

Peabody Trust

Report and financial statements

31 March 2008

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Report and financial statements

31 March 2008

Operating and Financial Review

Board, Executive Officers and Advisors

MEMBERS OF THE BOARD OF GOVERNORS

Pam Alexander	Chair of the Board, Member of the Nominations & Remuneration Committee
Farmida Bi	Member of the Resident & Community Committee – resigned 4 March 2008
Fred Calcott	Chair of Resident Liaison Committee and Member of the Resident & Community Committee
Peter Doyle	Member of the Property, Finance and Audit & Risk Committees, Chair of the Audit & Risk Committee from 1 November 2007
Ngaire Drake	Member of the Property Committee
Dudley Fishburn	Vice-Chair of the Board, Chair of the Finance Committee, Chair of the Nominations & Remuneration Committee and Member of the Audit & Risk Committee
Karl King	Member of the Property Committee
Hattie Llewelyn-Davies	Chair of the Resident & Community Committee and Member of the Nominations & Remuneration Committee
Ken Olisa	Chair of the Audit & Risk Committee and Member of the Resident & Community and Finance Committees – resigned 31 October 2007
Christopher Strickland	Chair of the Property Committee and Member of the Nominations & Remuneration Committee
Marc Hume	Member of the Resident & Community Committee
Marisa Cassoni	Member of the Property, the Finance, and the Audit & Risk Committees
Tim How	Member of the Resident & Community Committee – appointed 6 February 2008

CO-OPTED COMMITTEE MEMBERS

Simon Hill	Property Committee – resigned 16 October 2007
Neil Gardiner	Property Committee
Liz Peace	Property Committee – appointed 26 March 2008
Margaret Kerss	Resident & Community Committee
Janet McLagan	Resident & Community Committee
Ian Parkes	Resident & Community Committee
Kirk Mitchell	Resident & Community Committee

EXECUTIVE OFFICERS

Stephen Howlett	Group Chief Executive
Catriona Simons	Group Finance Director
David Lavarack	Corporate Services Director – appointed 2 April 2007
Sean Gallagher	Property Director – appointed 1 January 2008
Nick Dudman	Interim Property Director – resigned 31 December 2007
Stephen Burns	Director of Community Services – appointed 1 May 2007
Sandra Skeete	Customer Services Director – appointed 5 September 2007
Julie Webb	Interim Director of Customer Services – resigned 31 July 2007

Operating and Financial Review

Board, Executive Officers and Advisors

AUDITORS

Deloitte & Touche LLP
Chartered Accountants &
Registered Auditors
St Albans

Company Secretary

Graham Lawrence

BANKERS

Coutts & Co
440 Strand
London WC2R 0QS

Registered Office

45 Westminster Bridge Road
London SE1 7JB

SOLICITORS

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5 Chancery Lane
Clifford's Inn
London EC4A 1BL

Registration Details

Housing Corporation Registration – L0014
Charity Commission Registration – 206061

Rollits Solicitors
Rowntree Wharf
Navigation Road
York YO1 9WE

Towers & Hamblins
Sceptre Court
40 Tower Hill
London EC2N 4DX

Operating and Financial Review

OVERVIEW

Peabody Trust is one of London's oldest charitable housing associations. It has its own Act of Parliament stipulating the Trust's objectives to work solely within London for the relief of poverty.

Founded in 1862 by George Peabody, an American banker, entrepreneur and philanthropist, today the Peabody Trust Group owns or manages more than 17,500 properties in London, providing affordable homes for over 50,000 people.

The Peabody Trust Group (The Group) works with local communities, the Greater London Authority, local government and a wide range of voluntary, private and public sector partners to create better homes and communities, to improve opportunities and enrich the quality of life for Londoners.

The Group consists of two registered social landlords, Peabody Trust and CBHA, and a number of smaller trading companies.

Peabody's portfolio comprises a significant number of properties in central London. Most are in central and inner London, with over 5,750 properties built before 1900 and 2,300 of these built before 1875. The majority of our homes are on estates with open, communal green spaces. There are also a number of street properties. The Trust also acquired three local authority estates in Islington, Hackney and Barnet between 1998 and 2000 comprising 2,271 homes.

The Group has 4 key areas of activity:

- The provision of rented housing for people who are unable to afford to rent or buy in the open market;
- The provision of supported housing and care for those who need additional support;
- The provision of low cost home ownership, particularly shared ownership; and
- The delivery of community regeneration activities such as the provision of learning opportunities and access to ICT training and accreditation.

The Trust has a dedicated Community Services directorate established to tackle poverty at its roots – poor education, low skills and lack of opportunity. Working on and around our estates in some of the most deprived areas of London, the team is well placed to reach the most excluded and to ensure

that services are accessible by taking support right into the heart of the community. The directorate also provides support services to those who need them, both Trust residents and others.

KEY MISSION AND VISION

Peabody Trust's principal activity within its mission of tackling poverty in London is the provision of accommodation for those in housing need.

Peabody's long term vision is to be a beacon organisation famous for creating the very best examples of community living. Peabody aims to lead the agenda and be respected and emulated for and in the quality of its services and its innovative approach to housing and community regeneration.

The mission and long term objectives will be achieved by providing excellent customer services, thriving communities and desirable homes through a first class organisation.

BUSINESS DRIVERS

Informed by our Mission and the changing market context, three business drivers will shape the focus and emphasis of the Trust's activities over the next three years.

Putting our customers first

We will continue to place our customers at the heart of everything we do. This means putting our customers first and continually improving the quality, cost effectiveness and range of services we provide to them.

Providing more homes and services

We want more people to benefit from the services we provide. Following a necessary period of focus on improving the quality of our existing homes and strengthening our financial capacity, we have a clear ambition to grow.

This means growth in those service areas that our residents most value and our communities most need, as well as through the provision of new homes. We will provide new homes through development and acquisition and through the redevelopment of some of our existing estates. We will also seek out opportunities to further expand our community services through an increased focus on supporting people into work.

Planning for the long term

At the same time as improving services for customers and growing the business over the next three years, we will take a longer term view of the need to shape the Trust's Vision for well into the 21st Century as we recognise that significant social, demographic and technological change will impact on our communities. We are determined to be at the forefront of responding to these challenges and have commissioned a project – '21st Century Peabody' – to deliver a long term strategy for both shaping our business and influencing social policy change.

BUSINESS PLAN PRIORITIES

The objectives and strategy of the Trust are set out in a rolling three year business plan that is reviewed annually and approved by the Board. The business planning process includes an assessment of strengths and weaknesses, opportunities and threats, which are discussed between the Executive team and the Board of Governors.

The 2008/11 plan builds on the 2007/10 plan with the business objectives required to deliver against our purpose being distilled into four priority areas:

- excellent customer services
- thriving communities
- desirable homes
- a first class organisation

In addition to these, the 21st Century Peabody project represents a fifth priority area for 2008/9. The output of this project will inform each of the other areas, as part of next year's planning process.

Our success in executing our objectives over the next three years will be measured through:

- feedback from our customers: achieving a significant increase in satisfaction
- feedback from our stakeholders: achieving a reputation for listening and acting
- peer group benchmarking: achieving top quartile performance
- assessment by our regulator: achieving at least 2 stars

Operating and Financial Review

Peabody Behaviours

The way in which we achieve our objectives is as important as the objectives themselves. During 2007, we introduced a set of six new behaviours which apply to staff at every level:

- customer focussed – delivers excellent customer service
- results focussed – gets things done
- collaborative – works effectively with others
- can do – positive and helpful
- principled – trustworthy and fair
- continuously improving – always looking to get better

These behaviours form an integral part of the assessment of performance for all staff and will guide the way in which we deliver our plans.

PERFORMANCE INDICATORS

We use a range of indicators to monitor achievement of the organisation's objectives in each of the Trust's 4 priority areas.

Operational performance over the last 3 years against a number of the key indicators is shown in the table below:

KEY PERFORMANCE INFORMATION

	2008	2007	2006
Operating Surplus as a % of turnover	21	25	26
Void loss as % of rent & service charges receivable	1.9	1.7	2.4
Gross current tenant arrears as % of rent and service charges receivable	6.8	8.4	8.5
Average days taken to re-let a managed general needs home that needs minor repairs	34	87	157
Percentage of emergency repairs completed within target	93	91	90
Percentage of urgent repairs completed within target	94	89	85
Percentage of routine repairs completed within target	91	89	84
Percentage of properties with a valid gas safety certificate	98	98	96

REGULATION AND GOVERNANCE

The Group is regulated by the Housing Corporation with whom it is registered and it complies with the Housing Corporation's Regulatory Code. Peabody Trust and CBHA are also both registered charities and are regulated by the Charity Commission. Performance is assessed by the Housing Corporation by means of annual assessments against four main criteria – viability, governance, management and development. The corporation uses a "traffic light" system to measure compliance. Throughout 2007/08 the Group had a full set of green lights.

During July 2006 the Trust was inspected by the Audit Commission and achieved a one star rating with promising prospects for improvement. Our business plan focuses on ensuring that the Trust continues to improve the services it provides to its customers.

The Board of Governors of Peabody Trust is the incorporated body of trustees of the charity and as such is the ultimate governing body of the Trust. The Board comprises 12 non-executive directors who meet no less than seven times each year. All members give their time voluntarily and receive training as appropriate to support them in their roles. Present and former members of the Board of Governors of Peabody Trust are listed on page 2 of these financial statements.

The maximum permitted term of office for Governors is limited to three periods of three years and thereafter a maximum of three terms of one year each.

The Trust is managed by an Executive Team headed by the Chief Executive and supported by directors of finance, customer services, property, corporate services and community services. All members of the Executive Team attend board meetings.

Executive Officers of the Trust are not members of the Board and, although for the purposes of salary disclosure they are referred to as directors, they are not regarded as directors for legal purposes. The Executive Officers meet on a fortnightly basis under the chair of the Chief Executive in order to manage the Trust's affairs in accordance with the framework set by the Board. The Executive Officers of Peabody Trust are listed on page 2 of these financial statements.

The Group is eligible for exemption from the Financial Services Authority's requirements relating to corporate governance disclosures but the Governors have elected to provide the majority of applicable disclosures. These are set out in the appropriate parts of this report and the financial statements.

The Group complies with the fundamental aspects of the National Housing Federation's code of governance.

Operating and Financial Review

Subsidiary Entity Boards

CBHA is regulated by the Housing Corporation, with whom it is registered. The Board of Trustees of CBHA comprises two Peabody Trust Board members and 3 Peabody Trust Executive Officers as nominated by the Peabody Trust Board of Governors. The Trustees are supported by a range of functional committees and a local Board.

The non-charitable entities within the Group each have a board of directors comprising two Peabody Trust governors and two Peabody Trust Executive Officers in order that, in line with Housing Corporation guidance and other good practice, these boards should not replicate the main governing body.

Delegation and Functional Committees

The Peabody Trust Board is supported by 5 functional committees each of which meets 4 times per year (with the exception of the Nominations and Remuneration Committee which meets twice each year). These committees comprise members of the Board and co-opted members. The co-opted members are not full committee members and as such do not have voting rights at meetings. Each of these committees has clear terms of reference and delegated authority. They report back to the Board at each Board meeting, where their recommendations are fully considered and approved as appropriate.

The Audit and Risk Committee is responsible for overseeing internal audit, external audit, and control and risk management. The Finance Committee oversees and reports to the Board on the Trust's financial performance, treasury matters and financial statements. The Resident and Community Committee is responsible for overseeing the provision of services to the Trust's current and prospective tenants, leaseholders and other customers. The Property Committee is responsible for overseeing effective asset management and the control and delivery of development and stock investment programmes. The Nominations and Remuneration Committee advises the Board on appointments to the Board and Committees, and remuneration issues, including senior staff salaries and human resource policies.

RISK MANAGEMENT

The main risks faced by the Group are considered by the Executive Team with the Board as part of the business planning process. The Trust has taken steps to ensure that it identifies factors that may affect future performance. The Trust's Risk and Risk Management Strategy identifies the key risks facing the Trust and strategies for monitoring and mitigating them. An Officer Risk Committee, which meets quarterly, also plays an active part in embedding a culture of risk awareness and risk management amongst staff.

The Group considers the following to be key risks during the business plan period

- External funding availability in the current financial markets;
- A significant and sustained downturn in the London housing market;
- Failure to deliver top quartile performance in respect of customer service;
- The Trust's maintenance service not delivering on its time, quality and satisfaction targets;
- A shortage in capacity in the construction and property contractor market place leads to an increase in costs.

Further details of the Group's risk management activities are provided in the Governors' statement on internal control.

CUSTOMER AND EMPLOYEE INVOLVEMENT AND DIVERSITY

The Group has developed policies for customer and employee involvement, as well as for sustainability.

Customers

The Trust seeks to involve residents and customers in the design and delivery of its services. It has developed a menu of involvement so that residents can become involved as much as they want and in a way that they choose.

This year, the Trust is implementing the recommendations of a major review of our customer involvement strategies. Two new tools will be added to strengthen the voice of residents in the delivery of housing services; the Resident Consultative Committee (RCC) and Customer Inspection Team.

With the support of resident representatives the Trust has set up a Resident Consultative Committee to replace the Resident Liaison Committee. The RCC will have more scrutiny powers of the Trust's services. The main role of the RCC will be to look at the Trust's performance over a number of service areas and make recommendations about how the service can be improved. The RCC will also have a commissioning role. It will be able to ask for reports or evidence from staff and will compare Trust performance against other landlords and will be able to commission the Trust's Customer Inspection Team. The RCC will then make recommendations to senior management and Governors, where appropriate.

The Customer Inspectors will receive a request from the RCC to carry out research into the Trust's services. Inspectors will be appointed from the Trusts residents and will present their findings to the RCC.

Employees

The Group considers that employee involvement is essential to its success and uses a variety of methods to inform, consult and involve its employees which includes a staff forum. Union representation is recognised through the Joint Negotiating Committee (JNC), Joint Consultative Committee (JCC) and the Staff Consultation Group (SCG).

The Group has a comprehensive learning and development policy and retains the Investors in People accreditation.

Equality and Diversity

The Group is committed to achieving equality of opportunities and values diversity. Its policies and strategies reflect this. The Group recognises that its ability to meet the diverse needs of both the individuals and the communities it serves relies on its diverse workforce. The Group makes efforts to extend its commitment through its governance structures and through its use of suppliers and contractors.

The Trust's commitment to diversity is reflected in our attitude towards our employees. We respect everyone who works for us as an individual through fair policies and practices, which are designed to include everyone's perspective and expertise. We actively engage with staff through our Diversity Forum. Applications for employment from disabled persons are given fair and

Operating and Financial Review

full consideration, having regard to their particular skills and abilities. In the event of employees becoming disabled, every effort is made to retain them in continued employment within the Group. By doing so, Peabody can empower every individual to contribute to the overall success of the organisation.

Health and Safety

The Group recognises and accepts its legal and moral responsibilities, as defined in the Health and Safety at Work Act 1974 and other legislation to ensure, as far as reasonably practicable, the health, safety and welfare of all of its employees, customers and other persons who may be affected by the way it carries out its activities.

FINANCIAL PERFORMANCE

The financial position and results for the year are set out on pages 12 to 53 of these statements. The financial statements have been prepared in accordance with the relevant provisions of the Peabody Donation Fund Act 1948 as amended by the Charities (The Peabody Donation Fund Act) Order 1997, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Performance in the period

The Trust made a surplus for the year after tax of £30.0 million compared to a deficit of £10.6 million in the previous year. This movement year on year is largely as a result of an increased surplus from disposal of fixed assets, which includes the sale of two sites during the year in addition to normal asset management disposals, and a reduction in overall interest costs as a result of the refinancing of the Trust's fixed rate bonds during the current and previous financial years.

The consolidated results for the Group, which include the results of those entities detailed above, show a surplus for the year after tax of £32.2 million compared to a deficit of £8.6 million in the previous year, the above factors explaining the year on year movement.

All of the Trust's surpluses are re-invested in the Charity with the surplus on the sale of properties invested in a programme of works to ensure that they remain desirable places to live and meet the Decent Homes Standard. The Trust also has a small development programme focussing on the provision of new affordable homes for rent and shared ownership.

During 2007/08 £49.3 million was invested in existing and new homes, of which £15.9 million was invested in the ongoing programme of works required to meet the Decent Homes Standard and £14.0 million (£7.3 million of capital expenditure and £6.7 million of revenue expenditure) was invested in the SOUND programme of external works.

In December 2007, the Trust repurchased £76.6 million of its Guaranteed Secured Stock due 2023. This was funded through cash reserves and drawings of £85 million from loan facilities. The transaction incurred a redemption penalty of £37 million which, to enable proper comparison of the underlying cost base, is separately disclosed on the face of the Income and Expenditure Account.

Decent Homes

The age profile of the Trust's homes has presented a particular investment challenge. It is envisaged that between 2005 and 2010 £110 million will have been invested to ensure that all the Trust's homes meet the Decent Homes Standard, are maintained in good condition and remain desirable places to live.

As noted above the Trust's Decent Homes programme is funded through re-investment of annual surpluses. These amounts include surpluses on the disposal of properties under a strategic disposal programme. During the year ended 31 March 2008 surpluses totalling £31.3 million were generated by property disposals for this purpose.

As at 31 March 2008 85% of the Trust's homes met the Decent Homes Standard with 1633 homes being made Decent during the year ended 31 March 2008.

All of the properties owned and managed by CBHA meet the Decent Homes Standard.

Treasury Management

The Group's Treasury Management Strategy and Policy is updated and submitted annually to the Group's Finance Committee for approval. Treasury Management performance, which includes ongoing review of the loan portfolio and compliance with financial covenants, is reviewed quarterly by the Committee.

At 31 March 2008 the Group complied with all financial covenants in place.

Interest

In accordance with the Group's Interest Rate Management Strategy, and in order to mitigate the risk of rises in variable interest rates, at 31 March 2008 £276.3 million of the Group's debt was at fixed rates.

Financing

During December 2007 the Trust successfully repurchased £76.6 million of its Guaranteed Secured Stock due 2023. The redemption was funded through drawings of £85 million on loan facilities and through the use of cash reserves. It is expected that this repurchase will deliver annual interest savings of £1.6 million. Breakage costs of £37 million were incurred in respect of this redemption.

Repayments totalling £2.8 million were made to investors in the SAGE loan scheme during October 2007, these were the final payments due to SAGE investors as the scheme has now reached maturity.

Liquidity

The Group's Treasury Management Policy dictates that the Group's available cash should not at any time fall below the forecast outflow for the next calendar month and sufficient facilities should be in place to fund its business and service objectives for the forthcoming year. The Group has been compliant with this policy throughout 2007/08. The Group has sufficient committed facilities available to meet known requirements until 31 March 2009 and for the foreseeable future.

At the year end the Trust held cash balances totalling £25.0 million.

Reserves

The Board of Governors has reviewed the reserves of the Group taking into consideration the nature of income and expenditure streams and has concluded that the level of reserves shown at 31 March 2008 is commensurate with the performance and investment profile of a housing charity.

Going Concern

After making all reasonable enquiries, the Governors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Operating and Financial Review

Group Highlights – five year summary

For the year ended 31 March	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
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Group income and expenditure account

Total turnover	98.8	98.7	98.5	86.9	81.9
Income from social housing lettings	85.5	82.0	78.4	72.9	70.7
Depreciation & amortisation of housing properties	9.6	9.8	7.6	6.0	2.6
Interest payable	21.8	25.3	34.4	34.5	31.0
Redemption penalties	37.0	52.3	5.2	1.2	-
Operating surplus	21.7	25.0	25.7	24.3	22.1
Surplus before tax (excluding redemption penalties)	69.3	43.7	32.7	18.4	12.9
Surplus/(deficit) after interest and tax	32.2	(8.6)	27.6	18.4	12.9

Group balance sheet

Tangible fixed assets, at depreciated cost	999.7	986.9	964.4	924.8	894.8
Social Housing Grant	(438.0)	(449.8)	(445.0)	(423.8)	(413.4)
Net current assets	22.9	6.9	38.2	(2.6)	17.3
Indebtedness	382.0	375.1	364.5	363.8	360.1
Total reserves	195.1	157.8	161.8	135.5	114.5

Key financial performance information

	2008 %	2007 %	2006 %	2005 %	2004 %
Group Operating Surplus as a % of turnover	22	25	26	28	27
Total loans as % of capital grants plus reserves (Gearing)	60	63	66	65	71
Total debt less cash and short term investments as % of total debt plus capital and reserves less intangible fixed assets (Adjusted net leverage)	35	39	34	37	38
EBITDA as a % of interest payable	55	46	109	114	112
EBITDA as a % of interest payable excluding loan redemption penalties	150	143	125	118	112

Operating and Financial Review

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The Governors are responsible for preparing the Annual Report and the financial statements. The Governors have chosen to prepare accounts for the Trust and the Group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Housing Association legislation requires the Governors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the Group and of the surplus or deficit of the Trust and the Group for that period and comply with UK GAAP and the Peabody Donation Fund Act 1948 as amended by the Charities (The Peabody Donation Fund) Order 1997, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EXTERNAL AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office. Accordingly a resolution is to be proposed at the Annual General Meeting for the re-appointment of Deloitte & Touche LLP as auditors of the Group.

Approved by the Board of Governors on 23 July 2008 and signed on their behalf by:



Pam Alexander
Chair



Stephen Howlett
Chief Executive

Governors' statement on internal control

The Board of Governors acknowledge their ultimate responsibility for ensuring that the Group has in place a system of internal controls that is appropriate to the various business environments in which it operates. This system 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 Group Board has established a comprehensive framework to assess the effectiveness of the system of internal controls. The Board is supported in its responsibilities by the Audit and Risk Committee with the Group's report and the statement on internal controls being presented to the Audit and Risk Committee for consideration and recommendation to the Group Board.

The internal control framework covers all systems within the Peabody Group and gains assurance from many sources such as internal audit, external audit, Audit and Risk Committee, external regulation and the assurance provided by management. This is then supported by the ongoing risk management process which is embedded in the Group. This process ensures that the risks faced by the entities within the Group are identified, controls are in place to effectively manage these risks and these controls are regularly reviewed and checked for compliance.

The processes in place for identifying, evaluating, and managing the significant risks faced by the Group is ongoing throughout the year and is reviewed regularly by the Audit and Risk Committee on behalf of the Board.

The following key elements of internal control have been in place for all or part of the financial year 2007/8:

- The Audit and Risk Committee meets quarterly with the Trust's Chief Executive, Finance Director, Assistant Director of Internal Audit, and the external auditors. Other members of Executive Team attend when appropriate. The Audit and Risk Committee reviews management letters from the external auditors dealing with any significant control matters raised. The internal and external auditors both have direct access to the Audit and Risk Committee. The

Audit and Risk Committee performs a review of the effectiveness of the internal control environment which includes the following:

- A summary of the main policies which the Board has established and which are designed to provide effective internal control
- A summary of the process and key sources of evidence utilised by the Board in reviewing the effectiveness of the Group's system of internal controls; and
- Confirmation that the Board has reviewed the fraud register, and has reflected the information contained within it in its review

- The Group's internal audit function reports directly to the Audit and Risk Committee and provides a major source of assurance for the Board that the internal control and risk management practices are operating effectively. The internal audit function provides reports which detail status with regard to implementation of previous recommendations. The Internal Audit function also provides assurance to the Board that the Group has an anti fraud policy in place.
- The Group has a risk management strategy which is reviewed on an annual basis and is reported to and approved by the Audit and Risk Committee. The Audit and Risk Committee receive reports on all high ranking risks on a rolling quarterly basis, in addition to reports concerning risks which have crystallised during the quarter;
- The Group has an officer Risk Panel comprising senior staff which meets quarterly to consider key risks and risk management reports. The minutes of these meetings and risk monitoring reports are submitted to Audit and Risk Committee for approval.
- The Group has a Project Approval Committee which meets monthly to approve all investment decisions involving capital programme expenditure and to review the ongoing management and control of capital projects.
- A framework of control risk self assessment has been introduced which is a key source of management assurance. Senior members of staff are required to provide written representations on

internal controls assurance, confirming compliance or identifying non-compliance regarding key aspects of the internal controls framework.

- Reviews of external audit reports following the interim and final audit visits together with the audit planning document, audit report on the annual financial statements, and the management letter help support the process of continual review of the internal control environment. Senior members of the Finance team meet with the external auditors on a regular basis to provide an update on any changes in the business and to discuss strategic and technical matters.
- The Group reports to the Housing Corporation through a number of regulatory returns with the Executive Team ensuring that regulatory matters are dealt with promptly and efficiently. The Executive Team meets on a biannual basis with the Housing Corporation regulatory team. The Group's operations are also subject to independent inspection by the Audit Commission to ensure effectiveness, economy and efficiency of service delivery.
- Key performance indicators covering, housing management, maintenance, lettings, community initiatives, complaints handling, customer satisfaction, human resources and financial results, are reported to the Executive Team and Leadership Team on a monthly basis. Key performance indicators for CBHA are reported monthly to CBHA's management team and are reported to each meeting of the CBHA Trustees (which includes members of the Peabody Trust Executive Team). The Peabody Trust KPIs are reported quarterly to the Group's Board. The Trust has a comprehensive system of financial reporting with the annual budget and long term financial plan being reported to and approved by the Board.

The Board of Governors, through the reports of the Audit and Risk Committee, has reviewed the effectiveness of the system of internal control in existence in the Group for the year ended 31 March 2008 and until 23 July 2008. No significant weaknesses were found in internal controls which resulted in material losses.

Independent Auditor's Report

We have audited the financial statements of Peabody Trust for the year ended 31 March 2008 which comprise the Trust and consolidated income and expenditure accounts, the Trust and consolidated statements of total recognised surpluses and deficits, the Trust and consolidated balance sheets, the Trust and consolidated cash flow statements, the respective notes to the cash flow statements a to c and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governors, as a body, in accordance with Schedule 1 paragraphs 16 to 18 of the Housing Act 1996. Our audit work has been undertaken so that we might state to the governors those matters we are required to state to them in an auditors' 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 Trust and the governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and Auditors

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice are set out in the statement of the Board's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Peabody Donation Fund Act 1948 as amended by the Charities (The Peabody Donation Fund Act) Order 1997, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Report of the Governors is not consistent with the financial

statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding board members' and directors' remuneration and transactions with the Trust and other members of the Group is not disclosed.

We read the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Trust and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Trust's affairs as at 31 March 2008 and of the Group's and the Trust's surplus for the year then ended; and

- the financial statements have been properly prepared in accordance with the Peabody Donation Fund Act 1948 as amended by the Charities (The Peabody Donation Fund Act) Order 1997, Schedule 1 to the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
St Albans
23 July 2008

Trust Income and Expenditure Account

Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
TURNOVER	2(a)	90,228	88,074
Operating costs	2(a)	(70,881)	(65,681)
OPERATING SURPLUS		19,347	22,393
Surplus on sale of fixed assets	23	65,426	40,907
Interest receivable and similar income	5	4,050	3,728
Other interest payable and similar charges	6	(21,777)	(25,325)
Cost of early redemption of loans	6	(37,031)	(52,341)
Total interest payable		(58,808)	(77,666)
Surplus/(deficit) on ordinary activities before and after taxation for the financial year	16	30,015	(10,638)

The turnover and surplus/(deficit) for the current and prior years derive from continuing operations.

These financial statements were approved by the Board of Governors on 23 July 2008 and signed on their behalf by:



Pam Alexander
Chair



Stephen Howlett
Chief Executive

Trust Statement of Total Recognised Surpluses and Deficits

Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Surplus/(deficit) for the financial year		30,015	(10,638)
Actuarial gain relating to the pension scheme	17	5,740	4,032
Unrealised (deficit)/surplus on revaluation of investments	16	(1,114)	200
Total recognised surpluses and deficits in year		34,641	(6,406)

Trust Balance Sheet

31 March 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Housing properties – depreciated cost	9(a)	940,554	927,649
Less: Social Housing Grant		(363,477)	(376,574)
Other Public Grants		(56,440)	(56,244)
		520,637	494,831
Other tangible fixed assets	10(a)	11,338	11,571
		531,975	506,402
Fixed asset investments	11	12,432	13,257
		544,407	519,659
CURRENT ASSETS			
Debtor due in more than one year	13	28,438	29,438
Debtors due in less than one year	13	11,786	15,768
Cash at bank and in hand		24,993	18,347
		65,217	63,553
CREDITORS: Amounts falling due within one year	14	(25,986)	(36,766)
NET CURRENT ASSETS		39,231	26,787
TOTAL ASSETS LESS CURRENT LIABILITIES		583,638	546,446
PENSION DEFICIT	17	7,681	13,091
CREDITORS: Amounts falling due after more than one year	15	400,451	392,490
RESERVES			
Revenue reserve	16	166,879	131,073
Designated reserves	16	8,627	9,792
		175,506	140,865
		583,638	546,446

These financial statements were approved by the Board of Governors on 23 July 2008 and signed on their behalf by:



Pam Alexander
Chair



Stephen Howlett
Chief Executive

Trust Cash Flow Statement

Year ended 31 March 2008

	Note	£'000	2008 £'000	£'000	2007 £'000
Net cash inflow from operating activities	(a)		22,810		25,096
Net interest paid		(16,721)		(18,184)	
Cost of early redemption of loans		(45,039)		(58,766)	
Returns on investments and servicing of finance	(b)		(61,760)		(76,950)
Capital expenditure and financial investment	(b)		39,927		28,134
Net cash inflow/(outflow) before financing			977		(23,720)
Financing	(b)		5,669		6,387
Increase /(Decrease) in cash			6,646		(17,333)

Reconciliation of net cash inflow to movement in net debt

		£'000	£'000	£'000	£'000
Increase /(Decrease) in cash in the year	(c)	6,646		(17,333)	
Cash inflow from financing	(b)	(5,669)		(6,387)	
Change in net debt resulting from cash flows			977		(23,720)
Non cash transactions	(c)		7,532		6,579
Movement in net debt in the year			8,509		(17,141)
Net debt at beginning of the year			(338,111)		(320,970)
Net debt at the end of the year			(329,602)		(338,111)

Notes to the Trust Cash Flow Statement

Year ended 31 March 2008

(a) RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £'000	2007 £'000
Operating surplus	19,347	22,393
Depreciation	10,513	10,715
Decrease/(increase) in debtors	4,482	(2,402)
Decrease in creditors	(11,862)	(6,212)
Adjustment for pension funding	330	602
Net cash inflow from operating activities	(22,810)	25,096

(b) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£'000	2008 £'000	£'000	2007 £'000
Returns on investments and servicing of finance				
Interest received	3,761		3,464	
Dividends received	289		264	
Interest paid	(20,771)		(21,912)	
Cost of early redemption of loans	(45,039)		(58,766)	
Net cash outflow from returns on investments and servicing of finance		(61,760)		(76,950)
Capital expenditure and financial investment				
Cash paid for construction of, investment in, and purchase of housing properties	(53,875)		(39,217)	
Social Housing Grant received	5,627		8,022	
Other grants received	2		40	
Cash received on sale of property	90,370		62,281	
Cash paid for investments	(289)		(276)	
Cash paid for purchase of other tangible fixed assets	(807)		(1,256)	
Internal costs capitalised	(1,101)		(1,460)	
Net cash inflow from capital expenditure and financial investment		39,927		28,134

Notes to the Trust Cash Flow Statement

Year ended 31 March 2008

(b) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	£'000	2008 £'000	£'000	2007 £'000
Financing				
New loans	85,000		135,000	
Repayment of loans made to subsidiary undertaking	500		5,000	
Repayment of loans	(79,831)		(133,613)	
Net cash inflow from financing		5,669		6,387

(c) ANALYSIS OF NET DEBT

	At 1 April 2007 £'000	Cash Flow £'000	Other non-cash changes £'000	At 31 March 2008 £'000
Cash at bank and in hand	18,347	6,646	-	24,993
Debt due after one year	(383,704)	(7,361)	8,532	(382,533)
Debt due within one year	(2,192)	2,192	(500)	(500)
Debtor due after more than one year	29,438	(500)	(500)	28,438
	(338,111)	977	7,532	(329,602)

The £8.5 million non cash transaction represents the release of the guaranteed debenture stock premium.

Consolidated Income and Expenditure Account

Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
GROUP TURNOVER	2(a)	98,819	98,710
Group operating costs	2(a)	(77,099)	(73,717)
GROUP OPERATING SURPLUS		21,720	24,993
Surplus on sale of fixed assets	23	66,618	41,695
Interest receivable and similar income	5	2,691	2,382
Other interest payable and similar charges	6	(21,761)	(25,323)
Cost of early redemption of loans	6	(37,031)	(52,341)
Total interest payable		(58,792)	(77,664)
Surplus/(deficit) on ordinary activities before and after taxation for the financial year	16	32,237	(8,594)

The turnover and operating surplus for the current and prior years derive from continuing operations.

These financial statements were approved by the Board of Governors on 23 July 2008 and signed on their behalf by:



Pam Alexander
Chair



Stephen Howlett
Chief Executive

Consolidated Statement of Total Recognised Surpluses and Deficits

Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Surplus/(deficit) for the year		32,237	(8,594)
Actuarial gain relating to the pension scheme	17	6,220	4,416
Unrealised (deficit)/surplus on revaluation of investments	16	(1,114)	200
Total recognised surpluses and deficits in year		37,343	(3,978)

Consolidated Balance Sheet

31 March 2008

	Note	£'000	2008 £'000	£'000	2007 £'000
FIXED ASSETS					
Housing properties – depreciated cost	9(b)		999,729		986,927
Less: Social Housing Grant		(363,477)		(376,574)	
Other Public Grants		(74,342)	(437,819)	(73,217)	(449,791)
<hr/>					
Other tangible fixed assets	10(b)		561,910		537,136
			11,852		12,120
<hr/>					
Fixed asset investments			573,762		549,256
Shares in quoted securities	11		7,432		8,257
<hr/>					
			581,194		557,513
CURRENT ASSETS					
Stocks	12	-		1,186	
Debtors due in more than 1 year	13	60		120	
Debtors due in less than 1 year	13	10,678		12,954	
Cash at bank and in hand		38,923		30,755	
<hr/>					
CREDITORS: Amounts falling due within one year	14	(26,808)		45,015	(38,087)
<hr/>					
NET CURRENT ASSETS			22,853		6,928
<hr/>					
TOTAL ASSETS LESS CURRENT LIABILITIES			604,047		564,441
<hr/>					
PENSION DEFICIT	17		8,702		14,591
<hr/>					
CREDITORS: Amounts falling due after more than one year	15		400,196		392,044
<hr/>					
RESERVES					
Revenue reserve	16	182,962		144,173	
Designated reserves	16	8,627		9,792	
Revaluation reserve	16	3,560		3,841	
<hr/>					
			195,149		157,806
<hr/>					
			604,047		564,441
<hr/>					

These financial statements were approved by the Board of Governors on 23 July 2008 and signed on their behalf by:



Pam Alexander
Chair



Stephen Howlett
Chief Executive

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Note	£'000	2008 £'000	£'000	2007 £'000
Net cash inflow from operating activities	(a)		24,774		32,145
Net interest paid		(18,107)		(25,993)	
Cost of early redemption of loans		(45,039)		(52,341)	
Returns on investments and servicing of finance	(b)		(63,146)		(78,334)
Capital expenditure and financial investment	(b)		41,371		23,609
Net cash inflow/(outflow) before financing			2,999		(22,580)
Financing	(b)		5,169		1,387
Increase/(Decrease) in cash			8,168		(21,193)

Reconciliation of net cash inflow to movement in net debt

		£'000	£'000	£'000	£'000
Increase/(Decrease) in cash in the year	(c)	8,168		(21,193)	
Cash inflow from financing	(b)	(5,169)		(1,387)	
Change in net debt resulting from cash flows			2,999		(22,580)
Non cash transactions	(c)		8,005		6,553
Movement in net debt in the year			11,004		(16,027)
Net debt at beginning of the year			(354,695)		(338,668)
Net debt at end of the year			(343,691)		(354,695)

Notes to the Consolidated Cash Flow Statement

Year ended 31 March 2008

(a) RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £'000	2007 £'000
Operating surplus for the year	21,720	24,993
Depreciation	10,660	10,757
Decrease in stocks	1,186	980
Decrease/increase in debtors	2,336	(3,093)
Increase in creditors	(11,458)	(2,130)
Adjustment for pension funding	330	638
Net cash inflow from operating activities	24,774	32,145

(b) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£'000	2008 £'000	£'000	2007 £'000
Returns on investments and servicing of finance				
Interest received	2,402		2,118	
Dividends received	289		264	
Interest paid	(20,798)		(21,950)	
Cost of early redemption of loans	(45,039)		(58,766)	
Net cash outflow from returns on investments and servicing of finance		(63,146)		(78,334)
Capital expenditure and financial investment				
Cash paid for construction of, investment in and purchase of housing properties	(55,140)		(41,355)	
Social Housing Grant received	5,845		3,623	
Other grants received	2		1,174	
Cash received on sale of property	92,880		63,245	
Cash paid for the purchase of other tangible fixed assets	(826)		(1,342)	
Cash paid for investments	(289)		(276)	
Internal costs capitalised	(1,101)		(1,460)	
Net cash inflow from capital expenditure and financial investment		41,371		23,609

Notes to the Consolidated Cash Flow Statement

Year ended 31 March 2008

(b) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	£'000	2008 £'000	£'000	2007 £'000
Financing				
New loans	85,000		135,000	
Repayment of loans	(79,831)		(133,613)	
Net cash inflow from financing		5,169		1,387

(c) ANALYSIS OF NET DEBT

	At 1 April 2007 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 2008 £'000
Cash at bank and in hand	30,755	8,168	-	38,923
Debt due after one year	(383,258)	(7,361)	8,505	(382,114)
Debt due within one year	(2,192)	2,192	(500)	(500)
	(354,695)	2,999	8,005	(343,691)

The £8.5 million non cash transaction represents the release of the guaranteed debenture stock premium.

Notes to the Accounts

Year ended 31 March 2008

1. Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, the Statement of Recommended Practice 'Accounting by Registered Social Landlords Update 2005' and the Accounting Requirements for Registered Social Landlords General Determination 2006 and under the historical cost convention as modified by the revaluation of quoted investments and the £4,684,000 revaluation of properties purchased from a BES Company in 1999.

A summary of the more important accounting policies is set out below.

Basis of Consolidation

The group accounts comprise those of Peabody Trust and its subsidiaries, in accordance with the requirements of FRS 2 – 'Accounting for subsidiary undertakings'.

Turnover

Turnover represents rental and service charge income receivable, fees and revenue grants from local authorities, the Housing Corporation and other funding bodies, and income from the sale of housing properties built for sale.

Housing Properties and Stock for Sale

Housing properties developed for sale are stated at cost less any capital grant received. Stock and work in progress is stated at the lower of cost and net realisable value.

Housing Properties and Depreciation

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as Housing Properties on practical completion of construction. Freehold land is not depreciated.

The Group depreciates freehold housing properties by component on a straight line basis over the estimated useful economic lives of component categories. Useful economic lives range from 15 to 100 years. Component categories include general structure, kitchens, bathrooms, windows, doors, roofs, lifts, boilers and electrical installations.

Works to properties for market rent are capitalised and depreciated over 5 years.

The Group depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Impairment reviews are carried out on an annual basis on assets whose useful economic lives are expected to exceed 50 years, in accordance with Financial Reporting Standard 11.

Shared Ownership Housing Properties and Staircasing

Shared ownership properties are included in fixed assets at their cost net of social housing grant. Proceeds from first tranche sales are credited against cost. Sales of subsequent tranches ("staircasing") are accounted for as disposals of fixed assets, with the relevant proportion of cost being accounted for as a cost of the disposal. Shared ownership properties in the course of construction are stated at cost and transferred to housing properties when completed.

Capital Grant

Where developments have been financed wholly or partly by Social Housing Grant (SHG) or other capital grants the amount of grant received and receivable in respect of housing properties is deducted from the cost of housing properties.

At the balance sheet date, if the capital grant received or receivable is greater than gross cost of the investment to which the grant relates, the difference is included within creditors falling due within one year and shown as grant received in advance.

SHG is subordinated to the repayment of loans by agreement with the Housing Corporation. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Recycled Capital Grant Fund/Disposal Proceeds Fund

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

Notes to the Accounts

Year ended 31 March 2008

1. Accounting Policies (continued)

Other Fixed Assets and Depreciation

Other fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged on a straight line basis over the estimated useful economic lives of assets at the following annual rates:

Freehold offices	1.67%
Office and IT equipment	20%

Depreciation is charged on the above assets from the month of purchase until the month of disposal.

Capitalisation of Interest

Interest on borrowings is charged to housing properties under construction up to the date of completion of each scheme. The interest charged is on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised.

Capitalisation of Development Administration Costs

The cost of housing properties comprises their purchase price, together with directly attributable costs in bringing them into working condition for their intended use. Directly attributable costs, in accordance with FRS 15, include salary costs of own employees incurred directly in respect of the construction or acquisition of the property, and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

Overheads and other indirect costs are written off as incurred.

Sale of Housing Properties

Where properties built for sale are disposed of during the year, the disposal proceeds are included in turnover, and the attributable costs are included as costs of sales within operating costs.

The surplus or deficit on the disposal of housing properties held previously as fixed assets is shown on the face of the income and expenditure account.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account in equal amounts over the lease term.

Investments

Fixed asset investments are stated at their market value except for investments in subsidiary undertakings, which are carried at cost less any provision for impairment. Quoted investments are shown at market value. The movement in the difference between the cost and market value of these investments is shown as an unrealised gain or loss in the statement of total recognised surpluses and deficits when in excess of the original cost.

Value Added Tax

Value added tax is accounted for on an accruals basis. The primary activities of the Group, 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 Customs and Excise.

Pension Costs

Local Government Defined Benefit Pension Scheme

The Group provides membership of the Local Government Pension Scheme, the London Pension Fund Authority, for all employees who elect to take up this option. This is a funded final salary pension scheme. The assets of the pension fund are managed by third-party investment managers and are held separately in trust.

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. Following the full adoption of FRS 17, the current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service is charged against the operating surplus in the year.

A credit representing the expected return on the assets of the pension fund during the year is included within other finance income. This is based on the market value of the assets of the fund at the start of the financial year.

Notes to the Accounts

Year ended 31 March 2008

1. Accounting Policies (continued)

A charge within other finance charges representing the expected increase in the liabilities of the pension fund during the year is included within net interest. This arises from the liabilities of the fund being one year closer to payment.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax.

Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised surpluses and deficits in the year, together with differences arising from changes in assumptions.

Friends Provident Defined Contribution Pension Scheme

From 1 April 2008 new employees of the Peabody Group are able to join the Peabody Group Pension Scheme which is a defined contribution scheme operated by Friends Provident. The assets of this scheme are held separately from those of the Group. Employer contributions in respect of this scheme are charged to the income and expenditure account as incurred.

Loans and Other Financial Instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the net proceeds.

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

Capitalisation of Loan Costs

The initial cost of raising finance is deducted from the loan proceeds and amortised over the period of the loan.

Designated Reserves

The Trust designates reserves for particular purposes with the expectation that amounts from these reserves will be transferred back to general reserves to match relevant expenditure in the income and expenditure account.

Revaluation Reserve

The revaluation reserve records any appreciation in value of fixed asset investments except where the revalued asset represents designated reserves, in which case the revaluation element is shown separately as part of the designated reserve. The revaluation reserve also records the revaluation of properties repurchased from the BES Company as noted above in 1999.

Homes Managed by Other Parties on Behalf of the Trust

A number of the Trust's supported homes are managed by third parties on behalf of the Trust. 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 Trust's income and expenditure account.

Related Party Transactions

The Trust has taken advantage of the exemption permitted by FRS 8 – 'Related Party Disclosures', and does not disclose transactions with group undertakings that are eliminated on consolidation.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Accounts

Year ended 31 March 2008

2(a) Turnover and operating surplus

TRUST	2008			2007		
	Turnover £'000	Operating Costs £'000	Operating surplus £'000	Turnover £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings						
General needs housing	75,145	(57,528)	17,617	72,730	(54,562)	18,168
Shared ownership	1,274	(1,108)	166	1,193	(686)	507
Key worker	2,721	(1,005)	1,716	2,004	(553)	1,451
	79,140	(59,641)	19,499	75,927	(55,801)	20,126
Other social housing activities						
Donations received	1,796	-	1,796	2,654	-	2,654
Development costs	347	(3,518)	(3,171)	545	(2,317)	(1,772)
Supporting People contract income	241	(234)	7	212	(210)	2
Non social-housing activities						
Market renting	2,804	(1,041)	1,763	2,835	(1,007)	1,828
Commercial lettings	2,393	(1,338)	1,055	2,547	(1,398)	1,149
Leasehold properties	1,098	(1,721)	(623)	791	(1,013)	(222)
Community regeneration	2,409	(3,388)	(979)	2,563	(3,935)	(1,372)
Total	90,228	(70,881)	19,347	88,074	(65,681)	22,393

In addition to the above the Trust administered income and expenditure during the year totalling £2,317,000 (2007: 2,243,000) on behalf of the Local Network Fund for Children and Young People (LNF). These figures are excluded from the above results.

Notes to the Accounts

Year ended 31 March 2008

2(a) Turnover and operating surplus

GROUP	2008			2007		
	Turnover £'000	Operating Costs £'000	Operating surplus £'000	Turnover £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings						
General needs housing	81,498	(61,235)	20,263	78,806	(58,056)	20,750
Shared ownership	1,274	(1,108)	166	1,193	(686)	507
Key worker	2,721	(1,005)	1,716	2,005	(553)	1,452
	85,493	(63,348)	22,145	82,004	(59,295)	22,709
Other social housing lettings						
Donations received	35	-	35	-	-	-
Development costs	347	(3,535)	(3,188)	545	(2,317)	(1,772)
Other	922	(958)	(36)	2,310	(2,109)	201
Supporting People contract income	305	(313)	(8)	276	(283)	(7)
Non social housing activities						
Market renting	2,804	(1,042)	1,762	2,835	(1,007)	1,828
Commercial lettings	2,581	(1,375)	1,206	2,773	(1,430)	1,343
Leasehold properties	1,098	(1,721)	(623)	791	(1,014)	(223)
Community regeneration	2,519	(3,553)	(1,034)	2,563	(3,935)	(1,372)
Sale of sites and properties	2,715	(1,254)	1,461	4,227	(2,185)	2,042
Other	-	-	-	386	(142)	244
Total	98,819	(77,099)	21,720	98,710	(73,717)	24,993

Notes to the Accounts

Year ended 31 March 2008

2(b) Particulars of income and expenditure from social housing lettings

TRUST

	General Needs Housing 2008 £'000	Supported Housing 2008 £'000	Shared Ownership 2008 £'000	Key Worker Housing 2008 £'000	Total 2008 £'000	Total 2007 £'000
Income from lettings						
Rents receivable	63,402	4,101	820	2,678	71,001	67,977
Service charges receivable	4,700	927	379	73	6,079	6,000
Charges for support services	-	494	-	-	494	489
Other income	630	2,362	79	9	3,080	2,781
Gross rental income	68,732	7,884	1,278	2,760	80,654	77,247
Less: Rent losses from voids	(1,278)	(193)	(4)	(39)	(1,514)	(1,320)
Total income from social housing	67,454	7,691	1,274	2,721	79,140	75,927
Expenditure on letting activities						
Services	(5,540)	(1,116)	(380)	(88)	(7,124)	(7,624)
Management	(17,185)	(4,831)	(347)	(417)	(22,780)	(22,516)
Routine maintenance	(8,133)	(677)	(106)	(243)	(9,159)	(9,108)
Cyclical maintenance	(10,655)	(197)	(9)	(40)	(10,901)	(7,187)
Rent losses from bad debts	(637)	(78)	(29)	(38)	(782)	(811)
Depreciation of housing properties	(7,993)	(486)	(237)	(179)	(8,895)	(8,555)
Operating costs on social housing	(50,143)	(7,385)	(1,108)	(1,005)	(59,641)	(55,801)
Operating surplus on social housing lettings	17,311	306	166	1,716	19,499	20,126

Notes to the Accounts

Year ended 31 March 2008

2(b) Particulars of income and expenditure from social housing lettings

GROUP

	General Needs Housing 2008 £'000	Supported Housing 2008 £'000	Shared Ownership 2008 £'000	Key Worker Housing 2008 £'000	Total 2008 £'000	Total 2007 £'000
Income from lettings						
Rents receivable	69,860	4,101	820	2,678	77,459	73,995
Service charges receivable	4,800	927	379	73	6,179	6,000
Charges for support services	-	494	-	-	494	541
Other income	442	2,362	79	9	2,892	2,800
Gross rental income	75,102	7,884	1,278	2,760	87,024	83,336
Less: Rent losses from voids	(1,295)	(193)	(4)	(39)	(1,531)	(1,332)
Turnover from social housing	73,807	7,691	1,274	2,721	85,493	82,004
Expenditure on letting activities						
Services	(5,640)	(1,116)	(380)	(88)	(7,224)	(7,675)
Management	(19,208)	(4,831)	(347)	(416)	(24,802)	(24,913)
Routine maintenance	(9,216)	(677)	(106)	(244)	(10,243)	(10,226)
Cyclical maintenance	(10,978)	(197)	(9)	(40)	(11,224)	(7,187)
Rent losses from bad debts	(722)	(78)	(29)	(38)	(867)	(739)
Depreciation of housing properties	(8,086)	(486)	(237)	(179)	(8,988)	(8,555)
Operating costs on social housing	(53,850)	(7,385)	(1,108)	(1,005)	(63,348)	(59,295)
Operating surplus on social housing lettings	19,957	306	166	1,716	22,145	22,709

Notes to the Accounts

Year ended 31 March 2008

3. Emoluments of governors and executive officers

None of the Governors received any emoluments during the year (2007: £Nil).

Governors were reimbursed expenses totalling £1,514 (2007: £1,163).

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

	2008 £	2007 £
Total emoluments (including pension contributions and benefits in kind)	853,269	621,102
Amounts paid in respect of interim directors	35,595	189,544
Emoluments (excluding pension contributions) paid to the Group Chief Executive	167,662	148,654

The Group Chief Executive is an ordinary member of the Trust's pension scheme. The Trust paid £24,018 of employers contributions into the pension scheme on behalf of the Group Chief Executive in the year ended 31 March 2008 (2007: £20,246).

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

4. Employee information

The average number of persons employed during the year was:

	2008 No.	Trust 2007 No.	2008 No.	Group 2007 No.
The average number of full-time equivalent employees				
Head office functions	104	122	110	127
Housing management	247	230	279	270
Maintenance workforce	76	83	76	83
Community services	131	134	135	134
	558	569	600	614
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Staff costs for the above persons:				
Wages and salaries	15,834	14,924	17,016	16,159
Social security costs	1,467	1,379	1,577	1,489
Other pension costs (note 17)	1,897	1,970	2,028	2,147
Other staff costs	441	748	448	754
	19,639	19,021	21,069	20,549

Notes to the Accounts

Year ended 31 March 2008

5. Interest receivable and similar income

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
Income from listed investments	289	264	289	264
Other interest receivable and similar income	1,669	1,178	2,377	2,118
Interest received from Group entities	2,067	2,286	-	-
Other finance income	25	-	25	-
	4,050	3,728	2,691	2,382

6. Interest payable and similar charges

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
Interest payable on loans	24,125	26,268	24,125	26,268
Amounts capitalised	(2,348)	(1,056)	(2,391)	(1,094)
Premium on repurchase of Debt	37,031	52,341	37,031	52,341
Other finance costs	-	113	27	149
	58,808	77,666	58,792	77,664

7. Surplus/(deficit) on operating activities

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
Surplus/(deficit) on ordinary activities before taxation is stated after charging:				
Depreciation on tangible fixed assets	10,513	10,715	10,660	10,757
Auditors' remuneration:				
In their capacity as auditors :				
Group	-	-	64	64
Trust	60	60	-	-
In respect of other services	8	8	8	8

Notes to the Accounts

Year ended 31 March 2008

8. Taxation charge

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
The taxation charge comprises:				
Adjustment in respect of prior years	-	-	-	-
United Kingdom corporation tax at 30% (2007 - 30%)	-	-	-	-
	-	-	-	-

The tax assessed for the period is lower than that resulting from applying the standard rate of 30% corporation tax in the UK. The differences are explained below:

	Group 2008 £'000	Group 2007 £'000
Surplus/(Deficit) on ordinary activities before taxation	32,237	(8,594)
Tax on profit on ordinary activities at standard rate of 30%	9,671	-
Factors affecting charge for the year:		
Charitable surplus exempt taxation	(9,671)	-
	-	-

A deferred tax asset has not been recognised in respect of the timing differences relating to trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £495,000 (2007: £495,000). The asset would be recovered if suitable taxable profits were to arise in the future against which the losses could be offset.

Notes to the Accounts

Year ended 31 March 2008

9(a) Housing properties – Trust

	Housing properties £'000	Housing properties under construction £'000	Total £'000
Cost:			
At 1 April 2007	928,986	33,785	962,771
Additions	49,332	7,992	57,324
Disposals	(15,775)	(19,519)	(35,294)
At 31 March 2008	962,543	22,258	984,801
Social housing grant:			
At 1 April 2007	357,899	18,675	376,574
Received	5,223	208	5,431
Disposals	(9,515)	(9,013)	(18,528)
At 31 March 2008	353,607	9,870	363,477
Other public grants:			
At 1 April 2007	55,901	343	56,244
Received	196	-	196
At 31 March 2008	56,097	343	56,440
Depreciation:			
At 1 April 2007	35,122	-	35,122
Charge for the year	9,475	-	9,475
Disposals	(350)	-	(350)
At 31 March 2008	44,247	-	44,247
Net book value			
At 31 March 2008	508,592	12,045	520,637
Net book value			
At 31 March 2007	480,064	14,767	494,831

Additions during the year comprise £49.3 million (2007: £32.3 million) of major repairs and refurbishment works, and £8.0 million (2007: £9.4 million) of expenditure on new-build properties.

Notes to the Accounts

Year ended 31 March 2008

9(a) Housing properties – Trust (continued)

Additions to housing properties in the course of construction during the year included capitalised interest (at an average rate during the year of 6.2%) of £2,348,000 (2007 – £1,056,000).

Housing properties includes shared ownership properties that have a cost of £44,827,000 (2007: £49,384,000) and associated Social Housing Grant of £12,253,000 (2007: £12,832,000).

Housing properties includes £168 million of land which has not been depreciated.

	2008 £'000	2007 £'000
Housing properties comprise:		
Freeholds	881,856	866,551
Long leaseholds	102,945	96,220
	984,801	962,771

Notes to the Accounts

Year ended 31 March 2008

9(b) Housing properties – Group

	Housing properties £'000	Housing properties under construction £'000	Total £'000
Cost:			
At 1 April 2007	986,443	35,606	1,022,049
Works completed	2,955	(2,955)	-
Additions	49,389	9,243	58,632
Disposals	(17,093)	(19,519)	(36,612)
At 31 March 2008	1,021,694	22,375	1,044,069
Social housing grant:			
At 1 April 2007	357,899	18,675	376,574
Received	5,223	208	5,431
Disposals	(9,515)	(9,013)	(18,528)
At 31 March 2008	353,607	9,870	363,477
Other public grants:			
At 1 April 2007	71,665	1,552	73,217
Works completed	1,424	(1,424)	-
Received	1,066	217	1,283
Disposals	(158)	-	(158)
At 31 March 2008	73,997	345	74,342
Depreciation:			
At 1 April 2007	35,122	-	35,122
Charge for the year	9,568	-	9,568
Disposals	(350)	-	(350)
At 31 March 2008	44,340	-	44,340
Net book value			
At 31 March 2008	549,750	12,160	561,910
Net book value			
At 31 March 2007	521,757	15,379	537,136

Additions during the year comprise £49.4 million (2007: £32.3million) of major repairs and refurbishment works, and £9.2 million (2007: £11.6 million) of expenditure on new-build properties.

Notes to the Accounts

Year ended 31 March 2008

9(b) Housing properties – Group (continued)

Additions to housing properties in the course of construction during the year included capitalised interest (at an average rate during the year of 6.1%) of £2,391,000 (2007 – £1,094,000).

Housing properties include shared ownership properties that have a cost of £48,384,000 (2007: £53,482,000) and associated Social Housing Grant of £13,231,000 (£2007: £13,969,000).

Housing properties includes £180 million of land which has not been depreciated.

	2008 £'000	2007 £'000
Housing properties comprise:		
Freeholds	941,124	925,829
Long leaseholds	102,945	96,220
	1,044,069	1,022,049

9(c) Social housing grant

The total Social Housing Grant receivable to date is £363,477,000 (2007: £376,574,000), as shown in note 9(a) with no amounts credited to the income and expenditure account.

Notes to the Accounts

Year ended 31 March 2008

10(a) Other tangible fixed assets – Trust

	Freehold offices £'000	Office equipment £'000	Total £'000
Cost:			
At 1 April 2007	13,641	4,440	18,081
Additions	34	773	807
At 31 March 2008	13,675	5,213	18,888
Other public grants:			
At 1 April 2007	-	670	670
Received	-	2	2
At 31 March 2008	-	672	672
Depreciation:			
At 1 April 2007	4,286	1,554	5,840
Charge for the year	544	494	1,038
At 31 March 2008	4,830	2,048	6,878
Net book value			
At 31 March 2008	8,845	2,493	11,338
Net book value			
At 31 March 2007	9,355	2,216	11,571

Notes to the Accounts

Year ended 31 March 2008

10(b) Other tangible fixed assets – Group

	Freehold offices £'000	Office equipment £'000	Total £'000
Cost:			
At 1 April 2007	14,083	4,868	18,951
Additions	34	792	826
Adjustment for fully depreciated items	-	(267)	(267)
At 31 March 2008	14,117	5,393	19,510
Other public grants:			
At 1 April 2007	-	670	670
Received	-	2	2
At 31 March 2008	-	672	672
Depreciation:			
At 1 April 2007	4,308	1,853	6,161
Charge for the year	551	541	1,092
Adjustment for fully depreciated items	-	(267)	(267)
At 31 March 2008	4,859	2,127	6,986
Net book value			
At 31 March 2008	9,258	2,594	11,852
Net book value			
At 31 March 2007	9,775	2,345	12,120

Notes to the Accounts

Year ended 31 March 2008

11. Fixed asset investments

Trust	Shares in subsidiary undertakings £'000	Shares in quoted securities £'000	Total £'000
Market Value			
At 1 April 2007	5,000	8,257	13,257
Additions	-	289	289
Change in market value of Peabody Community Fund (PCF) investment portfolio	-	(1,114)	(1,114)
At 31 March 2008	5,000	7,432	12,432

In addition to a £5 million investment in Peabody Enterprises Limited, Peabody Trust fixed asset investments comprise shares in quoted securities. The investment income generated from these shares is used to fund the Community Services activities. The historic cost of these shares is £7,442,171 and the market value as at 31 March 2008 was £7,432,034 (2007: £8,257,000).

Group fixed assets investments comprise the shares in quoted securities only.

12. Stocks and work in progress

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
Land held for sale	-	-	-	1,186
	-	-	-	1,186

During the year ended 31 March 2008 Peabody Land Ltd sold its only land holding.

Notes to the Accounts

Year ended 31 March 2008

13. Debtors

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
Amounts falling due within one year				
Rent and service charges in arrears	8,050	9,744	8,712	10,782
Less: provision for bad debts	(3,945)	(3,850)	(4,269)	(4,231)
	4,105	5,894	4,443	6,551
Operating lease payments in advance	1	22	1	22
Amounts owed by subsidiary undertakings	1,357	3,782	-	-
Amounts owed by subsidiary undertakings – loan	500	-	-	-
Loans to employees	57	55	57	55
Other debtors and prepayments	5,204	5,465	5,455	5,676
Loan to Charity Bank	562	550	562	550
Loan to SCORE	-	-	60	-
Blue Hut Escrow account	-	-	100	100
	11,786	15,768	10,678	12,954
Amounts falling due after one year				
Amounts owed by subsidiary undertakings – loan	28,438	29,438	-	-
Loan to SCORE	-	-	60	120
	28,438	29,438	60	120

At the balance sheet date, £28,938,000 (2007: £29,438,000) is on-lent to CBHA at terms which reflect the terms of the main loan agreement between Peabody Trust and Abbey plc, including a fixed rate of 6.79% applicable to £25 million of the loan. During the year CBHA repaid £0.5 million of the intra-group loan and this was repaid to Abbey plc. The on-lending is disclosed above, split between amounts due within one year and after one year.

During the year ended 31 March 2005 CBHA made an unsecured loan to Sporting Club Orient (SCORE), a charitable organisation providing sports facilities in East London. A fixed rate of interest at 5.5% applies to the loan, which is repayable over five years with the first repayment being due on the fourth anniversary of the loan.

Notes to the Accounts

Year ended 31 March 2008

14. Creditors: amounts falling due within one year

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
Rent and service charges received in advance	4,438	3,958	4,672	4,184
Trade creditors	5,254	6,734	5,503	7,369
Amounts owed to subsidiary undertakings	256	758	-	-
Loan from Peabody Pension Trust	31	28	31	28
Other taxation and social security costs	610	569	688	575
Accruals and deferred income	14,897	22,527	15,414	23,739
SAGE investors' scheme	-	2,192	-	2,192
Bank and building society loans	500	-	500	-
	25,986	36,766	26,808	38,087

The material change in accruals and deferred income represents £10 million of contingent consideration received during 2006/07 in respect of the sale of a site. The deferred income has been released following completion of the sale transaction in 2007/08.

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

	2008 £'000	Trust 2007 £'000	2008 £'000	Group 2007 £'000
Bank and building society loans	381,056	297,080	380,637	296,634
Guaranteed secured debenture stock	1,346	78,485	1,346	78,485
Debenture and guaranteed debenture stock premium	131	8,139	131	8,139
	382,533	383,704	382,114	383,258
Recycled capital grant and disposal proceeds fund	17,918	8,786	18,082	8,786
	400,451	392,490	400,196	392,044

Notes to the Accounts

Year ended 31 March 2008

15. Creditors: amounts falling due after more than one year (continued)

Bank and building society loans

The Group's bank and building society loans are secured by specific charges over housing properties. The borrowings bear interest rates of between 4.46% and 10.25% and are repayable in instalments due as shown on page 45. The drawings during the year represent amounts drawn to refinance the Guaranteed Secured Stock in December 2007.

Debenture Stock

During the year the Trust repurchased £77.1 million (£76.6 million in December 2007 and £0.5 million in May 2007) of its 10.25% Guaranteed Secured Stock, redeemable in 2023. A premium of £37 million was paid with associated interest savings being reflected in future years' financial statements. The remaining stock is secured on selected housing properties. The fair value (market value) of the Trust's Loan stock at 31 March 2008 was £2.1 million, compared to a balance sheet value of £1.3 million.

Risks

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

Interest rate risk

The Group regularly reviews its policy on the proportion of debt that should be held at fixed and floating interest rates. As at 31 March 2008, £276.3 million of the Group's borrowings are at fixed rates with the remainder at floating rates.

Liquidity risk

The Group's policy is to limit liquidity risks by ensuring that it has adequate short and long term borrowing facilities in place, to provide the required level of funding flexibility.

Notes to the Accounts

Year ended 31 March 2008

15. Creditors: amounts falling due after more than one year (continued)

Bank and building society loans	2008	2007
	Total £'000	Total £'000
TRUST		
At beginning of year	297,080	173,869
New loans	85,000	135,000
	382,080	308,869
Less:		
Instalments repaid during the year	(500)	(10,985)
Loan arrangement fees (net of amortisation charge)	(24)	(804)
Amounts due within one year	(500)	-
At end of year	381,056	297,080
Repayable in:		
2-5 years	6,500	-
More than 5 years	374,556	297,080
	381,056	297,080

Notes to the Accounts

Year ended 31 March 2008

15. Creditors: amounts falling due after more than one year (continued)

Bank and building society loans	2008	2007
GROUP	Total £'000	Total £'000
At beginning of year	296,634	173,397
New loans	85,000	135,000
	381,634	308,397
Less:		
Instalments repaid during the year	(500)	(10,985)
Loan arrangement fees (net of amortisation charge)	3	(778)
Amounts due within one year	(500)	-
At end of year	380,637	296,634
Repayable in:		
2-5 years	6,500	-
More than 5 years	374,137	296,634
	380,637	296,634

Notes to the Accounts

Year ended 31 March 2008

16. Reserves

	Revenue Reserve £'000	Revaluation Reserve £'000	Subsidence Reserve £'000	-- Designated Reserves -- Peabody Community Fund £'000	Total £'000
Trust					
At 1 April 2007	131,073	-	1,000	8,792	140,865
Transfers	51	-	(71)	20	-
Surplus in the year	30,015	-	-	-	30,015
Other gains/(losses)	5,740	-	-	(1,114)	4,626
At 31 March 2008	166,879	-	929	7,698	175,506
Group					
At 1 April 2007	144,173	3,841	1,000	8,792	157,806
Transfers	332	(281)	(71)	20	-
Surplus in the year	32,237	-	-	-	32,237
Other gains/(losses)	6,220	-	-	(1,114)	5,106
At 31 March 2008	182,962	3,560	929	7,698	195,149

At 31 March 2008 the Trust's General Reserves, being those which are not designated, were all used in financing investment in social housing or in the Trust's programme of community regeneration activities. Any surpluses are reinvested in the above activities thus ensuring that Peabody is able to continue to deliver its mission of fighting poverty in London.

The designated subsidence reserve will be used to fund repairs to properties which had been the subject of known subsidence events prior to June 2007.

The Peabody Community Fund designated reserve reflects a write-down of £1,114,000 during the year in respect of a fall in value of the Peabody Community Fund investment portfolio.

Notes to the Accounts

Year ended 31 March 2008

17. Pension liabilities

The London Pensions Fund Authority

The Trust participates in the London Pensions Fund Authority Scheme (LPFA) for those employees who elect to join.

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 made as at 31 March 2007 using the projected unit method. The most significant actuarial assumptions used in this valuation were:

Discount rate	- 6.3% per annum
Rate of general pay increases	- 4.7% per annum
Rate of increase in pensions in payment	- 3.2% per annum
Price inflation	- 3.2% per annum
Valuation of assets	- assets have been valued at a 12 month smoothed market value

The actuarial valuation at 31 March 2007 showed that the market value of the LPFA's assets represented 82% of the value of benefits that had accrued to the Fund's pensioners, deferred pensioners and members based on past service, allowing for assumed future pay and pension increases. The valuation has been updated to 31 March 2008.

The Trust's service cost under the LPFA was £1,897,000 (2007 - £1,970,000).

The Group's service cost under the LPFA was £2,028,000 (2007 - £2,147,000)

The major assumptions used by the actuary to value the liabilities of the scheme under FRS 17 are:

	At 31 March 2008 % per annum	At 31 March 2007 % per annum	At 31 March 2006 % per annum
Rate of increase in payment	3.6	3.2	3.1
Rate of increase in salaries	5.1	4.7	4.6
Discount rate	6.9	5.4	4.9
Inflation assumptions	3.6	3.2	3.1
Valuation method	Projected unit	Projected unit	Projected unit

Notes to the Accounts

Year ended 31 March 2008

17. Pension liabilities (continued)

The London Pensions Fund Authority

The assets in the Scheme and expected rates of return were:

	Expected long term rate of return	Value at 31 March 2008 £'000	Expected long term rate of return	Value at 31 March 2007 £'000	Expected long term rate of return	Value at 31 March 2006 £'000
Equities	7.5%	24,318	7.7%	25,594	7.3%	23,613
Target return funds/Bonds	6.3%	7,857	6.4%	9,189	6.0%	7,134
Alternative assets/Property	6.7%	7,316	6.8%	5,211	6.5%	4,416
Cash	4.8%	1,221	4.9%	1,103	4.6%	2,302
Total market value of assets		40,712		41,097		37,465
Present value of scheme liabilities		(48,342)		(54,106)		(53,791)
Present value of unfunded liabilities		(51)		(82)		(82)
Net pension liability		(7,681)		(13,091)		(16,408)

Amounts Charged to Operating Profit	2008 £'000	2008 (% of payroll)	2007 £'000	2007 (% of payroll)
Service cost	1,897	17.0	1,970	20.7
Curtailments and settlements	-	-	5	0.1
Total operating charge (A)	1,897	17.0	1,975	20.8

Projected amount credited to other finance income	£'000	(% of payroll)	£'000	(% of payroll)
Expected return on employer assets	2,976	26.7	2,559	26.8
Interest on pension scheme liabilities	(2,951)	(26.5)	(2,672)	(28.0)
Net Return (B)	25	0.2	(113)	(1.2)
Net Revenue account cost (A) – (B)	1,872	16.8	2,088	22.0

Analysis of Amount Recognisable in Statement of Total Recognised Surpluses and Deficits (STRSD)

	2008 £'000	2007 £'000
Annual return less expected return on pension scheme assets	(3,843)	363
Experience gains and losses arising on the scheme liabilities	2,200	(4)
Changes in financial assumptions underlying the present value of the scheme liabilities	7,383	3,673
Actuarial gain recognisable in the STRSD	5,740	4,032

Notes to the Accounts

Year ended 31 March 2008

17. Pension liabilities (continued)

The London Pensions Fund Authority

Movement in deficit during the year

	2008 £'000	2007 £'000
Deficit at beginning of the year	(13,091)	(16,408)
Current service cost	(1,897)	(1,970)
Employer contributions	1,537	1,365
Contributions in respect of unfunded benefits	5	8
Impacts of settlements and curtailments	-	(5)
Net return on assets	25	(113)
Actuarial gains	5,740	4,032
Deficit at end of year	(7,681)	(13,091)

History of experience gains and losses

	2008 £,000	2007 £,000	2006 £,000	2005 £,000	2004 £,000
Difference between the expected and actual return on assets	(3,843)	363	4,818	806	3,203
Value of assets	40,712	41,097	37,465	29,260	25,209
Percentage of assets	(9.4%)	0.9%	12.9%	2.8%	12.7%
Experience gains/(losses) on liabilities	2,200	(4)	57	2,664	(18)
Total present value of liabilities	48,393	54,188	53,873	43,140	40,970
Percentage of the total present value of liabilities	4.5%	(0.0%)	0.1%	6.2%	(0.0%)
Actuarial gains/(losses) recognised in STRSD	5,740	4,032	(1,908)	2,648	808
Total present value of liabilities	48,393	54,188	53,873	43,140	40,970
Percentage of the total present value of liabilities	11.9%	7.4%	(3.5%)	6.1%	2.0%

Notes to the Accounts

Year ended 31 March 2008

17. Pension liabilities (continued)

The London Pensions Fund Authority

The following are the disclosures presented in the financial statements of the Trust's wholly owned subsidiary CBHA in respect of the LPFA pension scheme.

	Expected long term rate of return	Value at 31 March 2008 £'000	Expected long term rate of return	Value at 31 March 2007 £'000	Expected long term rate of return	Value at 31 March 2006 £'000
Equities	7.5%	1,884	7.7%	1,983	7.3%	1,769
Target Return Funds/Bonds	6.3%	609	6.4%	712	6.0%	535
Alternative Assets/Property	6.7%	567	6.8%	404	6.5%	331
Cash	4.8%	95	4.9%	85	4.6%	172
Total market value of assets (active sub fund)		3,155		3,184		2,807
Present value of liabilities		(4,176)		(4,684)		(4,619)
Net pension liability		(1,021)		(1,500)		(1,812)

Amounts Charged to Operating Profit	2008 £'000	2008 (% of payroll)	2007 £'000	2007 (% of payroll)
Service cost	131	18.1	177	23.1
Total operating charge (A)	131	18.1	177	23.1

Projected amount credited to other finance income

Expected return on employer assets	232	32.1	195	25.5
Interest on pension scheme liabilities	(255)	(35.2)	(231)	(30.2)
Net Return (B)	(23)	(3.1)	(36)	(4.7)
Net Revenue account cost (A) – (B)	154	21.2	213	27.8

Notes to the Accounts

Year ended 31 March 2008

17. Pension liabilities (continued)

Analysis of Amount Recognisable in Statement of Total Recognised Surpluses and Deficits (STRSD)

	2008 £'000	2007 £'000
Annual return less expected return on pension scheme assets	(300)	28
Experience gains and losses arising on the scheme liabilities	56	(1)
Changes in financial assumptions underlying the present value of the scheme liabilities	724	357
Actuarial gain recognisable in the STRSD	480	384

Movement in deficit during the year

	2008 £'000	2007 £'000
Deficit at beginning of the year	(1,500)	(1,812)
Current service cost	(131)	(177)
Employer contributions	153	141
Net return on assets	(23)	(36)
Actuarial gains/(losses)	480	384
Deficit at end of year	(1,021)	(1,500)

History of experience gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on assets	(300)	28	358	58	208
Value of assets	3,155	3,184	2,807	2,151	1,670
Percentage of assets	(9.5%)	0.9%	12.7%	2.7%	12.4%
Experience losses on liabilities	56	(1)	-	(64)	1
Total present value of liabilities	4,176	4,684	4,619	3,620	2,970
Percentage of the total present value of liabilities	1.3%	0.0%	-	(1.8%)	0.0%
Actuarial gains/(losses) recognised in STRSD	480	384	(309)	(85)	(18)
Total present value of liabilities	4,176	4,684	4,619	3,620	2,970
Percentage of the total present value of liabilities	11.5%	8.2%	(6.7%)	(2.3%)	(0.6%)

Peabody Pension Trust Limited (PPT) and other pension commitments

Peabody Pension Trust acts as Trustee and administrator for the Governors of Peabody Trust for the operation of a retirement benefits scheme for those Peabody employees who were eligible at 31 December 1977. The Trust 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 2008 was £16,601 (2007: £19,000).

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

Notes to the Accounts

Year ended 31 March 2008

18. Capital commitments

Capital expenditure, contracted for and not provided for in the accounts amounts to £25,018,000 (2007: £46,279,000).

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

19. Contingent liabilities

There are no known material contingent liabilities as at 31 March 2008 (2007: £Nil).

20. Legislative provisions, taxation, subsidiary undertakings and joint ventures

The Trust is a registered charity formed under an Act of Parliament, and a housing association registered with the Housing Corporation.

The Trust has the following wholly owned subsidiaries, all of which are incorporated in Great Britain and have been included in the Group results:

- CBHA (a charitable company, limited by guarantee and a registered social landlord)
- Peabody Enterprises Limited
- Peabody Land Limited
- Ladbroke Developments Limited
- Blue Hut Developments Limited
- Peabody Pension Trust Limited

Peabody Land Limited, Peabody Enterprises Limited, Ladbroke Developments Limited and Blue Hut Developments Limited are trading subsidiaries involved in the development and sale of land and private residential property.

Peabody Pension Trust Limited has been excluded from consolidation on the grounds of materiality.

Notes to the Accounts

Year ended 31 March 2008

21. Accommodation in management

Managed directly at 31 March	2008	Trust 2007	2008	Group 2007
Social Housing	Units	Units	Units	Units
Housing accommodation	14,590	14,721	15,931	16,484
Shared ownership	432	448	463	474
Keyworker	326	338	326	338
Supported housing	540	562	595	617
	15,888	16,069	17,315	17,913
Managed by others at 31 March				
Social Housing				
Housing accommodation	-	422	-	-
Supported housing	347	347	347	347
	347	769	347	347
Non – social housing				
Total non-social rented housing	348	313	348	313

22. Transactions with related parties

At 31 March 2008 there were 2 members of the Board or other Committees of the Trust who had tenancy agreements with the Trust. There were 8 residents involved with the Governance of CBHA at 31 March 2008. The tenancy agreements have been granted on the same terms as for all other residents, and the housing management procedures, including those relating to management of arrears have been applied consistently to these residents.

23. Surplus on sale of fixed assets

During the year the Trust sold 166 properties which were void and economically unviable, generating a surplus of £31.3 million. In addition the Trust generated a surplus on the sale of properties under the preserved right to buy and from shared ownership staircasing transactions of £5.0 million. The Trust sold 2 sites during the year, one under a compulsory purchase arrangement. The sales generated a combined surplus of £29.1 million.

CBHA sold 9 properties during the year under the preserved right to buy, and completed 3 shared ownership staircasing transactions, generating a surplus of £1.2 million.

Translation service

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The Peabody Trust is constituted
under the Peabody Donation Fund
Act 1948, as amended by The Charities
(The Peabody Donation Fund) Order 1997.

Registered Charity No 206061
Housing Corporation No L0014