Charity number 206061
Homes and Communities Agency number L0014

GEORGE PEABODY DONATION FUND

(Formerly The Governors of the Peabody Trust)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2017

CONTENTS

BOARD, EXECUTIVE OFFICERS AND ADVISORS

BOARD	Peabody Trust	(Appointed 9 November 2016)*
	Lord Robert Kerslake	(Chair, retired 9 November 2016)
	Malcolm Levi	(Retired 9 November 2016)
	Jennifer Daly	(Retired 9 November 2016)
	Helen Edwards	(Retired 9 November 2016)
	Shirley Garrood	(Retired 30 April 2016)
	David Hardy	(Retired 9 November 2016)
	Stephen Howlett	(Retired 9 November 2016)
	Paul Loft	(Retired 9 November 2016)
	Elizabeth Peace	(Retired 9 November 2016)
	Janice Tucker	(Retired 9 November 2016)
	Baroness Josephine Valentine	(Retired 9 November 2016)
	Peter Vernon	(Retired 9 November 2016)
	June Welcome	(Retired 9 November 2016)

*On 9 November 2016, the remaining Governors of the George Peabody Donation Fund retired from the Board and Peabody Trust (formerly "Peabody Trust 2015"), a charitable Community Benefit Society, registration 7223, became sole Governor. This was in accordance with a Memorandum of amendments to the 18 February 1997 scheme (The Principal Scheme) and the 24 May 2007 Charity Commission Scheme (the 2007 Scheme).

TRUST SECRETARY Sarah Cameron

CHIEF EXECUTIVE Stephen Howlett (until 9 November 2016)

REGISTERED OFFICE	45 Westminster Bridge Road London SE1 7JB	**AUDITOR**	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
BANKER	Coutts & Co 440 The Strand London WC2R 0QS	**SOLICITOR**	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ

STRATEGIC REPORT

Section one: Principal activities and business review

Group Structure
A significant change in the Group structure was undertaken during the year with a new Community Benefit Society being created as the new parent entity of the Peabody Group ("the Group"). The Group has been working towards achieving a simplified structure to better support the growth agenda, mitigate risk and reduce the administration and compliance costs of maintaining multiple providers of social housing. Significant progress was made on this objective during the year including on 9 November 2016, the transfer of substantially all of the assets and operations of The Governors of Peabody Trust (renamed George Peabody Donation Fund or "GPDF") to Peabody Trust ("Peabody") and the transfer of the engagements of a subsidiary, CBHA. The carrying value of the assets and operations retained is as set out in the statement of financial position; more assets have been transferred to Peabody since the year end and it is expected that GPDF will soon be de-registered as a provider of social housing having transferred all of its social homes.

Family Mosaic merger
In December 2016, the Group announced plans to merge with Family Mosaic Housing Association. The new Group formed on 30 June 2017 retains the name Peabody. The new Peabody Group provides 55,000 homes to 110,000 residents across London and the South East.

The new Group will build on the track record, capabilities and shared values of Peabody and Family Mosaic to create a truly distinctive organisation. Our combined scale and London focus will enable us to do more together than we could achieve alone, make improvements and add more services, providing better value for money to residents and other stakeholders. The larger Group will also have the resources to build more homes and provide more local community services, including helping more people into work through training, apprenticeships and volunteering.

A full Business Review including key achievements and highlights for 2016/17 is set out in Peabody's Annual Report and Financial Statements for the year ended 31 March 2017 available at www.peabody.org.uk.

Section two: Financial review

The results for the year are set out on page 12 of these statements. The Group's principal accounting policies are set out from page 15. There have been no changes in accounting policies during the year.

As described above, a restructure was undertaken during the year involving the creation of a new parent entity and the substantial assets and operations of GPDF being transferred to Peabody. While this has not changed the overall Group, it means that the financial results for GPDF as a stand-alone organisation are significantly reduced after the transfer on 9 November 2016. This entity remains registered with the Charity Commission and has been retained as a subsidiary and renamed George Peabody Donation Fund.

As the transfers are in substance a gift, the net assets transferred constitute income in Peabody and an expense in George Peabody Donation Fund and have been recognised directly in the revenue reserves of the respective organisations.

Section three: 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 2017.

During the year, prior to the transfer of substantially all of its assets and operations to Peabody Trust in November 2016, the George Peabody Donation Fund Board ("the Board") was 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 statement of compliance with the Governance and Financial Viability Standard has been included within this report in accordance with regulatory requirements. These oversight obligations were assumed by the Board of Peabody Trust (which is the sole governor of GPDF) following the transfer.

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. Following an In-depth Assessment undertaken by the HCA in July 2016, the Group maintained its G1 governance and V1 financial viability ratings, being the highest ratings on the scale. The Group continued to maintain the ratings throughout the financial year ended 31 March 2017.

In July 2016, the Board reviewed the factors driving Mergers and Acquisitions and discussed the potential benefits in terms of both greater efficiency and influence that could be captured for Peabody and its residents, potential future residents and other recipients of its services. The Board decided that a potential merger with Family Mosaic would provide excellent synergies given the shared values of maintaining commitment to communities, affordable rent, customer service and building and maintaining high quality homes. Following a consultation process (including residents), the Board of Peabody Trust approved the business case for the merger in February 2017.

As set out above, to enhance good governance and risk management, Peabody streamlined the Group's corporate structure during the year. The Board approved a series of steps, agreements and delegations to approve the transfer of the assets and operations of the Governors of the Peabody Trust (now GPDF) to a new community benefit society. In November 2016, following approval from the HCA and funders, substantially all the assets and operations of the Governors of the Peabody Trust were transferred to Peabody Trust, (the new charitable community benefit society) which became the parent of the Peabody Group with the same charitable objects and risk, governance structure and management structure as the original parent.

Leadership and control

Until November 2016, the Board was responsible for the effective governance of the Group and ensured that the governance framework of the Group continued 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:

- the transfer of the assets and operations as set out above (including Peabody's shares and other interests in, or powers over, the subsidiaries of Peabody) so that the new Peabody Trust became the parent of the Peabody Group; and
- the expansion of the geographic remit of the charity Peabody Community Foundation (formerly Trust Thamesmead Limited) to the whole of greater London.

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 Board. Descriptions of the work of these committees can be found in Peabody's Annual Report and Financial Statements for the year ended 31 March 2017.

Appointments to the Board - April 2016 to 9 November 2016
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.

The recruitment for two new non-executive directors to join the Board and to serve on the Audit and Risk Committee, Chair the Treasury Committee and the Peabody Community Foundation board 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 usually involving the Chair and Vice-Chair of the Board, the Nominations and Remuneration Committee carefully considered the interview panel's proposals and recommended appointments to the Board for approval.

Further detail on the Board membership and attendance is provided in Peabody's Annual Report and Financial Statements for the year ended 31 March 2017.

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

Compliance with the Governance and Financial Viability Standard
The Board confirms that an assessment of the Group's compliance with the Governance and Financial Viability Standard has been completed and certifies that the Group is compliant with the Governance and Financial Viability Standard.

INTERNAL CONTROL AND RISK MANAGEMENT

The overall internal control process
The Peabody Trust 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.

The risk review process
During the year, the Board, Peabody Trust Board and the Committee focused on ensuring that a robust risk management framework was in place across the Group. The Board approved a revised Group Risk Management Strategy; including a risk appetite statement in July 2016 and in September 2016 approved a further revision to reflect changes in the Group's operating environment. 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.

The Committee, Peabody Trust Board and the Board's discussions throughout the year recognised the growing complexity of the Group's risks and the possibility of contagion or multiple risks coalescing at the same time. The Committee received good practice models of risk analysis, presentation and reporting, in particular information to highlight direction of travel of key risks over the short to medium term. The Committee also considered key directorate and principal subsidiary risks during the year. The Chair of the boards of Gallions and CBHA was co-opted to the Committee in January 2016 to strengthen the linkage between the Committee and these subsidiaries.

The Committee met four times during the year to consider risk, internal audit and other assurance reports along with the fraud register. The Committee also considered progress against the annual plan and encouraged improved implementation of internal audit recommendations during the year. The Committee received compliance monitoring reports and supported proposals to improve compliance. 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 Risk Review Panel comprising the Executive Team met four 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, challenge and strengthen corporate risk registers in conjunction with risk leads.

In March 2016, after careful consideration of linkages, risk proximity and underlying issues, nine Group risks were agreed by the Risk Review Panel. These were reviewed by the Committee in April 2016 and the Board in May 2016. Following the announcement of the merger in December 2016, the Board and the Committee agreed the addition of a tenth risk covering the merger.

Group risks
All ten Group risks have a medium residual risk score (i.e. after mitigation). There is a programme to keep all ten risks and the mitigating controls under regular review. 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 ten risks are presented below along with summaries of the top five risks.

1) Scale and complexity of Thamesmead regeneration
2) Failure to maintain robust compliance arrangements and maintain reputation
3) Poor control over the delivery and marketing of the Group's development programme
4) Failure to improve the efficiency and effectiveness of our core landlord service
5) Merger impacts on business as usual
6) Failure to implement and maintain Health and Safety system
7) Failure to improve value for money, optimise income and manage impact of welfare benefit reforms
8) Increased cost of and reduced access to funding as a result of internal, sector and external events
9) Failure to maintain and improve the Group IT service, performance, infrastructure and system support
10) Quality of data and information and impact on control environment

Internal audit
The Group's internal audit function is outsourced. The outsourced function provides the Group with a wide range of expertise, access to external benchmarking information and insights on good practice.

PricewaterhouseCoopers ("PwC") has been the outsourced provider for Peabody since 1 April 2015 and has direct access to the Committee.

The annual programme of internal audit work approved by the Committee on April 2016 addresses the key risks identified across the Group on a three-year cycle. During the year, the Committee reviewed the plan and the scope of planned audits to ensure ongoing alignment with key and emerging risks.

PwC completed the annual programme of work and presented the Committee with its annual assurance opinion in respect of the system of internal control for the year ended 31 March 2017 at its April 2017 meeting. PwC's annual assurance opinion highlighted low, medium and high risk findings during the year and highlighted the need for improved compliance with controls. PwC further noted that the Group's recommendation implementation rate indicates that management takes improving compliance seriously. The Committee met with PwC in private sessions at its April 2016 and 2017 meetings. The Committee also considered a report on spend with PwC on non-internal audit services.

Monitoring, control environment and control procedures
Managers are aware of the requirement to promptly report any suspected breach or weakness of controls via line management or in accordance with the whistle-blowing policy, if necessary. Peabody also operates a formal 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 Executive provides an annual assurance report based on this self-assessment process to the Committee and the Board. Two control risk self-assessment exercises were undertaken during the year (August 2016 and March 2017) which, along with other evidence, informs the Executive's year end assurance report to the Committee. The findings from the two control risk self-assessment exercises were consistent with the findings of internal audit, compliance and other reporting to the Committee.

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 was provided to the Health and Safety Committee, the Committee and the Board as to the quality of the risk management and control processes in place. This assurance in respect of the year ended 31 March 2017 was evidenced through a comprehensive audit programme showing largely satisfactory findings, a five star rating (the highest possible) from the British Safety Council in February 2016, and a gold award from the Royal Society for the Prevention of Accidents in February 2017.

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 identified through the cause of their work, along with recommendations for improvement. This letter was considered by the Committee at its July 2017 meeting along with a detailed action plan to address any issues. No significant weaknesses have been noted.

Information and financial reporting systems

The Group's 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. During the year the Committee received reports on a plan to improve financial accounting and reporting. The Committee will continue to monitor delivery against this plan.

The Committee also received reports on the Group information systems and information risks and noted progress on the Group's data quality improvement plan. Progress against milestones in the plan is also monitored by a data quality improvement board and the Group's Information Management Group.

The plan met a number of year end goals as at end March 2017 and aims to deliver continued improvement in the quality of the Group's business critical data and its information governance.

Fraud

The Group 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. The Board receives a report in respect of financial and housing fraud at least annually.

The Group also has a Tenancy Fraud Strategy along with a dedicated tenancy fraud team. The Committee received two reports in respect of housing fraud during the year ended 31 March 2017 and considered emerging trends and adequacy of resourcing in respect of housing fraud. 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 frauds reported.

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 2017 in accordance with its terms of reference.

The Peabody Code of Conduct makes it clear that the group has zero tolerance for any form of bribery.

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 2016 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;
- 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;
- Executive's assurance report to the Committee and the Board;
- policies and arrangements to reduce the risk of fraud, bribery and money laundering;
- reporting to the Committee of instances of fraud, whistleblowing, bribery and money laundering;
- regular updates of key legislation changes to senior managers;
- periodic review and assessment of compliance with the regulatory standards; and
- clearly defined responsibilities for compliance with regulatory standards.

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 2016 up to the date of approval of the financial statements, the 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 association 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 association 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 association 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 the association and to prevent and detect fraud and other irregularities.

The Board confirms that, as far as it is aware at the date of approval of this Board report there is no relevant audit information of which the association's auditor is unaware; and the Board has taken all the steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the association's auditor is aware of that information.

Lord Robert Kerslake
On behalf of the sole Governor
19 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEORGE PEABODY DONATION FUND

We have audited the financial statements of George Peabody Donation Fund for the year ended 31 March 2017 set out on pages 12 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 and auditor
As more fully explained in the Statement of Board Responsibilities set out on page 10, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2017 and of the income and expenditure of the association for the year then ended;
- comply with the requirements of the Charities Act 2011; and
- have been properly prepared in accordance with 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 association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we require for our audit.

Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

4 August 2017

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Note	**2017 £'000**	2016 £'000
TURNOVER	3(a)	111,471	196,944
Cost of sales	3(a)	(3,068)	(23,626)
Operating costs	3(a)	(63,983)	(107,987)
Surplus on sale of fixed assets	3(a)/8	11,473	3,137
OPERATING SURPLUS	3(a)/7	**55,893**	68,468
Interest receivable and similar income	10	8,310	17,438
Interest payable and similar charges	11	(24,966)	(45,583)
Change in value of investment property	17	(2,360)	18,562
Gift aid	12	-	35,151
SURPLUS BEFORE TAXATION		**36,877**	94,036
Taxation on surplus on ordinary activities	13	(1,291)	636
SURPLUS FOR THE YEAR		**35,586**	94,672
OTHER COMPREHENSIVE INCOME			
Pension scheme actuarial loss	30	(10,497)	(5,135)
Taxation on other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,089**	89,537

All amounts relate to discontinuing activities.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	**2017**	2016
		£'000	£'000
Non-current assets			
Intangible assets	14	-	8,240
Tangible fixed assets - housing	15	16,697	1,923,722
Other tangible fixed assets	16	2,551	25,290
Total tangible fixed assets		**19,248**	1,957,252
Investment properties	17	155	168,804
Starter homes initiative investment	18	-	5,981
Other investments	19	-	8,989
Total investments		**155**	183,774
Debtors due in more than one year	23	3,200	326,694
Total non-current assets		**22,603**	2,467,720
Current assets			
Other stock	20	-	111
Properties held for sale and work in progress	21	-	5,248
Debtors due in less than one year	22	96	116,807
Cash and cash equivalents		2,287	17,622
Total current assets		**2,383**	139,788
Creditors: amounts falling due within one year	24	(2,273)	(133,427)
Net current assets		**110**	6,361
Total assets less current liabilities		**22,713**	2,474,081
Creditors: amounts falling due after more than one year	25	-	(1,110,375)
Provisions for liabilities and charges	31	-	(414)
Pension liabilities	30	-	(43,245)
		-	(1,154,034)
Net Assets		**22,713**	1,320,047
Reserves		**22,713**	1,320,047

These financial statements were approved by the sole Governor on 19 July 2017 and signed on its behalf by:

Lord Robert Kerslake
19 July 2017

STATEMENT OF CHANGES IN EQUITY

	Note	2017 Revenue reserves £'000	2017 Revaluation reserves £'000	2017 Total reserves £'000	2016 Revenue reserves £'000	2016 Revaluation reserves £'000	2016 Total reserves £'000
Total reserves at 1 April		**756,885**	**563,162**	**1,320,047**	667,233	563,277	1,230,510
Total comprehensive income							
Surplus for the year		**35,586**	**-**	**35,586**	94,672	-	94,672
Pension scheme actuarial loss		**(10,497)**	**-**	**(10,497)**	(5,135)	-	(5,135)
		25,089	**-**	**25,089**	89,537	-	89,537
Transfer between reserves		**22,219**	**(22,219)**	**-**	115	(115)	-
Transfer from Peabody Pension Trust		**37**	**-**	**37**	-	-	-
Transfer to Peabody Trust	9	**(781,517)**	**(540,943)**	**(1,322,460)**	-	-	-
Total reserves at 31 March		**22,713**	**-**	**22,713**	756,885	563,162	1,320,047

NOTES TO THE FINANCIAL STATEMENTS

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 management to exercise judgement in applying accounting policies.

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

1.3 Cash flow statement
The association is exempt from the requirements of Financial Reporting Standard (FRS 102) to prepare a cash flow statement as its results are included in the consolidated financial statements of Peabody Group which includes a cash flow statement.

1.4 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Intangible assets (continued)
- 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.

1.5 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 a 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.

The association 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 association. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.6 Depreciation of assets

Land is not depreciated. Depreciation is not charged on land and shared ownership assets. 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:

Major components for properties:	
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
Other tangible fixed assets:	
IT equipment	3 years
Plant and machinery	4 – 5 years
Office equipment	5 – 10 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.

1.7 Grants

(a) Government grants

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Grants (continued)
(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.

1.8 Investment properties
Investment properties include commercial properties, properties held for market rent and leasehold land.

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.

1.9 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 association's equity loans under the starter homes initiative. These have been made to homeowners as part of the association'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.

1.10 Discontinued operations
Discontinued operations are components of the association that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation or where subsidiaries are 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.11 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 assets 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Stocks
Stocks include building material 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.

1.13 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Basic financial instruments (continued)
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.

1.14 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 association. 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 association 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.

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

1.16 Homes managed by other parties on behalf of George Peabody Donation Fund
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.17 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.

1.18 Provisions for liabilities

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.19 Related party transactions
The association has taken advantage of the exemption permitted by FRS 102 – 'Related Party Disclosures', and does not disclose transactions with other wholly owned undertakings within the association that are eliminated on consolidation.

1.20 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.

1.21 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 association 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.

Deferred tax assets and deferred tax liabilities are offset only if:

- the association 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.22 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 association has transferred the significant risks and rewards of ownership to the buyer and it is probable that the association 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 association 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.

1.23 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.

1.24 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).

1.25 Non-utilisation fee
A lending arrangement existed between the association (as borrower) and Peabody Capital No 2 PLC (as lender) in relation to the 2053 bond issue. This arrangement contained a provision ("Non-utilisation fee") for Peabody Capital No 2 PLC to recover from the borrower 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 the borrower and investment income earned from permitted investments and bank deposits. This difference arises during the period before the bond proceeds are fully on-lent.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 association 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 association'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 association considers 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 association'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 FINANCIAL STATEMENTS (CONTINUED)

3(a). TURNOVER AND OPERATING SURPLUS

	Turnover 2017 £'000	Cost of sales 2017 £'000	Operating costs 2017 £'000	Operating surplus/ (deficit) 2017 £'000	Turnover 2016 £'000	Cost of sales 2016 £'000	Operating costs 2016 £'000	Operating surplus/ (deficit) 2016 £'000
Social housing lettings								
General needs	**62,961**	**-**	**(43,410)**	**19,551**	100,571	-	(71,808)	28,763
Supported housing and housing for older people	**3,601**	**-**	**(2,349)**	**1,252**	6,006	-	(6,419)	(413)
Shared ownership	**2,634**		**(1,448)**	**1,186**	3,799	-	(1,305)	2,494
Intermediate rent	**12,569**	**-**	**(5,336)**	**7,233**	7,271	-	(3,595)	3,676
Affordable rent	**6,388**	**-**	**(1,909)**	**4,479**	7,908	-	(2,998)	4,910
	88,153	**-**	**(54,452)**	**33,701**	125,555	-	(86,125)	39,430
Other social housing activities								
Donations (paid)/ received	**-**	**-**	**(2,648)**	**(2,648)**	38	-	-	38
First tranche shared ownership sales	**9,255**	**(3,068)**	**-**	**6,187**	41,286	(22,054)	-	19,232
	9,255	**(3,068)**	**(2,648)**	**3,539**	41,324	(22,054)	-	19,270
Non-social housing activities								
Development	**6,891**	**-**	**(884)**	**6,007**	4,008	-	(6,062)	(2,054)
Market renting	**3,564**	**-**	**(2,013)**	**1,551**	5,125	-	(2,130)	2,995
Intermediate rent	**-**	**-**	**-**	**-**	12,093	-	(6,488)	5,605
Leasehold	**1,495**	**-**	**(1,771)**	**(276)**	1,802	-	(2,416)	(614)
Commercial lettings	**2,081**	**-**	**(1,295)**	**786**	3,162	-	(1,281)	1,881
Open market sales	**33**	**-**	**415**	**448**	3,100	(1,572)	-	1,528
Community	**(1)**	**-**	**(27)**	**(28)**	775	-	(3,485)	(2,710)
Other	**-**	**-**	**(1,308)**	**(1,308)**	-	-	-	-
	14,063	**-**	**(6,883)**	**7,180**	30,065	(1,572)	(21,862)	6,631
	111,471	**(3,068)**	**(63,983)**	**44,420**	196,944	(23,626)	(107,987)	65,331
Memo only:								
Surplus on sale of fixed assets				**11,473**				**3,137**
				55,893				**68,468**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	General needs 2017 £'000	Supported and older people 2017 £'000	Shared ownership 2017 £'000	Intermediate rent 2017 £'000	Affordable rent 2017 £'000	Total 2017 £'000	Total 2016 £'000
Turnover from lettings							
Rents receivable	55,512	2,581	1,899	12,173	6,094	78,259	110,676
Service charges receivable	3,459	472	573	21	136	4,661	7,635
Other income	3,990	548	162	375	158	5,233	7,244
Total turnover from social housing	62,961	3,601	2,634	12,569	6,388	88,153	125,555
Operating costs							
Services	(3,387)	(1,472)	(657)	(1,211)	(235)	(6,962)	(9,649)
Management	(13,622)	(430)	(560)	(1,564)	(630)	(16,806)	(29,390)
Routine maintenance	(8,328)	(290)	(136)	(1,578)	(386)	(10,718)	(13,774)
Cyclical maintenance	(6,863)	(89)	(100)	(521)	(132)	(7,705)	(15,615)
Bad debts	(533)	(6)	5	(38)	(44)	(616)	131
Depreciation	(10,677)	(62)	-	(424)	(482)	(11,645)	(17,828)
Operating costs on social housing	(43,410)	(2,349)	(1,448)	(5,336)	(1,909)	(54,452)	(86,125)
Operating surplus on social housing lettings	19,551	1,252	1,186	7,233	4,479	33,701	39,430
Voids gains/(losses)	(533)	(6)	-	(38)	(44)	(621)	(1,574)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. ACCOMMODATION OWNED AND IN MANAGEMENT

At 31 March	**2017 Units**	2016 Units
General needs housing		
- Social	**125**	13,779
- Affordable	**3**	835
	128	14,614
Shared ownership	**-**	899
Keyworker		
- intermediate market rent	**4**	661
Supported housing		
- directly managed	**28**	382
- managed by others	**-**	323
	28	705
Leasehold managed	**1**	1,930
Non-social housing	**1**	1,635
Total	**162**	20,444

5. EMOLUMENTS OF GOVERNORS AND EXECUTIVE OFFICERS

None of the Governors received any emoluments during the year (2016: £nil).

Governors were reimbursed expenses totalling £366 (2016: £402).

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

	2017 £	2016 £
Total emoluments (including pension contributions and benefits in kind)	**949,616**	1,249,273
Highest Paid Director:		
Emoluments paid to the Group Chief Executive	**146,414**	223,115

In addition, the Chief Executive received cash in lieu of pension contributions of £8,397 (2016: £20,802). 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 Chief Executive and the Peabody Executive Team.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. EMPLOYEE INFORMATION

The average number of people employed during the year was:

	2017 No.	2016 No.
Head office functions	**141**	230
Housing management	**365**	533
Community services	-	107
	506	870

Employee costs	2017 £'000	2016 £'000
Wages and salaries	**19,400**	32,965
Social security costs	**2,096**	3,598
Other pension costs (note 30)	**1,794**	5,932
Other employee costs	**1,643**	793
	24,933	43,288

	2017 No.	2016 No.
£60,001 to £70,000	**5**	36
£70,001 to £80,000	**9**	21
£80,001 to £90,000	-	11
£90,001 to £100,000	**6**	2
£100,001 to £110,000	**3**	3
£110,001 to £120,000	-	6
£120,001 to £130,000	**2**	4
£130,001 to £140,000	-	6
£140,001 to £150,000	-	1
£150,001 to £160,000	-	1
£160,001 to £170,000	**1**	-
£170,001 to £180,000	-	2
£180,001 to £190,000	-	2
£210,001 to £220,000	-	1
£230,001 to £240,000	**1**	-
£240,001 to £250,000	-	1
	27	97

The substantial assets and operations of the association, including employees, were transferred to Peabody Trust on 9 November 2016. See note 9 for further details. The association had no employees at 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. OPERATING SURPLUS

	2017	2016
	£'000	£'000
Operating surplus is stated after charging:		
Depreciation of tangible fixed assets	**10,515**	16,934
Amortisation of intangible fixed assets	**2,135**	2,853
Impairment	**-**	-
Operating lease charges:		
- Offices	**292**	268
- Leases non buildings	**-**	502
Auditors' remuneration:		
External Auditors	**88**	103
In respect of non-audit services		
- Tax (excluding VAT)	**30**	111
- Internal auditors	**89**	-
- Other	**-**	56

GPDF has separate auditors for external and internal audit, and are remunerated separately.

8. SURPLUS ON SALE OF FIXED ASSETS

			2017		2016
		Proceeds	**Costs**	**Surplus/(deficit)**	Surplus/(deficit)
	No	**£'000**	**£'000**	**£'000**	£'000
Shared ownership – fully staircased	**12**	3,298	(1,469)	**1,829**	1,413
Shared ownership – subsequent tranches	**7**	518	(267)	**251**	286
Social Homebuy	**1**	21	-	**21**	(16)
Right to Buy	**1**	156	(247)	**(91)**	656
Old stock	**3**	13,069	(3,790)	**9,279**	(25)
Disposal of land	**-**	-	-	**-**	754
Right to acquire	**-**	-	-	**-**	-
Subsidised Housing loan repayment	**6**	184	-	**184**	69
Sale to Subsidiary	**-**	31,319	(31,319)	**-**	-
	30	48,565	(37,092)	**11,473**	3,137

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. GROUP RECONSTRUCTION

The Peabody Group has been working towards achieving a simplified structure to better support the growth agenda, mitigate risk and reduce the administration and compliance costs of maintaining multiple providers of social housing. Significant progress has been made on this objective during the year including on 9 November 2016, the substantial transfer of assets and operations of The Governors of The Peabody Trust (renamed George Peabody Donation Fund) to Peabody Trust (Peabody).

As per the provisions of FRS 102, this transaction constituted a group reconstruction and has been accounted for by using the merger method. The effect of this treatment is that no adjustments to the carrying value of the assets and liabilities transferred have been made. The individual results and comparatives for the standalone organisations reflect their historical transactions and have not been restated to reflect the merged association. The Peabody Trust Group accounts consolidate the results of these organisations for both the current and prior financial years.

As the transfer is in substance a gift, the net assets transferred constitute income in Peabody (£1,322,458,000) and an expense in George Peabody Donation Fund (£1,322,458,000) and have been recognised directly in the revenue reserves of the respective organisations.

An analysis of the pre and post-merger results and financial positions of the combining organisations are presented below. The Peabody Trust post-merger results can be found in Peabody Trust's statutory accounts, available on its website.

No significant adjustments were required to align accounting policies as a result of the merger.

	George Peabody Donation Fund			Peabody Trust		
	2017 - Pre Merger £'000	**2017 - Post Merger £'000**	2016 £'000	**Pre-Merger £'000**	**Post-Merger £'000**	2016 £'000
Surplus on ordinary activities	**31,715**	**3,808**	94,672	-	**25,589**	-
Pension scheme actuarial loss	**(10,497)**	-	(5,135)	-	**(3,138)**	-
Total comprehensive income	**21,281**	**3,808**	89,537	-	**22,451**	-

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Other interest receivable and similar income	**109**	16
Interest received from Group entities	**8,201**	17,422
	8,310	17,438

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Interest payable on borrowings	**8,369**	16,064
Interest payable to Group entities	**17,734**	31,066
Net interest cost on pension scheme (note 30)	**954**	1,178
	27,057	48,308
Less: Interest capitalised	**(2,091)**	(2,725)
	24,966	45,583
The average capitalisation rate used to determine the finance costs capitalised during the year	**4.36%**	4.36%

12. GIFT AID

	2017 £'000	2016 £'000
Create Communities Limited	-	4
Freshleaf Homes Limited	-	132
Peabody Enterprises Limited	-	33,866
Peabody Group Maintenance Limited	-	194
Peabody (Services) Limited	-	955
Sport Club Thamesmead Limited	-	-
	-	35,151

13. TAXATION

Analysis of tax charge/(credit) for the year	2017 £'000	2016 £'000
Current tax		
UK corporation tax at 20% (2016: 20%)	**1,705**	-
Adjustments in respect of prior years	**-**	(1,050)
Total current tax charge/(credit)	**1,705**	(1,050)
Deferred tax		
Origination and reversal of timing differences	**(352)**	(636)
Adjustments in respect of prior years	**(41)**	1,050
Effect of tax rate change on opening balance	**(21)**	-
Total deferred tax (credit)/charge	**(414)**	414
Tax on profit on ordinary activities	**1,291**	(636)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAXATION (CONTINUED)

Reconciliation of tax charge/(credit)	**2017 £'000**	**2016 £'000**
Surplus on ordinary activities before taxation	**36,877**	94,036
Tax on surplus at standard corporation tax rate of 20% (2016: 20%)	**7,375**	18,807
Effects of:		
Charitable surplus exempt from taxation	**(6,084)**	(18,493)
Group relief claimed	-	(900)
Change in deferred tax rates	-	(50)
Tax charge/(credit) for the year	**1,291**	(636)

At Summer Budget 2015, the government announced a reduction in the corporation tax rate from 20% to 19% for the 2017 Financial Year (commencing 1 April 2017) and a further reduction to 18% from 1 April 2020. The UK Government substantively enacted these changes as part of the Finance (No.2) Act 2015 on 26 October 2015.

At Summer Budget 2016, the government announced the corporation tax rate will be reduced by an additional 1% for the Financial Year beginning 1 April 2020 to 17%. The UK Government substantively enacted this change in the Finance Act 2016 on 6 September 2016. These rates have been reflected in calculating the deferred tax balance at 31 March 2017.

14. INTANGIBLE ASSETS

	Computer Software £'000
Cost	
At 1 April 2016	13,276
Additions	2,927
Transferred to Peabody Trust	(16,203)
At 31 March 2017	-
Amortisation	
At 1 April 2016	5,036
Charge for the year	2,135
Transferred to Peabody Trust	(7,171)
At 31 March 2017	-
Net book value	
At 31 March 2017	-
At 31 March 2016	**8,240**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. TANGIBLE FIXED ASSETS – HOUSING

	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 2016	1,883,550	106,154	40,060	11,241	2,041,005
Properties acquired	33,738	-	520	1,488	35,746
Works to existing properties	21,347	-	-	-	21,347
Additions	-	-	5,964	5,515	11,479
Transfers – investment properties & other tangible fixed assets	-	(494)	-	-	(494)
Schemes completed	16,368	8,613	(16,368)	(8,613)	-
Disposals	(5,583)	(23,631)	-	-	(29,214)
Transfers to housing properties	(10,252)	9,152	-	-	(1,100)
Transfers to Peabody Trust	(1,921,278)	(99,794)	(30,176)	(9,631)	(2,060,879)
At 31 March 2017	**17,890**	**-**	**-**	**-**	**17,890**
Depreciation					
At 1 April 2016	113,932	3,351	-	-	117,283
Charge for the year	9,719	-	-	-	9,719
Disposals	-	(78)	-	-	(78)
Transfers to housing properties	(1,101)	1	-	-	(1,100)
Transfers to Peabody Trust	(121,357)	(3,274)	-	-	(124,631)
At 31 March 2017	**1,193**	**-**	**-**	**-**	**1,193**
Net Book Value					
At 31 March 2017	**16,697**	**-**	**-**	**-**	**16,697**
At 31 March 2016	**1,769,618**	**102,803**	**40,060**	**11,241**	**1,923,722**

Development and major works additions and improvements to housing properties during the year include capitalised interest of £nil (2016: £44.3million) and capitalised administration costs of £nil (2016: £0.1million).

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. No potential indicators of impairment have been identified in the current year and therefore no impairment review has been performed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. OTHER TANGIBLE FIXED ASSETS

	Freehold offices £'000	Office equipment £'000	Total £'000
Cost			
At 1 April 2016	31,935	5,107	37,042
Additions	214	336	550
Work in Progress	-	14	14
Transferred to Peabody Trust	(28,913)	(5,439)	(34,352)
At 31 March 2017	**3,236**	**18**	**3,254**
Depreciation			
At 1 April 2016	9,619	2,133	11,752
Charge for the year	327	469	796
Transferred to Peabody Trust	(9,259)	(2,586)	(11,845)
At 31 March 2017	**687**	**16**	**703**
Net book value			
At 31 March 2017	**2,549**	**2**	**2,551**
At 31 March 2016	22,316	2,974	25,290

17. INVESTMENT PROPERTIES

	Completed properties			Properties under construction			
	Commercial properties £'000	Market rent properties £'000	Total £'000	Commercial properties £'000	Market rent properties £'000	Total £'000	Leasehold Total £'000
At 1 April 2016	57,055	101,070	**158,125**	99	33	**132**	**10,547**
Additions - acquisition	-	-	-	-	-	-	-
Additions	-	-	-	-	241	**241**	-
Completion	-	-	-	-	-	-	**451**
Transferred to Peabody Trust	(57,055)	(94,983)	**(152,038)**	(99)	(274)	**(373)**	**(5,964)**
Surplus on revaluation	-	101	**101**	-	-	-	**(2,461)**
Disposals	-	(6,040)	**(6,040)**	-	-	-	**(2,566)**
Transfers – tangible fixed assets	-	-	-	-	-	-	-
At 31 March 2017	-	**148**	**148**	-	-	-	**7**

Total investment properties	
At 31 March 2017	**155**
At 31 March 2016	168,804

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. STARTER HOMES INITIATIVE INVESTMENT

	2017 £'000	2016 £'000
Loans		
At 1 April	5,981	6,531
Disposals in the year	(222)	(550)
Transferred to Peabody Trust	(5,759)	-
At 31 March	-	5,981

19. OTHER INVESTMENTS

	2017 £'000	2016 £'000
At 1 April	**8,989**	47,681
Adjustment to carrying value of investment	-	(38,692)
Transferred to Peabody Trust	**(8,989)**	-
At 31 March	-	8,989

GPDF received a distribution of £38,692,000 in the prior year from Tilfen Land Limited that was used to reduce the carrying value of the investment in the subsidiary.

20. OTHER STOCK

	2017 £'000	2016 £'000
Outright sales properties	**140**	111
Other stocks	-	-
Transferred to Peabody Trust	**(140)**	-
	-	111

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. PROPERTIES HELD FOR SALE AND WORK IN PROGRESS

	2017	2016
	£'000	£'000
Work in progress	-	5,248
Completed properties for sale	-	-
	-	5,248
Capitalised interest included in the above	-	138

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.

22. DEBTORS DUE IN LESS THAN ONE YEAR

	2017	2016
	£'000	£'000
Rent and service charges in arrears	-	18,718
Less: provision for bad debts	-	(5,381)
	-	13,337
Amounts owed by subsidiary undertakings	**96**	49,164
Loans to employees	-	169
Other debtors and prepayments	-	54,137
	96	116,807

Amounts owed by related parties are trading balances, repayable on demand and are non-interest bearing.

23. DEBTORS DUE IN MORE THAN ONE YEAR

	2017	2016
	£'000	£'000
Amounts owed by subsidiary undertakings	-	326,694
Other debtors and prepayments	**3,200**	-
	3,200	326,694

Amounts receivable in 'Other debtors and prepayments' are contractually agreed obligations for the release of Overage conditions. George Peabody received £1.8million during the year, with a second payment due in December. No interest is receivable on this debt.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Trade creditors	**-**	18,488
Rent and service charges received in advance	**-**	3,738
Amounts owed to subsidiary undertakings	**204**	1,434
Other taxation and social security costs	**2,065**	894
Accruals and deferred income	**4**	104,873
Debt (note 29)	**-**	4,000
	2,273	133,427

Amounts owed to related parties are trading balances, repayable on demand and are non-interest bearing.

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

	2017	2016
	£'000	£'000
Grants (note 26)	**-**	101,695
Recycled capital grant fund (note 27)	**-**	11,712
Disposal proceeds fund (note 28)	**-**	5,699
Debt (note 29)	**-**	331,017
Amounts owed to subsidiary undertakings (note 29)	**-**	640,003
Deferred consideration for purchase of Peabody Community Foundation	**-**	20,249
	-	1,110,375

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. GRANTS

	Government grants		Other grants		
	Completed properties £'000	Work in progress £'000	Completed properties £'000	Work in progress £'000	Total £'000
Cost					
At 1 April 2016	100,010	5,213	3,871	-	109,094
Grants received in the year	64	-	-	-	64
Transferred to / from group entity	-	-	-	-	-
Grants transferred from RCGF	-	-	-	-	-
Grants recycled on disposals	(1,282)	-	-	-	(1,282)
Grant on completed units	5,213	(5,213)	-	-	-
Transferred to Peabody Trust	(104,005)	-	(3,871)	-	(107,876)
At 31 March 2017	-	-	-	-	-
Amortisation					
At 1 April 2016	7,399	-	-	-	7,399
Amortisation for the year	609	-	-	-	609
Disposals	(436)				(436)
Transferred to Peabody Trust	(7,572)	-	-	-	(7,572)
At 31 March 2017	-	-	-	-	-
Net Grants					
At 31 March 2017	-	-	-	-	-
At 31 March 2016	**92,611**	**5,213**	**3,871**	-	**101,695**

27. RECYCLED CAPITAL GRANT FUND

	2017 £'000	2016 £'000
At 1 April	**11,712**	9,687
Receipt from GLA	-	-
Grant recycled	**1,256**	1,255
Interest accrued	**92**	842
Transfer from/(to) subsidiary	-	-
Transfer to disposal proceeds fund	-	-
Withdrawals – schemes started on site	-	(72)
Transferred to Peabody Trust	**(13,060)**	-
At 31 March	-	11,712

£nil of the George Peabody recycled capital grant fund is repayable in the 12 months from 1 April 2017 (2016: £0.3m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. DISPOSAL PROCEEDS FUND

	2017 £'000	2016 £'000
At 1 April	**5,699**	4,922
Additions	-	16
Net sales proceeds recycled	-	685
Interest accrued	**16**	76
Withdrawals	-	-
Transferred to Peabody Trust	**(5,715)**	-
At 31 March	-	5,699

£nil of the disposal proceeds fund is repayable in the 12 months from 1 April 2017 (2016: £3.4million). Withdrawals from the disposal proceeds fund were used for approved works to existing housing properties.

29. FINANCIAL INSTRUMENTS

(a) BOOK VALUE OF DEBT

	2017 £'000	2016 £'000
Nominal value		
Bank and building society loans	-	338,000
Amounts owed to subsidiary undertaking	-	640,003
	-	978,003
Unamortised issue costs		
Bank and building society loans	-	(2,983)
Book value	-	975,020
Fair value		
Bank and building society loans	-	256,282
Amounts owed to subsidiary undertaking	-	427,307
	-	683,589

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) MATURITY OF DEBT

	2017	2016
	£'000	£'000
Within one year	-	4,000
Between one and two years	-	8,000
Between two and five years	-	20,000
After five years	-	946,003
	-	978,003

(c) INTEREST ANALYSIS

	2017	2016
	£'000	£'000
Fixed	-	872,003
Floating	-	106,000
	-	978,003

30. PENSION LIABILITIES

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 2016. The scheme is now closed to new entrants and was transferred to Peabody Trust on 9 November 2016.

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

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 21%. 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:

	2017	2016
	£'000	£'000
Equities	-	30,164
LDI/cash flow matching	-	6,582
Target return Portfolio	-	13,812
Infrastructure	-	3,557
Commodities	-	290
Property	-	2,317
Cash	-	8,210
Total	-	**64,932**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. PENSION LIABILITIES (CONTINUED)

The demographic assumptions are consistent with those used for the formal funding valuation as at 31 March 2016. The post retirement mortality tables adopted were based on the Club Vita mortality analysis. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations are:	**2017**	2016
Retiring today – male	86.3	86.8
Retiring today – female	88.9	89.9
Retiring in 20 years – male	88.6	89.2
Retiring in 20 years – female	91.2	92.3

The major assumptions used by the actuary to value the liabilities of the scheme at 31 March 2017 under FRS 102 are:

% per annum	**2017**	2016
RPI increases	3.7%	3.3%
CPI increases	2.8%	2.4%
Salary increases	4.3%	3.4%
Pension increases	2.8%	2.4%
Discount rate	3.0%	3.7%

Statement of Financial Position as at 31 March:

	2017	2016
	£'000	£'000
Present value of the defined benefit obligation	-	107,289
Fair value of fund assets (bid value)	-	(64,932)
Deferred tax	-	-
Deficit	**-**	**42,357**
Present value of unfunded liabilities	-	888
Net defined benefit liability	**-**	**43,245**

The amounts recognised in the statement of comprehensive income are:

	2017	2016
	£'000	£'000
Service cost	885	4,339
Net interest on the defined benefit liability	954	1,178
Administration expenses	59	87
Total cost	**1,898**	5,604

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. PENSION LIABILITIES (CONTINUED)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2017	2016
	£'000	£'000
Opening defined benefit obligation	108,177	92,021
Opening defined benefit obligation acquisition	-	-
Current service cost	885	1,346
Interest cost	2,402	3,261
Change in Financial assumptions	23,851	2,540
Change in demographic assumption	(1,839)	-
Experience loss/(gain) on defined benefit obligation	(1,677)	6
Liabilities assumed on settlements and business combinations	-	12,567
Estimated benefits paid net of transfer in	(1,540)	(3,947)
Past service costs, including curtailments	-	-
Contribution by Scheme participants	258	404
Unfunded pension payments	(33)	(21)
Transfer to Peabody Trust	(130,484)	-
Closing defined benefit obligation	-	108,177

Reconciliation of opening and closing balances of the fair value of Fund assets	**2017**	2016
	£'000	£'000
Opening fair value of Fund assets	64,932	58,140
Opening fair value of Fund assets acquisition	-	-
Interest on assets	1,448	2,083
Return on assets less interest	8,644	(2,589)
Actuarial gains (losses)	1,194	-
Administration Expenses	(59)	(87)
Contribution by employer including unfunded benefits	1,047	1,375
Contribution by fund participants	258	404
Benefits paid including unfunded benefits paid	(1,573)	(3,968)
Assets received on settlements and business combinations	-	9,574
Transfer to Peabody Trust	(75,891)	-
Closing fair value of Fund assets	-	64,932
Actual return on plan assets	**10,092**	**(506)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. PENSION LIABILITIES (CONTINUED)

Remeasurement of the net defined liability

	2017 £'000	2016 £'000
Return on Fund assets in excess of interest	8,644	(2,589)
Other actuarial gains/(losses) on assets	1,194	-
Change in financial assumptions	(23,851)	(2,540)
Change in demographic assumptions	1,839	-
Experience (loss)/gain on defined benefit obligation	1,677	(6)
Remeasurement of the net defined liability	**(10,497)**	(5,135)

Friends Life Defined Contribution Pension Scheme

Current employees are able to join the open group pension scheme which is a defined contribution scheme operated by Friends Life. The assets of this scheme are held separately from those of the association. Employer contributions in respect of this scheme are charged to the income and expenditure account as incurred. This scheme was transferred to Peabody Trust on 9 November 2016. During the year, employer contributions totalling £942,529 (2016: £1,520,035) were made into the scheme.

Peabody Pension Trust Limited

On 9th May 2016, the association assumed responsibility for the assets and liabilities of Peabody Pension Trust ("PPT"). PPT acted as the Trustee and administrator for the Governors of the Peabody Trust for the operation of a retirement benefits scheme for those Peabody employees who were eligible at 31 December 1977. The association has entered into commitments to pay the shortfall of pension payments over income for PPT for each year. The excess of liabilities over commitments is measured with respect to RPI in April of each year and in the year ended 31 March 2017 was £nil (2016: £14,401).

This commitment was transferred to Peabody Trust on 9 November 2016.

31. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax liability £'000
At 1 April 2016	414
Charged in the Statement of Comprehensive Income for the year	(414)
At 31 March 2017	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. CAPITAL COMMITMENTS

	2017	2016
Capital expenditure contracted for but not provided for within the financial statements	-	100,429
Capital expenditure authorised by the board, but not contracted	-	213,185
Total	-	313,614

All of the anticipated expenditure at 31 March is covered by Social Housing Grant, reserves and debt finance.

33. COMMITMENTS UNDER OPERATING LEASES

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

	Total 2017 £'000	Total 2016 £'000
Operating leases which expire:		
Within one year	185	644
In the second to fifth years inclusive	419	1,012
Over five years	-	-
Total	**604**	1,656

34. LEGISLATIVE PROVISIONS, TAXATION AND SUBSIDIARY UNDERTAKINGS

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

35. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption permitted by FRS 102 – 'Related Party Disclosures', and does not disclose transactions with other wholly owned undertakings within the Peabody Group that are eliminated on consolidation.

The material recharges for services between non-regulated and regulated entities are below. GPDF does not apply a mark-up on recharges to entities within the Peabody Group.

From non-regulated entity	**To regulated entity**	**2017 Total £'000**	2016 Total £'000
Create Communities Limited	George Peabody Donation Fund	-	11
Freshleaf Homes Limited	George Peabody Donation Fund	-	621
Peabody Capital PLC	George Peabody Donation Fund	6,295	10,350
Peabody Capital No 2 PLC	George Peabody Donation Fund	9,822	16,108
Peabody Group Maintenance Limited	George Peabody Donation Fund	59	101
Peabody (Services) Limited	George Peabody Donation Fund	19,734	4,426
Peabody Community Foundation	George Peabody Donation Fund	202	(340)
Tilfen Land Limited	George Peabody Donation Fund	(486)	(440)
Peabody Land Limited	George Peabody Donation Fund	1,890	1,453

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. UTIMATE PARENT UNDERTAKING

George Peabody Donation Fund is a wholly owned subsidiary of Peabody Trust ("Peabody"), which is the ultimate parent and ultimate controlling entity. Peabody is the only entity in the Group that produces Consolidated Financial Statements. Peabody is a charitable Community Benefit Society formed under the Co-operative and Community Benefit Societies Act 2014. Consolidated financial statements of Peabody can be obtained from the Company Secretary at 45 Westminster Bridge Road, London, SE1 7JB.

Ownership of George Peabody Donation Fund was transferred from The Governors of the Peabody Trust (renamed George Peabody Donation Fund) to Peabody on 9 November 2016.