monitored against target Development manual in place Exit strategies built into each proposed development Limit on sites acquired without planning On-going review of the external operating environment and the rental and sales market
7. Scale and complexity of Thamesmead regeneration including Tilfen	Creation of Peabody Land with fit for purpose governance arrangements A clear approved Thamesmead vision Involvement of a range of expert support /consultants Thamesmead delivery strategy Successful housing zone contracts in place Champions Group in place with local authorities, Transport for London and Greater London Authority Comprehensive inspection and repair regime for Tilfen's assets Monitoring of the landfill site and its leachates by consultants Landfill closure plan Detailed records available for Tilfen's assets and specialist insurance Regular review meetings in place following site checks Weekly subsidence monitoring and inspection by consultants Annual monitoring and inspection of river wall by external consultants Strong H&S culture with sound processes
8. Core landlord service	Monthly progress meetings for each contract Project Boards for each key asset management programme Regular reporting of spend and delivery against budget and programme Stock condition survey information and 30 year costed works programme An integrated system for recording assets and managing related work Resident involvement and customer satisfaction monitoring Fully funded financial plan Continuous improvement strategy and approach in place Customer insight strategy in place and programme of customer satisfaction surveys Monitoring of customers' satisfaction and tracking impact of initiatives Benchmarking data comparing cost and performance with G15 peers Fit for purpose business applications and data underpinning processes Accurate resident data on our systems and databases Service and departmental plans exist and are monitored Effective management of suppliers. Performance management and staff engagement

9. Quality of data and information and impact on control environment	Whistleblowing, anti-fraud, anti-bribery and anti-money laundering policies and arrangements Fraud risk assessments Audit & Risk Committee approved risk based internal audit plan Adequate controls across the business to safeguard physical assets, data, information, other assets from internal and external threats Record, investigate and report to appropriate regulators/ enforcement authorities all incidents of fraud Tenancy fraud strategy, action plan and dedicated team Process in place for responding to data security breaches Clear information governance framework for accountable data owners Mandatory training for all employees, contractors and volunteers Process to assess risk as part of the tender and procurement process Appropriate contract terms and on-going checks Measures in place to improve financial, resident and property data Fit for purpose IT service; performance, infrastructure and system support

Internal Audit

The Group's internal audit function is outsourced. On 1 April 2015 PricewaterhouseCoopers became the new provider; previously the provider was KPMG, who are now the Group's external auditors, with appropriate safeguards put in place in relation to segregation and transfer of responsibilities. The outsourced function reports directly to the Director, Legal, Governance and Assurance and has direct access to the Committee. The outsourced function provides the Group with a wide range of expertise, access to external benchmarking information and insights on good practice.

The internal audit annual programme of work is aligned to the Group's strategic objectives and risks. The 2015-16 programme of work by PwC was approved by the Committee. The programme did not address all risks as it aims to address the key risks identified across the Group on a three year cycle. PwC also performed an additional exercise to validate implementation of recommendations and assess the impact on the control environment. This concluded that good progress had been made across a number of areas but there remained work to do to strengthen the control environment, particularly in relation to data quality. The Group has in place a data quality improvement plan: progress against milestones in the plan is monitored by a data quality improvement board and the Group's Information Management Group. The plan has met a number of year end goals as at end March 2016 and aims to deliver further improvement in the quality of the Group's business critical data and its information governance by 31 March 2017.

An audit from a specialist provider into the performance of a contractor was also commissioned by the Committee in response to a risk identified in the sector, but no concerns were identified in relation to the contractor's dealings with Peabody.

The Committee considers internal audit reports (in particular high risk recommendations and high risk opinion reports) and progress against the annual plan at each meeting. The Committee provides an annual report to the Board, and its minutes are available to all Board members following each meeting. The Committee Chair also provides oral updates to the Board about key issues.

The Chair of the boards of Gallions and CBHA was co-opted onto the Committee in January 2016 to strengthen the linkage between the Committee and these subsidiaries

During the year the Committee in its oversight role encouraged timelier implementation of internal audit recommendations, in particular high risk recommendations. The Committee also took a particular interest in ensuring improved risk reporting to the Committee and the Board, in particular reporting of direction of travel, anticipated trajectory and proximity.

STRATEGIC REPORT

External Audit

The work of the external auditors provides further independent assurance on the control environment. Peabody receives a letter from the external auditors identifying any weaknesses in internal control with recommendations for improvement. This letter was considered by the Committee at its July 2016 meeting along with a detailed action plan to address any issues. No significant weaknesses have been noted. As stated above, KPMG (previously the Group's internal auditors) were appointed as external auditors on 1 April 2015.

Monitoring, control environment and control procedures

Peabody operates a process of regular self-assessment of controls. This self-assessment is tailored to ensure managers across the Group escalate potential risks and weaknesses in the control environment. This enables corrective action to be taken and provides assurances to senior management and the Committee on the control environment. The Chief Executive provides an annual assurance report based on this self-assessment process to the Committee and the Board. The control risk self-assessment form was redesigned and consulted on with the Executive Team and their direct reports in May 2015. It was agreed that these self-assessments would be conducted at least twice annually instead of quarterly. Self-assessments were undertaken twice during the year. Managers were also reminded that any suspected breach or weakness of controls should be promptly reported via line management (or in accordance with the whistle-blowing policy, if necessary) rather than wait until the next submission date for a control risk self-assessment.

The Peabody Code of Conduct sets out Peabody's expectation of employees with regard to quality of service, business disciplines, honesty and integrity. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. Policies are periodically reviewed in accordance with a prescribed timetable or more frequently if a weakness or other issue necessitating change is identified.

Key health and safety issues are reported to the Health and Safety Committee and the Committee. A programme of health and safety audits approved by the Health and Safety Committee is undertaken by specialist auditors. Annual assurance in respect of health and safety is reported to the Health and Safety Committee, the Committee and the Board. The Group received a five star rating (the highest category) from the British Safety Council in February 2016 following a comprehensive health and safety audit which looked at policy and organisation, strategy and planning, implementation and operation, performance measurement and evaluation and review.

Information and financial reporting systems

Our long term financial and corporate business plan is monitored continuously by management and the Board to ensure that the business remains financially healthy and that targets for financial growth and other objectives are met in order to enable the delivery of our social objectives. The long term financial and business plans are tested against a range of challenging scenarios and emerging external factors, the most significant of which has been the 1% rent reduction and future rent indexation beyond the current four year regime.

Fraud

Peabody has a fraud policy that covers the prevention, detection, investigation, and reporting of fraud, including remedial action if a fraud has occurred, to learn lessons and prevent a recurrence. The policy is reviewed by the Committee every three years unless there is an earlier change in legislation or organisational approach. The policy was revised and approved by the Committee in January 2016.

Peabody also has a Tenancy Fraud Strategy along with a dedicated tenancy fraud team. The Committee received a report in respect of housing fraud for the year ended 31 March 2016. The boards of Peabody, CBHA and Gallions also received a report in respect of financial and housing fraud for that entity.

All cases of fraud and attempted fraud are reported to the Executive Team and to the Committee. During the period there were a small number of minor financial frauds reported.

STRATEGIC REPORT

The Group has appointed a Money Laundering officer as part of its compliance with anti-money laundering legislation.

Anti-bribery and whistle blowing

Peabody values its reputation and is committed to maintaining the highest possible ethical standards in all its business activities. Peabody has a Whistle Blowing Policy that encourages employees and others to express any serious concerns regarding suspected misconduct or malpractice within the organisation. This Policy was revised and reissued in January 2015.The Committee considered the use of the Whistle blowing policy during the year ended 31 March 2016 at its meeting in July 2016. Peabody's anti-bribery requirements as set out in the Peabody Code of Conduct make clear that we have zero tolerance of any form of bribery.

Going concern

After making enquiries, the Board has a reasonable expectation that Peabody has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason the Board continues to adopt the going concern basis in preparing the Group and Peabody financial statements.

Statement on Internal Controls Assurance Statement – Peabody Group

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of internal control that is appropriate to the various business environments in which it operates. This is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide the Board with reasonable and not absolute assurance against material misstatement or loss.

The processes in place for identifying, evaluating, and managing the significant risks faced by the Group are on-going and have been in place throughout the period commencing 1 April 2015 up to the date of approval of the financial statements.

Key elements of the system of risk management and internal control throughout the period included:

- Board approved terms of reference and delegated authorities for the Group's committees;
- a review of regulatory compliance arrangements at least twice a year to the Board
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- formal board evaluation and appraisal procedures and an annual review of compliance with the NHF Code of Governance;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- Committee approved internal audit plan and internal audit reporting at Committee meetings;
- regular review by the appropriate committee of key policies;
- regular reporting to the Committee and Board of risk information;
- health and safety key issues reporting to the Health and Safety Committee and to the Committee;
- a detailed Group approach to treasury management;
- regular updates and reporting to the Committee by external auditors;
- regular reporting to the appropriate committee on key business issues, objectives, targets and outcomes;
- regular monitoring of loan covenants and requirements for loan facilities;
- twice yearly control risk self-assessment exercise tailored to evidence key control status;
- Chief Executive's assurance report to the Committee and the Board;
- policies and arrangements to reduce the risk of fraud, bribery and money laundering;
- regular updates of key legislation changes to senior managers;
- periodic review and assessment of compliance with the regulatory standards;
- clearly defined responsibilities for compliance with regulatory standards;

- reporting to the Committee of instance of fraud.

The Board has delegated to the Committee the regular review of the effectiveness of the Group system of internal control, whilst maintaining ultimate responsibility for the system of internal control.

The Committee reviewed the effectiveness of the system of internal control in existence in the Group for the period commencing 1 April 2015 up to the date of approval of the financial statements, the Chief Executive's annual review of the effectiveness of the Group system of internal control, and the annual report of the internal auditor and reported to the Board that it found no significant weaknesses in the system of internal control.

Statement of Board Responsibilities

The Board is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The financial statements have been prepared in accordance with *FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (September 2015)* ("FRS 102"), the *Statement of Recommended Practice for Social Housing Providers* ("the SORP") and the *Accounting Direction for Private Registered Providers of Social Housing 2015* ("the Accounting Direction").

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Peabody, and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Group and Peabody at that time and enable the Board to ensure that its financial statements comply with the Charities Act 2011, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Peabody and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Peabody website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Lord Robert Kerslake
Chair
20 July 2016

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF PEABODY

We have audited the Group and charity financial statements ('the financial statements') of Peabody Trust for the year ended 31 March 2016 set out on pages 64 to 114. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008, section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. 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 of Trustees and auditor

As more fully explained in the Statement of Board Responsibilities set out on page 62 the Peabody Board of Governors 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and the association as at 31 March 2016 and of their surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charities Act 2011, 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 the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Board's Annual Report is inconsistent in any material respect with the financial statements; or
- the association has not kept sufficient accounting records; or
- the 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.

Chris Wilson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

4 April 2016

STATEMENT OF COMPREHENSIVE INCOME

	Note	Peabody 2016 £'000	Peabody 2015 £'000 RESTATED	Group 2016 £'000	Group 2015 £'000 RESTATED
Turnover		**196,944**	149,242	**351,979**	215,506
Turnover from acquisition		-	-	-	9,129
	3(a)	**196,944**	149,242	**351,979**	224,635
Cost of sales	3(a)	**(23,626)**	(2,532)	**(85,122)**	(19,833)
Operating costs	3(a)	**(107,987)**	(107,070)	**(146,348)**	(139,062)
Operating cost from acquisition	3(a)	-	-	-	(10,855)
Surplus on sale of fixed assets	3(a)/8	**3,137**	10,973	**5,570**	18,637
Operating Surplus	3(a)/7	**68,468**	50,613	**126,079**	73,522
Gift on acquisition	37	-	-	-	48,307
Interest receivable and similar income	9	**17,438**	9,120	**283**	1,539
Interest payable and similar charges	10	**(45,583)**	(30,483)	**(36,410)**	(30,254)
Change in value of investment property		**18,562**	21,060	**32,246**	30,906
Gift aid	11	**35,151**	5,294	-	-
Surplus before taxation		**94,036**	55,604	**122,198**	124,020
Taxation on surplus on ordinary activities	12	**636**	(1,050)	**(80)**	1,802
Surplus for the year		**94,672**	54,554	**122,118**	125,822
Other comprehensive income					
Pension scheme actuarial loss	29	**(5,135)**	(2,241)	**(6,563)**	(4,405)
Taxation on other comprehensive income		-	-	-	-
Total comprehensive income for the year		**89,537**	52,313	**115,555**	121,417

All operations are continuing.
These financial statements were approved by the Board on 20 July 2016 and signed on their behalf by:

Lord Robert Kerslake
Chair

STATEMENT OF FINANCIAL POSITION

	Note	Peabody 2016 £'000	Peabody 2015 £'000 RESTATED	Group 2016 £'000	Group 2015 £'000 RESTATED
Non-current assets					
Intangible assets	13	**8,240**	7,087	**8,297**	7,174
Tangible fixed assets - housing	14	**1,923,722**	1,772,221	**2,671,032**	2,582,851
Other tangible fixed assets	15	**25,290**	20,965	**35,068**	33,283
Total tangible fixed assets		**1,949,012**	1,793,186	**2,706,100**	2,616,134
Investment properties	16	**168,804**	134,218	**310,900**	258,183
Starter homes initiative investment	17	**5,981**	6,531	**7,570**	8,216
Other investments	18	**8,989**	47,681	**-**	158
Total investments		**183,774**	188,430	**318,470**	266,557
Debtors due in more than one year	22	**326,694**	180,449	**-**	-
Total non-current assets		**2,467,720**	2,169,152	**3,032,867**	2,889,865
Current assets					
Other stock	19	**111**	115	**175**	42
Properties held for sale and work in progress	20	**5,248**	15,110	**147,957**	134,213
Debtors due in less than one year	21	**116,807**	75,196	**51,809**	37,399
Cash and cash equivalents		**17,622**	10,953	**101,280**	114,018
Total current assets		**139,788**	101,374	**301,221**	285,672
Creditors: amounts falling due within one year	23	**(133,427)**	(89,757)	**(130,508)**	(111,945)
Net current assets		**6,361**	11,617	**170,713**	173,727
Total assets less current liabilities		**2,474,081**	2,180,769	**3,203,580**	3,063,592
Creditors: amounts falling due after more than one year	24	**(1,110,375)**	(916,378)	**(1,355,722)**	(1,345,264)
Provisions for liabilities and charges	30	**(414)**	-	**(21,333)**	(16,398)
Pension liabilities	29	**(43,245)**	(33,881)	**(61,112)**	(52,072)
		(1,154,034)	(950,259)	**(1,438,167)**	(1,413,734)
Net Assets		**1,320,047**	1,230,510	**1,765,413**	1,649,858
Reserves		**1,320,047**	1,230,510	**1,765,413**	1,649,858

The accompanying notes form part of these financial statements.
These financial statements were approved by the Board on 20 July 2016 and signed on their behalf by:

Lord Robert Kerslake
Chair

STATEMENT OF CHANGE IN EQUITY

Peabody	Note	2016 Revenue reserves	2016 Revaluation reserves	2016 Total reserves	2015 Revenue reserves	2015 Revaluation reserves	2015 Total reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Total reserves at 1 April 2015/2014 as previously stated	39	330,008	-	330,008	295,830	-	295,830
Effect of adoption of FRS 102	39	337,225	563,277	900,502	340,150	542,217	882,367
Restated reserves at 1 April 2015/2014	39	**667,233**	**563,277**	**1,230,510**	635,980	542,217	1,178,197
Surplus for the year		94,672	-	**94,672**	54,554	-	54,554
Other comprehensive income							
Pension scheme actuarial loss	29	(5,135)	-	**(5,135)**	(2,241)	-	(2,241)
Transfer between reserves		115	(115)	-	(21,060)	21,060	-
Total other comprehensive income for the year		(5,020)	(115)	**(5,135)**	(23,301)	21,060	(2,241)
Total reserves at 31 March 2016 / 2015		**756,885**	**563,162**	**1,320,047**	667,233	563,277	1,230,510

Group	Note	2016 Revenue reserves	2016 Revaluation reserves	2016 Total reserves	2015 Revenue reserves	2015 Revaluation reserves	2015 Total reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Total reserves at 1 April 2015 / 2014 as previously stated	39	670,241	13,206	**683,447**	578,092	4,887	582,979
Release of UK GAAP FV adjustment	39	(125,939)	-	**(125,939)**	(126,833)	-	(126,833)
Effect of adoption of FRS 102	39	377,400	714,950	**1,092,350**	348,840	723,455	1,072,295
		251,461	**714,950**	**966,411**	222,007	723,455	945,462
Restated reserves at 1 April 2015/2014	39	**921,702**	**728,156**	**1,649,858**	800,099	728,342	1,528,441
Surplus for the year		122,118	-	**122,118**	125,822	-	125,822
Other comprehensive income							
Pension scheme actuarial loss	29	(6,563)	-	**(6,563)**	(4,405)	-	(4,405)
Transfer between reserves		463	(463)	-	186	(186)	-
Total other comprehensive income for the year		(6,100)	(463)	**(6,563)**	(4,219)	(186)	(4,405)
Total reserves as at 31 March 2016 / 2015		**1,037,720**	**727,693**	**1,765,413**	921,702	728,156	1,649,858

STATEMENT OF CASH FLOW

	Note	Peabody 2016 £'000	Peabody 2015 £'000 RESTATED	Group 2016 £'000	Group 2015 £'000 RESTATED
Net cash generated from operating activities	40	**181,841**	46,259	**156,334**	91,805
Cash flows from investing activities					
Proceeds from sale of tangible fixed assets	8	**4,514**	21,552	**14,623**	45,137
Purchases of intangible fixed assets	13	**(4,006)**	(3,810)	**(4,043)**	(3,731)
Purchases of tangible fixed assets	14/15	**(179,745)**	(168,979)	**(135,568)**	(290,835)
Purchases of investment assets	16	**(11,642)**	-	**(19,124)**	(248)
Receipt of government grant	25	**3,630**	14,096	**6,000**	15,249
Receipt of non-government grant		**1,923**	129	**527**	1,029
Interest received		**17,438**	8,939	**283**	265
Net cash from investing activities		**(167,888)**	(128,073)	**(137,302)**	(233,134)
Cash flows from financing activities					
New bank loans		-	15,007	**10,000**	147,350
Repayment of bank loans		**(4,000)**	(4,000)	**(4,000)**	(4,000)
Interest paid		**(46,903)**	(31,737)	**(37,770)**	(36,007)
Loans from subsidiaries		**222,919**	140,267	-	-
Repayment of subsidiary loans		**(68,394)**	-	-	-
Loan to subsidiaries		**(298,042)**	(46,671)	-	-
Loan repayment from subsidiary		**187,136**	3,288	-	-
Net cash used in financing activities		**(7,284)**	76,154	**(31,770)**	107,343
Net increase/(decrease) in cash and cash equivalents		**6,669**	(5,660)	**(12,738)**	(33,986)
Cash and cash equivalents at beginning of year		**10,953**	16,613	**114,018**	148,004
Cash and cash equivalents at end of year		**17,622**	10,953	**101,280**	114,018

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), the Statement of Recommended Practice 'Accounting by Registered Social Landlords' issued in September 2014 (SORP 2014) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Charities Act 2011. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis as specified in the accounting policies below.

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.

The Group financial statements consolidate the financial statements of the Governors of Peabody Trust (Peabody; the parent) and all its subsidiary undertakings for the year ended 31 March 2016.

In the transition to FRS 102, the Company has made measurement and recognition adjustments, which are detailed in note 39. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to transition date have not been restated.
- Fair value or revaluation as deemed cost on properties built before 2003 – The fair value at transition date has been used as deemed cost for housing fixed assets.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Peabody and entities (including special purpose entities) controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intercompany transactions and balances between group entities are eliminated in full upon consolidation.

1.3 Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.4 Business combinations

Acquisitions of subsidiary companies are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in the statement of comprehensive income in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in the statement of comprehensive income in the periods expected to be benefitted.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

1.5 Intangible assets
Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

(a) Research and development costs
In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are capitalised from the development phase of a project only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their expected useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

(b) Software development costs
Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:
- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Software development costs	5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

1.6 Tangible fixed assets
Tangible fixed assets (housing) include work in progress, land and properties for the use of social housing and support of the wider social housing community. Shared ownership properties are split proportionally between current and tangible fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset under property held for sale and the remaining element is classed as tangible fixed asset.

Other tangible fixed assets comprise of freehold land and building, community assets, office equipment and vehicles used for administrative purposes and in the ordinary course of social housing business.

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This includes salary costs of own employees incurred directly in respect of the construction or acquisition of the asset, and incremental costs that would have been avoided if individual assets had not been constructed or acquired.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of the comprehensive income during the period in which they are incurred.

1.7 Depreciation of assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The lives of major components for properties are:	
Boiler	15 years
Heating/mechanical/water	15 years
Flat roof	20 years
Kitchen	20 years
Lift	25 years
Bathroom	30 years
Communal assets	30 years
Electrical installations	30 years
Windows and doors	30 years
Garages and stores	50 years
Non flat roof	50 years
General structure	100 years

The lives of other tangible fixed assets are:	
IT equipment	3 years
Plant and machinery	4 – 5 years
Office equipment	5 – 10 years
Vehicles including vans	6 – 10 years
Solar equipment panel:	
- panel	25 years
- invertor	10 years
- other solar	15 years
Freehold land and buildings	50 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

1.8 Grants

(a) Government grants

Government grants are accounted under the accruals model for assets measured at cost and performance model for assets measured at valuation.

Under the accrual model, grants relating to expenditure on tangible fixed assets are credited to the statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward reserves.

(b) Non-government grants

Grants received from non-government sources are recognised using the performance model.

Under the performance model, grants relating to expenditure on tangible fixed assets are credited to the statement of comprehensive income when the future performance condition has been satisfied. Grants received before the future performance condition has been satisfied are recognised as a liability in the statement of financial position.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

(c) Recycled capital grant fund / disposal proceeds fund

On disposal of relevant housing properties, any social housing grant applied to that property is allowed to be retained for eligible re-investment. This amount is disclosed separately within creditors. If unused within a three year period, it will be repayable to the HCA or GLA with interest.

1.9 Investment properties

Investment properties include commercial properties and properties held for market rent.

Investment property is carried at fair value determined annually by an external expert 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.

1.10 Other Investments

Other investments include investment in subsidiaries and joint venture entities.

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

This treatment also applies to the Group's equity loans under the starter homes initiative. These have been made to homeowners as part of the Group's social housing objectives, at below-market rates of interest and are not repayable on demand, and so qualify for treatment as public benefit entity concessionary loans under FRS 102.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

The Group operates a landfill site which is stated at its construction costs plus an estimate for capping, on-going monitoring and maintenance costs once it has been capped and is no longer income-generating.

All landfill site costs are written off based on the tonnage tipped in the period compared to the site's estimated remaining capacity; having suffered a significant downturn in turnover (largely resulting from the abolition of Landfill Tax Exemptions) the Group undertook an impairment review of the asset. Having considered possible options for the site, the Group has written off the value of the asset in full.

1.11 Associates and joint ventures
An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture 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 associated undertakings and 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 associate. 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 associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

1.12 Discontinued operations
Discontinued operations are components of the Group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or were subsidiaries acquired exclusively with a view to resale.

They are included in the statement of comprehensive income in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

1.13 Impairment of assets
(a) Financial assets
A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is evidence of impairment. A financial asset is impaired if a loss event has occurred after the initial recognition of the asset, and if the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

(b) Non-financial assets
Assets and cash generating units (CGU) that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is indication of impairment. Service potential of an asset and cash flow generation are considered in our assessment. Where there is indication an asset or CGU may be impaired, the recoverable amount of any affected asset or CGU is estimated and compared with its carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use for social housing (VIU-SH) or depreciable replacement cost (DRC). The fair value less cost to sell is estimated using the market value of the property less cost to sell where a market exists, or the existing use value calculation for social housing (EUV-SH). DRC is lower of cost of constructing equivalent asset or CGU and acquiring equivalent asset or CGU on an open market.

Where there is an appraisal of a development programme or scheme which was approved by the board and completed, in all material respects, in accordance with the plans, there is no requirement to perform an impairment assessment on the initial recognition of the development programme or scheme.

An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is indication the impairment losses recognised in prior periods may no longer exist or may have decreased.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

1.14 Stocks
Stocks include building material, sporting club inventory and outright sale properties.

Stocks are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include costs of labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

1.15 Basic financial instruments
(a) Trade and other debtors
Trade and other debtors are measured at transaction price, less any impairment. Loans receivable, including concessionary loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for bad debt arises when the debtor balance is 90 days or greater for commercial properties and 30 days or greater for social housing properties. The initial provision is a charge against the statement of comprehensive income but is then carried forward to a subsequent period. The debtors figure in the statement of financial position is adjusted to be presented 'net of the provision'. Any increase or decrease in the provision in a

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

subsequent period is debited or credited to the statement of comprehensive income. The write off of a specific bad debt is made in accordance with the Group Financial Regulations.

(b) Cash and cash equivalents
Cash and cash equivalents are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours and short term deposits of 90 days or less, which can be withdrawn without penalty or by giving notice of more than one working day.

(c) Trade and other creditors
Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(d) Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Bank loans are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Where loans and other financial instruments are redeemed during the year, any redemption penalty is recognised in the statement of comprehensive income in the year in which redemption takes place.

The initial costs relating to raising finance are amortised over the period of the loan.

1.16 Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in the statement of comprehensive income. Assets held under finance leases are included in other tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense over the lease term on a straight-line basis.

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

1.17 Service charge sinking fund
Under the terms and conditions of their leases, leaseholders are required to contribute to a sinking fund for

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

future provision of communal facilities. These funds are invested in separate bank accounts in order to meet future commitments. Interest received is credited to these funds.

1.18 Homes managed by other parties on behalf of Peabody
Where the risks and benefits of managing these homes have been transferred to the third party the transactions relating to such homes are excluded from the statement of comprehensive income. Where the risk was not transferred the transactions are recognised in the statement of comprehensive income.

1.19 Employee Benefits
(a) Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

(b) Defined contribution plans and other long term employee benefits
A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

(c) Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Regular valuations are prepared by independent professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the fund and allow for the periodic increase of pensions in payment. The current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, cost of curtailments and settlements, are charged against the operating surplus in the year. Actuarial gains and losses are recognised in the statement of comprehensive income.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period, are recognised in the statement of comprehensive income.

(d) Termination benefits
Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.20 Provisions for liabilities
A provision is recognised when the entity has a present legal or constructive obligation as a result of a past event,

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

In relation to the landfill site and other assets of the Group, expenditure will be required for the foreseeable future in order for the Group to fulfil its legal obligations.

A judgment is made by the directors in determining the risk adjusted discount factor to apply into perpetuity on the maintenance provisions held. Management review the assumptions on an annual basis.

1.21 Related party transactions

Related party transactions include company transactions with the parent entities, with fellow subsidiaries, associates, joint ventures and compensation paid to key management personnel. Key management personnel are senior management team, board members and their close family. Compensation includes all employee benefits in exchange for services and consideration paid on behalf of Peabody in respect of goods or services provided to the entity.

1.22 Value Added Tax

Value Added Tax is accounted for on an accruals basis. The primary activities such as social housing lettings constitute exempt supplies, and accordingly no input tax borne is recoverable. For business supplies chargeable to tax, or where special dispensations have been agreed, input tax directly relating to goods and services that have enabled the supply, and relating to a fair proportion of the cost of central services in support of these, are recovered from HM Revenue & Customs.

1.23 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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 tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

Deferred tax assets and deferred tax liabilities are offset only if:
- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.24 Turnover
Turnover represents rental and service charge income receivable net of rent and service charge losses from voids, fees and revenue grants from local authorities, Greater London Authority (GLA) and other funding bodies, initial and subsequent sale of first tranche properties, open market sales and other sales (excluding VAT) of goods and services supplied in the year. Rent and service charge losses from bad debts are accounted for separately in operating costs.

Turnover from the sales of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Where the buyer has a right of return, the Group defers recognition of revenue until the right to return has lapsed.

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

Turnover from grants is recognised when the conditions for receipt of agreed grant funding have been met.

1.25 Sales of assets
Sales of assets are sales of tangible fixed assets. First tranche sales and open market sales are sales of stock and are treated as cost of sales in the statement of comprehensive income in the period in which they relate.

The gain or loss on disposal of housing properties under a right to buy arrangement is calculated as being the difference between the proceeds of sale of a property and the carrying value of that property. The gain or loss on disposal of right to buy housing properties is recognised in the statement of comprehensive income at the date of transfer of title.

1.26 Interest receivable and similar income
Interest receivable is recognised as interest accrues, using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

1.27 Non-utilisation fee
A lending arrangement (the "Original Loan Agreement") exists between Peabody and CBHA (as borrowers) and Peabody Capital No.2 Plc (as lender) in relation to the 2053 bond issue to facilitate the lending of proceeds from the bond into the Group. This arrangement contains a provision ("Non-utilisation fee") for Peabody Capital No.2 Plc to recover from the borrowers the difference between the interest payable to the 2053 Bond investors and the income realised by Peabody Capital No.2 Plc. This income comprises the interest receivable from amounts on-lent to Peabody and CBHA and investment income earned from permitted investments and bank deposits. This difference arises during the period before the bond proceeds are fully on-lent. A similar arrangement exists in relation to Peabody Capital Plc and the 2043 bond issue.

NOTES TO THE ACCOUNTS

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the directors have made the following judgements:

- Determining whether leases entered into by the Group either as a lessor or a lessee are operating 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.

- Determining whether there are indicators of impairment of the Group's tangible and intangible 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 CGU, the viability and expected future performance of that CGU.

- In determining a CGU for social housing properties, the Group consider the lowest level of identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which is assessed as the cash inflows generated from the development schemes. Factors taken into consideration in reaching such a decision include the Group's business activities, operations, and funding, and decisions made about the continuing use of, or disposal, of the properties.

Other key sources of estimation uncertainty:

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 technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.

The valuation of defined benefit pension schemes has been carried out by qualified actuaries.

NOTES TO THE ACCOUNTS

3(a). TURNOVER AND OPERATING SURPLUS

PEABODY	Turnover 2016 £'000	Cost of sales 2016 £'000	Operating costs 2016 £'000	Operating surplus/ (deficit) 2016 £'000	Turnover 2015 £'000 RESTATED	Cost of sales 2015 £'000 RESTATED	Operating costs 2015 £'000 RESTATED	Operating surplus/ (deficit) 2015 £'000 RESTATED
Social housing lettings								
General needs	**100,571**	**-**	**(71,808)**	**28,763**	94,798	-	(72,991)	21,807
Supported housing and housing for older people	**6,006**	**-**	**(6,419)**	**(413)**	5,738	-	(6,251)	(513)
Shared ownership	**3,799**	**-**	**(1,305)**	**2,494**	2,127	-	(1,958)	169
Intermediate rent	**7,271**	**-**	**(3,595)**	**3,676**	5,194	-	(3,265)	1,929
Affordable rent	**7,908**	**-**	**(2,998)**	**4,910**	3,383	-	(1,627)	1,756
	125,555	**-**	**(86,125)**	**39,430**	111,240	-	(86,092)	25,148
Other social housing activities								
Donations received	**38**	**-**	**-**	**38**	19	-	-	19
First tranche shared ownership sales	**41,286**	**(22,054)**	**-**	**19,232**	6,085	(2,359)	-	3,726
	41,324	**(22,054)**	**-**	**19,270**	6,104	(2,359)	-	3,745
Non-social housing activities								
Development	**4,008**	**-**	**(6,062)**	**(2,054)**	8,054	(173)	(3,636)	4,245
Market renting	**5,125**	**-**	**(2,130)**	**2,995**	6,668	-	(3,006)	3,662
Intermediate rent	**12,093**		**(6,488)**	**5,605**	11,095	-	(7,037)	4,058
Leasehold	**1,802**	**-**	**(2,416)**	**(614)**	1,832	-	(2,457)	(625)
Commercial lettings	**3,162**	**-**	**(1,281)**	**1,881**	3,103	-	(1,105)	1,998
Open market sales	**3,100**	**(1,572)**	**-**	**1,528**	-	-	-	-
Community regeneration	**775**	**-**	**(3,485)**	**(2,710)**	1,146	-	(3,737)	(2,591)
	30,065	**(1,572)**	**(21,862)**	**6,631**	31,898	(173)	(20,978)	10,747
Total	**196,944**	**(23,626)**	**(107,987)**	**65,331**	149,242	(2,532)	(107,070)	39,640
Memo only:								
Surplus on sale of fixed assets				**3,137**				10,973
				68,468				50,613

BREAKDOWN OF COMMUNITY REGENERATION ACTIVITIES FOR 2016

PEABODY	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus / (deficit) £'000
Big Lottery Programme	-	-	(127)	**(127)**
Commissioning Better Outcomes	40	-	(24)	**16**
Wates Family Enterprise Trust	15	-	(10)	**5**
Other programmes	720	-	(3,324)	**(2,604)**
Total community regeneration	**775**	**-**	**(3,485)**	**(2,710)**

NOTES TO THE ACCOUNTS

3(a). TURNOVER AND OPERATING SURPLUS (continued)

GROUP	Turnover 2016 £'000	Cost of sales 2016 £'000	Operating costs 2016 £'000	Operating surplus/ (deficit) 2016 £'000	Turnover 2015 £'000 RESTATED	Cost of sales 2015 £'000 RESTATED	Operating costs 2015 £'000 RESTATED	Operating surplus/ (deficit) 2015 £'000 RESTATED
Social housing lettings								
General needs	137,983	-	(93,400)	44,583	135,527	-	(100,817)	34,710
Supported housing and housing for older people	5,764	-	(5,993)	(229)	5,763	-	(6,258)	(495)
Shared ownership	6,698	-	(2,258)	4,440	4,592	-	(3,006)	1,586
Intermediate rent	7,678	-	(3,582)	4,096	5,611	-	(3,500)	2,111
Affordable rent	11,679	-	(4,844)	6,835	5,569	-	(3,636)	1,933
	169,802	-	(110,077)	59,725	157,062	-	(117,217)	39,845
Other social housing activities								
Donations received	38	-	-	38	(302)	-	-	(302)
First tranche shared ownership sales	47,203	(22,726)	-	24,477	14,508	(11,571)	(187)	2,750
Other	233	-	11	244	20	-	(17)	3
	47,474	(22,726)	11	24,759	14,226	(11,571)	(204)	2,451
Non-social housing activities								
Development	3,237	(1,572)	(2,077)	(412)	5,073	-	(1,115)	3,958
Market renting	5,206	-	(2,217)	2,989	6,362	-	(2,702)	3,660
Other activities	9,839	(1,345)	(7,177)	1,317	13,499	-	(10,975)	2,524
Leasehold	3,998	-	(3,736)	262	3,050	-	(4,270)	(1,220)
Commercial lettings	9,579	73	(11,428)	(1,776)	13,064	-	(6,199)	6,865
Open market sales	100,574	(59,552)	(1,869)	39,153	10,361	(8,262)	(91)	2,008
Community regeneration	2,270		(7,778)	(5,508)	1,938	-	(7,144)	(5,206)
	134,703	(62,396)	(36,282)	36,025	53,347	(8,262)	(32,496)	12,589
Total	351,979	(85,122)	(146,348)	120,509	224,635	(19,833)	(149,917)	54,885
Memo only:								
Surplus on sale of fixed assets				5,570				18,637
				126,079				73,522

NOTES TO THE ACCOUNTS

3(b). PARTICULARS OF TURNOVER AND OPERATING COSTS FROM SOCIAL HOUSING LETTINGS

PEABODY	General needs 2016 £'000	Supported and older people 2016 £'000	Shared ownership 2016 £'000	Intermediate rent 2016 £'000	Affordable rent 2016 £'000	Total 2016 £'000	Total 2015 £'000 RESTATED
Turnover from lettings							
Rents receivable	89,560	4,175	2,440	7,003	7,498	110,676	99,614
Service charges receivable	5,415	760	1,254	19	187	7,635	7,258
Other income	5,596	1,071	105	249	223	7,244	4,368
Total turnover from social housing	100,571	6,006	3,799	7,271	7,908	125,555	111,240
Operating costs							
Services	(5,960)	(2,865)	(396)	(223)	(205)	(9,649)	(11,182)
Management	(25,142)	(1,329)	(327)	(1,371)	(1,221)	(29,390)	(33,173)
Routine maintenance	(11,199)	(793)	(228)	(871)	(683)	(13,774)	(12,449)
Cyclical maintenance	(14,230)	(548)	(162)	(409)	(266)	(15,615)	(13,040)
Bad debts	97	4	41	(2)	(9)	131	(916)
Depreciation	(15,607)	(888)	-	(719)	(614)	(17,828)	(15,332)
Operating costs on social housing	(72,041)	(6,419)	(1,072)	(3,595)	(2,998)	(86,125)	(86,092)
Operating surplus / (deficit) on social housing lettings	28,530	(413)	2,727	3,676	4,910	39,430	25,148
Voids gains/(losses)	(485)	25	(72)	(85)	(957)	(1,574)	(1,497)

NOTES TO THE ACCOUNTS

3(b). PARTICULARS OF TURNOVER AND OPERATING COSTS FROM SOCIAL HOUSING LETTINGS (continued)

GROUP	General needs 2016 £'000	Supported and older people 2016 £'000	Shared ownership 2016 £'000	Intermediate rent 2016 £'000	Affordable rent 2016 £'000	Total 2016 £'000	Total 2015 £'000 RESTATED
Turnover from lettings							
Rents receivable	126,013	4,175	4,792	7,575	11,265	153,820	139,279
Service charges receivable	9,494	761	1,851	44	281	12,431	12,810
Other income	2,476	828	55	59	133	3,551	4,973
Total turnover from social housing	137,983	5,764	6,698	7,678	11,679	169,802	157,062
Operating costs							
Services	(6,726)	(2,703)	(583)	(169)	(346)	(10,527)	(15,470)
Management	(28,152)	(1,078)	(421)	(1,244)	(1,602)	(32,497)	(42,255)
Routine maintenance	(17,037)	(780)	(279)	(915)	(995)	(20,006)	(21,274)
Cyclical maintenance	(16,880)	(548)	(192)	(423)	(432)	(18,475)	(16,523)
Bad debts	(1,036)	4	-	(18)	(136)	(1,186)	(1,886)
Depreciation of housing properties	(24,352)	(888)	-	(813)	(1,333)	(27,386)	(19,809)
Operating costs on social housing	(94,183)	(5,993)	(1,475)	(3,582)	(4,844)	(110,077)	(117,217)
Operating surplus / (deficit) on social housing lettings	43,800	(229)	5,223	4,096	6,835	59,725	39,845
Void gains/(losses)	(771)	25	(79)	(169)	(1,002)	(1,996)	(2,116)

NOTES TO THE ACCOUNTS

4. ACCOMMODATION OWNED AND IN MANAGEMENT

At 31 March	Peabody 2016 Units	Peabody 2015 Units RESTATED	Group 2016 Units	Group 2015 Units RESTATED
General needs housing				
- Social	**13,779**	13,732	**20,033**	20,042
- Affordable	**835**	530	**1,347**	995
	14,614	14,262	**21,380**	21,037
Shared ownership	**899**	542	**1,544**	1,187
Keyworker				
- intermediate market rent	**661**	645	**797**	806
Supported housing				
- directly managed	**382**	392	**495**	505
- managed by others	**323**	320	**382**	320
	705	712	**877**	825
Leasehold managed	**1,930**	1,522	**2,750**	2,209
Non-social housing	**1,635**	1,782	**1,666**	1,793
Total	**20,444**	19,465	**29,014**	27,857

5. EMOLUMENTS OF GOVERNORS AND EXECUTIVE OFFICERS

None of the Governors received any emoluments during the year (2015: £nil).

Governors were reimbursed expenses totalling £402 (2015: £1,449).

The remuneration paid to the Group Chief Executive and Peabody Executive Officers (as listed on page 2) was as follows:

	2016 £	2015 £
Total emoluments (including pension contributions and benefits in kind)	**1,249,273**	1,143,505
Highest Paid Director:		
Emoluments paid to the Group Chief Executive	**223,115**	225,513

In addition, the Chief Executive received cash in lieu of pension contributions of £20,802 (2015: £19,456). The Chief Executive has no individual pension arrangement (including a personal pension) to which the Trust or any of its subsidiaries makes a contribution.

The Nominations and Remuneration Committee of the Governors meets twice a year and fixes the remuneration of the Group Chief Executive and the Peabody Executive Team.

NOTES TO THE ACCOUNTS

6. EMPLOYEE INFORMATION

The average number of people employed during the year was:

	Peabody		Group	
	2016	2015	**2016**	2015
	No.	No.	**No.**	No.
Head office functions	**230**	196	**252**	244
Housing management	**533**	470	**692**	630
Maintenance	**-**	-	**19**	16
Community services	**107**	97	**158**	149
	870	763	**1,121**	1,039

	Peabody		Group	
Employee costs	**2016**	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Wages and salaries	**32,965**	28,667	**40,345**	35,410
Social security costs	**3,598**	2,967	**4,366**	3,838
Other pension costs (note 29)	**5,932**	2,563	**4,030**	3,602
Other employee costs	**793**	635	**1,595**	651
	43,288	34,832	**50,336**	43,501

The numbers of employees and directors who received remuneration in excess of £60,000 per annum are stated below in bandings of £10,000 (2016 including pension contributions; 2015 excluding pension contributions):

	Peabody		Group	
	2016	2015	**2016**	2015
	No.	No.	**No.**	No.
£60,001 to £70,000	**36**	21	**41**	27
£70,001 to £80,000	**21**	9	**22**	14
£80,001 to £90,000	**11**	4	**11**	6
£90,001 to £100,000	**2**	5	**7**	6
£100,001 to £110,000	**3**	6	**4**	6
£110,001 to £120,000	**6**	4	**7**	4
£120,001 to £130,000	**4**	-	**4**	-
£130,001 to £140,000	**6**	-	**6**	-
£140,001 to £150,000	**1**	1	**1**	1
£150,001 to £160,000	**1**	2	**2**	3
£160,001 to £170,000	**-**	1	**-**	2
£170,001 to £180,000	**2**	1	**2**	1
£180,001 to £190,000	**2**	-	**2**	-
£210,001 to £220,000	**1**	-	**1**	-
£240,001 to £250,000	**1**	1	**1**	1
	97	55	**111**	71

In addition to the bandings above, one member of staff received remuneration banded £0.62m-£0.63m. They were employed by a non-Registered Provider where control was gained as part of the Trust Thamesmead acquisition in 2014, and have left the company subsequent to the acquisition. Their emoluments were funded wholly outside the regulated activities of the Peabody Group.

NOTES TO THE ACCOUNTS

7. OPERATING SURPLUS

	Peabody 2016 £'000	Peabody 2015 £'000 RESTATED	Group 2016 £'000	Group 2015 £'000 RESTATED
Operating surplus is stated after charging:				
Depreciation of tangible fixed assets	**16,934**	12,908	**26,773**	22,173
Amortisation of intangible fixed assets	**2,853**	1,367	**2,920**	1,361
Impairment	**-**	-	**158**	-
Operating lease charges:				
- Offices	**268**	169	**572**	444
- Leases non buildings	**502**	526	**575**	552
Auditors' remuneration:				
In their capacity as auditor	**103**	55	**150**	94
In respect of non-audit services				
- Tax (excluding VAT)	**111**	51	**111**	93
- Internal audit	**-**	180	**-**	180
- Other	**56**	113	**101**	113

Auditors' remuneration in respect of non-audit services has changed significantly in the year due to the fact that internal audit services were provided to the Group by the incumbent auditor (KPMG) in 2015. A full explanation of the change in auditors is provided on in the Internal Control and Risk Management section of the Operating and Financial Review.

8. SURPLUS ON SALE OF FIXED ASSETS

	Peabody 2016 No	Peabody 2016 Proceeds £'000	Peabody 2016 Costs £'000	Peabody 2016 Surplus/ (deficit) £'000	Peabody 2015 Surplus/ (deficit) £'000 RESTATED	Group 2016 No	Group 2016 Proceeds £'000	Group 2016 Costs £'000	Group 2016 Surplus/ (deficit) £'000	Group 2015 Surplus/ (deficit) £'000 RESTATED
Shared ownership – fully staircased	**19**	**2,790**	**(1,377)**	**1,413**	2,125	**67**	**9,244**	**(5,400)**	**3,844**	3,498
Shared ownership – subsequent tranches	**7**	**741**	**(455)**	**286**	223	**17**	**1,849**	**(898)**	**951**	496
Social Homebuy	**-**	**-**	**(16)**	**(16)**	(865)	**-**	**-**	**(238)**	**(238)**	(947)
Right to Buy	**8**	**1,313**	**(657)**	**656**	1,594	**16**	**2,565**	**(1,228)**	**1,337**	2,789
Old stock	**-**	**-**	**(25)**	**(25)**	7,889	**-**	**-**	**-**	**-**	7,538
Disposal of land	**2**	**(399)**	**1,153**	**754**	-	**1**	**881**	**(126)**	**755**	(1)
Right to acquire	**1**	**-**	**-**	**-**	7	**2**	**-**	**-**	**-**	7
Subsidised Housing loan repayment	**16**	**69**	**-**	**69**	-	**18**	**84**	**-**	**84**	15
Investment properties	**-**	**-**	**-**	**-**	-	**-**	**-**	**(1,163)**	**(1,163)**	5,242
	53	**4,514**	**(1,377)**	**3,137**	10,973	**121**	**14,623**	**(9,053)**	**5,570**	18,637

NOTES TO THE ACCOUNTS

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Other interest receivable and similar income	**16**	388	**229**	1,431
Share of joint venture interest receivable	**-**	-	**54**	108
Interest received from Group entities	**17,422**	8,732	**-**	-
	17,438	9,120	**283**	1,539

10. INTEREST PAYABLE AND SIMILAR CHARGES

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Interest payable on borrowings	**16,064**	8,586	**49,096**	41,234
Interest payable to Group entities	**31,066**	24,335	**-**	-
Net interest cost on pension scheme (note 29)	**1,178**	1,362	**1,725**	2,079
	48,308	34,283	**50,821**	43,313
Less: Interest capitalised	**(2,725)**	(3,800)	**(14,411)**	(13,059)
	45,583	30,483	**36,410**	30,254
Capitalisation rate used to determine the finance costs capitalised during the period	**4.36%**	4.38%	**4.14%**	4.38%

11. GIFT AID

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Create Communities Limited	**4**	37	**-**	-
Freshleaf Homes Limited	**132**	2,102	**-**	-
Peabody Enterprises Limited	**33,866**	-	**-**	-
Peabody Group Maintenance Limited	**194**	86	**-**	-
Peabody (Services) Limited	**955**	3,067	**-**	-
Sport Club Thamesmead Limited	**-**	2	**-**	-
	35,151	5,294	**-**	-

NOTES TO THE ACCOUNTS

12. TAXATION ON SURPLUS

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Analysis of charge in period		RESTATED		RESTATED
Current tax:				
Current tax on surplus for the period	**-**	1,050	**966**	2,835
Adjustment in respect of prior periods	**(1,050)**	-	**(1,794)**	(1,748)
	(1,050)	1,050	**(828)**	1,087
Deferred tax:				
Origination and reversal of timing differences	**(636)**	-	**(142)**	(2,889)
Adjustment in respect of prior periods	**1,050**		**1,050**	-
	414	-	**908**	(2,889)
Tax charge / (credit)	**(636)**	1,050	**80**	(1,802)

The tax assessed for the period is lower than that resulting from applying the standard rate of 20% (2015: 21%) corporation tax in the UK. The differences are explained below:

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Surplus on ordinary activities before taxation	**94,036**	55,604	**122,198**	124,020
Tax on surplus on ordinary activities at standard rate of 20% (2015: 21%)	**18,807**	11,677	**24,440**	26,044
Factors affecting charge for the year:				
Adjustment in respect of prior periods	**-**	-	**(744)**	(1,748)
Charitable surplus exempt taxation	**(18,493)**	(10,627)	**(21,778)**	(25,970)
Expenses not deductible for tax purposes	**-**	-	**47**	17
Non-taxable income	**-**	-	**(11)**	(23)
Chargeable losses	**-**	-	**(1,484)**	-
Group relief claimed	**(900)**	-	**-**	-
Change in deferred tax rate	**(50)**	-	**(390)**	(122)
Tax charge / (credit)	**(636)**	1,050	**80**	(1,802)

NOTES TO THE ACCOUNTS

13. INTANGIBLE FIXED ASSETS

	Peabody Computer software £'000	Group Computer software £'000
Cost		
At 1 April 2015 (RESTATED)	9,270	10,799
Additions	4,006	4,043
At 31 March 2016	**13,276**	**14,842**
Amortisation		
At 1 April 2015 (RESTATED)	2,183	3,625
Charge for the year	2,853	2,920
At 31 March 2016	**5,036**	**6,545**
Net book value		
At 31 March 2016	**8,240**	**8,297**
At 31 March 2015 (RESTATED)	7,087	7,174

NOTES TO THE ACCOUNTS

14. TANGIBLE FIXED ASSETS - HOUSING

PEABODY	Completed properties		Properties under construction		
	Housing properties held for letting £'000	Shared ownership housing properties £'000	Housing properties held for letting £'000	Shared ownership housing properties £'000	Total £'000
Cost					
At 1 April 2015 (RESTATED)	1,747,829	56,388	43,437	26,559	1,874,213
Properties acquired	69,238	25,513	5,438	2,398	102,587
Works to existing properties	41,009	-	-	-	41,009
Additions – new build properties	-	-	22,639	10,380	33,019
Transfers – investment properties & other tangible fixed assets	(6,451)	(528)	-	-	(6,979)
Transfers – stock	21	(1,247)	-	-	(1,226)
Schemes completed	31,376	28,096	(31,376)	(28,096)	-
Disposals	528	(2,068)	(78)	-	(1,618)
At 31 March 2016	**1,883,550**	**106,154**	**40,060**	**11,241**	**2,041,005**
Depreciation					
At 1 April 2015 (RESTATED)	98,506	3,486	-	-	101,992
Charge for the year	15,532	-	-	-	15,532
Disposals	(106)	(135)	-	-	(241)
At 31 March 2016	**113,932**	**3,351**	-	-	**117,283**
Net Book Value					
At 31 March 2016	**1,769,618**	**102,803**	**40,060**	**11,241**	**1,923,722**
At 31 March 2015 (RESTATED)	1,649,323	52,902	43,437	26,559	1,772,221

Development and major works additions and improvements to housing properties during the year include capitalised interest of £44.3 million (2015: £41.5 million) and capitalised administration costs of £0.1 million (2015: £0.1 million).

At each reporting date, an assessment must be made of whether any indicators of impairment exist. If such indicators exist, a full impairment review must be performed. The Government's announcement in July 2015 requiring registered providers of social housing to reduce social housing rents by 1% a year for 4 years from a frozen 2015 to 2016 baseline is deemed to constitute a potential indicator of impairment. As such, a detailed impairment review has been undertaken at the year-end.

In accordance with the provisions of the Housing SORP 2014 and industry practice, depreciated replacement cost has been used to determine the recoverable amount of the assets to compare against carrying values. Recoverable amounts exceed carrying values and therefore no impairment is required.

NOTES TO THE ACCOUNTS

14. TANGIBLE FIXED ASSETS - HOUSING (continued)

GROUP	Completed properties		Properties under construction		
	Housing properties held for letting £'000	Shared ownership housing properties £'000	Housing properties held for letting £'000	Shared ownership housing properties £'000	Total £'000
Cost					
At 1 April 2015 (RESTATED)	2,357,438	127,166	197,939	63,070	2,745,613
Properties acquired	-	-	20,450	9,208	29,658
Works to existing properties	51,340	(42)	-	-	51,298
Additions – new build properties	-	-	22,771	22,203	44,974
Transfers – investment properties & other tangible fixed assets	(1,049)	(2,021)	(1,120)	(176)	(4,366)
Schemes completed	110,048	57,435	(110,048)	(57,435)	-
Disposals	(1,533)	(7,606)	(532)	(240)	(9,911)
At 31 March 2016	**2,516,244**	**174,932**	**129,460**	**36,630**	**2,857,266**
Depreciation					
At 1 April 2015 (RESTATED)	157,071	5,691	-	-	162,762
Charge for the year	24,330	-	-	-	24,330
Disposals	(548)	(310)	-	-	(858)
At 31 March 2016	**180,853**	**5,381**	-	-	**186,234**
Net Book Value					
At 31 March 2016	**2,335,391**	**169,551**	**129,460**	**36,630**	**2,671,032**
At 31 March 2015 (RESTATED)	2,200,367	121,475	197,939	63,070	2,582,851

Tangible fixed assets comprise:	Peabody		Group	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Freeholds	**1,590,391**	1,450,434	**2,272,894**	2,193,865
Long leaseholds	**333,331**	321,787	**398,138**	388,986
	1,923,722	1,772,221	**2,671,032**	2,582,851

Development and major works additions and improvements to housing properties during the year include capitalised interest of £70.2 million (2015: £55.9 million) and capitalised administration costs of £0.5 million (2015: £0.3 million).

NOTES TO THE ACCOUNTS

15. OTHER TANGIBLE FIXED ASSETS

PEABODY	Freehold offices £'000	Office equipment £'000	Total £'000
Cost			
At 1 April 2015 (RESTATED)	27,634	3,681	31,315
Additions	1,302	849	2,151
Transfers – tangible fixed assets	2,999	(402)	2,597
Work in progress	-	979	979
At 31 March 2016	**31,935**	**5,107**	**37,042**
Depreciation			
At 1 April 2015 (RESTATED)	8,899	1,451	10,350
Charge for the year	720	682	1,402
At 31 March 2016	**9,619**	**2,133**	**11,752**
Net book value			
At 31 March 2016	**22,316**	**2,974**	**25,290**
At 31 March 2015 (RESTATED)	18,735	2,230	20,965

GROUP	Freehold offices £'000	Equipment, F&F, Motor vehicles £'000	Solar equipment £'000	Landfill £'000	Total £'000
Cost					
At 1 April 2015 (RESTATED)	35,587	7,068	6,687	9,060	58,402
Additions	4,271	1,139	-	-	5,410
Disposals	(5,200)	-	-	-	(5,200)
Transfers – tangible fixed assets	257	(610)	-	-	(353)
Work in Progress	3,250	979	-	-	4,229
At 31 March 2016	**38,165**	**8,576**	**6,687**	**9,060**	**62,488**
Depreciation					
At 1 April 2015 (RESTATED)	10,758	4,215	1,086	9,060	25,119
Charge for the year	1,355	766	322	-	2,443
Disposals	(142)	-	-	-	(142)
At 31 March 2016	**11,971**	**4,981**	**1,408**	**9,060**	**27,420**
Net book value					
At 31 March 2016	**26,194**	**3,595**	**5,279**	**-**	**35,068**
At 31 March 2015 (RESTATED)	24,829	2,853	5,601	-	33,283

NOTES TO THE ACCOUNTS

16. INVESTMENT PROPERTIES

PEABODY	Completed properties			Properties under construction			
	Commercial properties	Market rent properties	Total	Commercial properties	Market rent properties	Total	Leasehold Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015 (RESTATED)	47,956	79,098	**127,054**	-	-	-	**7,164**
Additions - acquisition	241	8,177	**8,418**	57	-	**57**	-
Additions	-	-	-	307	26	**333**	-
Completion	292	-	**292**	(292)	-	**(292)**	**2,834**
Surplus on revaluation	8,566	9,996	**18,562**	-	-	-	-
Transfers – tangible fixed assets	-	3,799	**3,799**	27	7	34	**549**
At 31 March 2016	**57,055**	**101,070**	**158,125**	**99**	**33**	**132**	**10,547**

GROUP	Completed properties			Properties under construction			
	Commercial properties	Market rent properties	Total	Commercial properties	Market rent properties	Total	Leasehold Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015 (RESTATED)	126,180	81,676	**207,856**	20,337	22,826	**43,163**	**7,164**
Additions - acquisition	-	-	-	533	3,851	**4,384**	-
Additions	901	4,125	**5,026**	3,081	6,677	**9,758**	-
Completion	529	7,115	**7,644**	(529)	(7,115)	**(7,644)**	**(44)**
Surplus on revaluation	21,798	10,448	**32,246**	-	-	-	-
Transfers – tangible fixed assets	-	3,799	**3,799**	(4,184)	1,726	**(2,458)**	**3,379**
Disposals	(2,300)	-	**(2,300)**	(1,073)	-	**(1,073)**	-
At 31 March 2016	**147,108**	**107,163**	**254,271**	**18,165**	**27,965**	**46,130**	**10,499**

NOTES TO THE ACCOUNTS

17. STARTER HOMES INITIATIVE INVESTMENT

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Loans				
At 1 April	6,531	6,818	8,216	8,553
Disposals in the year	(550)	(287)	(646)	(337)
At 31 March	**5,981**	6,531	**7,570**	8,216

18. OTHER INVESTMENTS

	Peabody Investment in subsidiary undertakings		Group Investment in non-subsidiary undertakings	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
At 1 April	**47,681**	7,724	**158**	458
Adjustment to carrying value of investment	**(38,692)**	-	-	(458)
Transfers	-	-	-	52
Additions	-	39,957	-	106
Impairment	-	-	**(158)**	-
At 31 March	**8,989**	47,681	-	158

Peabody Trust received a distribution of £39,079,000 from Tilfen Land Limited during the year (2015: £nil) that has been used to reduce the carrying value of the investment in the subsidiary.

Freshleaf Homes Limited holds an investment in Igloo Insurance PCC Limited which provides a protected cell self-insurance (property only) for Gallions Housing Association Limited and Southmere Village Management Company Limited. The carrying value of this investment was fully impaired during the year.

Galley Ilford LLP, a joint venture between Freshleaf Homes Limited and Sherry Green Homes Limited, was wound up on 13 November 2014.

19. OTHER STOCK

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Outright sales properties	**111**	115	**111**	-
Other stocks	-	-	**64**	42
	111	115	**175**	42

NOTES TO THE ACCOUNTS

20. PROPERTIES HELD FOR SALE AND WORK IN PROGRESS

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Work in progress	**5,248**	12,360	**130,607**	82,126
Completed properties for sale	**-**	2,750	**17,350**	52,087
	5,248	15,110	**147,957**	134,213
Capitalised interest included in the above	**138**	313	**9,017**	4,507

Properties held for sale represents the costs of outright sales units, first tranche proportion of shared ownership units of development schemes currently under construction and commercial properties held for sale. It is anticipated that the net realisable value of the units will exceed the value held in current assets at the year end.

21. DEBTORS DUE IN LESS THAN ONE YEAR

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Rent and service charges in arrears	**18,718**	15,542	**19,757**	29,411
Less: provision for bad debts	**(5,381)**	(6,092)	**(9,094)**	(9,286)
	13,337	9,450	**10,663**	20,125
Amounts owed by subsidiary undertakings	**49,164**	49,352	**-**	-
Loans to employees	**169**	150	**197**	178
Other debtors and prepayments	**54,137**	16,244	**40,949**	17,096
	116,807	75,196	**51,809**	37,399

22. DEBTORS DUE IN MORE THAN ONE YEAR

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		
Amounts owed by subsidiary undertakings	**326,694**	180,449	**-**	-

NOTES TO THE ACCOUNTS

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Trade creditors	**18,488**	17,500	**2,240**	5,387
Rent and service charges received in advance	**3,738**	7,168	**4,096**	7,238
Amounts owed to subsidiary undertakings	**1,434**	41,072	**-**	-
Other taxation and social security costs	**894**	1,476	**1,300**	2,507
Accruals and deferred income	**104,873**	18,541	**113,662**	87,645
Debt (note 28)	**4,000**	4,000	**9,210**	9,168
	133,427	89,757	**130,508**	111,945

24. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Grants (note 25)	**101,695**	98,174	**229,199**	227,619
Recycled capital grant fund (note 26)	**11,712**	9,687	**14,794**	11,382
Disposal proceeds fund (note 27)	**5,699**	4,922	**5,990**	5,122
Debt (note 28)	**331,017**	336,337	**1,105,739**	1,101,141
Amounts owed to subsidiary undertakings (note 28)	**640,003**	445,840	**-**	-
Deferred consideration for purchase of Trust Thamesmead	**20,249**	21,418	**-**	-
	1,110,375	916,378	**1,355,722**	1,345,264

NOTES TO THE ACCOUNTS

25. GRANTS

PEABODY	Government grants Completed properties £'000	Government grants Work in progress £'000	Other grants Completed properties £'000	Other grants Work in progress £'000	Total £'000
Cost					
At 1 April 2015 (RESTATED)	83,409	17,460	3,871	-	104,740
Grants received in the year	143	3,487	-	-	3,630
Transferred to / from group entity	1,907	-	-	-	1,907
Grants transferred from RCGF	-	72	-	-	72
Grants recycled on disposals	(1,255)	-	-	-	(1,255)
Grant on completed units	15,806	(15,806)	-	-	-
At 31 March 2016	**100,010**	**5,213**	**3,871**	**-**	**109,094**
Amortisation					
At 1 April 2015 (RESTATED)	6,566	-	-	-	6,566
Amortisation for the year	833	-	-	-	833
At 31 March 2016	**7,399**	**-**	**-**	**-**	**7,399**
Net Grants					
At 31 March 2016	**92,611**	**5,213**	**3,871**	**-**	**101,695**
At 31 March 2015 (RESTATED)	76,843	17,460	3,871	-	98,174

NOTES TO THE ACCOUNTS

25. GRANTS (continued)

GROUP	Government grants		Other grants		
	Completed properties £'000	Work in progress £'000	Completed properties £'000	Work in progress £'000	Total £'000
Cost					
At 1 April 2015	215,011	19,440	3,871	-	238,322
Grants received in the year	260	5,740	-	-	6,000
Grants recycled on disposals to RCGF	(2,867)	72	-	-	(2,795)
Grants recycled on disposals to DPF	(30)	-	-	-	(30)
Transferred to / from other group entity	1,907	(1,907)	-	-	-
Grant on completed units	17,786	(17,786)	-	-	-
At 31 March 2016	**232,067**	**5,559**	**3,871**	**-**	**241,497**
Amortisation					
At 1 April 2015	10,704	-	-	-	10,704
Amortisation for the year	1,594	-	-	-	1,594
At 31 March 2016	**12,298**	**-**	**-**	**-**	**12,298**
Net Grants					
At 31 March 2016	**219,769**	**5,559**	**3,871**	**-**	**229,199**
At 31 March 2015	204,307	19,440	3,871	-	227,618

26. RECYCLED CAPITAL GRANT FUND

	Peabody		Group	
	2016 £'000	2015 £'000 RESTATED	**2016 £'000**	2015 £'000 RESTATED
At 1 April	**9,687**	5,624	**11,382**	6,610
Receipt for GLA	**-**	-	**(231)**	-
Grant recycled	**1,255**	4,750	**2,867**	5,579
Interest accrued	**842**	18	**848**	40
Transfer from/(to) subsidiary	**-**	2,112	**-**	60
Transfer to disposal proceeds fund	**-**	-	**-**	-
Withdrawals – schemes started on site	**(72)**	(2,817)	**(72)**	(907)
At 31 March	**11,712**	9,687	**14,794**	11,382

£0.3m (2015: £nil) of the Peabody and Group recycled capital grant fund is repayable in the 12 months from 1 April 2016.

NOTES TO THE ACCOUNTS

27. DISPOSAL PROCEEDS FUND

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
At 1 April	**4,922**	1,666	**5,122**	1,666
Additions	**16**	34	**30**	34
Net sale proceeds recycled	**685**	1,887	**762**	2,087
Interest accrued	**76**	33	**76**	33
Withdrawals	**-**	1,302	**-**	1,302
At 31 March	**5,699**	4,922	**5,990**	5,122

£3.4m (2015: £nil) of the Peabody and Group disposal proceeds funds is repayable in the 12 months from 1 April 2016. Withdrawals from the disposal proceeds fund were used for approved works to existing housing properties.

28. FINANCIAL INSTRUMENTS

(a) BOOK VALUE OF DEBT

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Nominal value				
Bank and building society loans	**338,000**	342,000	**547,000**	541,000
Amounts owed to subsidiary undertaking	**640,003**	445,840	**-**	-
2043 Bond	**-**	-	**208,123**	208,274
2053 Bond	**-**	-	**364,638**	364,718
	978,003	787,840	**1,119,761**	1,113,992
Unamortised issue costs				
Bank and building society loans	**(2,983)**	(1,663)	**(4,812)**	(3,683)
Book value	**975,020**	786,177	**1,114,949**	1,110,309
Fair value				
Bank and building society loans	**256,282**	287,307	**427,019**	470,771
Amounts owed to subsidiary undertaking	**427,307**	421,926	**-**	-
2043 Bond	**-**	-	**216,435**	237,532
2053 Bond	**-**	-	**335,819**	368,157
	683,589	709,233	**979,273**	1,076,460

NOTES TO THE ACCOUNTS

28. FINANCIAL INSTRUMENTS (continued)

(b) MATURITY OF DEBT

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Within one year	**4,000**	4,000	**9,210**	9,168
Between one and two years	**8,000**	4,000	**8,000**	4,000
Between two and five years	**20,000**	25,000	**16,000**	25,000
After five years	**946,003**	754,840	**1,086,551**	1,075,824
	978,003	787,840	**1,119,761**	1,113,992

(c) INTEREST ANALYSIS

	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Fixed	**872,003**	679,840	**917,833**	925,064
Floating	**106,000**	108,000	**201,928**	188,928
	978,003	787,840	**1,119,761**	1,113,992

Bank and building society loans

The Group's bank and building society loans are secured by specific charges over housing properties. The borrowings bear interest rates of between 0.9% and 6.9% and are repayable in instalments as disclosed in (b) above.

Amounts owed to subsidiary undertaking

Peabody Capital PLC has made a loan to Peabody with a nominal value of £200m (2015: £200m) repayable in March 2043. The loan incurs an interest charge of 5.25% per annum paid semi-annually. Peabody Capital No2 PLC has issued a loan of £350m to Peabody (2015: £238m to Peabody and £108m to CBHA) at a rate of 4.625% also paid semi-annually.

Risks

The main risks associated with the Group's borrowings are interest rate and liquidity risk. The Treasury Committee reviews and agrees policies for managing these risks and these are summarised below:

Interest rate risk

The Group regularly reviews its policy on the proportion of debt that should be held at fixed and floating interest rates.

Liquidity risk

Liquidity risk is the risk that the Group might be unable to meets its financial obligations. Expected cash flows from financial assets, in particular its cash resources and trade receivables, are used by the Directors in assessing and managing liquidity risk. At 31 March 2016 the Group had undrawn committed facilities of £125 million (2015: £140 million) plus available cash of £101 million.

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES

Peabody Group schemes summary
The Peabody Group provides pension schemes that all employees are eligible to join in the companies that have a payroll - Peabody, CBHA, Gallions, Trust Thamesmead and Tilfen.

The Group participates in the London Pensions Fund Authority Scheme (LPFA) for those employees who elected to join prior to 31 March 2008. The scheme is now closed to new entrants.

The pension cost for the LPFA scheme, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation made as at 31 March 2013. In 2016 the Group's total LPFA service cost was £1,890,000 (2015:£1,875,000).

Current employees are able to join the defined contribution scheme operated by Friends Life. The assets of this scheme are held separately from those of the Group. Employer contributions in respect of this scheme are charged to the statement of comprehensive income as incurred.

Until 31 March 2014, Gallions employees were eligible to join the Gallions defined contribution scheme operated by Aegon. This scheme is now closed and employees previously contributing to this scheme now contribute to the Friends Life scheme. There are no outstanding FRS 17 liabilities to report as the assets of this scheme are held separately from those of the Group.

Trust Thamesmead also participates in The Pensions Trust CARE Scheme (the 'Scheme'), which is a funded multi-employer defined benefit scheme.

The London Pension Fund Authority
The pension cost, which includes liability for pension increases, has been determined in accordance with the advice of professionally qualified consulting actuaries based on an actuarial valuation every 3 years. The most recent valuation was as at 31 March 2013.

These figures are prepared in accordance with our understanding of Financial Reporting Standard 102 (FRS102).

On 10 December 2015, Peabody assumed responsibility for the assets and liabilities of Tilfen Regeneration Ltd. The funds have been combined in this report.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 7%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for the Scheme as at 31 March is as follows:

	Peabody		**Group**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Equities	30,164	25,225	45,353	44,195
LDI/Cashflow matching	6,582	4,364	9,898	7,646
Target return Portfolio	13,812	16,807	20,768	29,447
Infrastructure	3,557	2,880	5,349	5,046
Commodities	290	541	437	948
Property	2,317	1,648	3,483	2,886
Cash	8,210	6,675	12,345	11,696
Total	**64,932**	58,140	**97,633**	101,864

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES (continued)

The demographic assumptions are consistent with those used for the formal funding valuation as at 31 March 2014. The post retirement mortality tables adopted were based on the Club Vita mortality analysis.

The assumed life expectations are:	Peabody	CBHA	Gallions	Trust Thamesmead	Tilfen
Retiring today – male	86.8	86.5	86.8	87.8	87.9
Retiring today – female	89.9	89.7	90.0	90.6	89.6
Retiring in 20 years – male	89.2	89.0	89.2	90.2	90.2
Retiring in 20 years – female	92.3	92.1	92.3	92.9	92.0

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March 2016 under FRS 102 are:

% per annum	Peabody	CBHA	Gallions	Trust Thamesmead	Tilfen
RPI increases	3.3%	3.3%	3.3%	3.2%	3.2%
CPI increases	2.4%	2.4%	2.4%	2.3%	2.3%
Salary increases	3.4%	3.4%	3.4%	3.3%	3.3%
Pension increases	2.4%	2.4%	2.4%	2.3%	2.3%
Discount rate	3.7%	3.7%	3.7%	3.5%	3.7%

Statement of Financial Position as at 31 March:	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Present value of the defined benefit obligation	107,289	91,963	155,617	151,528
Fair value of fund assets (bid value)	(64,932)	(58,140)	(97,633)	(101,864)
Deferred tax	-	-	-	(426)
Deficit	**42,357**	33,823	**57,984**	49,238
Present value of unfunded liabilities	888	58	2,811	2,803
Net defined benefit liability	**43,245**	33,881	**60,795**	52,041

The amounts recognised in the statement of comprehensive income are:	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
		RESTATED		RESTATED
Service cost	4,339	1,240	1,890	1,875
Net interest on the defined benefit liability	1,178	1,362	1,725	2,079
Administration expenses	87	83	148	146
Total cost	**5,604**	2,685	**3,763**	4,100

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Opening defined benefit obligation	92,021	85,532	154,331	131,196
Opening defined benefit obligation acquisition	-	-	-	12,402
Current service cost	1,346	1,151	1,803	1,663
Interest cost	3,261	3,832	5,077	6,406
Change in Financial assumptions	2,540	3,457	2,332	6,699
Experience loss/(gain) on defined benefit obligation	6	1	114	(349)
Liabilities assumed on settlements and business combinations	12,567	-	-	-
Estimated benefits paid net of transfer in	(3,947)	(2,421)	(5,674)	(4,278)
Past service costs, including curtailments	-	89	87	212
Contribution by Scheme participants	404	384	537	559
Unfunded pension payments	(21)	(4)	(179)	(179)
Closing defined benefit obligation	**108,177**	92,021	**158,428**	154,331

Reconciliation of opening and closing balances of the fair value of Fund assets	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Opening fair value of Fund assets	58,140	55,239	101,864	87,146
Opening fair value of Fund assets acquisition	-	-	-	10,063
Interest on assets	2,083	2,470	3,352	4,327
Return on assets less interest	(2,589)	1,222	(4,128)	2,157
Administration Expenses	(87)	(83)	(148)	(146)
Contribution by employer including unfunded benefits	1,375	1,333	2,009	2,215
Contribution by fund participants	404	384	537	559
Benefits paid including unfunded benefits paid	(3,968)	(2,425)	(5,853)	(4,457)
Assets received on settlements and business combinations	9,574	-	-	-
Closing fair value of Fund assets	**64,932**	58,140	**97,633**	101,864
Actual return on plan assets	**(506)**	3,692	**(776)**	6,484

Remeasurement of the net defined liability	Peabody		Group	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Return on Fund assets in excess of interest	(2,589)	1,222	(4,128)	2,157
Change in financial assumptions	(2,540)	(3,457)	(2,332)	(6,699)
Experience (loss)/gain on defined benefit obligation	(6)	(1)	(114)	349
Remeasurement of the net defined liability	**(5,135)**	(2,236)	**(6,574)**	(4,193)

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES (continued)

Projected pension expense for the year to 31 March	**Peabody 2017 £'000**	**Group 2017 £'000**
Service cost	1,393	1,835
Net interest on the defined liability (asset)	1,573	2,215
Administration expenses	97	145
Total cost	**3,063**	**4,195**
Employer contributions	**1,525**	**1,874**

Friends Life Defined Contribution Pension Scheme
Employer contributions in respect of this scheme are charged to the income and expenditure account as incurred.

	Peabody £'000	**CBHA £'000**	**Gallions* £'000**	**PGM £'000**	**Trust Thamesmead £'000**
Year ending 31 March 2016	1,520	32	84	22	13

* The Aegon scheme contribution in 2014 was £14,882.
Tilfen did not operate this scheme during the year.

Trust Thamesmead Career Average Revalued Earnings Pension Scheme

Career Average Revalued Earnings Pension Scheme
Trust Thamesmead participates in The Career Average Revalued Earnings (CARE) Pension Scheme (the 'Scheme'), which is a funded multi-employer defined benefit scheme.
The main benefits provided by the Scheme are:

- A pension of one-eightieth of the member's CARE for each year (and months proportionately) of pensionable service if contracted-out of the state scheme; or
- A pension of one-hundredth of the member's CARE for each year (and months proportionately) of pensionable service if contracted-in to the state scheme.

Contributions prior to 1 July 2015
For members in the one-eightieth structure of the Scheme, employers pay contributions at the rate of 10.6% per annum of member's earnings and members pay contributions based on an age related scale (equal to age divided by ten, plus 0.5).

For members in the one-hundredth structure of the Scheme, employers pay contributions at the rate of 8.8% per annum of member's earnings and members pay contributions based on an age related scale (equal to age divided by ten, minus 0.5).

In addition, employers may choose to pay any Future Service Contribution Rate (FSCR) combination that is shared between members and employers, as long as the maximum member contribution rates are [(age / 10) + 0.5]% (one-eightieth structure) and [(age / 10) - 0.5]% (one-hundredth structure). For reference, the total FSCRs prior to 1 July 2015 are 15.5% (one-eightieth structure) and 12.7% (one-hundredth structure).

Employers that have closed the one-eightieth structure of the Scheme to new entrants are required to pay an

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES (continued)

additional employer contribution loading of 2.0% to reflect the higher costs of a closed arrangement.

Employers that have closed the one-hundredth structure of the Scheme to new entrants are required to pay an additional employer contribution loading of 1.6% to reflect the higher costs of a closed arrangement.

Contributions from 1 July 2015
For members in the one-eightieth structure of the Scheme, employers pay contributions at the rate of 22.8% per annum of member's earnings less member contributions.

For members in the one-hundredth structure of the Scheme, employers pay contributions at the rate of 18.9% per annum of member's earnings less member contributions.

In addition, employers may choose to pay any Future Service Contribution Rate (FSCR) combination that is shared between members and employers, as long as the maximum member contribution rates are [(age / 10) + 3.5]% (one-eightieth structure) and [(age / 10) + 2.5]% (one-hundredth structure). For reference, the total FSCRs from 1 July 2015 are 22.8% (one-eightieth structure) and 18.9% (one-hundredth structure).

Employers that have closed the one-eightieth structure of the Scheme to new entrants are required to pay an additional employer contribution loading of 1.3% to reflect the higher costs of a closed arrangement.

Employers that have closed the one-hundredth structure of the Scheme to new entrants are required to pay an additional employer contribution loading of 0.8% to reflect the higher costs of a closed arrangement. A defined contribution (DC) structure of the Scheme has been available since 1 April 2011. From 1 April 2013, employers have had the freedom to set both the employer and member contribution rates for their organisation in the DC structure.

As at the Statement of Financial Position date there were 14 active members of the defined benefit scheme of the Scheme employed by Trust Thamesmead. The annual pensionable payroll in respect of these members was £500,402 (2015: £502,524). There were also 22 active members of the defined contribution scheme of the Scheme employed by Trust Thamesmead. The annual pensionable payroll in respect of these members was £372,545 (2015: £nil). Trust Thamesmead has closed the Schemes to new entrants.

During the accounting period the employer paid contributions at the rate of 10.6% for members in the one-eightieth structure.

Actuarial valuation
The Trustee commissions an actuarial valuation of the Scheme every three years. 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.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES (continued)

The last formal valuation of the Scheme was performed as at 30 September 2013 by a professionally qualified actuary using the 'projected unit' method. The market value of the Scheme's assets at the valuation date was £35.6 million. The valuation revealed a deficit of assets compared to liabilities of £16.4 million, equivalent to a past service funding level of 68%.

The financial assumptions underlying the valuation as at 30 September 2013 were as follows:

	% p.a.
Rate of return pre-retirement (non-orphans)	4.7
Rate of return post retirement (non-orphans)	3.7
Rate of return pre-retirement (orphans)	3.4
Rate of return post retirement (orphans)	3.4
Rate of pension increases pre 5 April 2005	2.5
Rate of pension increases post 5 April 2005	2.0
Rate of price inflation (RPI)	3.2
Rate of price inflation (CPI)	2.5

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 £16.4 million would be dealt with by the payment of deficit contributions. The existing Recovery Plan, put into place following the 2010 valuation, has been replaced by a new Recovery Plan, effective from 1 July 2015.

1 April 2012 – 30 June 2015
An amount of £208,000 per annum, increasing each year by 3% is required. Trust Thamesmead's share of these deficit contributions is £4,137.48 per annum, payable in monthly instalments of £344.79. These deficit contributions are in addition to the contribution rates set out above.

1 July 2015 – 30 April 2027
An amount of £1,152,000 per annum, increasing on 1 July each year by 3% is required. Trust Thamesmead's share of these deficit contributions is £27,290 per annum, payable in monthly instalments of £2,274.17. These deficit contributions are in addition to the contribution rates set out above.

In addition to the above, an amount of £176,586 per annum, increasing on 1 July each year by 3% is required for Scheme expenses. Trust Thamesmead's share of these Scheme expenses is £4,183 per annum, payable in monthly instalments of £348.58.

Employer Debt on Withdrawal
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

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES (continued)

share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt 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 be volatile over time.

Potential employer debt is treated as a contingent liability

Trust Thamesmead has been notified by The Pensions Trust of the estimated employer debt on withdrawal from The CARE Scheme, based on the financial position of the scheme as at 30 September 2014. At this date the estimated employer debt for Trust Thamesmead was £1,600,000.

Present value of Provision	**2016**	2015
	£'000	£'000
Present value of Provision	**318**	31

Reconciliation of opening and closing provisions	**2016**	2015
	£'000	£'000
Provision at start of period	31	33
Unwinding of the discount factor (interest expense)	-	1
Deficit contribution paid	(22)	(4)
Remeasurement - impact of any changes in assumptions	(11)	1
Remeasurement - amendments to the contribution schedule	320	-
Provision at end of period	**318**	31

Income and expenditure impact	**2016**	2015
	£'000	£'000
Interest expense	-	1
Remeasurement – impact of any change in assumptions	(11)	1
Remeasurement – amendments to the contribution schedule	320	-
Contributions paid in respect of future services*	-	-
Costs recognised in income and expenditure account	121	63

* includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions	**2016**	2015
	% per annum	% per annum
Rate of discount	**2.24**	1.61

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.

Peabody Pension Trust Limited (PPT)

Peabody Pension Trust acts as Trustee and administrator for the Governors of Peabody for the operation of a retirement benefits scheme for those Peabody employees who were eligible at 31 December 1977. Peabody has entered into commitments to pay the shortfall of pension payments over income for PPT for each year. The

NOTES TO THE ACCOUNTS

29. PENSION LIABILITIES (continued)

excess of liabilities over commitments is measured with respect to RPI in April of each year and in the year ended 31 March 2016 was £14,401 (2015: £15,383).

PPT is not a pension scheme under the terms of the Pension Scheme Disclosure Regulation.

30. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Peabody Deferred tax liability £'000	Group Deferred tax liability £'000	Other £'000	Total £'000
At 1 April 2015 (RESTATED)	-	3,444	12,954	**16,398**
Origination and reversal of timing differences	**414**	908	-	**908**
Increase in provision made during the year	-	-	4,027	**4,027**
At 31 March	**414**	4,352	16,981	**21,333**

Deferred tax liabilities relate to changes in value of investment property and short term timing differences.

The other brought forward provision at 1 April 2015 relates to future maintenance obligations in respect of property and landfill sites owned by Tilfen Land Limited. Following a thorough review of these public realm assets during the year, the provision has been increased by £4 million to reflect our best estimate of future expenditure.

31. CAPITAL COMMITMENTS

	Peabody		Group	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Capital expenditure contracted for but not provided for within the financial statements	**100,429**	108,765	**104,940**	235,968
Capital expenditure authorised by the board, but not contracted	**213,185**	2,612	**209,871**	220,550
Total	**313,614**	111,377	**314,811**	456,518

All of this anticipated expenditure is covered by Social Housing Grant, reserves and debt finance.

NOTES TO THE ACCOUNTS

32. COMMITMENTS UNDER OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are due as follows:

Peabody	Total 2016 £'000	Total 2015 £'000 RESTATED
Operating leases which expire:		
Within one year	**644**	732
In the second to fifth years inclusive	**1,012**	1,592
Over five years	**-**	65
Total	**1,656**	2,389

Group	Total 2016 £'000	Total 2015 £'000 RESTATED
Operating leases which expire:		
Within one year	**949**	1,122
In the second to fifth years inclusive	**1,840**	2,652
Over five years	**2,217**	2,355
Total	**5,006**	6,129

33. CONTINGENT LIABILITIES

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the statement of comprehensive income in the year it was receivable and is therefore included within brought forward reserves.

As at 31 March 2016, grant which has been written off to reserves represents a contingent liability to Peabody of £314,874,000 (2015: £315,170,000), and the Group of £330,552,000 (2015: £330,848,000). This contingent liability will be realised if the assets to which the written off grant relates are disposed.

34. LEGISLATIVE PROVISIONS, TAXATION AND SUBSIDIARY UNDERTAKINGS

Peabody is a registered charity formed under an Act of Parliament, and a registered provider registered with the Home and Communities Agency (HCA).

Peabody has the following wholly owned subsidiaries, all of which are incorporated in Great Britain and have been included in the Group results (with the exception of Peabody Pension Trust Limited, which has been excluded on the grounds of materiality):

NOTES TO THE ACCOUNTS

34. LEGISLATIVE PROVISIONS, TAXATION AND SUBSIDIARY UNDERTAKINGS (continued)

- CBHA (a charitable company, limited by guarantee and a registered social landlord)
- Peabody Enterprises Limited (registered social landlord)
- Gallions Housing Association Limited (an Industrial and Provident society and a registered social landlord)
- Peabody Capital PLC
- Peabody Capital No 2 PLC
- Peabody Land Limited
- Peabody (Services) Limited
- Peabody Group Maintenance Limited
- Peabody Pension Trust Limited
- Create Communities Limited
- Freshleaf Homes Limited
- Southmere Village Management Company Limited
- Peabody Investment Limited (formerly Thamesmead Landscape Limited)
- Gateway Sustainable Investments Limited
- Trust Thamesmead Limited
- Sporting Club Thamesmead
- Tilfen Land Limited
- Tilfen Investment Properties Limited
- Tilfen Regeneration Limited
- Sienna Management Limited
- Cobalt Estate Management Limited
- Tilflex Management Co Limited
- Veridion Park Management Co Limited
- Tamesis Point Limited
- White Hart Triangle Management Limited

Peabody Land Limited, Peabody Enterprises Limited, Peabody (Services) Limited, Create Communities Limited and Freshleaf Homes Limited are trading subsidiaries involved in the development and sale of land and private residential property. Peabody Group Maintenance provides repairs and maintenance services to CBHA.

Peabody Capital PLC and Peabody Capital No 2 PLC raise finance for the use of Peabody Trust and its subsidiaries.

Southmere Village Management Company Limited provides management services for Gallions Housing Association.

Freshleaf Homes Limited also holds an investment in Igloo Insurance PCC Limited (registered in Guernsey) which provides insurance services to Gallions Housing Association Limited.

35. TRANSACTIONS WITH RELATED PARTIES

Key management personnel include all executive directors across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was £nil (2015: £nil).

Two board members are also tenants. Their tenancy agreements have been granted on the same terms as for all residents, and housing management procedures, including those relating to management of arrears have been applied consistently to the residents. Their position on the board does not favour their tenancy agreement, nor allow any preferential treatment.

NOTES TO THE ACCOUNTS

35. TRANSACTIONS WITH RELATED PARTIES (continued)

During the year, there was £71k (2015: £43k) of related party transactions in relation to rental payments made.

The following transactions took place between the ultimate parent entity, Peabody, and its subsidiaries:

	2016	2015
	£'000	£'000
Sales to ultimate parent entity, Peabody	**40,169**	56,672
Purchases from ultimate parent entity, Peabody	**27,333**	15,835
Interest paid on loans to ultimate parent entity, Peabody	**17,422**	8,732
Loans due from ultimate parent entity, Peabody	**326,694**	180,449
Trade debtor amounts due from ultimate parent entity, Peabody	**14,049**	49,352
Trade creditors amounts due to ultimate parent entity, Peabody	**1,434**	41,072

36. INTRA GROUP TRANSACTIONS BETWEEN REGULATED AND NON-REGULATED ENTITIES

Peabody, Peabody Enterprises Ltd and Peabody (Services) Ltd develop mixed tenure sites together under single construction contracts. The social elements of the sites belong to Peabody and the open market sale elements to Peabody Enterprises Ltd. Peabody (Services) Ltd provides build and design services to both companies. Costs are allocated to individual units within the developments on a square metre basis.

Create Communities Limited and Freshleaf Homes Limited develop mixed tenure sites for Gallions Housing Association Limited whereby the social elements belong to Gallions and the open market sale elements to Freshleaf Homes Limited.

The material recharges for services between non-regulated entities and regulated entities are:

From non-regulated entity	**To regulated entity**	**2016 Total £'000**	**2015 Total £'000**
Create Communities Limited	Peabody Trust	11	79
Freshleaf Homes Limited	Gallions Housing Association Limited	232	(190)
Freshleaf Homes Limited	Peabody Trust	621	2,102
Peabody Capital Plc	Peabody Trust	10,350	10,328
Peabody Capital Plc 2	Community Based Housing Association (CBHA)	-	2,144
Peabody Capital Plc 2	Peabody Trust	16,108	11,570
Peabody Group Maintenance Limited	Peabody Trust	101	(14)
Peabody Group Maintenance Limited	Community Based Housing Association (CBHA)	2,303	-
Peabody (Services) Limited	Peabody Trust	4,426	2,558
Trust Thamesmead Limited	Peabody Trust	(340)	(392)
Tilfen Land Limited	Peabody Trust	(440)	-
Peabody Land Limited	Peabody Trust	1,453	-

NOTES TO THE ACCOUNTS

37. BUSINESS COMBINATION

On 1 April 2014 Trust Thamesmead, a registered charity based in Thamesmead, joined the Group.

As the substance of the transaction is gifting control for deferred consideration this has been accounted for as a non-exchange transaction under SORP 2010 accounting rules and has been included in the Group's consolidated statement of financial position as follows:

Group	Statement of Financial Position on acquisition £'000	Fair value adjustment £'000	Fair value Statement of Financial Position to Group £'000
Tangible Fixed Assets	53,920	(6,197)	47,723
Current assets	1,433	-	1,433
Creditors: amounts falling due within one year	(353)	-	(353)
Creditors: amounts falling due after one year	(38)	-	(38)
Net assets acquired	54,962	(6,197)	48,765
Costs on acquisition			(458)
Gain recognised on acquisition			**48,307**

38. POST BALANCE SHEET EVENTS

There were no material post balance sheet events occurring between the balance sheet date and the date of approval by the Board.

39. TRANSITION TO FRS 102

As stated in note 1, these are the Group's first financial statements prepared in accordance with FRS 102. The Group previously applied UK GAAP and amounts reported in previous financial statements have been adjusted as follows:

Peabody	Reserves at 31 March 2014 £'000	Surplus for the year ended 31 March 2015 £'000	Reserves at 31 March 2015 £'000
As previously reported under UK GAAP	**295,830**	**34,178**	**330,008**
Investment property fair value	99,287	21,060	120,347
Deemed cost	783,147	(1,881)	781,266
Other adjustments	-	-	-
Marketing cost	-	(347)	(347)
Interest receivable / payable	45	(761)	(716)
Bad debt	-	182	182
Employee benefits	(464)	(118)	(582)
Community grant	352	-	352
Restated for FRS102	**1,178,197**	**52,313**	**1,230,510**

NOTES TO THE ACCOUNTS

39. TRANSITION TO FRS 102 (continued)

Group	Reserves at 31 March 2014	Surplus for the year ended 31 March 2015	Reserves at 31 March 2015
	£'000	£'000	£'000
As previously reported under UK GAAP	**582,979**	**100,468**	**683,447**
Investment property fair value	102,869	22,587	125,456
Deemed cost	976,183	(1,947)	974,236
Intragroup loan	79	174	253
Other adjustments	(173)	(67)	(240)
Marketing cost	-	(3,511)	(3,511)
Interest receivable / payable	(79)	(173)	(252)
Bad debt	3	188	191
Employee benefits	(606)	(54)	(660)
Pension	-	(31)	(31)
Adjustment FV previously recognised	(126,833)	894	(125,939)
Community grant	352	-	352
Deferred taxation	(6,333)	2,889	(3,444)
Restated for FRS102	**1,528,441**	**121,417**	**1,649,858**

Investment property fair value
Section 16 of FRS 102 requires property that was previously held as housing properties but meets the definition of an Investment property prescribed in 16.2 and 16.3 to be separately disclosed and subsequently measured at fair value with any gains and losses recognised through the statement of comprehensive income with no depreciation charge.

Deemed cost
Section 35 of FRS 102 allows first-time adopters to elect to measure property plant and equipment (PPE), at its fair value at the date of transition and use that fair value as its deemed cost at that date. Peabody and the Group have adopted this election on properties built before 2003.

Section 17 of FRS 102 states that any gain in revaluation must be recognised within comprehensive income and the revaluation reserves, any losses must be offset by any gains recognised in the revaluation reserve and then must be recognised within surplus/deficit before taxation.

Intragroup loan adjustment
Section 11 of FRS102 states that a debt instrument is a basic financial instrument and is recognised initially at cost but subsequently measured at amortised costs. Further loans to or from subsidiaries or associates that are due on demand meet the definition of a debt instrument.

Marketing costs
Costs incurred in marketing properties for sale, for example brochures, are no longer included in the cost of properties.

NOTES TO THE ACCOUNTS

39. TRANSITION TO FRS 102 (continued)

Employee benefits

Section 28 of FRS 102 requires that an entity shall recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period, this includes leave that has not been taken at the end of the reporting period.

Adjustment FV previously recognised

On 3 January 2014 Gallions Housing Association, a registered housing provider based in Sidcup, joined the Group. Fair value adjustments were made at the date of the transaction, mainly to uplift the Gallions housing properties to their fair value.

As part of the transition to FRS 102, Gallions has restated its housing properties to deemed cost. The fair value consolidation adjustment is thus no longer required for the Group as the housing properties in Gallions financial statements have been restated to their fair value at the date the Association joined the Group.

Government Grants

Social Housing Grant can no longer be offset against housing property within fixed assets and under section 24 of FRS 102, where properties are held at deemed cost, the related social housing grant will be recognised initially under the performance model with subsequent grants measured using the "accrual model" with the grant amortised over the life of the structure and components of the property.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

Deferred Taxation

A deferred tax liability has been recognised against changes in fair value on investment property recognised through the statement of comprehensive income.

NOTES TO THE ACCOUNTS

40. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH GENERATED FROM OPERATING ACTIVITIES

	Note	Peabody		Group	
		2016	2015	**2016**	2015
		£'000	£'000	**£'000**	£'000
			RESTATED		RESTATED
Cash flows from operating activities					
Surplus for the year		**94,672**	54,554	**122,118**	125,822
Adjustments for non-cash items:					
Taxation on surplus on ordinary activities	12	**(636)**	1,050	**80**	(1,802)
Gift aid	11	**(35,151)**	(5,294)	**-**	-
Change in value of investment property	16	**(18,562)**	(21,060)	**(32,246)**	(30,906)
Gift on acquisition	37	**-**	-	**-**	(48,307)
Amortisation of intangible fixed assets	7	**2,853**	1,367	**2,920**	1,361
Depreciation of tangible fixed assets	7	**16,934**	12,908	**26,773**	22,173
Amortisation of grants	25	**(833)**	27	**(1,594)**	(777)
Impairment of other investments	18	**-**	-	**158**	-
Carrying amount of tangible fixed asset disposals	8	**1,377**	10,579	**9,053**	26,500
Decrease/(increase) in trade and other debtors		**(2,557)**	(6,992)	**(13,764)**	(23,281)
Decrease/(increase) in stocks		**11,092**	(7,389)	**(5,445)**	(13,877)
Increase/(decrease) in trade creditors		**84,378**	6,465	**19,365**	49,071
Increase/(decrease) in provisions	30	**414**	-	**4,935**	-
Movement in pension liability		**4,229**	233	**2,477**	2,250
		63,538	(8,106)	**12,712**	(17,595)
Adjustments for investing or financing activities:					
Proceeds from the sale of tangible fixed assets	8	**(4,514)**	(21,552)	**(14,623)**	(45,137)
Interest receivable and similar income	9	**(17,438)**	(9,120)	**(283)**	(1,539)
Interest payable and similar charges	10	**45,583**	30,483	**36,410**	30,254
		23,631	(189)	**21,504**	(16,422)
Net cash generated from operating activities		**181,841**	46,259	**156,334**	91,805