Financial statements

2022

L&Q

Contents

The Group uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of the business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in note 34 of the accounts, and the Value for Money (VFM) Statement. VFM Metrics are as defined by the Regulator of Social Housing (RSH), or the sector scorecard.

01

Highlights 2021/22

Highlights 2021/22

Financials

Turnover
£1,112m
(2021 - £1,052m)

EBITDA MRI
£327m
(2021 – £374m)

Total assets less current liabilities
£13.6bn
(2021 - £13.1bn)

Surplus
£154m
(2021 - £208m)

EBITDA MRI Margin
24%
(2021 – 30%)

Net Debt
£5.3bn
(2021 - £5.3bn)

Operating Surplus
£271m
(2021 – £307m)

EBITDA MRI / interest cover
222%
(2021 - 254%)

Homes

Homes in management
107,193
(2021 – 107,404)

New homes developed
4,157
(2021 - 2,699)

New homes enabled
1,979 (strategic land plots sold)
(2021 - 890)

Ratings

Credit ratings

Moody's	A3 / Stable	(2021 – A3/Stable)
S&P	A- / Stable	(2021 – A-/Stable)
Fitch	A+ / Stable	(2021 – A+/Negative)

Regulatory rating

Governance grade – G1
Viability grade – V1

Our People

Staff engagement
70%
(2021 – 71%)

Operational

Customer satisfaction
82%
(2021 – 81%)

CQC rating
100% of our care schemes as outstanding or good
(2021 – 100%)

[1] EBITDA MRI– Earnings before interest, tax, depreciation and amortisation, major repairs expenditure included
[2] Customer satisfaction – Service Delivery, as measured within our Balanced Scorecard under our Future Shape strategy. See the Value for Money Statement later in this report for more information.

01 About L&Q

L&Q is one of the UK's leading housing associations and developers.

We believe passionately that people's health, security and happiness depend on where they live. That's why we are more than a registered charitable housing association. We want to provide homes and neighbourhoods everyone can be proud of by delivering safe, high quality homes, services and support for all of our residents.

Social purpose is at the core of everything we do. As a not-for-profit organisation, we reinvest all the money we make to help house and support those in greatest need.

Our 250,000 residents are our priority, so is the quality and sustainability of the places we manage and build, and the on-going involvement in these neighbourhoods is as important to us as it is to them. We've been a landlord and developer for 60 years, building homes for sale or rent across the country, so we are in it for the long term, providing support to our residents and their communities if they need us.

We aim to deliver great service and quality to every customer, every time, and we are always looking for ways to improve ourselves. Residents are at the heart of L&Q, and our governance structures ensure they have a powerful voice throughout the business. We are building relationships based on trust, transparency and fairness and we are making sure that we are there when we are needed – locally responsive and working hard to keep the communities we serve safe and vibrant. This is what drives our people and our culture.

The safety of residents and colleagues is paramount. We are part of the government's Early Adopters Group, tasked with understanding Dame Judith Hackitt's post-Grenfell recommendations, and spearheading a vision to create an industry that puts safety first.

Our business is agile and responsive to market conditions. We can make short-term changes to prioritise safety, quality and jobs, while retaining ambitious long-term goals to tackle the national housing crisis and climate agenda.

Building new homes is a crucial part of our social mission, and we remain fully committed to tackling the housing crisis. Our immediate focus is on building beautiful places and safe homes across our committed pipeline. At least half of the new homes we deliver will be for social housing, with the rest available for private rent or sale. We embrace innovation and off-site precision manufacturing to improve quality, enhance environmental standards and tackle fuel poverty.

A vital part of the work we do is supporting our residents to realise their potential. Our L&Q Foundation which celebrates its tenth anniversary this year, funds education and social programmes that improve people's chance in life, and L&Q Living provides care and support services to people with a wide range of needs, including older people, people with learning difficulties and mental health needs.

All of our work is underpinned by our financial strength and stability. We are committed to retaining the confidence of key stakeholders, including lenders and investors by maintaining financial discipline and ensuring strong governance and diverse leadership.

History of L&Q

In October 1963, a group of young professionals came together to create a housing association and L&Q was born.

Back then, the organisation was named Quadrant Housing Association to reflect the naval history of the borough of Greenwich, where it was based.

The initial investment saw 32 people each buy shares worth £2. Combining a dream to end homelessness with the entrepreneurial flair of the city professionals has led us to where we are today. That £64 has become a £14 billion social business.

01 Chair's statement

L&Q is founded on a simple belief: high quality housing is vital for people's health, happiness and security. Everyone deserves a quality home that gives them the chance to live a better life.

Today that passion about the importance of housing, and our not-for-profit ethos gives us our social purpose. All of our resources, and all of our energy, are channelled towards providing more and better housing at a lower cost than can be provided in the private sector. We provide greater security of tenure and services people can rely on.

To maximise our impact, we must be as efficient as possible and apply the professionalism of a modern service organisation that combines the best of L&Q and Trafford Housing Trust.

Whilst a lot has changed over our 60-year history, our enduring social purpose remains as strong as ever. It's embedded in everything we do and every decision we take.

More than 250,000 people make a home with L&Q and rely on us for their comfort, their safety, and their security.

What we do and how we do it really matters, so we have an overriding duty to do it really well. Not just sometimes, but every time.

Yet our residents are not always satisfied with what we do or how easy we are to deal with. At the same time, people's expectations of all social housing providers have rightly increased. There have been occasions where our residents have been let down by poor services and poor quality housing which falls way short of the standard they should expect, and some cases have been highlighted by recent media reports.

We've listened to that feedback and reset our priorities, as detailed in our financial statements last year. We are now delivering a long-term programme to improve every aspect of what we do, transform residents' homes and their experience of dealing with us.

This programme will deliver a step change in the quality and safety of our homes, and the services we provide. It will be coupled with a realistic and sustainable, year on year, increase in high-quality affordable homes. And it will be backed by a continuing determination to provide extra help that can change the lives of residents that need it most.

None of this will be achieved without transforming our organisation and the way we work to ensure it is easier for our people to get things done.

As we make these changes, the views of our residents will be our guide and, ultimately, our judges. To ensure their voices are heard and acted on, we have a Residents Services Board and a resident sits on our main Group Board and is our Senior Independent Director.

We'll always measure our success not by intent but by the demonstrable difference we are making to our residents' lives.

Improving residents' homes

We've now started the sector's largest ever investment programme to upgrade the safety, quality, comfort, and environmental performance of our residents' homes.

On building safety, L&Q is continuing with the delivery of one of the largest inspection and remediation programmes in the country, covering some 1,800 buildings containing over 32,300 homes.

We have never charged for inspections, waking watch or other temporary fire safety measures, and in December 2021 we became the first major housing association to commit to rectify safety defects for leaseholders in buildings we had built at no cost to them. At the beginning of the year we set a target in our five-year corporate plan to fully remediate all potential fire risks in buildings over 18 metres in height by 2026.

We have now inspected more than half of the 32,300 L&Q homes impacted by the new Building Safety Act. As a result of this, almost 6,000 households have had the reassurance that their building does not require remediation.

In line with our previous commitments to implement the government's new building safety advice, we have set aside £322m to undertake works on a priority risk basis, as well as pursuing developers and applying for funding where we can. In order to ensure that more homes meet the new safety standards more quickly we are also following current Government guidance and working with fire engineers to mitigate issues rather than remediate where safe to do so – for example by installing sprinklers and state of the art fire alarm systems.

We're also upgrading our homes in other ways, providing new kitchens and bathrooms, heating and window upgrades, and low carbon measures such as air and ground source heat pumps and solar panels. Measures in the next couple of years include mechanical and engineering works, estate and environmental works, cyclical decorations, fire safety works, works to specialist L&Q Living (LQL) homes, and we'll also be working towards an average Energy Performance Certificate (EPC) C status across all homes, by March 2024.

In total we're planning to make substantial improvements to all homes over the next 15 years – for leaseholders and shared owners this will be in communal areas. But we want to be judged not just by the scale of investment but by the quality of our residents' experience.

Better customer service

We expect that, over five years, these improvements to our residents' homes will lead to a 30% reduction of customer contacts regarding maintenance issues.

But where customers do need to contact us, we're investing to provide great service, every time. Our aim is that 90% of the time we'll resolve an issue at the first point of contact. We want our customers to find us easy to deal with. We want them to believe that we listen and act.

To ensure we are more accessible to residents, we are introducing a local 'patch-based' approach with locally based managers covering patches of circa 550 homes. Modelled on Trafford Housing Trust's successful approach, our people will be more visible to residents and will provide local, face-to-face, housing management services rooted in the local community.

And for customers who prefer to contact us online, a new IT infrastructure will mean a step change in their experience as we become easier to deal with.

Building more homes

L&Q remains committed to building more homes. In the last year we completed a record 4,157 homes, of which 61% were for social tenures. Quality is paramount to us, and customers are reporting 90% satisfaction with the quality of their new homes, showing that our rigorous approach and our new design code is paying off. During the year, we also started building an additional 2,103 homes.

Over the longer term we expect to average around 3,000 new homes a year. This is a sustainable and grounded plan that balances increased investment in existing homes and maintains L&Q as one of the biggest providers of new affordable housing.

At least half of the homes we build will be affordable and the profit we make on open market sales will support our social purpose. We believe in, and will provide, mixed communities.

We'll ensure that Modern Methods of Construction (MMC) techniques that we have pioneered are progressively adopted, with 20% utilisation by 2026.

Providing extra help

A range of economic factors, coupled with Russia's invasion of Ukraine, have pushed inflation up to levels not seen in a generation. Many of our residents are feeling the impact of this cost of living squeeze, and L&Q has a duty to support them however we can.

Specialist teams have been recruited as part of our housing management restructure to support the most vulnerable residents, and the L&Q Foundation will continue to invest in a range of far-reaching initiatives that tackle fuel and food poverty, educational programmes and opportunities for young people.

For example, our Pound Advice Service helps thousands of residents maximise income and minimise debt – £10.2m of additional income was secured for over 3,500 residents in the last financial year. We provide training programmes for over 1,000 residents every year, and our Place Makers fund works with local resident committees to channel grants to local group that promote the wellbeing of residents by, for example, funding activities to help improve physical and mental health and bring communities together.

L&Q Living continues to provide a range of Care and Support Services for 6,000 people across London and the South East. These services range from Later Life Living to Supported Living, alongside a small number of registered care homes.

Last year we built

4,157 homes

61% were for social tenure

01 Chair's statement

Making it happen

Doing the right things for our residents means we have to embrace a high-performance culture with a consistent way of doing things. That means strong and diverse leadership, and colleagues who embrace our social purpose.

We are embedding a new organisational structure that is streamlined and efficient. It will deliver value for money and will make us a great place to work by simplifying our structure and making it easier for our people to get things done.

Good governance really matters and helps us take the right decisions, comply with our legal obligations, and keeps everyone safe. We will measure our performance and report transparently about our progress across our business.

We'll compare ourselves with the best in the sector but will take our lead from service providers outside of the housing sector. We will introduce new environmental, social and governance priorities, including a route map to net zero that drives a step change in performance:

- Developing and implementing a decarbonisation plan for existing homes in 2022
- Conducting a climate risk review in 2022 and moving towards science based target setting for 2024 onwards
- Strengthening governance, monitoring and reporting on sustainability performance
- Setting targets to reduce carbon emissions up to 2024 Purchasing 100% renewable electricity for communal supplies
- Review extending our carbon emissions reporting to more Scope 3 categories.

£10.2m

additional income was secured for over

3,500

residents

Financial Strength

Maximising our social impact is reliant on our financial strength, and the ongoing support of our lenders and investors. We target a continuation of our single 'A' credit ratings, and it is a priority to maintain our G1/V1 ratings following an In-Depth Assessment by the Regulator in July 2022.

L&Q's financial results detailed in this document are behind expectations primarily due to additional impairment and increase in provisions provided for at year end. We have ended the year with EBITDA at £327m and a reduction in net debt which is £64m lower year-on-year at £5.3bn.

Financial performance on non-sales activities continues to reflect our stated objectives of more focus on and investment in the safety of our colleagues and residents, to increase investment in residents' homes and to focus on delivering reliable, repeatable and consistent services. A clear illustration of this is the material increased investment that we have made in our residents' homes with major repair spend at £71m (2021: £35m) and total maintenance spend of £274m (2021: £192m).

Available liquidity at greater than £1.2bn demonstrates that we have been successful in implementing prudent measures to conserve cash flows. Our strong liquidity position leaves us well placed to address future external uncertainty, that is supported by the strength of our balance sheet and the financial resilience and flexibility that we have demonstrated.

During the year we were pleased to successfully complete the first sustainability linked bond in the social housing sector, placing a £300m landmark issue which is directly linked to achieving an ambitious set of social and environment targets.

This followed L&Q publishing our Sustainable Finance Framework in September 2021, which paved the way to access a range of financing products to boost environmental and social outcomes as we aim to be net-zero carbon business by 2050.

Trafford Housing Trust and the North West

L&Q completed its acquisition of Trafford Housing Trust (THT) in 2019. Our shared vision has always been to build on the success of our existing joint venture development partnership by increasing investment into local homes and communities, and to tackle the national housing crisis by delivering 20,000 new homes across the North West in the coming years.

Since then, our partnership has delivered significant benefits. We have doubled the number of new homes we're building in the region annually, and increased social investment in Trafford from £2m to £4m through the new North West Foundation. In addition to this we've increased the investment we've made to improve customers' homes by £21m, including £11m spent on fire safety, and an increase of £2m per year in refurbishing empty homes to a higher standard.

We remain absolutely committed to the delivery of significant community investment and long-term growth plans for 20,000 new homes in the North West as we work towards full integration in 2023. We will deliver this by nurturing a strong, locally-based team dedicated to delivering services to residents in this area.

Finally, I would like to thank all my colleagues at L&Q for their tireless efforts and dedication to residents in what has been another challenging year. The Executive Group and leadership team have ensured that everyone is motivated and determined to provide homes and neighbourhoods everyone can be proud of.

Aubrey Adams
Group Chair

30 August 2022

Our purpose

To provide homes and neighbourhoods everyone can be proud of

Our vision

Everyone deserves a quality home that provides them with the opportunity to live a better life

Our values

People
We care about the happiness and well being of our customers and employees

Passion
We approach everything with energy, determination and enthusiasm

Inclusion
We draw strength from our differences and work collaboratively

Responsibility
We own problems and deliver effective lasting solutions

Impact
We measure what we do by the difference we make

01

Our homes

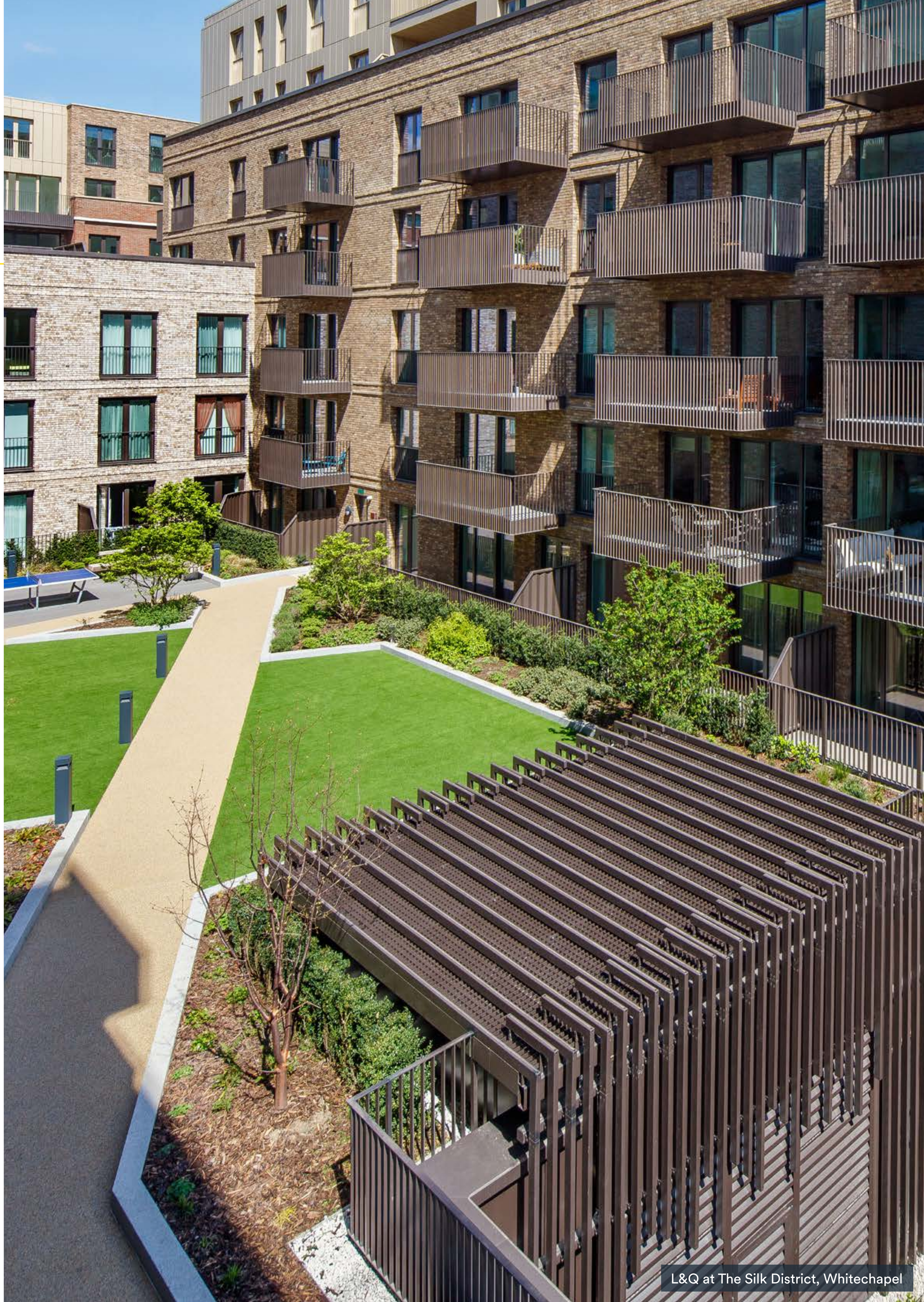
The L&Q Group houses more than 250,000 people in more than 107,000 homes, primarily across London and the South East of England, and has recently expanded further into the North West of England following the acquisition of Trafford Housing Trust.

Number of homes managed

2022	2021	2020	2019	2018
107,200	107,400	105,300	95,700	93,100

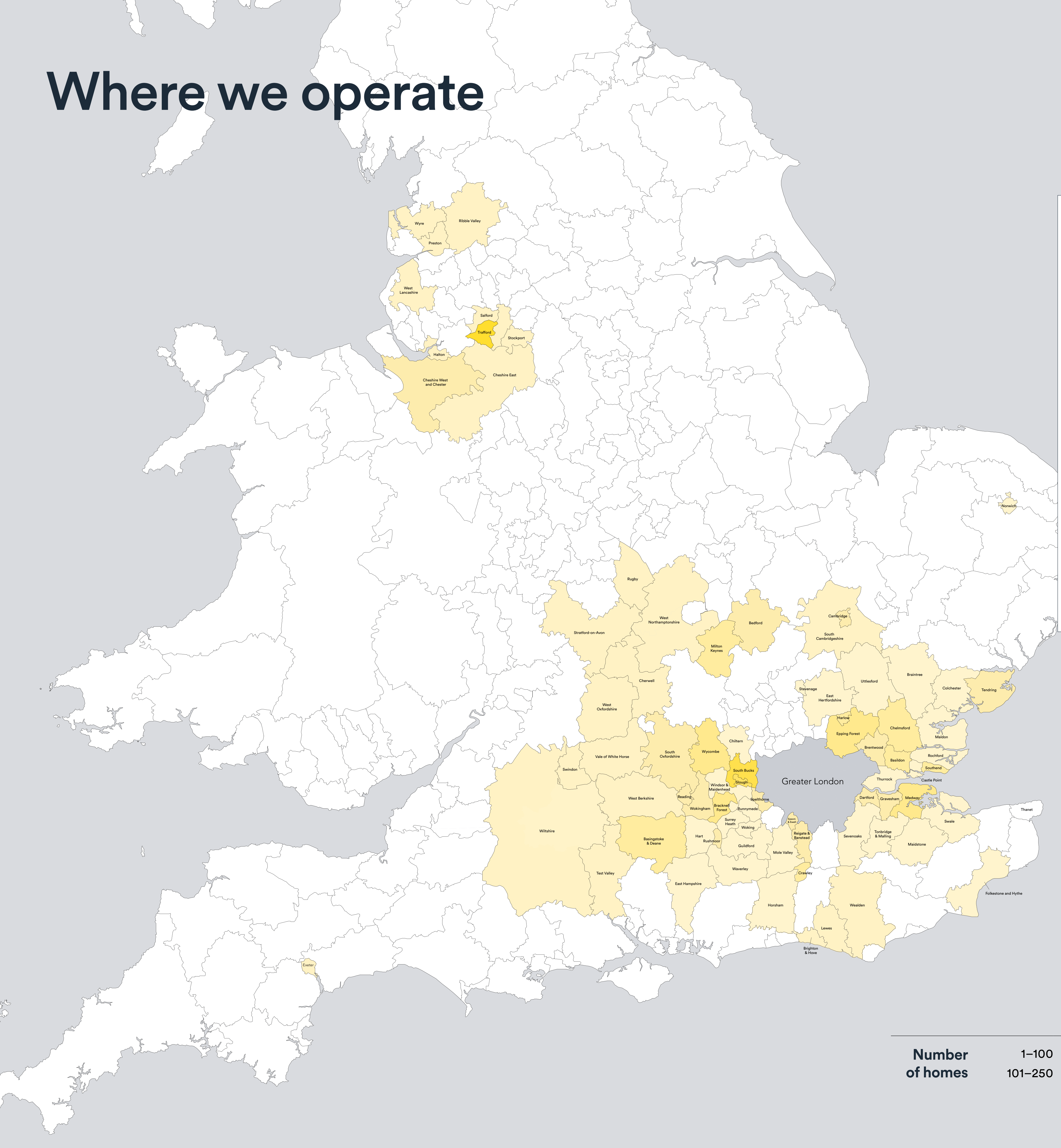
We provide homes and services across the UK for a wide range of tenures, available to residents of diverse incomes. Our largest resident group are those living in social rented housing. On average, our residents living in these homes pay less than 50% of market rents, making them genuinely affordable for people on lower incomes. We are committed to preserving social housing, and building more of it.

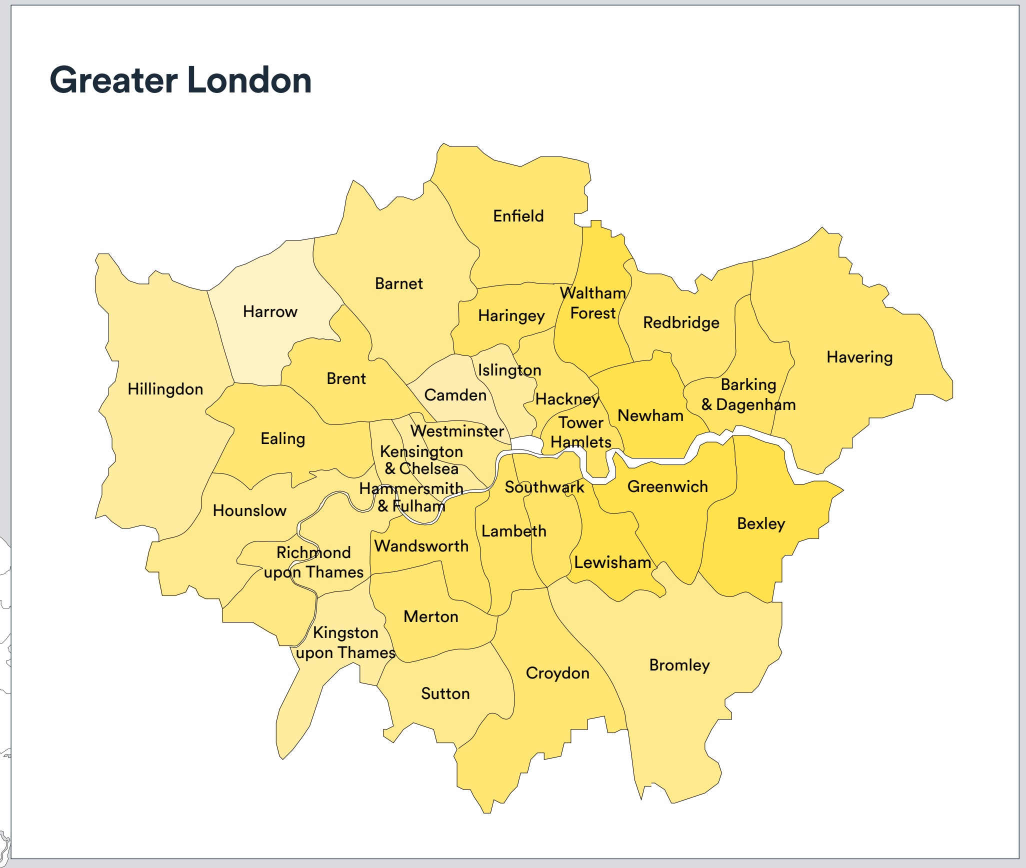
	2022	2021
Social rent - general needs and affordable rent Primarily for low income tenants eligible through local authority nominations	**65,155**	65,874
Shared Ownership and shared equity Homeowners who own a proportion of their property and pay rent on the remaining	**12,714**	12,047
Intermediate market rent and key worker accommodation For tenants who pay less than 80% of the market rent	**3,418**	3,248
Supported housing, housing for older people and care homes For older people or those with higher support need	**7,955**	8,204
Market rent and student accommodation For tenants who pay the market rent for their homes	**3,372**	3,241
Leaseholders Homeowners who are provided services	**12,238**	12,282
Other landlords and other social homes Services provided to homes owned by other landlords and other social homes	**2,222**	2,390
Commercial Combined live and work homes	**119**	118
Total	**107,193**	**107,404**



L&Q at The Silk District, Whitechapel

Where we operate





01

Our customers

As a charitable organisation, our role goes beyond providing homes and housing services.

We are a long-term partner in the neighbourhoods where we work. This year, our work to transform communities has continued, with another £9m invested through the L&Q Foundation. This investment is helping our residents to lead independent lives, secure employment and transform the fabric of our neighbourhoods - you can find out more information on the work of the L&Q Foundation later in this report.

We have set an ambition to be an open, transparent, accountable landlord and to provide information to all residents on how we are performing against our customer promise and the steps we are taking to improve residents' experience with us.

We believe the best way to improve our service is through residents and staff working together. We are passionate about involving residents to help us improve our services and support neighbourhoods, and offer a wide variety of formal and informal opportunities with roles on our Resident Services Board, Neighbourhood Committees and more.

What we are doing to improve openness and transparency

Our **new housing management model** will see Neighbourhood Housing Leads working in much smaller patches of circa 550 homes. Neighbourhood Housing Lead's first job is to get to know their patch and the people that live there. They will be looking to involve residents in their patch, including Resident Associations and Neighbourhood Champions, to collaboratively identify and communicate progress on local issues. As a result, there is expected to be much more resident involvement at a very local level – such as patch meetings and/or borough level information sharing events supporting local partnership working.

The **annual resident report** and our **quarterly performance update** provides residents with information on how we are performing on our delivery of the Customer Promise and the steps we are taking to improve.

The **annual resident conference** takes place in March each year and is open to all residents. It is an opportunity for residents to meet and put their questions on progress made and priorities for the year ahead to our senior leadership and residents who have been involved with us.

Resident Involvement

We have been working with areas across the business and residents to relaunch our approach to resident involvement to ensure that opportunities are meaningful, impactful and enjoyable.

Our aim is to weave resident involvement across the whole business so that it becomes part of how we do everything. We have already woven resident involvement into core business improvement processes from Policy Assurance to Complaints Learning. This is all with a view to mainstreaming resident involvement in the way that we work and ensuring that resident involvement is recognised as a vehicle for ongoing business improvement. This approach is also enabling far more opportunities to involve residents. Flexible volunteering opportunities are being developed and iterated with residents and business areas which are seeing a wider pool of residents get involved for the first time, fitting in an involvement activity over their lunch break via Teams. The volunteering opportunities are also generating positive feedback from business areas on the value of involving residents in this flexible way.

The **Resident Services Board (RSB)** requires assurance from the business that not only are we doing what we say we will in the **Customer Promise,** but that what we are doing is making a positive difference to residents. As well as drawing on our key performance data and customer insights, the RSB take independent sources of assurance from other parts of the resident involvement framework where residents undertake focused scrutiny according to their experience with us based on:

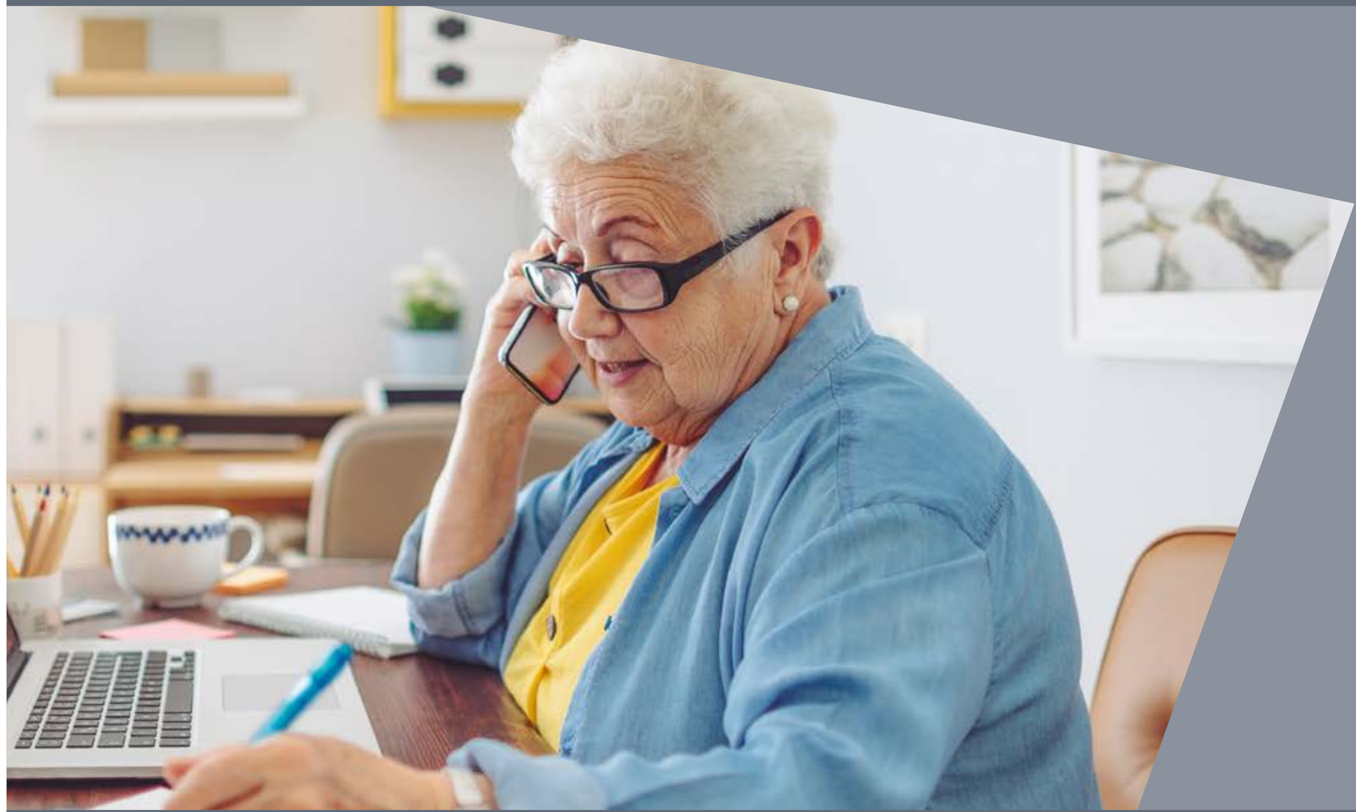
- Where they live (place based involvement)
- Who they are (equalities based involvement)
- Their tenure and housing product (tenure based involvement).

We are committed to strengthening how we make the most of the feedback we receive from all resident groups as well as their experiences to improve our services and support neighbourhoods.

L&Q Resident involvement

Working with Learning and Development

As part of our new emotive customer experience training, residents have been invited to record themselves sharing a testimony outlining what good and/or bad customer experience from L&Q looks and feels like from a resident perspective.



The testimonies have been a compelling insight into how our service is experienced by residents and residents have been supportive of sharing these stories to support staff training and organisational learning.

The testimonies have since been used as evidence of the need to ensure we are focused on achieving quality outcomes for residents, rather than just performance managing outputs.

Resident testimonies have also been played at the mid tender briefing of the Major Works Investment Programme to keep programme teams and prospective contractors focused on their role in providing a consistent, quality service for residents.

01

Our customers

L&Q Customer Promise

Our customer promise remains a central focus of our five-year strategy “Future Shape”, and we are clear in our intention to provide more reliable and repeatable services, and to be able to adapt those services where necessary around people’s needs.

We will keep you safe

We will listen and act

We will provide good quality homes and services

We will put things right

We will make it easy for you to deal with us

You can find our full Customer Promise on our website

01 Our people

Employee involvement

L&Q aims to attract, recruit, and develop a diverse group of employees who share our values, as well as having the required experience, skills and knowledge. There is a culture of shared leadership and collaborative learning across the Group. We pride ourselves on nurturing internal talent through our talent management programmes such as 'Aspiring Managers' and 'Emerging Leaders' as well as through a variety of developmental opportunities, not limited to learning and development activities. This ensures that employees remain engaged, motivated and are committed to providing excellent service for our customers.

Our Employee Promise, our brand and our work on diversity and inclusion have brought a number of benefits to the Group. It has allowed us to raise the profile of the social housing sector through social media and other avenues and partnerships as an employment proposition for talented people, and it enables us to grow our business.

L&Q is recognised as a "Great place to work" and holds an Investors in People Silver status.

L&Q has a number of initiatives to develop and support our employees. For example:

- We have introduced a more effective induction programme to help assimilate new colleagues quickly into the L&Q culture focusing on our values and behaviours, and with the express intention of putting our customers at the heart of everything we do.
- We continue to develop colleagues in service delivery, through our Customer Excellence programme.
- To sustain high levels of engagement and wellbeing we work through our Employee Engagement champion network situated in each area of the business to support managers and leaders with action planning on the back of employee engagement survey results.
- We continue to develop our offer on skills and talent development, in-line with the requirements of the business and ensure we provide a clear management and leadership pathway as well as opportunities such as apprenticeships, graduate training, mentoring and coaching.
- We have developed our digital learning offer including, e-learning training programmes, webinars and a digital personal development toolkit to deliver blended learning and development solutions to support our people in developing their skills.

L&Q Resident involvement

Working with recruitment

Residents have been joining our recruiting managers and HR in helping us to select the right candidates for key, resident-facing roles.

Rather than focus on the technical competencies of the role, residents are helping us identify candidates who have the right communication and problem-solving skills, empathy and an ability to build effective working partnerships with residents.

This involvement opportunity has been piloted in a series of iterative phases to ensure that residents, candidates, HR and hiring managers were all getting what they need from the process.

In the most recent wave of Neighbourhood Lettings Recruitment, candidates were asked to write a written response to an anonymised resident who has contacted their Neighbourhood Housing Lead by email to report an issue.

Candidates were informed that it is residents who will be reviewing and feeding back on their written response. 30 residents reviewed the responses.

Their feedback was shared with the hiring managers, directly informing their assessment of how far the candidates meet key criteria relating to empathy and care for residents, tone of voice and communication skills and living L&Q's values.

The rich feedback is now being used to help inform training for our people.

01 Our people

Diversity and Inclusion

L&Q is committed to a holistic approach to Diversity and Inclusion throughout the career life-cycle, from recruitment and selection, through induction, training and development, appraisal and promotion to retirement. Equally important in this regard is our approach to service delivery. It is our policy to promote an environment free from discrimination, harassment and victimisation. All decisions relating to employment practices will be objective, free from bias and based solely on work criteria and individual merit. We are responsive to the needs of our employees, residents and the community at large.

The Group is a Disability Confident employer, offering an interview to disabled candidates who meet the minimum requirements of the role. We have and continue to support colleagues who may become disabled during their employment.

We are founding members of the Leadership 2025 programme, which seeks to promote BAME talent at the most senior levels within the sector and we support the G15 Accelerate programme with L&Q colleagues taking up 20% of the total delegation. Furthermore, we have seen improvement in our median corporate gender pay gap since beginning to report, (7.12% in 2022 from 9.5% in 2017, with the lowest year reported at 1.30% in 2019) and in our median ethnicity pay gap (1.26% in 2022 from 2.3% in 2017, with the lowest year reported at 0.90% in 2020). We will continue to strive to monitor and improve these.

We are also pleased to be able to report our CEO pay ratio for the first time this year – this is per HMRC guidelines and demonstrates the ratio between the total remuneration the CEO and the full time equivalent remuneration of our employees.

Due to the limited number of organisations currently reporting, there is limited benchmarking information published regarding CEO to median pay ratios. However, the data available shows that L&Q's CEO pay ratio of 10.62 compares favourably with that of Britain's largest 350 listed companies which had a median CEO pay ratio of 44:1

Our Assistant Director of Diversity and Inclusion ensures that we meet all of the objectives identified within our Diversity and Inclusion business plan, which supports the overarching aims of our Corporate Plan. Our four network groups, Inspire, Spectrum, Kaleidoscope and Ability, are working in tandem with the business to make sure that we make improvements and raise our profile in these areas of work.

Wellbeing is firmly on our agenda and a working group plus a detailed strategy, action plan and dedicated communications, on this subject, along with the support of a team of Mental Health First Aiders ensures we support the health and wellbeing of our workforce.

CEO Pay Ratio

L&Q Group	25th percentile	50th percentile	75th percentile
Ratio	13.43	10.62	7.43

L&Q staff network groups

We're proud of our inclusive culture and want to be a place where everyone can bring their whole selves to work, confident that difference is not only accepted but celebrated in our workplace.

Diversity and inclusion is a key part of how we deliver our social mission at L&Q. In recognition of its importance in building successful organisations, inclusion is one of our five core values.

In 2021 we launched a new network **Ability**, our staff diversity network for all colleagues across the L&Q Group with a physical or mental disability/condition.

In total we now have four thriving staff network groups at L&Q, chaired by members of staff who are provided with an allowance of time away from their day job to perform their duties for their network.

ability

Ability – our disability network aims to support disabled colleagues and colleagues that care for disabled family or friends. It also raises knowledge and awareness for all colleagues on disability topics through advice and signposting.

Spectrum

Spectrum – our LGBT+ network: aims to foster an inclusive work environment, where LGBT staff are respected and able to perform to their full potential, thereby helping L&Q to achieve its goals. Spectrum provides confidential support, advice and signposting on LGBT issues to all staff.

Kaleidoscope

Kaleidoscope – our cultural diversity network aims to create an environment where everyone is treated fairly and with respect, regardless of what your cultural background is. We want to be a fully inclusive organisation where everyone can feel confident about bringing their whole self to work. Uniting staff to help the organisation reap the benefits of all its people.

Inspire

Inspire – our gender equality network aims to produce a sustainable improvement in the gender balance across L&Q by challenging perceptions, inspiring confidence and promoting ability. Inspire engages people in discussion about the benefits gender balance brings to organisations, helps staff expand their professional networks, and to gain the confidence and skills needed to progress their careers.

Together, our networks celebrate our diversity, provide support for our people, and help to grow our inclusive culture. Most importantly, the four networks help to bring people together from all across the organisation, connecting them through their shared commitment to supporting diversity and inclusion.

01 Sustainability at L&Q

In January 2022, we published our first Sustainability Report which informed stakeholders about work across the organisation and paved the way for further investment in sustainable activities.

We have identified sustainability priorities, in consultation with L&Q colleagues, residents and other stakeholders.

We are committed to making sustainability integral to L&Q's vision, purpose and the delivery of our corporate strategy.

Our long term objectives are to:

- Be a net zero carbon business by 2050
- Collaborate with others to achieve significant improvement in social impact and social value, and
- Safeguard the environment.

As one of the UK's largest housing associations, we recognise that our activities have a profound impact on the environment and that we have a responsibility to minimise this impact.

We are committed to reducing the carbon footprint of our business. Our priorities are to improve the energy efficiency of our existing homes and to ensure that our new homes are built in line with best practice efficiency standards, so that we can play our part in tackling the climate crisis, while also reducing energy costs for our residents, boosting the economy and creating jobs.

We structure our environmental sustainability efforts into three areas:

- **Climate Action** – decarbonising our homes and activities, while futureproofing our business, residents and communities against the impacts of climate change
- **Resource Efficiency** – using resources more efficiently and minimising the amount of waste produced during the construction, refurbishment and day-to-day management of operational assets, and,
- **Healthy Places** – maximising shared value by creating places that are healthy for both people and planet.

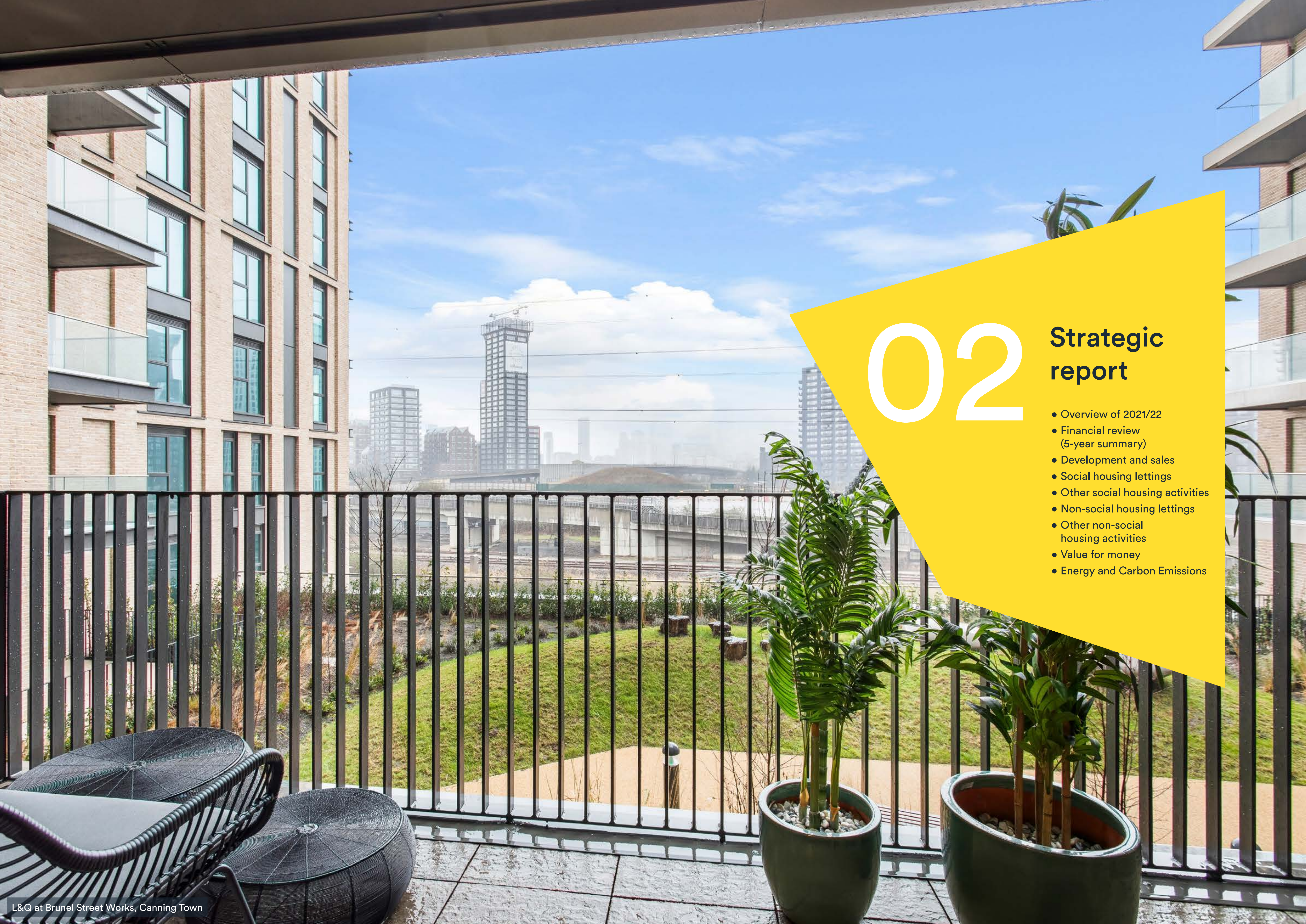
We are working to the spirit of all 17 United Nation Sustainable Development Goals (SDGs), but we have mapped some of our focus areas to the SDGs where we have the most material impact.

We also published our Sustainability Finance Framework which paved the way for us to use a range of loans and bonds to boost environmental and social outcomes. The new framework will enable us to issue both 'use of proceeds' green, social and sustainable instruments where the proceeds are earmarked to finance ESG projects defined under eligible categories, and 'sustainability-linked' funding instruments whereby we will be incentivised to improve our sustainability profile.

During FY2022 L&Q successfully completed the first sustainability linked bond issuance in the Social Housing Sector, placing a £300m landmark issue.

The next Sustainability Report for the L&Q Group is expected to be published in September 2022.

Environmental Theme	Focus Area	Material SDG Alignment	Objectives
Climate action - mitigation	Energy efficiency of existing homes	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	Develop a decarbonisation strategy for existing homes by 31 March 2022 setting out the roadmap to average EPC band C by 2030 and Net Zero 2050.
	Energy efficiency of new homes	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	Establish a minimum energy rating of EPC B for in-house new build homes from 1 April 2022, and enhance this target by 31 March 2023 based on the development of a roadmap for improving new build efficiency standards to near net zero.
	Corporate carbon emissions	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	Reduce direct carbon emissions intensity (scope 1 and 2) by 20% by 31 March 2024 relative to a 2019/20 baseline.
	Renewable energy procurement	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION	Procure 100% of purchased electricity from renewable sources by 31 March 2022.
Climate action - adaptation	Climate resilience	13 CLIMATE ACTION	Conduct a climate risk review of L&Q Group in 2022 and commence reporting in line with the Taskforce on Climate-Related Financial Disclosures (TCFD) in 2023/24.
Resource efficiency	Construction site impacts	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure that energy, water and waste data is being captured and reported for all new in-house construction sites by 31 March 2022.
Healthy places	Environmental placemaking	11 SUSTAINABLE CITIES AND COMMUNITIES; 15 LIFE ON LAND	Incorporate environmental design guidelines into a new strategic approach to Placemaking, for all new developments from 2022.



02 Strategic report

- Overview of 2021/22
- Financial review (5-year summary)
- Development and sales
- Social housing lettings
- Other social housing activities
- Non-social housing lettings
- Other non-social housing activities
- Value for money
- Energy and Carbon Emissions

L&Q at Brunel Street Works, Canning Town

02 Overview of 2021/22

Corporate Strategy

This year represented the first in our 'Future Shape' five year corporate strategy, which centres on three major priorities, each underpinned by what we are calling 'operational excellence'. We have committed to deliver the best total cost solution for our customers through reliable, consistent and repeatable products and services. Our customers will know what to expect of us, and know that we will deliver on this, time and time again. Both as an enabler and an outcome of this, we will be more effective and more efficient. In turn, this will strengthen L&Q's long-term health and sustainability.

The three priorities are:

- More focus on and investment in the safety of our colleagues and residents
- Greater investment in our existing homes
- More focus on delivering reliable, repeatable and consistent services.

Outside of these priorities, but still critical to our social purpose, is the delivery of more homes to help solve the housing crisis. We will also be placing more focus on the environmental sustainability and climate change agenda; through investment in and changes to our ways of working, our homes, and our business operations.

Finally, to assure the delivery of these priorities over the long term, we want to deepen our financial security through maintaining credit ratings where it is within our control to do so, therefore continuing to enable investment opportunities. At the same time, we will seek to reduce our reliance on profits from open market sales, providing us with greater choice and flexibility beyond 2026.

Our strategy will be delivered across five strategic pillars:

- **Service** – we will provide reliable and repeatable services, and tailored, intensive support to those customers who need us the most. We will work in partnership to enable the creation of sustainable communities
- **Homes** – We will develop quality, sustainable homes and places where people want to live that enable firm foundations for successful lives, benefitting our customers, our communities and the environment for the long term
- **People** – We will create a culture through our people that is driven by our values and behaviours. We will focus on our leadership capability to deliver high performance, and consistent ways of working, known as 'the L&Q way'. We will embrace diversity, and create the environment, working practices and opportunities for our people to thrive and reach their potential
- **Governance and Assurance** – We will continue to take our regulatory, statutory and legislative responsibilities extremely seriously and embed compliance and assurance at the heart of our business through good governance arrangements. We will measure, monitor and report our performance, anticipating issues before they occur and take swift action to minimise their impact on our residents, their homes and our colleagues
- **Finance** – We will maximise our social impact through our financial strength. We will optimise financial assets and resources to build and maintain our financial resilience and maximise value creation for the long-term benefit of our customers.

More detail on how we will deliver value for money across these pillars can be found in the "Value for Money" report section later in these Financial Statements.

Group financial performance

Key financial metrics

Summary of financial performance for the year	2022	2021
Turnover	**£1,112m**	£1,052m
EBITDA MRI[3]	**£327m**	£374m
EBITDA MRI margin overall	**24%**	30%
Operating margin overall	**24%**	29%
Operating margin – social housing lettings	**31%**	39%
Operating margin – sales	**2%**	10%
EBITDA MRI Interest cover %	**222%**	254%

Turnover

Turnover increased by £60m to £1,112m (2021: £1,052m), representing year on year increases and the highest the L&Q Group has ever achieved. Of this, 55% was generated from our core social housing lettings activities (2021: 57%) with additions of new social housing properties and application of rent increases leading to an increased turnover of £17m for this portfolio in the year. A further 37% (2021: 35%) of turnover was from market sales activity which contributed an additional £414m to turnover in comparison to the prior year (2021: £369m), and 3% (2021: 3%) from market rents. The remaining 5% (2021: 4%) of turnover came from other activities, consistent with previous year performance.

Operating margins and surplus

Operating surplus for the year was £271m (2021: £307m) consisting of £173m from all social housing activities (2021: £224m) while our non-social housing activities contribution increased to £98m (2021: £83m). Operating margin overall reduced to 24% from 29%, while our operating margin from sales decreased to 2% (2021: 10%). Impairment sustained in the year is a key driver to explain some of this year on year decline in sales performance, although it should be noted that impairment is contained within a few challenging schemes and is not a widespread issue. There was also a material increase of £24m (2021: £14m) in a provision for build defect costs that went through Development operating expenditure in the year, impacting operating margins. Our core business social lettings operating margin was 31% (2021: 39%) which was mainly due to higher expenditure more in line with normal operating business compared to the lower expenditure we experienced throughout the previous year as a result of the coronavirus pandemic lockdowns leading to reduced overhead and operating expenditure.

Interest payable for the year increased by £1m to £103m (2021: £102m) reflecting an increasing interest rate environment whilst ensuring careful debt management enabling repayment of loans to reduce net debt.

In addition to the above financial measurements we track our EBITDA performance closely as a proxy for cash generation and an indication of profitability. Our EBITDA reduced by £47m in the year to £327m, primarily due to an increase in our investment in capitalised major repairs which increased by £37m to £71m (2021: £35m), alongside an increase in provision for build defects of £24m (2021: £14m). Our EBITDA MRI interest cover was 222% (2021: 254%), although decreasing by 32% compared to the previous year this is still comfortably above our lender covenants and demonstrates our financial strength and resilience.

We closed the year with a surplus after tax of £154m which was £54m lower compared to like for like performance in the previous year (2021: £208m).

Importantly, all of our surpluses continue to be reinvested into the business, with capital spend on existing homes and on developing more homes across the regions we operate in.

[3] EBITDA MRI – Earnings before interest, tax, depreciation and amortisation, major repairs expenditure included

02

Overview of 2021/22

Financial Position

The group continues to maintain a strong financial position with net assets increasing by £174m to £5,587m in the year (2021: £5,413m). Our housing properties portfolio grew by £120m to £11,026m (2021: £10,906m) with additions from a mix of capital maintenance works and continued growth from our own development programme.

This year on year growth is more modest than in previous years due to impairment and stock divestments that also completed in the year, leading to disposals of £230m of housing properties.

Our investment in Private Rented portfolio increased by £93m in the year to £1,162m (2021: £1,069m), of which £35m was an increase in valuation (see Note 14 for more detail).

Land, properties for sale and work in progress decreased by £95m to £839m (2021: £934m) primarily due to sales exceeding new investments and increased careful management of working capital, but also partially due to a write down through impairment charged in the year. More detail can be found in Note 15 of these financial statements.

Net debt decreased by £64m to £5,263m (2021: £5,327m). Our long-term loans are disclosed in more detail in the "Capital Structure and Treasury" section of the strategic report.

£5,587m

Net assets increased by **£174m**

£5,413m

Net debt decreased by **£64m**

£5,263m

[4] Net debt as reported here excludes loan fair value adjustments and net issue premium

L&Q Living Games

L&Q Living residents enjoyed their first major in-person event since the start of the Covid-19 pandemic at the L&Q Living Games, which took place in September at Mile End Park Leisure Centre and Stadium.

Attended by 75 residents who travelled from across London and the South East, the L&Q Living Games offered a chance for residents to compete in a friendly sports day, following nearly 18 months where large-scale in-person events and activities were restricted.

The one-day event was organised in partnership with L&Q Foundation, which is dedicated to supporting communities through investment and partnerships with local organisations.

It was also supported by Sport England through their Tackling Inequalities Fund, which was set up in April 2020 as part of a support package to help encourage sport and physical activity through the coronavirus crisis with £20 million of National Lottery funding.

> "The unmistakable level of joy and exuberance on the day was palpable, as residents let off steam, socialised, connected with others, and participated in a range of events from long jump to discus, foam javelin and a walking race."
>
> Charlie Culshaw
> Director of Care and Support

Staff Volunteer at a local foodbank

Four L&Q staff members swapped their housing day jobs for a day of donation sorting to help feed local people facing hardship in Barking and Dagenham.

Alex, Deborah, Liana and Jenny rolled their sleeves up and lent a helping hand at the Hope Family Trust Food Bank in March. During their day out of the office, the team sorted through food items and prepared crates for delivery. The activity was part of L&Q's volunteering programme, which encourages volunteering amongst employees and aims to empower people in L&Q's neighbouring communities to thrive and achieve their potential.

Staff are entitled to up to 21 hours volunteering per year, with more than 90 taking part in a volunteering day last year.

> "The amount of organisation, work and focus that goes into supplying those in need with food is much more than you'd expect. Hearing about it on the radio is one thing, but when faced with what actually goes into the work, my appreciation for those that run and volunteer at foodbanks has gone through the roof."
>
> Alex Cooper
> Caretaking Supervisor at L&Q

02

Financial review (5-year summary)

Consolidated income and expenditure (£m)	2022	2021	2020[5]	2019	2018
Turnover	1,112	1,052	915	937	1,026
Operating costs and cost of sales	(1,008)	(844)	(732)	(739)	(724)
Surplus on disposal of assets	95	59	64	50	54
Share of profits from joint ventures	37	37	25	20	2
Change in valuation of investment properties	35	3	7	37	48
Operating surplus	271	307	279	305	406
Net interest charge and other finance costs	(99)	(102)	(101)	(119)	(66)
Taxation	(18)	3	1	16	10
Surplus for the year before exceptional items[6]	154	208	179	202	350
Exceptional items					
- Refinancing costs	-	-	-	-	-
- Gift on acquisition	-	-	235	-	-
Surplus for the year after tax	154	208	414	202	350

Consolidated Statement of financial position (£m)	2022	2021	2020	2019	2018
Housing properties at cost less depreciation	11,026	10,906	10,555	9,469	9,089
Other fixed assets and investments	1,814	1,670	1,703	1,718	1,403
Net current assets	746	484	926	966	863
Loans due after one year	(5,521)	(5,152)	(5,528)	(5,011)	(4,367)
Unamortised grant	(2,164)	(2,210)	(2,197)	(2,137)	(2,145)
Other long-term liabilities and provisions	(314)	(285)	(232)	(229)	(259)
Net assets	5,587	5,413	5,227	4,776	4,584
Revenue reserves	5,587	5,413	5,227	4,776	4,584
Total reserves	5,587	5,413	5,227	4,776	4,584

Consolidated statement of cash flows (£m)	2022	2021	2020	2019	2018
Net cash generated from operating activities	403	421	255	189	252
Cash flow from investing activities	(339)	(377)	(602)	(885)	(96)
Cash flow from financing activities	20	(69)	333	645	(149)
Cash and cash equivalents at start of year	132	157	171	222	215
Cash and cash equivalents at end of year	216	132	157	171	222

[5] Includes Trafford Housing Trust Group results from 1 October 2019
[6] References made to 'exceptional items' are to highlight the impact of acquisitions in the Group and refinancing activity

Capital Structure and Treasury

The purpose of the treasury plan is to support the delivery of Group strategic objectives and financial plan. It is approved semi-annually by the Executive Group and the Group Board and details how we mitigate and manage treasury related risk defined as liquidity risk, credit risk, interest rate risk, covenant risk and counterparty risk.

The role of treasury is to ensure that the Group has sufficient liquidity to fund its operations for a minimum of 18 months, mitigating the impact of adverse movements in interest rates, ensuring that loan covenants are met and ranking the preservation of capital ahead of returns when making investment decisions.

The Group is financed by a combination of retained reserves, loan facilities and government grant for social housing.

At 31 March 2022, the Group had total loan facilities of £6,539m (2021: £6,549m) of which £5,479m (2021: £5,459m) were drawn and £1,060m (2021: £1,090m) were undrawn. All undrawn facilities are fully secured and committed revolving credit facilities available within 48 hours. The Group's exposure to drawn re-finance risk within one year was £9m (2022: £360m), representing 0.2% of debt facilities.

Cash equivalents held at the year-end totalled £216m (2021: £132m) leaving net debt (excluding any net issue premium, fair value adjustments and mark to market exposure on interest rate hedges) at £5,263m (2021: £5,327m). Available liquidity (defined as available undrawn loan facilities and available cash that are not secured in held funds) was £1,214m (2021: £1,198m).

The weighted average cost of the Group's drawn debt has marginally increased to 3.36% (2021: 3.30%). The weighted average duration of drawn loan facilities was 11.8 Years (2021: 12.0 Years).

The Group manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost. At 31 March 2022, 65% of the Group's drawn debt was fixed (2021: 65%). As at 31 March 2022 a 0.5% increase in interest rates would result in an additional charge of £11m (2021: £10m).

Loan covenants are primarily based on interest cover, gearing ratios and asset cover. Covenants are monitored regularly in accordance with the governance framework and were met throughout the year and are forecasted to be continually met for all loan facilities across the Group.

The Group operates a conservative counterparty policy and aims to minimise the risk of financial loss, reputational loss or liquidity exposure linked to any counterparty. Short term investments are well diversified and are kept at a minimum by temporarily repaying revolving credit facilities in order to manage working capital and the interest budget. As at 31 March 2022 all cash investments are held with Counterparties who meet the criteria of our Treasury Policy.

As at 31 March 2022, L&Q had the following long term credit ratings:

Credit rating agency	Credit rating	Rating outlook
Standard & Poor's	A-	Stable
Moody's Investors Service	A3	Stable
Fitch	A+	Stable

LIBOR Reform

As at 31 March 2022 all variable rate facilities were referencing Sterling Overnight Index Average (SONIA).

Barking Riverside Joint Venture

Barking Riverside is a joint venture between L&Q and the Mayor of London, delivering one of Europe's most ambitious brownfield redevelopments. It is transforming 178 hectares of former industrial land into a vibrant new district of over 10,000 new homes, which will house over 30,000 people once completed.

- Healthy new town
- 10,000+ new homes
- Brand new overground station
- Community-led infrastructure
- Direct river access
- Seven new schools
- Network of footpaths and cycle ways
- 21 hectares of open space and sports pitches

Alongside investment in housing and facilities, the partnership has unlocked significant new transport connections which will have transformative outcomes for the entire area.

This includes a £185 million investment into the extension of the Overground line and opening of the Barking Riverside Station in July 2022. This is the first extension of the Overground line since 2015 and involves 1.6 km of new track, connecting to Barking in seven minutes and putting Central London within half an hour travel time.

Alongside this, an additional £280 million has been invested in surrounding infrastructure, including a brand-new Barking Riverside pier, the most eastern stop on the Uber Boat by Thames Clipper. When the service started in April 2022, it marked the first passenger boat to dock in Barking Riverside this century, connecting the neighbourhood to Woolwich and beyond.

To date, 2,000 homes have been completed on site, with another 1,000 currently under construction. Four out of seven new schools are now open, centred around the Riverside Campus, the largest free school campus in the country, which has capacity for 2,600 pupils.

02 Development and sales

The housing crisis remains a national issue within the UK, the spectrum of issues encompasses need, affordability, demand and quality. To help tackle the housing crisis, L&Q's ambition remains to build new homes that people can afford, but we also recognise the need to balance growth against the expense of our commitments to investing in our existing homes and services. Equally, we only have a mandate to develop if we can deliver the required standards of quality and customer service. We are committed to build trust, not just homes.

During the year, the Group completed and handed over a record number of 4,157 homes (2021: 2,699) comprising of 61% (2021: 58%) social housing tenures and 39% (2021: 42%) market tenures. We commenced on another 2,103 residential homes (2021: 3,818), of which 69% (2021: 72%) were social housing tenures and 31% (2021: 28%) were market tenures. The Group achieved the sale of 1,846 (2021: 1,681) homes, of which 755 (2021: 777) were delivered through joint ventures.

Summary of performance (development and sales)	2022	2021
Homes handed over	**4,157**	2,699
Homes enabled (strategic land plots sold)	**1,979**	890
Homes started	**2,103**	3,818
Homes under development	**29,795**	32,482
Strategic land plots under control	**75,484**	81,568

We have approved a further 676 residential homes during the year bringing our total development pipeline to 29,795, of which 69% is currently on site, representing a significant investment in new supply and social housing output.

	2022			2021		
Summary of financial performance (development and sales)	Turnover (£m)	Operating Surplus (£m)	Margin	Turnover (£m)	Operating Surplus (£m)	Margin
Shared ownership first tranche sales	117	(3)	(2%)	66	11	17%
Outright sales	145	(22)	(15%)	211	13	6%
Property sales	**262**	**(25)**	**(10%)**	**277**	**24**	**9%**
Land sales	151	33	22%	91	12	13%
Total (excluding Joint Ventures)	**413**	**8**	**2%**	**368**	**36**	**10%**
Joint ventures	253	37	15%	218	37	17%
Total (including Joint Ventures)	**666**	**45**	**7%**	**586**	**73**	**12%**

The Group's sales profit excluding joint ventures decreased to £8m (2021: £36m), primarily due to the increase in net current asset impairment from £8m in 2021 to £52m in 2022. Around 80% of all impairment in the year is attributable to just three challenging schemes (or 2% of the 185 sites that L&Q is operating from). The impairment reflects increased build costs, programme delays, known defects and known offers for land values where schemes are being transferred to joint ventures.

Profit on open market sales and from sale of land and properties was £11m (2021: £25m), while shared ownership sales made a loss of £3m (2021: £11m) with shared owners purchasing an average of 34% first tranche (2021: 33%), which was also offset by impairment.

We have a strong focus on achieving high quality build on all new homes paired with achieving excellence in all our onsite health and safety practices. There will also be changes to our resourcing plans that will see increased productivity within our construction and development teams over the next three years.

A range of measures have been implemented to better manage cost. These include improving cost certainty around tendering, fixing contracts, better supply chain management, upskilling staff, and seeking external expertise where appropriate. We have also continued to explore modern methods of construction including off-site manufacturing, working towards our target of having 65% of our new homes having an element of off-site manufacture within the next 5 years.

Joint ventures

L&Q works with a range of partners including the GLA and major housebuilders to deliver joint venture projects of various scale. At 31 March 2022 L&Q had 29 (2021: 28) active developing joint ventures, the majority of joint ventures are separate Limited Liability Partnerships (LLPs), set up to deliver a specific site or regeneration project. However, more recently the focus has been on larger scale initiatives where L&Q can maximise the social impact by delivering long term sustainable mixed tenure communities. The Group's sales profit from joint ventures remained at £37m (2021: £37m), with margins decreasing to 15% (2021: 17%).

Forging strong relationships with these and future partners, we will continue to work hard to be able to ensure investment in more homes, communities, apprenticeships, jobs and innovative methods of construction for years to come. This is also an attractive way for the Group to secure social housing supply.

Land sales

Within strategic land we did not secure outline planning consent on any sites in the year (2021: 5 sites secured), we sold land to 7 housebuilders (2021: 4) to enable the delivery of 1,979 new homes (2021: 890).

Over the last 12 months, we have continued to secure and promote new sites, securing planning consent and delivering infrastructure such as roads, schools and open space to create new communities.

The underlying land sales margins in the individual L&Q Estates entities were 34% (2021: 27%), compared to 22% (2021: 13%) at Group level due to the land having been fair valued on the acquisition of Gallagher Estates in February 2017. As new sites are acquired, we can expect land sales margins to increase and over time will re-align with the margins delivered by the individual entities engaged in strategic land promotion which are significantly higher.

There were 75,484 (2021: 81,568) potential strategic land plots under our control as at 31 March 2022, the reduction in the year due to a difference in plots achieved on the master plan at one site. Of the total strategic land plots, 15,904 (2021: 16,405) had a resolution to grant or a full planning permission. These land interests are principally held in southern England, and other prime land areas of the south west, central and eastern regions where we continue to see strong demand for serviced land.

D’urton Grange

Trafford Housing Trust and Willmott Dixon have formed a joint venture to bring forward an exciting development on the D’Urton Lane site in Preston.

73 shared ownership homes

52 affordable rent homes

123 outright market sale homes

The scheme will create 248 new homes for Shared Ownership, Affordable Rent and Private Sale.

The coveted site was owned by Homes England and we have worked in partnership with them to fulfil their objectives of ensuring more people have access to well-designed homes in the places they want to live.

Situated in North Preston, the £47m development consists of a mix of two, three and four-bedroom homes and will include quality public open space.

Over half of the homes will be affordable housing, 73 for Shared Ownership and 52 for affordable rent. The remaining 123 homes will be for outright market sale.

There remains a strong trend for housing growth in the north of England and the site is part of the Preston North West Masterplan’s ambitious strategy to provide over 5,500 homes in the local area.

The scheme sought to bring forward 2 and 3 bed new build homes for a range of tenures, as these are not widely accessible in the area – targeting an identified gap in the market.

This has been proved to be true as these have been the homes in highest demand since launch.

The project delivers a range of social and community benefits, including apprenticeships and work experience for local people of all ages as well as working closely with local schools and colleges. Modern Methods of Construction are also part of the approach, which has helped to increase the speed of construction.

D’Urton Grange aims to fulfil our own objectives of tackling the current housing crisis and to build a community and contemporary housing in an area where there is a need.

Key points

- Over half affordable housing provided
- Accelerated build which gives us the option to acquire completed units if required
- Two quality homes provided by Willmott Dixon for benchmark of quality to trades, training and customers
- Start on site in September 2020 and completion September 2024.

02

Social housing lettings

Summary of performance (Social housing lettings)	2022	2021
Revenues (£m)	613	596
Operating surplus (£m)	189	230
Surplus on disposals (£m)	95	59
Operating margin	31%	39%
Homes managed	89,538	89,504

Social housing lettings activities form the core of our business, contributing £189m (2021: £230m) to the Group's operating surplus with operating margins of 31% (2021: 39%). Despite an increase in turnover in the year of £17m, operating margin was lower than previous years – this was partly due to lower operating costs including overheads as a result of the coronavirus lockdown last year, but also due to an increase in routine maintenance expenditure as we continue to catch up with outstanding repair jobs. Rent losses across our general needs tenures were at 1% (2021: 1%) and total arrears at the year-end were 6.31% against a target of 5.03%, the increase was not unexpected considering the current economic climate.

The Group invested a total of £261m (2021: £180m) in our existing social housing homes of which £70m (2021: £34m) was on capital works, £45m (2021: £48m) on planned maintenance and £146m (2021: £98m) on reactive maintenance. This was an expected increase in expenditure, more in line with pre-pandemic levels and reflects the increase in maintenance jobs and investment in housing over the year, in line with our priorities.

Our main social housing sub-tenures are:

- General Needs - regulated under a target rent regime
- Affordable rent - which ranges from 40% to 80% of the market rate under an L&Q policy
- Intermediate market rent - let at up to 80% of the equivalent market rent
- Shared ownership with rent set at a maximum of 2.75% of the unsold equity
- A range of other Government introduced initiatives such as London Affordable Rent (LAR) introduced as part of the London Homes Programme 2016-21 and London Living Rent (LLR).

The Group is also committed to providing a range of supported housing accommodation and high-quality support services for older people, adults with learning disabilities, mental health issues and vulnerable young people.

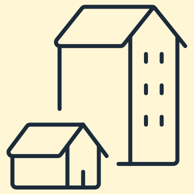
Supported housing is traditionally a low margin activity, but one of vital importance for the provision of housing and services to those residents. Supported housing activities made a surplus of £1m (2021: £7m loss). Supported housing primarily includes sheltered accommodation and a mix of agency and directly managed supported accommodation.

Addiscombe Oaks

Addiscombe Oaks is a vibrant new development being delivered in the heart of Croydon's town centre, close to Croydon Station.

137 new homes

53% affordable housing



80% of homes are dual or triple aspect

The development includes 137 homes, 53% of which will be affordable. These will be delivered in a part eight and part 18 storey building which draws inspiration from local post war architecture in Croydon's town centre, including the iconic and locally listed No. 1 Croydon tower.

The development will also deliver attractive new public realm improvements, including planting, street furniture, and a private courtyard for residents. 80% of the homes are dual or triple aspect, providing fantastic light and views.

Permission for the development was granted in March 2019 and L&Q started construction works on site later that same year, with an anticipated completion date in May 2023. The first homes will be launched on the market later this year.

L&Q was nominated for a Croydon Business Excellence Award in recognition of its work in the local community.

Activity to date has included supporting local residents apply for jobs through Croydon Commitment's Ways 2 Work programme, providing funding and labour to upgrade Dartnell Park, and donating £21,000 from L&Q's Place Makers fund to Croydon Youth Zone, a centre for eight- to 19-year-olds.

02 Other social housing activities

L&Q Living

We house the most vulnerable people living across a range of properties, tenures and communities through our subsidiary L&Q Living "LQL" with support tailored to their needs.

L&Q Living provides housing to over 6,000 people across 52 local authorities. This includes a mixture of Direct Housing Management and Agency Managed Services. We deliver these services to people with a range of needs including homelessness, substance misuse, mental health issues, learning disabilities, families who place children at risk, women fleeing domestic violence, younger and older people.

LQL has continued to achieve a 'Good' Care Quality Commission (CQC) rating across 100% of their services, with one scheme being rated 'Outstanding'.

We continue to offer a range of free activities to vulnerable people with an aim of reducing loneliness and isolation. During the pandemic this was converted to online provision, in a new online community.

We have continued to work with our colleagues at Trafford Housing Trust care and support to align our work in this very important area, ensuring care and support policies are congruent and completing the preparation work required to transfer the warden call system monitoring to the Trafford Housing Trust contact centre in 2022.

The L&Q Foundation

L&Q's vision puts our social purpose at the core of what we do and much of this kind of activity is delivered through the L&Q Foundation. Set up in 2011, The Foundation celebrated its 10th anniversary during 2021/22, which was a great opportunity to share key achievements and showcase how our funding has changed lives and supported our communities.

The Foundation's mission is to create positive, lasting change for our residents that helps them live healthy, independent lives in thriving communities, focusing on two thematic areas, people – our residents, and place – the communities where our residents live. Six new strategic outcomes were set this financial year, following consultations with residents and other stakeholders to make sure they focussed on the key challenges faced by our residents and others living in the communities where our residents live.

People

Our residents are resilient, independent and aspirational

- **Outcome 1:** Children and young people living in our communities are better equipped with skills, knowledge and attitude to thrive in life
- **Outcome 2:** Residents' incomes are increased and maximised, supporting them to live independently
- **Outcome 3:** Residents are more resilient to changes in personal circumstances through increased levels of wellbeing.

Place

Communities where our residents live are connected, cohesive and vibrant

- **Outcome 4:** We will use our role as an employer, developer and anchor organisation for the communities where our residents live to contribute to our social purpose
- **Outcome 5:** Improved social sustainability across our existing and new communities
- **Outcome 6:** Voluntary and community organisations are strong and sustainable

During the year, we invested a total of £9m to help drive outcomes that would make a difference to our residents and wider communities. Of this, a total of £3m was directly funded to community organisations to support and further their great work.

The L&Q Foundation's key achievements were:

544
people into paid work
(2021: 300 people)

£10m
raised for residents as additional income through helping them access support and funding
(2021: £15m)

527
of our most vulnerable residents supported to stabilise their tenancies
(2021: 543)

£25m
social value created despite the ongoing pandemic
(2021 £17m)

L&Q Inclusion initiative

The L&Q Inclusion initiative aims to reduce loneliness and isolation by providing a range of free activities to our vulnerable customers.

78%
of our customers' wellbeing had improved

72%
of our customers' reported better confidence

83%
of our customers' said they were less lonely

35%
of our customers' visited a GP less often

95%
would like the activities to continue

The initiative is funded by the L&Q Foundation and following the pandemic, we were delighted to see the activities return on a face to face basis in 2021. L&Q Living achieved a social value return of £583,630 from the £70,679 funding that it received from the L&Q Foundation (using the HACT social value return calculator).

L&Q Living also received £52,580 funding from Sport England. The purpose of the funding was to promote physical activity during lockdown amongst our vulnerable customers and to further promote activity as lockdown measures eased.

This funding allowed us to provide our customers with various Get Active grants throughout 2021. In September we also held the L&Q Living Games, which brought 75 vulnerable customers together to enjoy a range of track and field events. The Sport England funding also allowed us to provide grants to allow people to continue to engage in various sporting activities in their local community following the event.

In February 2022 we asked our customers five key questions to measure the success of our L&Q Inclusion initiative. The results are set out above.

02 Other social housing activities

The Foundation's 10 year Anniversary
Since 2011, the Foundation has had a far-reaching impact on residents and local communities. We introduced comprehensive reporting in 2015 and, since then, we have invested nearly £40m in projects and services, generating £130m in social value, while helping around 3,200 residents sustain their tenancy through access to free financial support, and assisting around 3,200 people into paid employment. Nearly 16,000 residents have accessed Pound Advice, resulting in over £55m of financial gains for our residents.

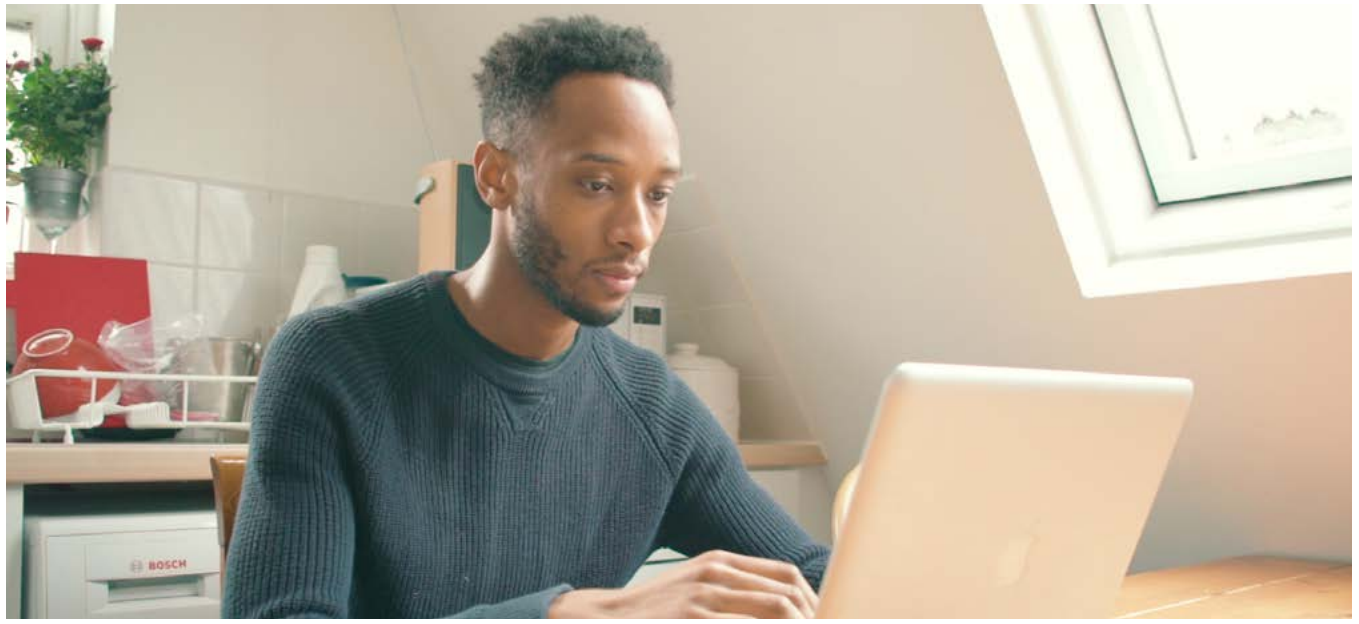
This milestone comes at a time when our residents and the communities they live in continue to be impacted by the pandemic. Our strategic outcomes are flexible, and this means we can respond to changing need. Pound Advice continues to experience increased demand, resulting in high financial gains for our residents, totalling over £10m. Our Employment Support team continue to deliver a suite of online courses and broker employment opportunities as the labour market remains challenging.

We rapidly adapted how we deliver to respond to changing needs throughout the pandemic. Now, our residents are facing another crisis as energy, fuel and food prices rise dramatically, and the cost of living increases. We are being proactive to make sure we are prepared to offer the most appropriate support we can, working with colleagues across L&Q to create an organisational wide response to the cost of living crisis.

The year ahead
Over 2022/23, the L&Q Foundation will continue to support our residents and communities to recover from the ongoing impacts of the pandemic, as well as preparing a comprehensive response to the increasing costs of living working alongside colleagues from across L&Q. We will continue to use our robust People and Place outcomes framework to guide the community investment decisions we make.

For our residents, our most important stakeholder, we will continue to support them to live independently at every stage of their life and provide opportunities to improve physical and mental health that build resilience.

We will work with colleagues across L&Q to enable us to deliver positive impact for both our residents and their communities. We will build on our established relationships with colleagues working locally through the new Housing Management structure, maximising referrals into services like employment support and promoting funding opportunities for community groups, like Place Makers. We will continue our central role in the Major Works Investment Programme, implementing strong social value requirements in all contracts that we will monitor, report and maximise wherever possible.



Talent Development
Talent Development is part of the Learning and Development Academy within Human Resources. Talent Development provides a variety of programmes for people to achieve their potential and career aspirations within L&Q. Through these programmes, we support people to fulfil their potential and aspirations and in turn, secure the future analysts, surveyors, carpenters, managers and leaders of L&Q.

Key Achievements in the year include:

- Increased retention rate for Apprentices and Graduates, with 58% of Apprentices securing a permanent role in L&Q (up from 47% in the previous year) and 78% of our Graduates (up from 67%)
- Launched a new Early Talent Programme with recruited ten Apprentices and seven Graduates in a diverse range of roles across Finance, Strategy and Planning, Maintenance and Technology
- Of our Aspiring Managers and Emerging Leaders programme delegates either on-programme or just completed, 55.5% have already seen career progression
- This year's cohorts of Aspiring Managers and Emerging Leaders were our most diverse yet, with 56% of the cohort made up of women and 56% made up of BAME colleagues
- We launched a new Mentoring programme to facilitate and support more mentoring relationships to form across the organisation.

Over the coming year, we look forward to further developing Early Talent in the organisation with plans to recruit and support a further ten Apprentice and ten Graduate roles across the business in hard to recruit areas.

We will invest more of our Apprenticeship levy fund to invest in technical skill development, giving our people more opportunities to reach their potential and help further professionalise our people.

We are also launching an internal career support offer to support our people in the planning of their career and building confidence in application writing and interview skills.

56% of the Aspiring Managers and Emerging leaders were women and BAME colleagues

L&Q Estates Wixams

Wixams is a new community which represents one of the largest new settlements in Bedfordshire.

4,500
residential plots

Over 150
commercial acres

Three primary
schools

This new village consists of four neighbourhoods which will provide 4,500 homes, three million sq ft of employment units, a new town centre, three primary schools, a secondary school, 300 acres of landscaped parkland, 15km of cycleways and new play facilities.

A key feature is the creation of four landscaped greenways to provide a network of public open spaces which interlink each neighbourhood while providing the necessary separation to ensure each has its own distinct identity.

Since funding the opening of Lakeview School in 2012, L&Q Estates has contributed a further £8.8 million towards the creation of Wixams Tree Primary School and Wixams Academy, which were both officially opened in October 2017.

L&Q Estates is currently engaged with both local authorities to facilitate the early delivery of the final four-form entry primary school at the heart of the town centre.

In partnership with Bedford Borough Council, L&Q Estates is contributing £13.4 million towards the delivery of the new Wixams railway station which will connect the site directly to London St Pancras.

L&Q Estates has also invested over £65 million in infrastructure so far which has included improvements to the A6, the remediation of the former bomb-making factory land at Elstow Storage Depot and creating a number of lakes as well as further environmental improvements.

The master developer has also provided 2.4m sq ft of warehousing in the Northern Expansion Area, creating over 1,200 jobs in an area next to the main Wixams site.

02

Non-social housing lettings

The Group's non-social housing lettings activities comprise private rented sector (PRS), student accommodation, commercial, leaseholder services and other non-habitable units.

Summary of performance (Non-social housing lettings)	2022	2021
Revenues (£m)	59	62
Operating profit (excluding change in revaluation) (£m)	24	27
Revaluation gains (£m)	35	3
Operating margin (excluding change in revaluation)	41%	44%
Units managed	29,076	28,284

L&Q PRS Co Limited (a Group subsidiary) manages the majority of the Group's private rented properties and added a further 171 homes in the year to its portfolio (2021: 65 homes), and disposed of 26 units in the year, taking the total to more than 2,700 homes. L&Q PRS Co Limited made revenues of £38m (2021: £42m) generating an operating margin (excluding change in revaluation) of 59% (2021: 67%). Gross rental yield was 3.6% (2021: 4.1%) and net rental yield was 2.1% (2021: 2.8%).

The investment property portfolio benefited from a revaluation gain of £35m (2021: £3m) reflecting the portfolio growth and improving market sentiment following a challenging few years during covid. It also reflects the Group's build–to-rent model where newly handed over homes will generally gain more substantial uplift from their initial build cost than homes already previously revalued or purchased. The PRS portfolio continues to achieve its strategic plan to expand the portfolio over the next few years. As a commercial portfolio, our intention is to maximise income to support our focus on delivering social rented homes.

Our commercial property portfolio generated an operating margin of 67% (2021: 67%), while our leaseholder services broke even in the year (2021: £4m loss) as we continue to incur additional costs relating to fire safety and quality on some schemes which we have made a conscious decision to absorb rather than seek to recover.

Other smaller non-habitable lettings such as garages and parking spaces continue to perform in line with expectations contributing to a further £1m turnover in the year (2021: £2m).

Other non-social housing activities

Other than our open market sales and joint venture activities reported earlier under "Development and sales activities", other non-social housing activities include the expansion of L&Q Energy which helped reduce our environmental impact by installing solar panels, offsetting carbon, fitting charging points for electric vehicles and sourcing energy from green suppliers. We also minimise the waste we generate from our offices and construction sites and monitor the outputs through annual environmental impact reporting.

Through a combination of energy saving advice for residents and practical improvements to make their homes more energy efficient, our EnergySave Plus programme is helping reduce energy bills. It should also help to reduce rent arrears and mould and damp problems while also improving comfort.

L&Q Energy's income generation in the year was £5m (2021: £5m). Our Energy team continues to be recognised for the size and scope of its energy efficiency work, impact on the local community and its expertise.

02

Value for money

Our strategic goals and performance

At L&Q, we define value for money as achieving operational excellence, which is demonstrated through our Future Shape Corporate Strategy. This means we deliver the best total cost solution for our customers through reliable, consistent and repeatable products and services, that generate more from the resources we have and the investments we make. It is not necessarily just about minimising cost, it includes increasing the quality of our service, and recognises that value can be created in both financial and social terms. In taking this approach, we will strengthen L&Q's long-term financial health and sustainability, and deliver better value for money.

Value for money targets have been woven into everything we do. They were integrated into our Future Shape Corporate Strategy, through the five strategic pillars that our strategy was formulated around; Service, Homes, People, Governance and Assurance and Finance. These have been explained in more detail in the Corporate Strategy section of the Financial Statements.

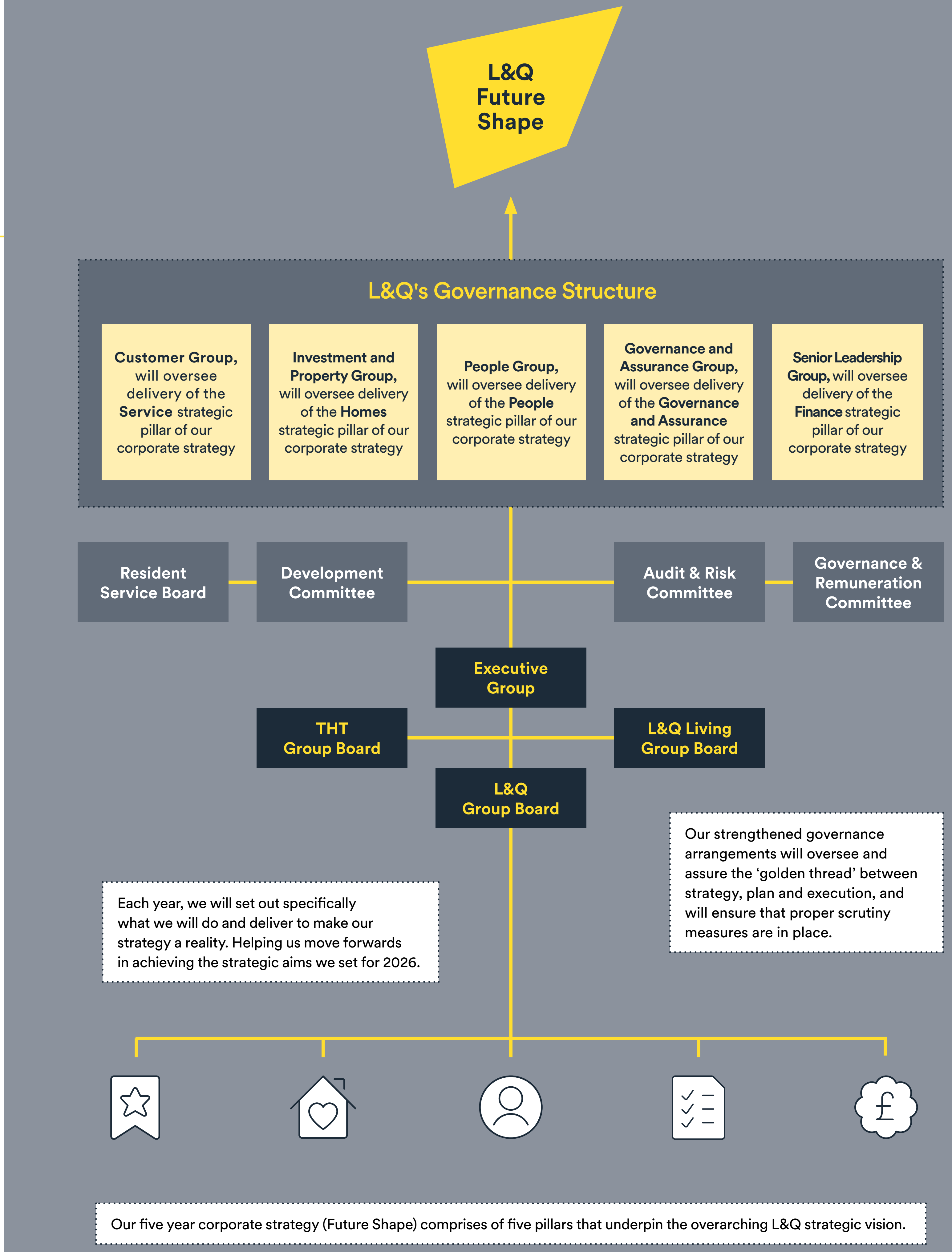
Delivery Assurance

Ultimately, responsibility for delivering value for money sits with our Group Board. However, in developing our Future Shape Corporate Strategy, we aligned our Officer-led Governance Groups to each strategic pillar so they can play a critical role in overseeing and assuring delivery. On a quarterly basis, these groups scrutinise Business Performance Reports that detail progress of the initiatives within our Run the Business Team Workplans, how they impact corporate/directorate balanced scorecard KPIs, and how any associated risks are being managed. This, alongside our approach to enterprise risk management and our internal and external audit activity, form the basis of our Internal Controls Framework, used to provide assurance of the successful delivery of our Corporate Strategy, as well as how we achieve value for money.

Value for money initiatives and achievements delivered in 2021/22

Summarised below are some of the value for money achievements and initiatives delivered in the year:

- We developed continuous improvement capability across L&Q, using consistent approaches and tools. This included:
  - Launching a framework for our Policies and Standard Operating Procedures placing power to resolve issues in the hands of the responsible department
  - Delivering continuous improvement training through the Lean Competency System qualification framework, providing colleagues with the knowledge and capability to deliver, learn and improve every day
- We made changes to our operating model in both Housing Management and Development to optimise team structures. For Housing Management, this involved reducing patch sizes to around 550 homes so they are equipped to provide better and more localised support and services to our residents. For Development, this involved moving from a regional to a functional structure, reducing duplication, and leaving Development better equipped to deliver consistent and reliable produces and services across all of its projects.
- To actively improve the overall quality, efficiency, and geographic alignment of our portfolio and improve operating margins, we sold 2,014 homes to other Registered Providers, exiting from 5 Local Authority areas. This was alongside plans to exit from a further 13 Local Authorities in 2022/23. We also progressed our strategy of supporting small housing associations through our Build London Partnership, by disposing of homes on multi landlord estates.
- We identified and secured contract life savings of £12m through 13 procurement projects in 2021/22. These included Gas Servicing, Office cleaning contracts and several Technology solutions.
- We have reduced the average cost of disrepair cases from £16k to £11k per case as a result of an invest to save initiative to increase the headcount in the Disrepair team. Allowing them to more effectively manage cases diverts financial resources to investment in our homes rather than legal costs of disrepair cases.
- During the year L&Q's Sustainability Finance Framework was published alongside an annual update to L&Q's £2.5bn EMTN programme. This supported the successful raising of £300m Sustainability Linked Secured Bonds priced at Gilts + 0.87%, giving a coupon of 2.00%, being the lowest credit spread on a Bond issue paid by L&Q.
- We undertook a review of technology licensing needs across the organisation, switching licences without loss of functionality, yielding annual savings of £250,000 per year. We also rationalised our business application estate by removing products no longer used by the business, and decommissioning 250 servers, with a focus on migration to the cloud.



02

Value for money

Measuring value for money

Value for money sits as a key deliverable across our Future Shape Corporate Strategy, and is therefore woven into our aims, objectives and the measures we have put in place to guide our progress to making our strategy a reality. These are outlined in our Corporate Balanced Scorecard.

In establishing this, we adopted a pyramid approach to measuring KPIs across the business. This avoids having too many KPIs at the top level that could dilute the necessary strategic focus, whilst allowing departmental and operational metrics to diagnose and highlight the need for early corrective action. These top level KPIs have been set with annual targets shown in the value for money performance measures section below, and a five-year target, showing the trajectory of improved performance that we are working to achieve over the life of the Future Shape Corporate Strategy. In achieving this, ensure we deliver value for money across all of our strategic initiatives.

The full list of detailed KPIs can be found in our published in L&Q Future Shape Corporate Strategy available publicly on our website.

When we published our Future Shape Corporate Strategy, we set targets both for 2021/22 and forecast targets for 2025/26. We committed to continue to review these each year to ensure they remain fit for our future as well as suitably reflecting significant challenges and opportunities we foresee and/or encounter throughout the life of our corporate strategy. Whilst the targets may change in light of these factors, our commitment to unprecedented levels of investment into our stock to ensure safety, improving the impact we have on our environment, ensuring decent home standards and delivering a customer service that is operationally excellent, enabling reliable, repeatable and consistent services, remains unchanged.

Over the next few pages you will find some key observations of our performance across L&Q's internal and sector specific value for money measures.

Value for money performance measures

The annual Sector Scorecard aims to benchmark housing associations' performance, demonstrates the sector's accountability to its tenants and stakeholders and includes a range of consistent and reliable measures from financial gearing ratios to customer satisfaction.

All 15 measures are reported below for the L&Q Group and are set out compared to L&Q's prior year performance (2020/21), L&Q's targeted performance, and benchmarked against the G15[7] median using the most recent publicly available data.

Also included are some of the key metrics we have set in our Future Shape Corporate Strategy (those most clearly linked to deriving value for money) for the next year alongside our target for the fifth and final year of Corporate Strategy, which we will use to measure our progress and success.

[7] The G15 represents a Group of London's largest Housing Associations.
[8] EBITDA MRI % interest calculated as EBITDA MRI ÷ Gross interest payable x 100 as prescribed in the current Sector Scorecard - see glossary for full calculation.
[9] Excludes gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties from operating profit, adding back depreciation, impairment and grant amortised.
[10] Excludes gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties from operating profit.

Business Health

Source	Measure	L&Q 2021/22 Actual	L&Q 2021/22 Target	L&Q 2020/21 Actual	G15 2020/21 Median	L&Q 2022/23 Target	L&Q 2025/26 Target
L&Q Balanced Scorecard	Covenant interest cover	**222%**	233%	254%	no data	206%	>200%
Regulator	EBITDA MRI (as % interest)[8]	**72%**	188%	166%	122%	133%	n/a
L&Q Balanced Scorecard	EBITDA Operating margin (overall)[9]	**24%**	26%	25%	no data	21%	>20%
Regulator	Operating margin (overall)[10]	**9%**	25%	20%	23%	24%	n/a
Regulator	Operating margin (social housing lettings)	**31%**	37%	39%	29%	31%	n/a

Key observations

L&Q's business health continues to demonstrate strong viability, stability and significant headroom against banking covenants. Our internal covenant interest cover measure at 222% ended the year above our risk appetite of 200%, which although below our budget of 233% it still provides c.£146m headroom before the risk of a covenant breach, and non-reliance on development sales to meet our covenant.

The calculation of L&Q's internal covenant (which aligns to our banking covenants) and the regulator's interest cover differs, with the regulator's EBITDA MRI (as % interest) excluding surplus on disposal of fixed assets and share of profits from joint ventures, both of which we deem to be a core part of our operating performance that drives efficient asset management and enables us to develop more through partnerships. It also includes the impact of impairment, which is excluded from our internal covenant. Although the 72% EBITDA MRI is below 100% and below our target of 188%, we do not target or budget for one off non-cash impairment, therefore adjusting for impairment this metric would be materially higher at 129%. We also accounted for a provision of £24m (2021: £14m) related to build defect costs we expect to incur in future years which was not budgeted for, which if also adjusted for would have resulted in EBITDA MRI of 145%.

Our interest cover and operating margin ratios have declined this year and did not meet our targets for the year. This was due to impairment on a limited number of challenging development schemes alongside increased costs associated with fire safety and major works investment programme, reactive and void maintenance costs and increased levels of void rental losses from empty homes. This increased investment in part reflects the lower level of activity delivered in 2020/21 due to the impact of the coronavirus pandemic, and also our stated corporate objective of increasing the quality of our existing homes.

The regulator's definition of interest cover and overall margin was below the G15 median, however these measures include impairment which has a detrimental impact on L&Q's performance, and include sales and other diversified activities, which typically deliver lower margins than rental activities. L&Q's level of impairment and volume of sales turnover is higher than the G15 peer group due to L&Q's materially larger development pipeline. Our operating margin on social housing lettings was above the G15 median, which demonstrates the underlying performance of social housing assets.

Looking ahead, we are not targeting a material improvement in our business health metrics once adjusted for one off items including impairment. This reflects our increased commitment to use our financial stability to materially increase the investment in the quality of our existing homes, making use of procurement and other efficiencies to secure value for money in the investment we make to ensure this spend has the biggest impact on our customers and long-term viability of the L&Q Group.

02 Value for money

Development (Capacity and Supply)							
Source	**Measure**	**L&Q 2021/22 Actual**	**L&Q 2021/22 Target**	**L&Q 2020/21 Actual**	**G15 2020/21 Median**	**L&Q 2022/23 Target**	**L&Q 2025/26 Target**
L&Q Balanced Scorecard	New home starts	**2,103**	2,510	3,818	No data	3,633	1,200
L&Q Balanced Scorecard and Sector Scorecard	New supply delivered (absolute)	**4,157**	4,736	2,699	704	4,897	2,189
Sector Scorecard	- Social housing homes	**2,532**	3,213	1,556	541	3,572	n/a
Sector Scorecard	- Non-social housing homes	**1,625**	1,523	1,143	177	1,325	n/a
Sector Scorecard	New supply delivered %[11]	**3.9%**	4.4%	2.5%	0.9%	4.7%	n/a
Regulator	- Social housing homes	**2.8%**	3.6%	1.7%	1.5%	4.3%	n/a
Regulator	- Non-social housing homes	**1.5%**	1.4%	1.1%	0.5%	1.3%	n/a
Regulator	Gearing[12]	**48%**	50%	49%	49%	49%	n/a

Key observations

Both new home starts and new supply delivered measures failed to achieve their targets, primarily due to factors out of our control. For new home starts this was caused by Local Authority planning delays on one scheme and new supply delivered measure was missed primarily because we refused to take handover of homes that did not meet our quality standards.

Despite this record numbers of new supply were delivered, including the supply of social housing homes. Our ambition remains to build new homes that people can afford, but we also recognise the need to balance growth against the expense of our commitments to investing in our existing homes and services. We also have a mandate to develop if we can deliver the required standards of quality and customer service. We are committed to build trust, not just homes. We will also continue to work with a range of partners to deliver projects of various scale to secure more social housing.

Gearing measures the level of debt compared to the carrying value of assets, therefore the degree of dependence on debt finance. Gearing decreased in the year from 49% to 48%, reflecting a reduction in net debt, and increase in assets funded by string operating surpluses. Our Gearing remains in line with the median of the G15.

[11] As a % of social housing stock owned and total stock owned at end of year.
[12] Gearing calculated as net debt ÷ carrying value of housing properties x 100 as prescribed in the current Sector Scorecard, where net debt represents total bank and debenture loans less cash and cash equivalents.

Outcomes delivered							
Source	**Measure**	**L&Q 2021/22 Actual**	**L&Q 2021/22 Target**	**L&Q 2020/21 Actual**	**G15 2020/21 Median**	**L&Q 2022/23 Target**	**L&Q 2025/26 Target**
L&Q Balanced Scorecard	Customer Satisfaction - Service Delivery	**82%**	85%	81%	no data	80%	90%
Sector Scorecard	Customer satisfaction with services provided by landlord[13]	**66%**	85%	71%	76%	n/a	n/a
L&Q Balanced Scorecard	Average days taken to complete repairs	**29 days**	13 days	19 days	no data	20 days	9 days
Regulator	Reinvestment %[14]	**5%**	6%	5%	5%	6%	n/a
Sector Scorecard	Investment in communities	**£9m**	£10m	£8m	£3m	£10m	n/a

Key observations:

The overall position on customer satisfaction and days to complete repairs for 2021/22 is one that reflects the continued need for change and improvement, which is very much at the heart of our delivery plans. Whilst we continue to face into real challenges operationally and in the macro-environment, such as supply chain, labour force and recruitment, the backlog of reactive repairs continued to have a significant operational impact that permeated to other teams across L&Q.

In 2022/23, we have improvement plans in place for our maintenance services as c.70% of all existing complaints relate to repairs, but we recognise that service improvement in this area will take some time. We also expect to see improvements in 'Customer Satisfaction' and 'Customer Perception', supported and largely enabled through the introduction of our new Housing Management model, with a more local, visible and responsive service for general needs residents. This will also be driven through embedding of the repairs improvement initiatives including inspections, productivity improvements, and through addressing our repairs backlog.

Reinvestment remains high at 5% in line with the G15 median, with investment in new housing supply remaining relatively flat at c.£500m per year. Investment in existing homes more than doubling however, from £35m last year to £70m this year. This reflects our continued commitment to increase the level of major works investment in our existing homes.

Our investment in communities of £9m although behind our target is an increase on the previous year and is still one of the highest in our G15 peer group and demonstrates our commitment to driving outcomes that support our residents and wider communities. The social value that is driven from this investment is considered to be excellent value for money. This area is covered in more detail under the L&Q Foundation section of the Strategic report.

[13] Customer satisfaction with services provided by landlord is based on maintenance repairs surveys only
[14] Investment in properties as a percentage of the value of total properties held at end of year.

Value for money

Effective asset management							
Source	**Measure**	**L&Q 2021/22 Actual**	**L&Q 2021/22 Target**	**L&Q 2020/21 Actual**	**G15 2020/21 Median**	**L&Q 2022/23 Target**	**L&Q 2025/26 Target**
Regulator	Return on capital employed[15]	**1.7%**	2.6%	2.3%	2.7%	2.9%	n/a
Regulator	Occupancy	**97%**	99%	97%	99%	n/a	n/a
Sector Scorecard	Ratio of responsive repairs to planned maintenance[16]	**1.3**	0.9	1.1	0.72	0.9	n/a

Key observations

Return on Capital Employed (ROCE) compares the operating surplus to total assets, less current liabilities, and indicates the efficient investment of our capital. Our ROCE reduced from last year and was below the target, due to both a year-on-year reduction and missing our target for operating surplus. This was primarily caused by impairment of £90m and the increase in build defect provision of £24m reported in operating surplus, coupled with the regulator's definition of operating surplus excluding revaluation gains on investment properties. L&Q considers revaluation gains on investment properties as operating surplus and has £1.2bn capital employed in investment properties therefore the regulators definition of ROCE results in this metric being reported lower than is representative of our diversified asset holdings.

Occupancy remained at 97% this year, 2 percentage points below our target of 99%, and has yet to recover to pre-pandemic levels. This was primarily due delays with turning around empty homes requiring void works, and delays with lettings in relation to local authority nomination delays and internal resource constraints.

We have seen a further increase in the ratio of responsive repairs to planned maintenance in the year, where for the second year running where we are the only member of our G15 peer group that is spending more on responsive repairs than investment in planned and major repairs.

During the year incoming demand for responsive maintenance exceeded capacity, therefore to reduce the wait time for repairs for residents, the volume of repairs released to sub-contractors was significantly increased resulting in higher costs than budgeted. Whereas, planned repairs underspent budgets, mainly due to timing of mobilisation of resources based on sub-contractor availability resulting in the higher ratio for reactive repairs.

Work is underway in 2022/23 to accelerate clearing the repairs backlog to normal levels through both internal and external resources therefore reactive repair spend is expected to remain high. However an increase in targeted planned and major repair spend in 2022/23, will start to align L&Q to that of its peer group.

[15] Return on capital employed calculated as operating surplus including gain/(loss) on disposal of fixed assets and share of operating surplus/(deficit) in joint venture or associates ÷ total fixed assets + total current assets less current liabilities at end of year

[16] Routine maintenance as a percentage of planned maintenance + major repairs expenditure + capitalised major repairs and re-improvements expenditure

Operating efficiencies							
Source	**Measure**	**L&Q 2021/22 Actual**	**L&Q 2021/22 Target**	**L&Q 2020/21 Actual**	**G15 2020/21 Median**	**L&Q 2022/23 Target**	**L&Q 2025/26 Target**
Regulator	Headline social housing cost per unit	**£5,271**	£4,777	£4,235	£5,337	£5,912	£5,000
Sector Scorecard	Management cost per unit	**£627**	£610	£595	£1,306	£739	n/a
Sector Scorecard	Service charge cost per unit	**£884**	£939	£842	£901	£1,022	n/a
Sector Scorecard	Maintenance and major repairs cost per unit	**£2,921**	£2,631	£2,008	£2,309	£3,573	n/a
Sector Scorecard	Other social housing cost per unit	**£839**	£597	£789	£823	£577	n/a
Sector Scorecard	Rent collected as % of rent due (General needs)	**101%**	99%	98%	100%	100%	n/a
Sector Scorecard	Overheads as a % of turnover	**10%**	9%	9%	15%	9%	n/a

Key observations

The Group's headline operating cost per social housing unit was 25% higher than the previous year, but still lower than the G15 peer median. It was higher than our target and last year, primarily due to an increase in responsive repairs and major works investment in our existing homes. It should also be noted that this calculation includes the £24m provision for build defects within 'other social housing cost per unit' as the expense is categorised within Development service operating costs, although this will not be spent on social housing service provision.

Our management cost per unit was broadly on target demonstrating careful management of costs and resource during another challenging year. It was also significantly lower than our peers' performance in the previous year, which may reflect differences in cost allocations.

Our maintenance cost per unit was higher than target due to higher than budgeted spend on responsive repairs. We are continuing with our plan to improve our maintenance service and delivery; to driving up service levels and reducing cost; a key part of our Future Shape Corporate Strategy, including reducing the average days taken to complete repairs and improving our customer experience. However, we are also investing unprecedented levels in our existing homes including fire safety rectification works, therefore we are expecting our total maintenance including major repairs per unit to continue to increase.

We exceeded our rent collection target collecting 101% of rent due, this was higher than 100% as a result of reducing arrears in the year.

Overheads as a percentage of turnover has increased to 10% as our adjusted turnover fell modestly in the year. We continue to monitor this metric closely to ensure any growth is efficient and are pleased that we continue to perform at a much lower percent compared to our G15 peers. L&Q consider this is a key driver to deliver value for money, ensuring that we utilise resources effectively across the Group.

Energy and Carbon Emissions

Context and Scope

The L&Q Group's energy consumption and associated carbon emissions are reported below in line with the UK government's streamlined energy and carbon reporting (SECR) regulations. These figures represent the carbon emissions associated with the Group's consumption of natural gas, electricity and transport fuel.

Specifically, they include:

- Gas and electricity used in our offices
- Gas and electricity procured for use in our residential portfolio, eg for communal heating
- Temporary gas and electricity supplies to empty homes units in our residential portfolio
- Mains gas and electricity used on our construction sites
- Fuel used by our transport fleet, and
- Fuel used for business purposes by all employees within the L&Q Group.

Note: Details on the methodology applied can be found in the glossary and alternative performance measures section at the end of our Financial Statements (Note 34).

Energy Use and Carbon Emissions	2021/22	2020/21*	Unit	% Change
Total energy consumption:	**182.2**	**167.7**	**GWh**	**9%**
Gas	128,379	115,877	MWh	11%
Electricity	45,006	42,828	MWh	5%
Transport fuel	8,851	9,008	MWh	-2%
Emissions from combustion of gas (Scope 1)	23,514	21,306	tCO2e	10%
Emissions from purchased electricity (Scope 2, location-based)	9,556	9,985	tCO2e	-4%
Emissions from combustion of fuel for transport purposes (Scope 1)	1,906	1,977	tCO2e	-4%
Emissions from business travel in employee-owned vehicles where L&Q is responsible for purchasing the fuel (Scope 3)	145	203	tCO2e	-29%
Total carbon emissions (excluding renewable energy)	**35,121**	**33,471**	**tCO2e**	6%
Total renewable electric	**4,817**	**n/a**	**tCO2e**	n/a
Total renewable electric procured	**22,686**	**n/a**	**MWh**	n/a
Total remaining brown electricity	**22,320**	**n/a**	**MWh**	n/a
Total carbon emissions (including renewable energy)	**30,304**	**n/a**	**tCO2e**	n/a
Carbon emissions intensity ratio (tCO2e per residential unit owned, managed or under construction)	**0.235** Inc. renewable energy	**0.259** Exc. renewable energy	**tCO2e / unit**	-9%

*L&Q have restated some 2020/21 comparatives following further detailed review of the data collected and calculations. The changes made are immaterial, but have been restated for completeness and accuracy of data.

2021/22 Performance

L&Q's total carbon emissions have reduced by 9.5% when compared with available data from last year (this reduction is based on comparing total emissions excluding renewable energy in 2020/21 to a new measure in 2021/22 due to renewable energy being procured).

On the same basis, the carbon emissions intensity ratio reduced from 0.259kg to 0.235kg CO2e per unit in 2021/22. The main reason for this decrease is the switch to renewable electricity for our offices, communal areas and heat networks in October 2021 for L&Q and a full year of renewable electricity for Trafford Housing Trust. Gas combustion in Scope 1 was the largest increase due to an increase in energy demand on heat networks. There was also a backlog of empty homes being re-let, which lead to a doubling of the number of empty properties compared with the previous year, causing emissions from these homes to increase from 264.30 tCO2e in 2020/21 to 550.50 tCO2e in 2021/22. This increase represented approximately 4% of total energy consumption in 2021/22 compared to 2% in 2019/20 and 2020/21. Business travel was the biggest decrease in emissions noted due to new agile working contracts that have reduced the need for colleagues to travel for meetings. There was also a small decrease in emissions from fleet travel which may in part be attributed to work done around sectors within Fleet Management to improve routing efficiencies. The continued decarbonisation of the national grid in 2021/22 has also played a part, reducing the carbon emissions per kWh of electricity consumed where grid mix figures are applied.

Energy efficiency measures

L&Q has implemented a range of measures throughout 2021/22 to improve energy efficiency and reduce carbon emissions. These measures have focussed on improving the operational efficiency of our homes, strengthening our renewable energy generation capacity and streamlining our workspace needs.

L&Q has changed the way we work by implementing 'agile contracts'. This means that where colleagues are able to perform their day to day tasks from home they can, which reduces the need to travel to or between office spaces. This may lead to a reduction in emissions from travel and the heating and cooling of offices. In addition to this, over the last two years our current Head Office has undergone major refurbishment works and now has a range of energy efficiency features such as PIR lighting and centralised heating and cooling to reduce energy use.

L&Q has continued investing in improving the energy performance of our existing homes through the installation of:

- 'A' rated double-glazed windows to 477 homes
- 792 'A' rated insulated external doors
- 1,324 upgraded boiler systems
- 174 solar PV arrays
- External Wall Insulation to 23 hard to treat homes.

In 2021/22, 6,800 homes were visited as part of the Healthy Homes project that looked at ground-breaking ways of eradicating mould and damp from our residents' homes. As part of the visit, more than 6,119 'Healthy Homes' humidity and temperature sensors were installed to closely monitor environmental conditions within the homes, enabling L&Q to tackle the risk of damp and mould within customers home and identify energy-related issues. During the Healthy Homes visit, energy experts optimised boiler, heating and radiator settings and advised residents on how best to save energy within their homes.

In 2021/22 we continued to improve the renewable energy generation capacity of our existing solar PV systems through maintenance and repair. Across the L&Q Group we have 785 operational PV arrays supplying individual homes and blocks.

Details on our Streamlined Energy and Carbon Reporting methodology can be found in Note 34 at the rear of the Financial Statements.

03 Governance

- Group Board
- Other statutory and regulatory information
- Internal control and risk management
- Audit and Risk Committee
- Viability statement
- Statement of responsibilities of the Board in respect of the Board's report and the financial statements

L&Q at Wavendon View, Milton Keynes

Group Board

03

The L&Q group is governed by its Group Board (the Board). Board member biographies are available on our website and overleaf.

London & Quadrant Housing Trust (LQHT) is the parent of the L&Q Group and is an exempt charity and registered society under the Co-operative and Community Benefit Societies Act 2014. It has overall control of all of its subsidiaries and is responsible for the leadership of the L&Q Group.

Governance review

During 2021/22 we have continued to embed the recommendations of our 2020 Governance Review to ensure we are at the forefront of best practice. Improvements included:

- Starting to extend annual effectiveness and appraisal reviews to our committees
- Rolling out elements of a new Board Internal Controls and Assurance Framework approach. As part of this an external review of compliance with governance law gave LQHT a 'green' rating for compliance with governance, company and registered society and charity law. A number of recommendations were made to strengthen our processes etc and these are being addressed
- Embedding our new approach to resident involvement through a resident majority Resident Services Board
- Starting a governance team restructure which completed in April 2022 aimed at centralising and standardising governance services across our Boards, committees and officer governance groups
- Publishing a Governance Annual Report.

Code of Governance

LQHT has adopted the principles and provisions of the NHF Code of Governance 2020. An assessment of compliance with the Code is undertaken annually and there are no areas of non-compliance highlighted, albeit that we continue to strengthen our approaches on an ongoing basis to ensure we are fully compliant.

LQHT has also committed to adhere to the NHF Code of Conduct (2012 edition) by its adoption of an L&Q Code of Conduct. Its subsidiaries have adopted either the Group Governance Standing Orders or a tailored version of the Group Governance Standing Orders which acknowledge L&Q's power to intervene in their governance.

A list of L&Q's direct and indirect subsidiaries can be found in note 33 of these financial statements.

Leadership and control

The Board consists of between five and twelve Board Members (excluding co-optees). There are currently 11 members which includes the Group Chief Executive and the Group Finance Director.

During the course of the year we have appointed 3 new members to the Group Board:

- **Maria da Cunha** who is Chair of Governance and Remuneration Committee
- **Dominique Kent** who is Chair of L&Q Living
- **Raj Kumar** who is a member of our Resident Services Board.

In addition, Fayann Simpson, Chair of our Resident Services Board had been appointed as our Senior Independent Director.

L&Q have signed up to aspirational targets in respect of gender and ethnicity which require us to achieve 30% of our roles being filled by candidates from a BAME background and 50% female by 2023. As at March 2022, 36% of Group board roles were filled by people from a BAME background and 46% were women.

The key management personnel of the Group consists of the Board and the Executive Group as listed at the end of this document in section 5 – other company information at the end of these Financial Statements. Changes in leadership are listed in Note 10.

Board and Committee membership

The table on the next page sets out the Board membership and attendance, which is shown as the number of meetings attended out of the total number of meetings possible for the individual board member during the year.

Board member	Group Board	Audit & Risk Committee	Governance & Remuneration Committee	Development Committee	Resident Services Board
Aubrey Adams	8/8		3/3	5/5	
Waqar Ahmed	8/8				
Rajiv Jaitly	8/8	6/6			
Michael More	7/8	6/6			
Fayann Simpson	8/8	6/6	3/3		7/7
Sean Anstee	8/8				
Louise Brooke-Smith	5/8			4/5	
Fiona Fletcher-Smith	8/8				
Raj Kumar	8/8				7/7
Maria da Cunha	7/8		3/3		
Dominique Kent	6/8				
Retired during the year					
Trevor Moross	3/3		0/1	2/2	
Anne Elizabeth Bassis	4/4		2/2		
Tracey Fletcher–Ray	4/4	2/4			
Other committee members					
Sanjay Patel		6/6			
Gordon Perry (THT)		4/6			
Matthew Hemmings (THT)				3/5	
Sarah Bundy				5/5	
Kris Peach (THT)			3/3		
Kristian Melgaard				3/3	7/7
Michael Verrier					5/7
Faith Smith					6/7
Nadya Enver					7/7
Dave Bedford					7/7
Tim Shand					7/7
Elisse Penney					6/7
Carl Shillito					7/7
Retired during the year					
John Drew			2/2		

03 Group Board

Group Board member biographies

Aubrey Adams OBE
Chair of L&Q Group

Aubrey is the former Chief Executive of Savills plc, a leading global real estate service provider, employing 35,000 people across a network of over 700 offices.

Aubrey's previous external experiences include Senior Independent Director of Associated British Ports plc, Chair of Air Partner plc, Chair of Max Property Group plc and Non-Executive Director of The British Land Company plc.

Aubrey's current external appointments include Chair of the Board of Trustees of Wigmore Hall and Chair of Tritax Big Box REIT plc.

Waqar Ahmed
Group Director, Finance

Waqar has worked for L&Q for more than 20 years and was appointed Group Finance Director in 2008.

His priority has been to develop a management culture across L&Q that pursues our social objectives alongside a commercial approach.

Waqar has supported L&Q in taking on commercial activities, strategic joint ventures and vertical integration in both operational and development functions to generate significant financial strength to maximise our social impact. He has further supported the L&Q Foundation in creating long-term sustainable partnerships with other like-minded charities, investing in the social fabric of the areas we work in.

Waqar also sits on the boards of the National Housing Federation and Trafford Housing Trust.

Rajiv Jaitly
Board Member

Rajiv Jaitly specialises in risk, governance and operational due diligence.

Rajiv holds other non-executive directorships and previously held senior positions at Santander and AXA Investment Managers.

He is a Chartered Accountant and Licensed Insolvency Practitioner and a Fellow of the Chartered Institute of Securities and Investment.

Rajiv is also a member of L&Q's Audit & Risk Committee.

Mike More
Chair of Audit and Risk Committee

Mike began his career at the National Audit Office in 1981.

He was Senior Auditor at Cambridgeshire County Council in 1986, before moving on to a number of increasingly high-level positions at the council, including Head of Finance.

Mike was appointed as the Director of Resource Management of Suffolk County Council in 1999 and progressed to the position of Chief Executive in 2002. He later joined Westminster City Council, in April 2008 as Chief Executive.

Mike is Chair of the Cambridge University Hospitals NHS Foundation Trust and chairs L&Q's Audit and Risk Committee.

Fayann Simpson OBE
Senior Independent Director and Chair of Resident Services Board

Fayann has been an L&Q resident for more than 20 years and an involved resident more than 15 years. Fayann is Chair of the L&Q Resident Services Board, as well as a member of L&Q's Group Board, Audit and Risk Committee, Governance and Remuneration Committee and was recently appointed as Senior Independent Director.

She has many years experience working on IT and resource management projects for global law firms and investment banks. Fayann is also a member of the Independent Safety Steering Group, chaired by Dame Judith Hackett. Fayann was awarded the OBE in the birthday honours list in 2020 for services to people living in social housing.

Sean Anstee CBE
Chair of Trafford Housing Trust Board

Sean is an experienced strategist and adviser with an extensive background in local government, social housing and property. He has held several senior positions, including a period as Leader of Trafford Council and Vice Chair of the Greater Manchester Combined Authority, and is presently Chair of L&Q subsidiary, Trafford Housing Trust and is a Governor of Manchester Metropolitan University.

Professionally, he is an Executive Director at Municipal Partners, a company which engages directly with local public sector institutions, developing real estate solutions that contribute towards resolution of long-standing economic and social policy challenges.

Sean graduated from Manchester Metropolitan University with First Class Honours in Business Management, and was awarded a CBE for Services to Local Government in the 2019 New Year's Honours.

03 Group Board

Group Board member biographies (continued)

Dr Louise Brooke-Smith OBE

Chair of Development Committee

Louise is a Chartered Surveyor and Chartered Town Planner with experience drawn, over 30 years, from the UK and overseas.

She provides strategic development advice for national and international clients from the public and private sectors. Formerly a Partner of Arcadis LLP, Global Consultancy for the Built Environment, she was UK Head of Development & Strategic Planning, Head of Social Value, and continues to advise as a Strategic Consultant.

Louise was the first female Global President of the Royal Institution of Chartered Surveyors. She championed diversity and inclusion and led initiatives including the RICS Inclusive Employers Quality Mark and the Property Strategy for Sub Saharan Africa. Her accolades include Outstanding Woman in Construction and National Achiever in Construction. Louise was awarded an OBE in 2019 for 'services to the built environment, diversity and inclusion'.

Louise is an experienced non-executive director holding positions on many boards including Chair of All We Can - an International Aid Agency, Board Member and Employee Engagement Lead for Genuit Group plc, Board Trustee of The Land Trust and Board Member of the Greater Birmingham and Solihull LEP.

Fiona Fletcher-Smith

Group Chief Executive

In her time at L&Q, Fiona has spearheaded our 5.1 billion development programme, led our expansion into the Midlands and North West, and delivered change programmes to improve both the efficiency and diversity of our Development and Sales function.

Prior to joining L&Q, Fiona was Executive Director for Development, Enterprise and Environment at the Greater London Authority (GLA).

As part of the senior management team for the GLA, Fiona was responsible for overseeing the delivery and implementation of key strategies such as the London Plan, the Economic Development Strategy, transport, environment and climate change and in overseeing the operation of the Mayor's powers in relation to significant planning applications in the capital.

Raj Kumar

Board Member Raj has over 30 years practical experience of registered providers (RP's) and council housing. This includes being Head of Service for a Local Authority, during which he helped set up an Arm's Length Management Organisation (ALMO).

For the past 13 years Raj has headed up One Enterprise Ltd, a housing consultancy. He is one of the original nine assessors for the Quality Assured Scrutiny Accreditation offered by the CIH / HouseMark/TPAS partnership. Raj continues to support a number of Scrutiny Panels across the UK to enable them to carry out service specific reviews and audits.

Raj chairs a Regeneration Panel for a London local authority and has previously managed several best practice clubs for HouseMark. He also heads up an Independent Tenant Advisory (ITA) service, which is supporting residents on a regeneration scheme in Harrow.

Raj is a member of the Chartered Institute of Housing, a Fellow of the Royal Society of Arts and manufacturing (RSA) and a qualified Mediator.

Maria da Cunha

Chair of Governance and Remuneration Committee

Maria is a former senior executive of British Airways plc where she worked for 18 years until 2018. Maria was BA's Head of Legal and Government and Industry Affairs for four years before becoming its Director of People and Legal in 2011, responsible for human resources, legal, risk and compliance.

Maria has extensive experience in corporate governance, risk and compliance, regulated industries, transformation programmes, employee engagement and industrial relations.

Prior to joining BA, Maria held various positions with Lloyds of London, Lovells LLP and the College of Europe.

Maria is a Non-Executive Director of Royal Mail Group plc and De La Rue plc and a Panel Member of the Competition and Markets Authority.

Dominique Kent

Chair of L&Q Living Board

Dominique is CEO for Pacific Investments for their Senior Living business with responsibility to create retirement living environments. Previously she was Managing Director for The Good Care Group (TGCG) and subsequently as COO with accountability for the UK and Ireland Homecare portfolio following the Sodexo takeover in April 2019.

TGCG has been a fast-growing provider of live in care services enabling older people to stay in their own homes and communities. Dominique is proud to have achieved an Outstanding Care Quality Commission (CQC) rating in all five categories. Prior to that, she held positions with Sunrise Senior Living and Sainsbury's. Dominique is also Chair of the Homecare Association, a non-executive director and Chair of L&Q Living Board and a director of the Live-in Care Hub. She has also recently been appointed to the advisory board for Thalamos. She is passionate about the coming together of health and social care, improving and evidencing outcomes and care pathways for mental health.

Group Board

If any board members are unable to attend a meeting, they are encouraged to communicate their opinions and comments on the matters to be considered via the Chair or the relevant committee.

Membership of other committees is drawn from both Board members of L&Q, Trafford Housing Trust and independent members.

Delegation

The focus of the Board is on L&Q's strategy and objectives, business plan and viability. It also has responsibility for overseeing the performance of L&Q and its activities to help L&Q deliver long-term success. The Board's Schedule of Matters Reserved by the Board lists matters that are specifically reserved for decision by our Board. In order that it can operate efficiently and give the right level of attention and consideration to relevant matters, the Board delegates certain responsibilities to Board committees.

Board committee agendas and schedules of items to be discussed at future meetings are prepared in accordance with the terms of reference of each committee and take account of a combination of standing, topical and ad hoc matters.

The four standing Board committees for the 2020/21 financial year were:

- **Audit and Risk Committee** – responsible for overseeing internal audit, external audit, the effectiveness of internal controls, monitoring and challenging management on its identification and mitigation of risk, and reviewing the financial statements and financial performance
- **Governance and Remuneration Committee** – responsible for advising the Board on governance, remuneration, and Board and committee succession planning and appointments.
- **Development Committee** – responsible for appraising and reviewing major development and investment schemes
- **Resident Services Board** - responsible for monitoring and challenging operational performance in relation to quality, maintenance and repairs, customer service, satisfaction and complaints, with a focus on compliance with the Social Housing Regulator's Consumer Standards and engaging with Neighbourhood Committees.

All of our committees have at least one resident member, and the Resident Services Board comprises nine residents (including the chair) and one independent board member.

At Board committee meetings, items are discussed and, as appropriate, may be endorsed, approved or recommended to the Board, by the committee. All committees report back to the Board at each board meeting.

Day-to-day management of L&Q and its subsidiaries and delivery of the Board approved strategies are delegated to the Executive Group. The Executive members of the Board also sit on the board of individual subsidiaries where additional oversight is required by the Board.

Other statutory and regulatory information

Modern Slavery and human trafficking statement

The Group is committed to understanding modern slavery risks and ensuring that we comply with our legal and regulatory responsibilities, including the Modern Slavery Act 2015. We take care to ensure that slavery and human trafficking does not exist in any part the Group or supply chain.

L&Q's full statement on modern slavery is available on the L&Q website.

Stakeholders

Stakeholder engagement is mostly carried out on a group wide basis, to ensure that Director's understand the views of stakeholders when making decisions and setting strategy. This includes business relationships with suppliers, customers, communities and employees, amongst others. The values and behaviours upheld when engaging with stakeholders are consistent across the Group, whichever company is communicating with stakeholders.

More details can be found in the publicly available Financial Statements of the relevant subsidiary companies in the Group required to report under s172 of the Companies Act.

03

Internal control and risk management

The Board has overall responsibility for the system of internal control and risk management across the Group and for reviewing its effectiveness. The Board also take steps to ensure the Group adheres to the regulator's Governance and Financial Viability standard and its associated code of practice that includes adhering to all relevant law. The Audit and Risk Committee is responsible to the Board for monitoring these arrangements and reporting on their effectiveness.

Review of internal controls

The internal control framework is designed to manage and reduce, rather than eliminate, the risk of failing to achieve business objectives. It can only provide the Board with reasonable, and not absolute, assurance against material misstatement or loss.

The key features of the Group's existing system of internal control include:

- An established management structure operating across the Group, with clearly defined levels of responsibility and delegated authorities.
- A Group-wide risk management system (including health and safety) – the Board has established a process for identifying, evaluating, and managing the significant risks faced by the Group. Updates are provided to the Audit and Risk Committee on an on-going basis and formally to the Board annually.
- Adopting and complying with the principal recommendations of the National Housing Federation's Code of Governance 2020 and accepting this as the Group's code of good practice.
- Audit and Risk Committee assurance – the Audit and Risk Committee meets regularly with members of the Executive Group and the internal and external auditors to review specific reporting and internal control matters, and to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Committee also reviews any follow up action to correct identified weaknesses. All Board members receive the minutes of all Audit and Risk Committee meetings. An end of year report is presented to the committee with supporting evidence as to how an effective control environment has been maintained throughout the year.
- Internal audit assurance – the Group's internal audit function is managed through an internal audit unit, which has a direct reporting line to the Audit and Risk Committee. The internal audit programme is designed to review key areas of risk; adherence to relevant laws; and is agreed formally by the Audit and Risk Committee. The Director of Internal Audit meets regularly with Executive and Board members including the L&Q Chair; Chair of the Audit and Risk Committee; and the Chief Executive.
- External audit assurance – the work of the external auditors provides some further independent assurance of the internal control environment, as described in their audit report. The Group also receives a letter from the external auditors identifying any internal control weaknesses. In accordance with best practice guidance, the Audit and Risk Committee and the Board consider this letter.
- The preparation and monitoring of budgets and long-term business plans – the Board, Audit and Risk Committee and the Executive Directors review Group and subsidiary performance throughout the year. The reports ensure variances are investigated and acted upon.
- A new quarterly business assurance reporting framework aimed at establishing, and capturing in a centralised place, the:
  - RAG status of compliance with prioritised statute and regulatory standards
  - Any breaches of existing high-level controls in the previous quarter
  - Mitigation or intervention to improve compliance and/or address breach(es).

  Two end of quarter reports were provided during the year, the year end being replaced by an external review of statutory compliance by one of the Group's legal providers.

  Our approach will be developed further during 2022/23 to provide a holistic review including Relevant data and insight from our enterprise risk management approach; Data and insight from any regulator interventions/actions across the sector; Relevant data and insight from '2nd line of defence' assurance checks where they exist; Relevant data and insight from relevant internal audit findings and other external auditors/reviews as and when they occur.
- Procedures to ensure the employment, retention, training and development of suitably qualified staff to manage activities and risk.
- A process for approving all investment decisions – all major investment decisions are subject to appraisal and approval by the Development Committee, the Executive Group, and, where appropriate, the Board.
- Treasury activity and strategy are subject to regular Board review and approval.
- Whistleblowing – The Group's Whistleblowing policy enables issues to be raised on a confidential basis including though an independent third party. Procedures exist to ensure any whistleblowing incidents are independently investigated promptly.

The Board confirms it has an approved anti-fraud, bribery and corruption (FBC) policy that has been distributed to all staff. The policy covers the prevention, detection and reporting of FBC. Details of identified cases are maintained in the FBC register, which is reviewed annually by the Audit and Risk Committee on behalf of the Board and on a quarterly basis through an Officer Fraud and Whistleblowing Response Group. The Group has also appointed a Money Laundering Reporting Officer as part of its compliance with anti-money laundering legislation.

The Board has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of internal control, including risk management, and has received regular reports from this committee throughout the year under review. The Audit and Risk Committee has received the Chief Executive's annual report on the effectiveness of internal control systems, together with the annual report from the Director of internal audit, and reported its findings to the Board.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2022, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Risk management

Risk Management is fundamental to the achievement of our corporate objectives. We have an enterprise risk management approach based upon the principles of ISO 31000, the recognised international standard for risk management. Risk management is embedded across all operational functions and projects supported by a leading risk software system to provide oversight across the entire business. We have a suite of key risk indicators (KRIs) which provide intelligence on the key areas of risk facing our business and act as early warning indicators. Our key financial ratios are also monitored on a monthly basis with Group Board oversight to ensure we remain within risk appetite and tolerance levels.

Our objective in embedding an ISO 31000 compliant risk management framework is to ensure that we become a more resilient organisation. The incentive to become resilient goes beyond merely avoiding disaster. Leading research commissioned by Airmic (Association of Insurance & Risk Managers in Commerce) and prepared by Cranfield School of Management has shown that organisations that are confident in their risk management have the ability to be more enterprising and entrepreneurial, thereby not only identifying risks but also seizing opportunities. The qualities we will embed by being a resilient organisation will enable us to succeed in other respects. We will be more responsive to our customers and the markets we serve, our staff and suppliers will remain motivated and loyal, we will gain trust by being more dependable and achieve better results. As we develop resilience at the heart of strategy and part of the overall vision of the organisation, this will enable us to deal more effectively with both expected risks and the unexpected ones.

There are five main principles of resilience set out in the research which we have adopted:

- **Risk radar:** the ability to anticipate problems and see things in a different way will help us develop an early warning system and be able to seize new opportunities
- **Resources and assets:** well diversified resources and assets provide the flexibility to respond to opportunities as well as adverse or changing circumstances
- **Relationships and networks:** risk information flows freely throughout the organisation up to directors to prevent the "risk blindness" that affects many boards
- **Rapid response:** capability that prevents an incident escalating into a crisis or disaster because people and processes are in place to quickly restore things to normal
- **Review and adapt:** learn from experience, including near-misses and make the necessary changes and improvements to strategy, tactics, processes and capabilities.

We must demonstrate all five principles to achieve resilience. These five principles do not just happen – they reflect the fact that we have nurtured a resilient environment through our business enablers of Customers, Operations, Financial Health & Growth and Organisation and Culture as monitored through our balanced scorecard. Whilst business enablers are present in all organisations, they are far more developed in resilient organisations than in others. In developing a resilient culture in order to protect our business, brand and reputation L&Q will be characterised by having the five resilience principles in place in a way that enhances our business enablers.

03

Internal control and risk management

Key Risks

The Group risk map details the key risks that impact upon our strategic objectives. It is prepared by the Executive Group, reviewed quarterly by the Audit and Risk Committee and approved annually by the Group Board. There are numerous other risks managed at an operational level as part of our enterprise risk management approach which can be escalated to the Group risk map as necessary.

The current risk environment is unprecedented with three 'once-in-a-generation' seismic risk events happening at the same time and which are connected in their global impacts on economies, supply chains and people. These are disease (Covid-19 pandemic), climate change and, most recently, the conflict in Ukraine. The impact of these risk events on fuel prices and inflation are well documented and we are acutely aware of the effect the wider cost of living crisis is having on our customers, with interventions in place through the L&Q Foundation by way of our Pound Advice and Tenancy Sustainment services in particular. We will also consider these risk factors when setting rent increases for April 2023 given the significant growth in CPI. These global risks events are impacting a number of the key risks referenced here, particularly in terms of inflationary pressures, economic downturn, availability of materials and general supply chain disruption. Closer to home, we are also alive to further Government suggestions that the Right to Buy be extended to housing association tenants.

Probability \ Impact	Negligible	Marginal	Critical	Catastrophic
V High (91%-100%)			1	
High (41%-90%)			2	
Low (11%-40%)		11,12	8,9,10	3,4,5,6,7
V Low (0%-10%)			13	

1 ↑ Economic uncertainty leads to inability to meet sales targets and provide investment in affordable housing

2 ↑ Ability to attract and retain the best staff within L&Q who are engaged, motivated and high performing

3 → Lack of awareness of residents/ vulnerability needs leads to safeguarding incident

4 → Major or Series of Health & Safety Incident(s) causing injury or death event(s)

5 → Complexities of building safety management

6 → Non compliance with Decent Homes standard

7 → Breach of consumer standards leads to serious detriment to residents and subsequent downgrade

8 → Major or series of financial or cyber Fraud incidents

9 → Inability to meet Net Zero Carbon targets

10 → Capability & capacity of supply chain to meet delivery objectives (fire & decent homes)

11 ↓ Breach of Interest Cover Covenants

12 → Liquidity shortfall leads to L&Q being unable to fund operations

13 ↓ Covid-19 Pandemic

The Executive Group and Group Board considered the risks described here as the group's key risks for this financial year linked to our Corporate Strategic pillars: (1) Service (2) Homes (3) People (4) Governance and Assurance (5) Finance

Risk	Comments and risk mitigation
Economic uncertainty leads to reduction in expected income and inability to provide investment in affordable housing (5)	Economic uncertainty remains a key risk. We undertake multivariate stress tests and contingency planning and have implemented a range of mitigating actions. Our financial forecasts are prudent and assume that we only achieve 50% of our budgeted sales income but we remain covenant compliant without any further sales at all. The cost of living crisis is well documented in the media. Whilst house prices are growing at their fastest rate since 2004, London remains the weakest region. With continued inflationary pressure and the steady rise in interest rates, commentators suggest that the housing market is likely to slow in the year ahead, hence the increased risk to future sales targets. We closely monitor market conditions and trends to enable us to identify and respond to any sudden changes or movements and there is also ongoing monitoring of Government policy affecting sales. We retain a strong liquidity position and look set to deliver a robust set of financial results. That said, with the housing market dependent upon wider economic performance considerable uncertainty remains. With the need to invest substantially in existing homes in future years (principally fire safety and decent homes), our drive to deliver operational excellence and be more effective and efficient will be critical. We will also need to explore other funding options to create the additional financial capacity to fund our ambitions and continue to tackle the housing crisis.
Ability to attract and retain the best staff within L&Q (3)	We have introduced a number of initiatives aimed at attracting and retaining the best talent. These include a new pay and reward strategy with revised pay grades, a new skills framework and personal development strategy and a focus on the behaviours that support our values. We retain the aim to create a culture through our people that is driven by our values and behaviours. We will focus on our leadership capability to deliver high performance, and consistent ways of working, known as 'the L&Q way'. We will embrace diversity and create the environment, working practices and opportunities for our people to thrive and reach their potential. Through our people, we will deliver an efficient and streamlined organisational design. We will be an agile organisation, with workplaces and ways of working that balance our business, environmental sustainability and people's needs. We aim to sustain our external accreditation with Investors in People recognising L&Q for high standards of workplace practice and engagement of our people.

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Internal control and risk management

Risk	Comments and risk mitigation
Lack of awareness of residents/vulnerability needs leads to safeguarding incident 1	We are committed to delivering operational excellence by providing reliable, repeatable and consistent services. In addition to substantial investment in existing homes, we are investing in systems and processes to give our people the tools to enable delivery of the quality products and services our customers deserve. We have also restructured our housing management function with a move to a more 'traditional' housing management model. Our new structure is more local and patch-based. We'll be visible and proactive in our neighbourhoods and will have enough staff to do the job to the quality and at the pace that our residents expect and deserve. The media spotlight remains on the sector with further ITV news stories emerging and we are very much alive to the reputational risks we face as we continue to deliver our change and transformation plans. On safeguarding, we have robust policies and procedures in place which are strictly enforced, safeguarding forms part of our recruitment and selection process in L&Q Living and we undertake DBS checks. We have a cross departmental safeguarding committee which is held on a quarterly basis and report regularly to the L&Q Living Board. We also have robust whistleblowing arrangements in place with confidential reporting.
Major or series of Health & Safety incident(s) causing injury or death event(s) 1 2 3 4 5	We continue to develop and embed a robust Health & Safety Management system led by our specialist Health & Safety Team and overseen by our Health & Safety Forum. Performance indicators are in place and we also monitor key trends in Health & Safety incidents, fire and injury losses and correlate with complaints trends. We are also developing our second line of defence activity through Health & Safety compliance audits. Our Health & Safety Forum continues to meet monthly and reviews our Director of Safety's Performance Monitoring Report in order to ensure appropriate oversight and scrutiny. We have compliance plans in place across key areas of health & safety risk and our Director of Safety continues to monitor performance against these plans to ensure sustained compliance is achieved. We are confident that the compliance plans in place will deliver sustained performance and this remains under close review.
Complexities of building safety management 4	Our intrusive survey programme of all buildings exceeding 18m in height completed at the end of September 2021. We have now moved on to an intrusive survey programme of buildings below 18m, which total circa 1,800. We are also taking a risk-based mitigation approach to fire safety as opposed to pursuing full building remediation. This will provide more certainty and reduce cost whilst still prioritising the safety of our residents. It is also essential that we maintain the confidence of our insurers and we are providing substantial data disclosures to ensure that we can keep our blocks fully insured. The challenge is significant with additional risks associated with loan covenant compliance and customer mortgage lender requirements to consider.

Risk	Comments and risk mitigation
Non-compliance with Decent Homes Standard 4	Our new corporate strategy has a key focus on ensuring the safety of our residents and improving the quality of our new and existing housing stock. Our maintenance transformation project continues aimed at improving the delivery and efficiency of our maintenance service. A combination of budget underspends and reductions in maintenance budgets over previous years have resulted in a backlog of decent homes related works and significantly increased the risk of non-compliance with the future Decent Homes standard, which is likely to come into effect in 2022/23. We have committed substantial investment in our existing stock to ensure future decency standards and we are also ensuring that operational risks around programme delivery and supply chain are closely monitored to keep us on track.
Breach of consumer standards leads to serious detriment to residents and subsequent downgrade 1	The quality of our existing homes and services is an absolute priority for us and this is front and centre of our new corporate strategy. We are clear that the 250,000 residents we provide homes for must be our priority, as we care about our residents' homes as much as they do. We are committed to delivering operational excellence by providing reliable, repeatable and consistent services. In addition to substantial investment in existing homes, we are investing in systems and processes to give our people the tools to enable delivery of the quality products and services our customers deserve. We are also continuing to develop our target operating model to ensure that we have the right approach and key capabilities to deliver operational excellence for our customers. Through our resident involvement work we will build collaborative relationships by strengthening our resident network, increasing its visibility across our wider resident base, and creating opportunities for everyone to have their voice heard.
Cybercrime 1 2 3 4 5	The seemingly unrelenting surge of cyber incidents globally continues unabated. Disruptions to business operations, supply chains and critical services and infrastructure increasingly present significant and sustained risks to businesses across all sectors. Cybercrime is a significant and evolving threat to any business including L&Q. The conflict in Ukraine has also broadened the geographical focus of some ransomware groups, which are now increasingly targeting organisations in jurisdictions perceived as leading the punitive response against Russia (i.e. including the UK). We have invested in a dedicated Information Security Team to focus specifically on the security of our systems. They continue to embed an Information Security Standard based upon ISO27001/02 to inform our work around information security. We have implemented Cyber Essentials, a government backed cyber security certification scheme, and have an established Information Security Panel to manage cross discipline day to day corporate operational information compliance & security. We are also acutely aware of the need to consider the maturity and threat profile of our supply chains and we continue to develop our vendor risk management approach. We constantly monitor the threat landscape and learn valuable lessons from high profile cyber breaches in other sectors. Prevention is still critical with a focus on getting the basics right and maturing detection and visibility.

Internal control and risk management

Risk	Comments and risk mitigation
Inability to meet net zero carbon targets 4	We are reducing our impact on the environment through exploring the use of modern methods of construction and delivering other initiatives to reduce our carbon footprint. Through the L&Q Foundation we have developed a new corporate approach to place making to support the creation of sustainable communities. Our new 5 year corporate strategy has a strong emphasis and focus on ESG matters, and a number of commitments to reduce our impact on climate change, and to invest more in environmental sustainability. We continue to develop our sustainability masterplan and we are commencing a Climate Risk Review in the summer. Significant investment will be required and the exact scale of this is still to be assessed. Given funding commitments required to address other risks referenced this will be a future challenge.
Capability and capacity of supply chain to meet delivery objectives (fire and decent homes) 1	We are continuing to see supply chain disruption with shortages of some materials particularly within our maintenance function. The conflict in Ukraine will also lead to further supply chain disruption which is likely to have an indirect impact. We hold regular meetings with all of our suppliers to ensure that we have notice of any forecasted materials disruption. We are also creating a new Materials Manager role (within Maintenance Services) aimed at providing greater control and assurance and are weaving greater assurances around material supplies into new contracts. Wider supply chain challenges remain so we will need to closely monitor how effective these mitigations will be. We are seeing a shortage of third party contractors and consultants and the availability and cost of professional indemnity insurance for these suppliers (particularly in the fire safety space) remains a key concern. Our Procurement team are also working on enhancing our maturity in supply chain management through refreshed training and awareness programmes. All of this will be considered as part of a project risk management approach to the delivery of our major works investment programmes in particular.
Breach of interest cover covenants 5	A number of our key risks give rise to a significant investment need and price fluctuations due to both material and labour cost inflation will exert pressure on our key financial ratios going forward. The Bank of England suggest that inflation will rise further in the autumn and some commentators predicting stagnant economic growth and the risk of recession. Regular reviews are held with Finance Business Partners to ensure that we keep abreast of any budget implications. We remain absolutely focussed on our key financial metrics and risks around interest cover coverage in particular.

Risk	Comments and risk mitigation
Liquidity shortfall 5	The ability of L&Q to operate its business depends in part on it being able to raise funds. Any material systematic and/or business specific risk, any increase in the cost, or lack of availability, of finance could impact the Group's ability to progress its business objects, deliver the expected rates of return on investments and the day-to-day financing (or refinancing) requirements of the Group's business over the longer term. Any material increase in the cost of financing or any decrease in the availability of financing on reasonable terms could have a material adverse effect on the Group's business, operations, financial condition and/or prospects. In addition, the Group is subject to the risk that it will be unable to generate sufficient cash flows, or be unable to obtain sufficient funding, to satisfy its obligations to service and/or refinance its indebtedness. Further, any covenants contained in the Group's borrowing arrangements, may limit or prohibit the Group's operational and financial flexibility. Any event of default, cross default, breach of a covenant or the inability to vary or waive any covenants could generally have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. To manage liquidity risk, the Group maintains a policy to retain sufficient liquidity in the form of committed yet undrawn loans plus available cash to cover projected net cash outflow for the then proceeding eighteen months. This is reported to and monitored by Group Board on a monthly basis. L&Q's investment grade credit ratings, its strong relationship with its banking group, covenant headroom, financial flexibility and the value of our unencumbered property pool mitigate L&Q's ability to raise capital at an appropriate cost.
Coronavirus Pandemic 1 2 3 4 5	Whilst Covid-19 remains a threat, we retain effective ways of working and continue to revise our guidance in line with Government advice. Supply chain risk is already covered separately and, with the pandemic far from over, we remain alive to the disruption new variants could still pose. Given the lifting of Government restrictions, the successful vaccination programme and effective mitigations, we have reduced the current risk level accordingly but continue to keep this under review.

03

Audit and Risk Committee

Throughout the financial year, the Audit and Risk Committee members met six times as part of the work of the committee in discharging its responsibilities.

The committee discussed with the external auditors the adequacy, nature and scope of the annual financial audit plan, including reviewing and agreeing the engagement letter issued by the external auditor at the outset of the Group audit, assuring itself that the external auditor has the fullest co-operation of staff and to oversee the satisfactory completion of the annual external audit process. The committee has also considered all relevant reports by the external auditor and by regulatory authorities and the findings of the external auditor in the course of its work, and the adequacy of management's responses.

The committee has reviewed and monitored the external auditor's independence, judgement and robustness in handling key decisions, objectivity and the effectiveness of the audit process and particularly in respect of safeguards established to mitigate threats to its independence.

Significant financial statement areas considered during the year

In respect of significant issues that the committee considered in relation to the financial statements, and to monitor the integrity of the financial statements, a detailed report was presented to the committee and discussions were held to ensure members' understanding of the issues, and the potential impact on the presentation of the financial statements. These were discussed in sufficient detail with our external auditors to ensure resolution of any issues was in line with auditing standards and accounting requirements. Matters of significant importance and risk to the Group financial statements audit were agreed by the committee.

Land and properties for sale, work in progress in current assets

The committee has considered the risk of impairment of land and properties for sale as well as work in progress in current assets and gains confidence from the supporting work of the Development Committee and Investment Property Group, which oversees all major development and investment schemes including joint ventures undertaken by the Group.

Land available for sale is most susceptible to changes in circumstances that could lead to the net realisable value falling below carrying value at a Group level given these are currently held at fair value on acquisition. The committee is provided updates on land sales performance separate from property sales and joint ventures. This ensures that these asset classes are treated and assessed separately in terms of performance and for impairment testing purposes.

For work in progress and current assets, a report was presented to the committee detailing the approach and methodology, sensitivities to the assumptions applied and the outcome of the assessment of impairment detailing specific schemes that were considered to be impaired.

Valuation of defined benefit pension scheme liabilities

The committee is aware of the judgement involved in the valuation of defined benefit pension scheme liabilities, specifically around setting assumptions such as the discount rate and the material impact that a small change in assumptions could have. During the year the committee received a report on proposed pension assumptions which had been set after the L&Q Group engaged a third-party actuarial specialist. These assumptions were approved by the committee in advance of being applied by the individual pension scheme actuaries.

Viability statement

The Group retained its top-tier rating G1/V1 ratings for governance and financial viability following a thorough 'in depth assessment' by the Regulator in January 2020. This judgement was again confirmed in October 2021 as part of the Regulator's stability checks. This judgement is confirmation to residents, investors, partners and other stakeholders that the Group's ambitions remain anchored by sound financial management and a robust approach to risk management, business planning and stress testing. The ratings are also an external validation that our Board has an integral role to the business and that a highly effective governance structure is in place across the organisation.

The Board has assessed the viability of the Group over a five-year period. The Board's assessment is also supported by the longer 30 year financial forecast shared annually with the regulator and the annual review of the adequacy of resources available to the Group to prepare the financial statements on a going concern basis.

The Board approves the Group financial plan twice a year and its output which is submitted annually to the Regulator in the form of a Financial Forecast Return. The Board is, to the best of its knowledge, satisfied that covenant compliance is maintained throughout the life of the plan on the basis that the financial plan has been stress tested to withstand significant composite risks materialising without breaching lender covenants, thus confirming the future viability of the Group.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. The Group has considerable financial resources together with long-term cash generating assets. As a consequence, the Board believe that the Group is well placed to manage its business risks successfully. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

No material uncertainties related to events or conditions that may cause significant doubt about the ability of the L&Q Group (defined as London & Quadrant Housing Trust and its subsidiaries) to continue as a going concern have been identified by key management personnel after taking into account the relevant facts and circumstances.

Our positive viability statement is supported by documented evidence in the form of a Board approved Treasury Strategy that addresses liquidity risk, refinancing risk, projected covenant performance, credit and regulatory ratings, viability review and access to funding. L&Q's Group insurance policy covers full reinstatement value of £15 billion. Our forecasting and budgeting processes are long established and use proven techniques where critical assumptions are subject to independent challenge and stringent sensitivity analysis. In addition, the Group has put in place a stress test recovery planning process in the event there is a forecast covenant breach.

The Board has considered L&Q's exposure to contingent liabilities and the potential source of cash outflows during the review period relating to legal proceedings, guarantees, margin or other credit support provisions under derivative contracts and product liability.

The Board can also confirm that it has complied in all material respects with the Governance and Financial Viability Standard set out by the Regulator of Social Housing as evidenced through our annual compliance regime. Through the adoption of a new 5 year Corporate Strategy in March 2021 the Group can evidence clear strategic direction with targets set which are challenging and stretching and monitored on an ongoing basis. Governance oversight is clear through our reporting framework and covers risk around financial investment and protection of social housing assets.

Statement of responsibilities of the Board in respect of the Board's report and the financial statements

The Board is responsible for preparing the report of the Board and the Group and Parent association financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs and the income and expenditure of the Group and the Parent association for that period.

In preparing each of the Group and Parent association financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the Group and Parent association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and
- use the going concern basis of accounting unless they either intend to liquidate the Group or Parent Association or to cease operations, or have no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent association and to prevent and detect fraud and other irregularities.

Financial statements are published on L&Q's website in accordance with UK legislation governing the preparation and dissemination of financial statements. The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

As referred to in the Viability Statement, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements, and for this reason has continued to adopt the going concern basis in preparing the Group's financial statements.

Statement of compliance

The Strategic Report has been prepared in accordance with applicable reporting standards and legislation. The Board can also confirm that the Group has complied with the Regulator of Social Housing's Governance and Financial Viability Standard.

Provision of information to the auditor

All of the current Board members have taken the steps that they ought to have taken to ensure they are aware of any information needed by the Group's auditor for the purposes of their audit, and to establish that the auditor is aware of that information. The Board members are not aware of any relevant audit information of which the auditor is not aware.

By order of the Board

Aubrey Adams

Aubrey Adams

30 August 2022

L&Q at Acton Gardens, Acton

04 Financial Statements 2021/22

- Independent auditor's report to London & Quadrant Housing Trust
- Statement of comprehensive income
- Statement of financial position
- Statement of changes in equity
- Consolidated statement of cash flows
- Notes to the financial statements

Independent auditor's report to London & Quadrant Housing Trust

1. Our opinion is unmodified

We have audited the financial statements of London & Quadrant Housing Trust ("the Association") for the year ended 31 March 2022 which comprise the Group and Association Statements of Comprehensive Income, Group and Association Statements of Financial Position, Group and Association Statements of Changes in Equity, the Group Statement of Cashflows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2022 and of the income and expenditure of the group and the association for the year then ended
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit and risk committee.

We were first appointed as auditor by the directors for the year ended 31 March 2013. The period of total uninterrupted engagement is for the 10 financial years ended 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole		£10.8m (2021: £10.5m) 5% (2021: 5%) of surplus before tax
Coverage		92% (2021: 97%) of group surplus before tax
Key audit matters		**vs 2021**
Recurring risks	Inventory impairment	◀▶
	Valuation of defined benefit pension scheme liabilities	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2021), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Land and properties for sale and work in progress in current assets **(Group and Association)** (Land and properties for sale and work in progress £839 million; 2021: £934m) Refer to page 88 (Audit Committee Report), Note 2 and 15 (accounting policy) and note 15 (financial disclosures).	**Inventory impairment** Inventory needs to be held at the lower of cost and net realisable value. In order to assess the NRV of property held in inventory site appraisals are prepared which include forecast revenue and costs and provide an indication of the recoverability of inventory. Site appraisals include a number of estimates that could have a significant effect on the NRV of the property held for sale. Due to the size of the sales programme and estimation uncertainty within forecasts, we determine there to be a significant risk of error in relation to the estimated recoverability of the properties held in stock and work in progress.	**Our procedures included:** Inspection of the Group's impairment assessment and cashflow forecasts and performing the following procedures: ▪ Re-performance: Checking the mathematical accuracy of certain valuation models, ▪ Enquiry and Board paper review: Inspecting Board papers and where relevant making enquiries with directors and managers to assess any potential site impairment indicators such as increased planning restrictions, identification of contaminated land and change to forecast site completion dates, ▪ Sensitivity analysis: Performing sensitivity analyses over the key assumptions and considering the outcomes with reference to events after the year end, ▪ Data comparisons: Comparing initial forecast costs and selling prices with the actual outturn for completed developments. **Our results** We found the carrying amount of land and properties for sale and work in progress to be acceptable (2021: acceptable)

Independent auditor's report

	The risk	Our response
Valuation of post retirement benefit obligations **(Group and Association)** (Scheme liabilities £258 million; 2021: £267 million) Refer to page 88 (Audit Committee Report), Note 2 and 9 (accounting policy) and Note 9 (financial disclosures).	**Valuation of post retirement benefit obligations** The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Group's pension liability could have a significant effect on the financial position of the Group. The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements (note 9) disclose the assumptions used by the Group in completing the year end valuation of the pension deficit and the year on year movements. The Group has six pension schemes. Due to the size of the schemes we have only identified this risk for the valuation of liabilities in the LQHT staff benefits plan and the Social Housing Pension Scheme ('SHPS').	**Our procedures included:** - **Benchmarking assumptions:** Challenging, with support of our own actuarial specialists, the key assumptions applied in the valuation of the year end liability, being the discount rate, inflation rate and mortality/life expectancy against externally derived data, and - **Assessing transparency:** Considered the adequacy and accuracy of the Group's disclosures in respect of the sensitivity of the liabilities to these assumptions. **Our results** We found the post retirement benefit obligations for the L&Q Staff Benefits Plan and the Social Housing Pension Scheme to be acceptable (2021: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £10.8m (2021: £10.5m), determined with reference to a benchmark of Group surplus before tax (of which it represents 5% (2021: 5% of surplus before tax).

Materiality for the parent company financial statements as a whole was set at £7.5m (2021: £7.3m), determined with reference to a benchmark of Trust's surplus before tax, of which it represents 5% (2021: 5% of surplus before tax).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2021: 65%) of materiality for the financial statements as a whole, which equates to £8.4m (2021: £6.8m) for the group and £5.5m (2021: £4.7m) for the parent company.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £565k (2021: £525k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 34 (2021: 34) reporting components, we subjected six (2021: six) to full scope audits for group purposes and one (2021: one) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

We subjected one (2021: one) components to specified risk-focused audit procedures, one for land and properties for sale and work in progress (2021: one) and zero components for net pension liability (2021: zero).

The components within the scope of our work accounted for the percentages illustrated on the subsequent page.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

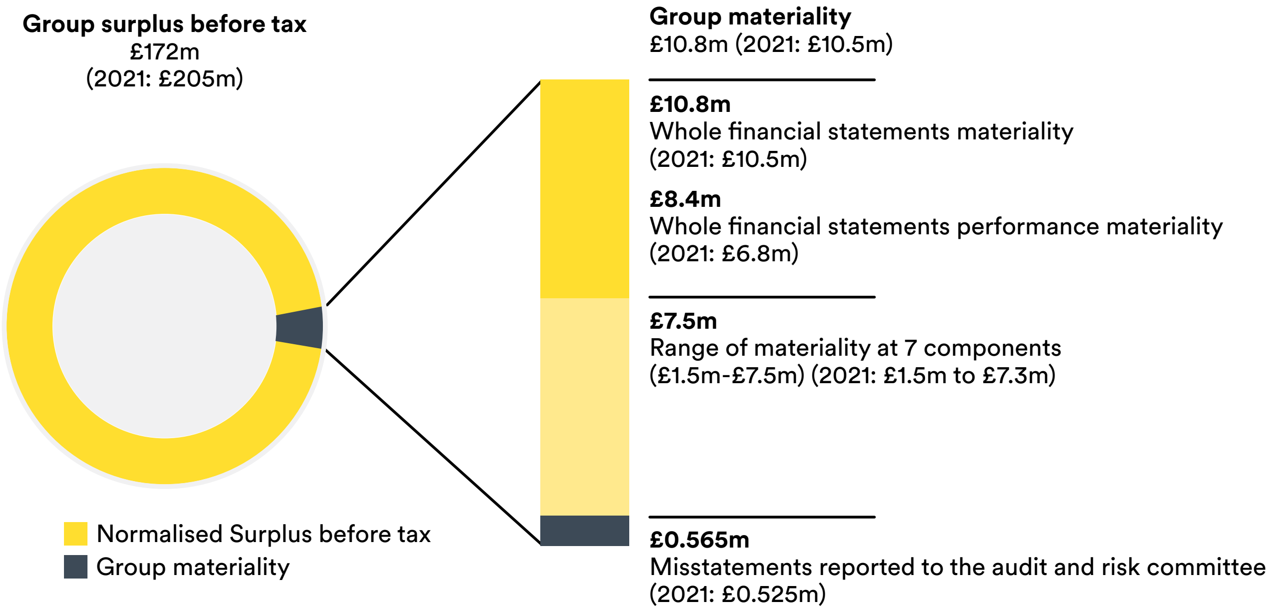
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

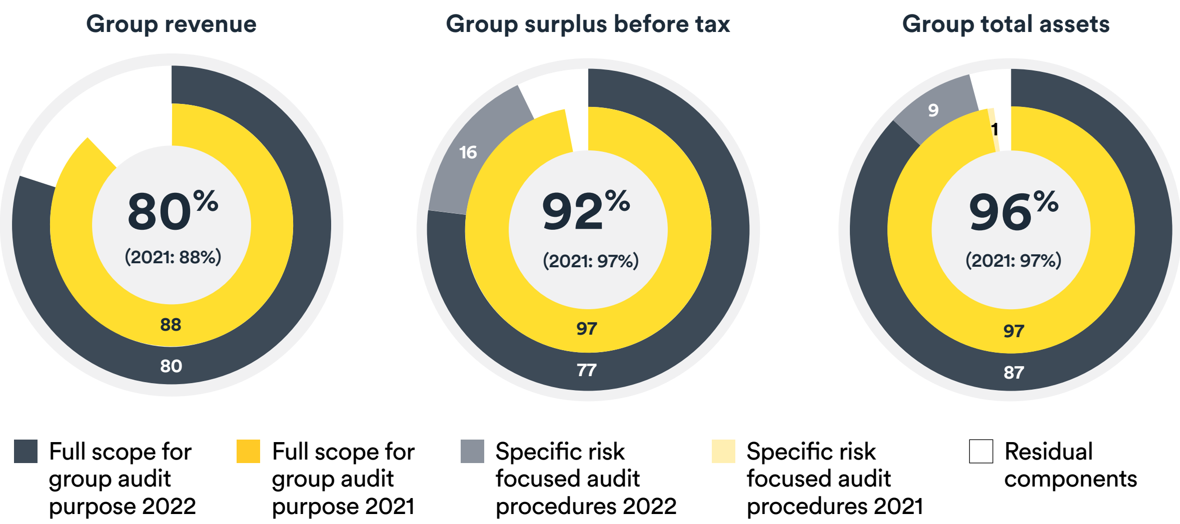
The Group team approved the component materialities, which ranged from £1.5m to £7.5m (2021: £1.5m to £7.3m), having regard to the mix of size and risk profile of the Group across the components.

The Group team visited none (2021: none) component locations, to assess the audit risk and strategy. Video and telephone conference meetings were held with the component auditor for each of the three components (2021: three components). At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The work on three of the seven components (2021: three of the seven components) was performed by component auditors and the rest, including the audit of the parent Association, was performed by the Group team.

Independent auditor’s report





4. Going concern

The association’s Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease its operations, and as they have concluded that the group’s and the association’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group’s and Association’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group’s and Association’s available financial resources and/or metrics relevant to debt covenants over this period were:

- Reductions is property sale prices and increased construction costs.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group’s and Association’s financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors’ assessment of going concern.

Our conclusions based on this work:

- we consider that the Board’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate,
- we have not identified, and concur with the Board’s assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group’s or Association’s ability to continue as a going concern for the going concern period, and
- we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the association will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included :

- Enquiring of directors, the audit and risk committee, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board and audit and risk committee minutes
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the non-complex nature of material revenue streams and the limited opportunity for management to manipulate revenue transactions

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

04

Independent auditor's report

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation), taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: health and safety (including related fire safety and building standards), anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Group's Board is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- The association has not kept proper books of account
- The association has not maintained a satisfactory system of control over its transactions
- The financial statements are not in agreement with the association's books of account
- We have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 90, the association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

SBrown

Sarah Brown (Senior Statutory Auditor)

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

01 September 2022

Statement of comprehensive income for the year ended 31 March 2022

	Note	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Turnover	3a	**1,112**	1,052	**712**	646
Cost of sales	3a	**(391)**	(311)	**(120)**	(58)
Operating costs	3a	**(617)**	(533)	**(463)**	(430)
Surplus on disposal of fixed assets and investments	6	**95**	59	**92**	57
Share of profits from joint ventures	14a	**37**	37	**-**	-
Change in value of investment property	14c	**35**	3	**-**	-
Operating surplus	5	**271**	307	**221**	215
Gift aid received		**-**	-	**32**	36
Interest receivable and similar income	7	**1**	2	**28**	37
Interest payable and similar charges	8a	**(103)**	(102)	**(107)**	(107)
Other finance income/(costs)	8b	**3**	(2)	**(4)**	(8)
Surplus on ordinary activities before tax		**172**	205	**170**	173
Tax on surplus on ordinary activities	11	**(18)**	3	**-**	-
Surplus for the year		**154**	208	**170**	173
Other comprehensive income					
Actuarial gain/(loss) on pension schemes	9	**20**	(22)	**7**	(12)
Total comprehensive income for the year		**174**	186	**177**	161

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.


Addiscombe Oaks, Croydon

Statement of Financial Position as at 31 March 2022

	Note	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Fixed assets					
Housing properties	12	**11,026**	10,906	**10,295**	10,071
Other tangible fixed assets	13a	**67**	60	**48**	48
Intangible assets	13b	**18**	18	**17**	17
Goodwill	14f	**-**	5	**-**	-
Equity investment in subsidiaries	14e	**-**	-	**863**	1,163
Investments - jointly controlled entities	14a	**379**	327	**93**	46
Investments - HomeBuy equity loans	14b	**91**	98	**92**	98
Investment properties	14c	**1,162**	1,069	**-**	-
Investments - Real Lettings property fund	14d	**10**	10	**10**	10
		12,753	12,493	**11,418**	11,453
Net pension assets	9	**14**	6	**14**	6
Debtors due after more than one year	16a	**73**	77	**1,218**	1,002
Current assets					
Land and properties for sale and work in progress	15	**839**	934	**303**	283
Debtors	16b	**155**	173	**73**	91
Cash and cash equivalents	17	**216**	132	**91**	81
		1,210	1,239	**467**	455
Creditors: amounts falling due within one year	18	**(464)**	(755)	**(260)**	(567)
Net current assets /(liabilities)		**746**	484	**207**	(112)
Total assets less current liabilities		**13,586**	13,060	**12,857**	12,349

	Note	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Creditors: amounts falling due after more than one year	19	**(5,700)**	(5,308)	**(5,306)**	(4,910)
Deferred social housing grant	20	**(2,083)**	(2,123)	**(2,096)**	(2,137)
Grant on HomeBuy equity loans	14b	**(81)**	(87)	**(81)**	(87)
Provisions for liabilities	23	**(110)**	(87)	**(36)**	(49)
Net pension liability	9	**(25)**	(42)	**(18)**	(23)
Net assets		**5,587**	5,413	**5,320**	5,143
Capital and reserves					
Share capital	25	**-**	-	**-**	-
Revenue reserve		**3,790**	3,539	**3,341**	3,087
Revaluation reserve		**1,797**	1,874	**1,979**	2,056
		5,587	5,413	**5,320**	5,143

The accompanying notes form part of these financial statements.
These financial statements were approved and authorised for issue by the Board and signed on its behalf by:

Aubrey Adams
Group Chair

Mike More
Chair of Audit and Risk Committee

Waqar Ahmed
Group Finance Director

Date of approval: 30 August 2022

Statement of changes in equity
Year ended 31 March 2022

Group	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2020	-	1,880	3,347	5,227
Surplus for the year	-	-	208	208
Reserves transfer	-	(6)	6	-
Actuarial losses	-	-	(22)	(22)
Balance at 31 March 2021	-	1,874	3,539	5,413
Surplus for the year	**-**	**-**	**154**	**154**
Reserves transfer	**-**	**(77)**	**77**	**-**
Actuarial gains	**-**	**-**	**20**	**20**
Balance at 31 March 2022	**-**	**1,797**	**3,790**	**5,587**

LQHT	Called up share capital £m	Revaluation reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2020	-	2,062	2,920	4,982
Surplus for the year	-	-	173	173
Reserves transfer	-	(6)	6	-
Actuarial losses	-	-	(12)	(12)
Balance at 31 March 2021	-	2,056	3,087	5,143
Surplus for the year	**-**	**-**	**170**	**170**
Reserves transfer	**-**	**(77)**	**77**	**-**
Actuarial gains	**-**	**-**	**7**	**7**
Balance at 31 March 2022	**-**	**1,979**	**3,341**	**5,320**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Surplus for the year		**154**	208
Adjustments for non-cash items:			
Depreciation, amortisation and impairment		**217**	147
Deferred government grant		**(26)**	(26)
		191	121
Adjustments for investing or financing activities:			
Change in value of investment property		**(35)**	(3)
Interest receivable and similar income		**(1)**	(2)
Interest payable and similar charges (including capitalised interest)		**103**	102
Other finance costs		**(3)**	2
Gain on sale of fixed assets		**(95)**	(59)
Share of profit from joint ventures		**(37)**	(37)
Gift on acquisition of subsidiary		**-**	-
Taxation		**18**	(3)
		(50)	-
Adjustment for working capital movement:			
(Increase)/decrease in trade and other debtors		**(3)**	53
Decrease in stock		**36**	107
Increase/(decrease) in trade and other creditors		**66**	(90)
Increase in provisions and employee benefits		**7**	23
		106	93
Tax recovered/(paid)		**2**	(1)
Net cash flow from operating activities		**403**	421

	Note	2022 £m	2021 £m
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**290**	110
Proceeds from sale of investments		**8**	11
Purchase of other fixed assets		**(15)**	(5)
Interest received		**1**	2
Interest paid		**(148)**	(149)
Other finance (costs)/income		**14**	(1)
Investments in jointly controlled entities		**2**	85
Acquisition of investment property		**(2)**	-
Proceeds from the receipt of government grant		**18**	46
Capitalised development expenditure		**(436)**	(441)
Capital expenditure on existing properties		**(71)**	(35)
Acquisition of subsidiaries net of cash acquired		**-**	-
Net cash from investing activities		**(339)**	(377)
Cash flows from financing activities			
Loans received		**505**	1,495
Loans repaid		**(485)**	(1,564)
Net cash (to)/from financing activities		**20**	(69)
Net increase/(decrease) in cash and cash equivalents		**84**	(25)
Cash and cash equivalents at 1 April		**132**	157
Cash and cash equivalents at 31 March	17	**216**	132

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2022

1. Legal status

London and Quadrant Housing Trust (LQHT) is a charitable housing association. It is registered as a community benefit society under the Cooperative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social landlord. LQHT is the ultimate parent of the Group.

2. Principal accounting policies

Basis of preparation

The financial statements of the Group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing from April 2019.

The financial statements are presented in Million Sterling (£m) to the nearest million except where specifically stated otherwise.

We have chosen to adopt the following disclosure exemptions in respect of the individual accounts of the LQHT:

- The requirement to present a statement of cash flows and related notes
- Financial instrument disclosures, including:
  - A. Categories of financial instruments,
  - B. Items of income, expenses, gains or losses relating to financial instruments, and Impairment
  - C. Exposure to and management of financial risks.

The principal accounting policies adopted in the preparation of these financial statements are set out in the relevant notes to these financial statements. Accounting policies not specifically attributed to a note are set out below.

Segmental reporting

For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the Board.

In line with the segments reported to the CODM, the presentation of these financial statements and accompanied notes are in accordance with the Accounting Direction for Private Registered Providers of Social Housing from April 2019 and is considered appropriate. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group.

This is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The CODM do not review disaggregated financial information of assets and liabilities at this level of operating segment. Refer to Note 3b for further disclosed information.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30 year financial plan which is updated quarterly and board approved on a semi-annual basis. The most recent financial plan was approved in May 2021 by the Board. As well as considering the impact of a number of scenarios on the financial plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The board, after reviewing the group and association budgets for 2021/22 and the Group's medium term financial position as detailed in the 30 year financial plan, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). To reach this conclusion, the Board has considered the following factors:

The property market – budget and financial plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes. The base financial plan follows the expected Board approved development pipeline output;

Maintenance costs – budget and financial plan scenarios have been modelled to take account of cost increases and delays in maintenance expenditure, with major works being phased into future years. The base financial plan expects works levels to reduce in future years as a result of clearing the backlog created through the pandemic;

Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and financial plan scenarios included potential future reductions in rents. The base financial plan assumes the standard regulatory rent increase is applied;

Liquidity – current available cash and unutilised loan facilities of over £1bn which gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;

The Group's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties. Scenarios covering increase in interest rates were considered, however 65% of the Group's debt is fixed which limits exposure. Void properties within the base financial plan were assumed to return to pre-pandemic levels.

The Board believe the Group and association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term borrowing facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term financial plan which shows that it is able to service debt facilities whilst continuing to comply with lenders' covenants.

Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are set out below.

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

- The **indicators of impairment** of the Group's fixed assets and the assumptions made in:
  - A. Determining the cash-generating unit (CGU) level at which recoverable amount is to be assessed
  - B. Estimating the recoverable amount of the cash-generating unit
  - C. Calculating the carrying amount of the cash-generating unit and
  - D. Comparing the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Notes to the financial statements for the year ended 31 March 2022

2. Principal accounting policies (continued)

- When an impairment trigger is identified, the estimation of the amount of impairment is determined by calculating a recoverable amount based on discounted future cashflow. Management are particularly required to apply judgement where a development or scheme has a specific issue, defect or risk which is still under review at the reporting date. As per the requirements of the Housing SORP 2018, the recoverable amount is estimated as either the value in use or the fair value less costs to sell, based on an arm's length transaction. Where there is freedom to sell a property on the open market, the fair value will be the equivalent of the market value less the costs to sell (including any associated grant which is repayable). Where there is no freedom to sell on the open market, the fair value is based on the best information available to reflect the amount that could be obtained at the reporting date less the costs of disposal. When calculating the value in use, the estimated future cashflows are derived from the continued use of the asset and its ultimate disposal, discounted by an appropriate rate reflecting the current market assessment of the time value of money and risks specific to the asset. Management must ensure the discount rate reflects the rate that finance could be secured at over a term commensurate with the length of the cashflows of the development.

- The carrying value of stock and work in progress and estimate of costs to complete: The Group holds stock stated at the lower of cost and net realisable value. Such stock includes land, work in progress and completed units. Due to the nature of development activity and in particular the scale and duration of the Group's developments, in determining forecast costs it is required to allocate site-wide development costs between units being built and/or completed in the current year and those for future years. The Group also forecasts the forecast sales values and costs to complete on such developments, using spot rates at today's values. In making such assessments and cost allocations, there is a degree of inherent estimation uncertainty; in particular due to the need to take account of future sales prices, and direct input costs alongside an appropriate allocation of sitewide costs to reflect the overall level of development risk. The Group has established internal controls designed to effectively assess and centrally review carrying values and net realisable value calculations, and to ensure the appropriateness of estimates made which will evolve over the life of the development in line with the risk profile. These estimates impact the carrying value of stock and work in progress at each reporting date

- Provisions: The Group makes assumptions to determine the timing and its best estimate of the quantum of its liabilities for which provisions are held. In particular significant judgement is used by management in estimating post-completion defect obligations in respect of construction of complex mixed-use property developments. The Group continually reviews at each reporting date the identified risks that it is aware of to ensure that the amount of the provision remains appropriate. The Group also continually reviews its utilisation of the provision, releasing it in line with expenditure which was provided for, or adjusting as necessary in line with the remaining obligation at the reporting date. Refer to the accounting policy and disclosures within Note 23 for further detail.

- The valuation of pension liabilities. The critical selection of financial and actuarial assumptions in relation to defined benefit scheme obligation (DBO) based on best estimates derived from the Group's policies and practices and their applications across all pension schemes operated by the Group where appropriate and confirmed with actuaries where these are beyond management expertise, e.g. Mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau (supported by the Actuarial Profession). Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 9).

Other estimation uncertainty

- Management is required to determine the finite useful life over which purchase goodwill is to be amortised on a systematic basis. If, in exceptional cases, a reliable estimate of the useful life of goodwill cannot be determined, the life will not exceed 10 years. (Refer to note 14(f)).

- Management reviews the application of suitable assumptions by third-party experts to provide a reasonable valuation of investment property, especially in light of the coronavirus pandemic causing market uncertainty.

- Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to circumstances which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing properties and property components are disclosed in note 12 and include:

A. The useful economic life of property structure is set to 100 years; and

B. That properties have no residual values at the end of their useful life.

These are conservative assumptions that have been aligned with general practice followed by registered housing providers.

- Management reviews the appropriate point at which a development project is more likely than not to continue, allowing capitalisation of associated development costs and borrowing costs.

- Management reviews the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

- Management is required to determine the fair value of asset and liabilities of any entities acquired and reflect these fair values as part of the process of preparing consolidated financial statements. Where the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, management estimates the fair value by using a valuation technique and engages qualified external valuer where such techniques are beyond management expertise. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations and will necessarily include management judgement applied to assumptions provided to the valuer. The determination of fair values is also a key determinant of goodwill calculation and the exceptional gains on business combinations where purchase consideration is nil.

- Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices. Fair value measurements applied to fixed rate and hedged debt carry a significant mark-to-market exposure year on year, the accounting for which can impact on the presentation of the financial statements depending on whether hedge accounting is applicable and whether management opts to apply hedge accounting.

- Management perform estimates for receivables relating to the recoverability of outstanding balances (rental and other trade debtors, see note 16). A review is performed each year end on an individual debtor basis to consider whether each debt is recoverable.

Notes to the financial statements for the year ended 31 March 2022

04

2. Principal accounting policies (continued)

Basis of consolidation

The Group has prepared consolidated financial statements as required by the Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" under the purchase method in which the financial statements of LQHT and its subsidiaries are presented as those of a single economic entity. Intercompany transactions and balances between group companies are therefore eliminated in full on consolidation.

The consolidated accounts comprise the financial statements of London & Quadrant Housing Trust, the parent company and its subsidiary undertakings, control of which are achieved where LQHT has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the parent LQHT. A list of all subsidiaries is provided in note 33.

Business combinations that are gifts

Where there is a business combination that is in substance a gift, any excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense. There were no new acquisitions in the year.

Jointly controlled entities

The Group participates in a number of joint ventures that involves the establishment of a corporation, partnership or other entity. As such, these are jointly controlled entities and accounted for using the equity method of accounting under which the equity investment is initially recognised at the transaction price and is subsequently adjusted to reflect the Group's share of the profit or loss.

Value added tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on expenditure to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership properties, from properties developed for open market sales and from land sales at the point of sale completion and includes, in accordance with FRS 102, the amortisation of Social Housing Grant (SHG). By applying the accrual model, deferred grant income is released as an income over the life of the asset structure. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales, sales of properties built for sale and land sales is recognised at the point of legal completion of the sale.

Income from sale of strategic land and infrastructure can be recognised in one of two ways depending on the agreed contract. Sale of strategic land is recognised when the benefits of ownership and related planning consents are passed to the purchaser. Long term infrastructure contracts are included in revenue on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts. Where a contract consists of a single price for both the strategic land and the infrastructure contract after completion, total income is recognised on transfer of benefits of ownership and related planning consents of the site, while a provision for future contractual costs to complete the infrastructure works are included as a liability to the accounts. Any deferred consideration is discounted using an appropriate effective interest rate.

Other income is recognised as receivable on the delivery of services provided.

Cost of sales

Cost of sales represents those costs including capitalised interest, direct overheads incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of sale of those properties.

In addition to the land costs originally stocked under construction attributable to each sales transaction, included within cost of sales are expenses relating to fees expended in promoting developments through the planning system which are written off to the statement of comprehensive income until the viability of such a development is reasonably secure, after which such costs are capitalised in accordance with the accounting policy in respect of land and properties held for sale. At the date a sale is recognised all costs, including planning and infrastructure costs attributable to that sale, are taken to cost of sales.

Joint ventures

The Group has entered into various property development and land enabling activities conducted through joint ventures, the majority of which are jointly controlled entities. These are represented in Statement of Comprehensive Income by applying the equity accounting method as set out in note 14a.

For those which are jointly controlled assets the results are proportionally consolidated within the Statement of Comprehensive Income, while L&Q recognises its share of assets and liabilities within the Statement of Financial Position.

Reserves

There are no restricted or designated reserves held.

The revaluation reserve was established on transition to FRS 102 on application of the deemed cost model, which allowed first time adopters to elect to measure an item of fixed assets at its fair value at the date of transition and use that fair value as its deemed cost at that date. Movements in the revaluation reserve relate to disposals in the year of homes held at deemed cost.

04 Notes to the financial statements for the year ended 31 March 2022

3a. Particulars of turnover, cost of sales, operating costs and operating surplus – Group

Group	2022 Turnover	2022 Cost of sales	2022 Operating costs	2022 Other operating items	2022 Operating surplus	2021 Turnover	2021 Cost of sales	2021 Operating costs	2021 Other operating items	2021 Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**400**	**-**	**(305)**	**-**	**95**	394	-	(265)	-	129
Supported housing	**48**	**-**	**(47)**	**-**	**1**	49	-	(42)	-	7
Intermediate market rent	**25**	**-**	**(16)**	**-**	**9**	26	-	(15)	-	11
Low-cost home ownership	**72**	**-**	**(24)**	**-**	**48**	65	-	(20)	-	45
Affordable rent	**68**	**-**	**(32)**	**-**	**36**	62	-	(24)	-	38
	613	**-**	**(424)**	**-**	**189**	596	-	(366)	-	230
Other social housing activities										
Care and support	**10**	**-**	**(9)**	**-**	**1**	9	-	(9)	-	-
First tranche low-cost home ownership sales	**117**	**(120)**	**-**	**-**	**(3)**	66	(54)	(1)	-	11
Development	**7**	**-**	**(106)**	**-**	**(99)**	7	-	(73)	-	(66)
Community investment	**-**	**-**	**(9)**	**-**	**(9)**	-	-	(8)	-	(8)
Other	**1**	**-**	**(2)**	**-**	**(1)**	-	-	(2)	-	(2)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**95**	**95**	-	-	-	59	59
	135	**(120)**	**(126)**	**95**	**(16)**	82	(54)	(93)	59	(6)
Non-social housing lettings										
Student accommodation	**2**	**-**	**(2)**	**-**	**-**	2	-	(2)	-	-
Market rent	**38**	**-**	**(16)**	**35**	**57**	42	-	(14)	3	31
Non-social homeowners	**15**	**-**	**(15)**	**-**	**-**	13	-	(17)	-	(4)
Commercial	**3**	**-**	**(1)**	**-**	**2**	3	-	(1)	-	2
Garages, sheds, parking spaces	**1**	**-**	**(1)**	**-**	**-**	2	-	(1)	-	1
	59	**-**	**(35)**	**35**	**59**	62	-	(35)	3	30

Group	2022 Turnover	2022 Cost of sales	2022 Operating costs	2022 Other operating items	2022 Operating surplus	2021 Turnover	2021 Cost of sales	2021 Operating costs	2021 Other operating items	2021 Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-social housing activities										
Open market sales	**145**	**(167)**	**-**	**-**	**(22)**	211	(193)	(5)	-	13
Land sales	**151**	**(104)**	**(14)**	**-**	**33**	91	(64)	(15)	-	12
Resales	**1**	**-**	**-**	**-**	**1**	1	-	-	-	1
Other non-social housing activity	**8**	**-**	**(18)**	**-**	**(10)**	9	-	(19)	-	(10)
Share of profits from joint ventures	**-**	**-**	**-**	**37**	**37**	-	-	-	37	37
	305	**(271)**	**(32)**	**37**	**39**	312	(257)	(39)	37	53
	1,112	**(391)**	**(617)**	**167**	**271**	1,052	(311)	(533)	99	307
Interest receivable					**1**					2
Interest payable					**(103)**					(102)
Other finance income/(costs)					**3**					(2)
Tax on surplus on ordinary activities					**(18)**					3
Surplus for the year					**154**					208

Notes:
Social housing lettings: There is £5m impairment charge within general needs operating costs in the year (2021: £3m release), considered to be fixed asset impairment.
Other social housing activities: First tranche low-cost home ownership cost of sales of £120m includes an impairment charge of £22m (2021: £nil) considered to be current asset impairment.
Development operating costs of £106m (2021: £73m) includes £48m net impairment charge considered to be fixed asset impairment (2021: £26m), £5m abortive site costs (2021: £4m), £18m overheads (2021: £22m) and £35m latent defects (2021: £20m), of which £24m (2021: £14m) relates to an increase in provision (see Note 23 for more detail).
Non-social housing lettings: Market rent “other operating items” represents the change in valuation of investment property which forms part of operating income
Non-social housing activities: Open market sales cost of sales of £167m includes an impairment charge of £30m (2021: £7m) considered to be current asset impairment.

Notes to the financial statements for the year ended 31 March 2022

3a. Particulars of turnover, cost of sales, operating costs and operating surplus – LQHT

LQHT	2022 Turnover £m	2022 Cost of sales £m	2022 Operating costs £m	2022 Other operating items £m	2022 Operating surplus £m	2021 Turnover £m	2021 Cost of sales £m	2021 Operating costs £m	2021 Other operating items £m	2021 Operating surplus £m
Social housing lettings										
General needs	376	-	(283)	-	93	372	-	(245)	-	127
Supported housing	34	-	(33)	-	1	34	-	(29)	-	5
Intermediate market rent	24	-	(16)	-	8	26	-	(15)	-	11
Low-cost home ownership	71	-	(23)	-	48	64	-	(20)	-	44
Affordable rent	59	-	(25)	-	34	52	-	(17)	-	35
	564	-	(380)	-	184	548	-	(326)	-	222
Other social housing activities										
Care and support	-	-	-	-	-	-	-	-	-	-
First tranche low-cost home ownership sales	107	(107)	-	-	-	64	(52)	(1)	-	11
Development	2	-	(44)	-	(42)	2	-	(58)	-	(56)
Community investment	-	-	(6)	-	(6)	-	-	(6)	-	(6)
Other	-	-	-	-	-	-	-	(1)	-	(1)
Surplus on disposal of fixed assets	-	-	-	92	92	-	-	-	57	57
	109	(107)	(50)	92	44	66	(52)	(66)	57	5
Non-social housing lettings										
Student accommodation	2	-	(2)	-	-	2	-	(2)	-	-
Market rent	-	-	-	-	-	1	-	(1)	-	-
Non-social homeowners	15	-	(15)	-	-	13	-	(17)	-	(4)
Commercial	3	-	(1)	-	2	3	-	(1)	-	2
Garages, sheds, parking spaces	1	-	(1)	-	-	1	-	-	-	1
	21	-	(19)	-	2	20	-	(21)	-	(1)

LQHT	2022 Turnover £m	2022 Cost of sales £m	2022 Operating costs £m	2022 Other operating items £m	2022 Operating surplus £m	2021 Turnover £m	2021 Cost of sales £m	2021 Operating costs £m	2021 Other operating items £m	2021 Operating surplus £m
Non-social housing activities										
Open market sales	13	(13)	-	-	-	6	(6)	-	-	-
Land sales	-	-	-	-	-	-	-	(2)	-	(2)
Resales	1	-	-	-	1	1	-	-	-	1
Other non-social housing activity	4	-	(14)	-	(10)	5	-	(15)	-	(10)
	18	(13)	(14)	-	(9)	12	(6)	(17)	-	(11)
	712	(120)	(463)	92	221	646	(58)	(430)	57	215
Interest receivable					28					37
Interest payable					(107)					(107)
Other finance income (costs)					(4)					(8)
Gift aid					32					36
Tax on surplus on ordinary activities					-					-
Surplus for the year					170					173

Notes:
Social housing lettings: There is £5m impairment charge within general needs operating costs in the year (2021: £3m release), considered to be fixed asset impairment.
Other social housing activities: First tranche low-cost home ownership cost of sales of £107m includes an impairment charge of £16m (2021: £nil) considered to be current asset impairment.
Development operating costs of £44m (2021: £58m) includes £21m net impairment charge considered to be fixed asset impairment (2021: £28m), £5m abortive site costs (2021: £4m), £8m overheads (2021: £16m) and £10m latent defects (2021: £9m).

Notes to the financial statements for the year ended 31 March 2022

3b. Particulars of income and expenditure from social housing lettings

Group	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2022 Total £m	2021 Total £m
Rent receivable net of identifiable service charges	358	36	21	48	58	521	511
Service charges receivable	27	10	3	14	9	63	58
Net rents receivable	385	46	24	62	67	584	569
Amortised government grant	14	2	1	8	1	26	26
Government grants taken to income	-	-	-	-	-	-	-
Other income	1	-	-	2	-	3	1
Total income from lettings	400	48	25	72	68	613	596
Expenditure on letting activities:							
Management	36	7	3	4	6	56	53
Services	38	14	4	15	8	79	75
Routine maintenance	122	9	4	3	8	146	98
Planned maintenance and major repairs	32	6	1	2	4	45	48
Bad debts	2	-	-	-	-	2	4
Depreciation of housing properties	69	10	4	-	6	89	90
Impairment of housing properties	5	-	-	-	-	5	(3)
Other costs	1	1	-	-	-	2	1
Total expenditure on lettings	305	47	16	24	32	424	366
Operating surplus on lettings	95	1	9	48	36	189	230
Voids losses	6	4	5	-	1	16	10

LQHT	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2022 Total £m	2021 Total £m
Rent receivable net of identifiable service charges	335	24	20	47	50	476	468
Service charges receivable	26	8	3	14	8	59	53
Net rents receivable	361	32	23	61	58	535	521
Amortised government grant	14	2	1	8	1	26	26
Government grants taken to income	-	-	-	-	-	-	-
Other income	1	-	-	2	-	3	1
Total income from lettings	376	34	24	71	59	564	548
Expenditure on letting activities:							
Management	31	5	3	3	5	47	44
Services	36	10	4	15	7	72	71
Routine maintenance	117	7	4	3	6	137	89
Planned maintenance and major repairs	28	4	1	2	2	37	42
Bad debts	2	-	-	-	1	3	3
Depreciation of housing properties	63	7	4	-	4	78	80
Impairment of housing properties	5	-	-	-	-	5	(3)
Other costs	1	-	-	-	-	1	-
Total expenditure on lettings	283	33	16	23	25	380	326
Operating surplus on lettings	93	1	8	48	34	184	222
Voids losses	6	3	5	-	1	15	9

Notes to the financial statements for the year ended 31 March 2022

4. Group housing stock

Social housing accommodation	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2022 Total	Owned and directly managed	Owned but managed by other organisations	Managed on behalf of other organisations	2021 Total
General needs	**56,782**	**206**	**211**	**57,199**	58,083	252	233	58,568
Affordable rent	**7,948**	**-**	**8**	**7,956**	7,229	-	77	7,306
Intermediate rent	**2,517**	**-**	**1**	**2,518**	2,341	-	1	2,342
Housing for older people	**4,988**	**20**	**11**	**5,019**	5,081	20	11	5,112
Supported housing	**973**	**1,577**	**41**	**2,591**	1,070	1,626	39	2,735
Care homes	**45**	**300**	**-**	**345**	58	299	-	357
Total social housing	**73,253**	**2,103**	**272**	**75,628**	73,862	2,197	361	76,420

In addition to the above, L&Q Group owns or manages the following homes and units:

	2022	2021
Other social housing accommodation		
Key worker accommodation	**900**	906
Low-cost home ownership	**10,400**	9,565
Shared equity	**2,314**	2,482
Other social homes	**116**	131
Total other social housing	**13,730**	13,084
Non-social housing accommodation		
Leaseholders	**12,238**	12,282
Market rent	**2,744**	2,607
Student accommodation	**628**	634
Other landlords	**2,106**	2,259
Commercial	**119**	118
Total non-social housing	**17,835**	17,900
Total homes owned or managed	**107,193**	107,404
Garages, parking spaces and other non-habitable units	**11,241**	10,384
Total homes and units owned or managed	**118,434**	117,788
Homes in development pipeline	**29,795**	32,482
Strategic land plots	**75,484**	81,568

5. Operating surplus on ordinary activities before tax

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Operating surplus is stated after charging/(crediting):				
Depreciation on social housing properties	**89**	90	**78**	80
Depreciation on other non-social housing	**-**	-	**-**	-
Depreciation and amortisation on other fixed assets	**8**	9	**6**	6
Impairment charge on fixed asset housing properties	**64**	38	**36**	32
Impairment release on fixed asset housing properties	**(11)**	(15)	**(10)**	(7)
Net impairment on fixed asset housing properties	**53**	23	**26**	25
Impairment charge on current assets under development	**56**	8	**16**	1
Impairment release on current assets under development	**(4)**	(1)	**-**	(1)
Net impairment on current assets	**52**	7	**16**	-
Impairment release on joint ventures	**(15)**	-	**-**	-
Surplus on sale of fixed assets	**(95)**	(59)	**(92)**	(57)
Operating lease rentals - Land and buildings	**2**	2	**2**	1
Change in valuation of investment property	**(35)**	(3)	**-**	-

During the year, the following services were provided by the Group auditor:

	Group 2022 £'000	Group 2021 £'000	LQHT 2022 £'000	LQHT 2021 £'000
Auditor's remuneration (excluding VAT):				
• In their capacity as auditor	**575**	575	**363**	390
• In respect of other services	**134**	210	**134**	210

An additional fee in respect of 2018/19 in relation to Group Audit Reporting of £15,000 was charged in FY2021, alongside additional fees in respect of 2019/20 of £29,000.

Notes to the financial statements for the year ended 31 March 2022

6. Surplus on disposal of fixed assets and other investments

Disposals
Surplus on disposal of fixed assets and investments is recognised on legal sale completion.

Group	Housing properties £m	Investment disposals £m	HomeBuy £m	Other £m	2022 Total £m	2021 Total £m
Sales proceeds	329	11	13	-	353	126
Cost of sales	(225)	(11)	(7)	-	(243)	(61)
Grant recovered	(24)	-	-	-	(24)	(4)
Grant abated	1	-	-	-	1	1
Depreciation on sales	16	-	-	-	16	1
Incidental sale expense and write downs	(8)	-	-	-	(8)	(4)
Total	89	-	6	-	95	59

LQHT	Housing properties £m	Investment disposals £m	HomeBuy £m	Other £m	2022 Total £m	2021 Total £m
Sales proceeds	323	-	13	-	336	111
Cost of sale	(222)	-	(7)	-	(229)	(48)
Grant recovered	(24)	-	-	-	(24)	(4)
Grant abated	1	-	-	-	1	1
Depreciation on sales	16	-	-	-	16	1
Incidental sale expense and write downs	(8)	-	-	-	(8)	(4)
Total	86	-	6	-	92	57

7. Interest receivable and similar income

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Bank interest receivable	-	-	-	-
Other interest receivable	1	2	28	31
Dividends receivable	-	-	-	6
	1	2	28	37

8a. Interest payable and similar charges

Interest payable
Interest expense on liabilities at amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

Interest capitalised
Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or 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. For the year ending 31 March 2022, interest has been capitalised at an average rate of 3.4% (2021: 3.3%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

Interest is not capitalised on strategic land developments.

Release of loan fair values
Where loans have been fair valued on acquisition of another entity, the difference on fair value at the time of acquisition is released to the statement of comprehensive income in line with the repayment profile of the specific loans. Where the loan is fully repaid, the full amount of fair value remaining is released.

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Interest expense on liabilities at amortised cost	148	146	138	135
Amortisation of loan set-up costs	4	4	5	3
Less: interest capitalised in housing properties	(49)	(48)	(36)	(31)
	103	102	107	107

8b. Other finance income and costs

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Movements in financial instruments relating to deferred land payments	2	(6)	-	(8)
Release of loan fair values on repayment and refinancing	5	6	-	1
Other charges	(4)	(2)	(4)	(1)
	3	(2)	(4)	(8)

Notes to the financial statements for the year ended 31 March 2022

9. Employee information

	Group 2022 No.	Group 2021 No.	LQHT 2022 No.	LQHT 2021 No.
The average full-time equivalent employees based on their individual contracted hours:				
Chief Executive Department	**29**	23	**11**	11
Contact Centre and Income Management	**465**	390	**367**	332
Development, Sales and Asset Management	**654**	625	**540**	553
Finance, Treasury, Insurance and Procurement	**211**	161	**161**	128
Governance, Strategy and Communications	**155**	136	**107**	107
Human Resources, Learning and Development and Facilities	**109**	91	**86**	79
L&Q Foundation	**65**	62	**50**	54
Care and Support	**482**	432	**6**	8
Maintenance and L&Q Energy	**961**	877	**723**	717
Neighbourhoods	**455**	439	**407**	411
Private Rented and Commercial Lettings	**71**	57	**55**	45
Technology and Digital	**168**	144	**127**	120
	3,825	3,437	**2,640**	2,565

	Group 2022	Group 2021	LQHT 2022	LQHT 2021
Staff costs (for the above persons)	**£m**	£m	**£m**	£m
Wages and salaries	**150**	142	**121**	115
Social security costs	**16**	15	**13**	13
Other pension costs	**19**	19	**15**	15
	185	176	**149**	143

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the financial reporting date and is carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

L&Q Staff Benefits Plan

The Group operates the L&Q Housing Trust Staff Benefits Plan (the LQHT scheme), providing benefits based on final pensionable pay. The LQHT scheme has 11 active members (2021: 12). The assets of the scheme are held separately from those of the Group. This scheme has been closed to new entrants since 2001.

The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected unit method and is not materially different from that arising from the current employer's contribution rate.

The pension contributions payable by the Group to the LQHT scheme during the accounting period were equal to 35.5% (2021: 35.5%) of pensionable salary as recommended by the actuary. Surpluses and deficits are reviewed at each triennial actuarial valuation, and the pensions charge recorded by the Group during the accounting period was equal to the contributions payable.

The Group also participates in four defined benefit pension schemes ("LGPS") which are administered by:

- London Borough of Waltham Forest with 1 active member (2021: 1)
- Buckinghamshire County Council with nil active members (2021: nil)
- London Borough of Bexley with 1 active member (2021: 1), and
- Tameside Metropolitan Borough Council with 116 active members (2021: 130).

The pension contributions paid during the year for these schemes were:

- London Borough of Waltham Forest scheme 17.3% (2021: 17.3%)
- Buckinghamshire County Council scheme nil (2021: nil)
- London Borough of Bexley scheme nil (2021: nil), and
- Greater Manchester Pension Fund 31.5% (2021: 31.5%).

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension scheme surpluses (to the extent that they are recoverable) or deficits are recognised in full. The results of the schemes as set out below have been based on assumptions prepared by the LQHT actuary using the best estimate chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The movement in the scheme surpluses/deficits other than cash contributed by the Group are split between operating charges, finance items and actuarial gains or losses in the statement of other comprehensive income.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

The Social Housing Pension Scheme

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. At 31 March 2019 as a result of additional information, a full FRS 102 valuation was adopted for the first time.

The Group has three employers participating in SHPS LQHT, L&Q Living Limited and Trafford Housing Trust.

Notes to the financial statements for the year ended 31 March 2022

9. Employee information (continued)

NHS Pension Scheme

The NHS pension scheme is a statutory multi-employer scheme, with benefits fully guaranteed by the government. Contributions from both members and employers are paid to the exchequer, which meets the cost of the scheme benefits. The exchequer also pays for the costs of increasing benefits each year by the rate of inflation. This cost is not met by contributions from scheme members or employers and consequently the scheme is accounted for as a defined contribution scheme. This scheme relates to employees of L&Q Living Limited only and has been closed to new and existing employees not already in the scheme since 1 April 2008.

Money purchase scheme

The Group also participates in defined contribution schemes where the amount charged to the statement of consolidated income represents the contributions payable to the scheme in respect of the accounting period.

a) L&Q Staff Benefits Plan and LGPS - Group and LQHT

	2022	2021
Financial assumptions		
Discount rate	**2.8%**	2.1%
Inflation (RPI)	**3.6%**	3.2%
Inflation (CPI)	**2.8%**	2.4%
Salary growth	**3.6%**	3.2%
Mortality assumptions		
• Base table	**S2PA**	S2PA
• Improvement method	**CMI 2021 with 1.25% LTR 7**	CMI 2020 with 1.25% LTR 7
• Projection	**Year of birth**	Year of birth

Mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries.

b) Social Housing Pension Scheme Plan - Group and LQHT

	2022	2021
Financial assumptions		
Discount rate	**2.8%**	2.1%
Inflation (RPI)	**3.6%**	3.2%
Inflation (CPI)	**3.2%**	2.7%
Salary growth	**3.6%**	3.2%
Mortality assumptions		
• Base table	**S2PA**	S2PA
• Improvement method	**CMI 2021 with 1.25% LTR**	CMI 2020 with 1.25% LTR
• Projection	**Year of birth**	Year of birth

Mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries.

Notes to the financial statements for the year ended 31 March 2022

9. Employee information (continued)

Summary of pension scheme balances

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Net pension asset				
LGPS schemes	1	1	1	1
LQHT staff benefits plan	13	5	13	5
Net pension asset	14	6	14	6
Net pension liability				
LGPS schemes	5	16	1	2
LQHT staff benefits plan	-	-	-	-
SHPS	20	26	17	21
Net pension liability	25	42	18	23

Defined benefit schemes - Net pension asset

Two schemes were in a net pension asset position at 31 March 2022, the L&Q Staff Benefits Plan and the London Borough of Bexley LGPS meet the requirements to recognise as net pension asset.

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Analysis of the amount recognised in comprehensive income				
Current service cost	-	-	-	-
Past service cost	-	-	-	-
Net interest	-	-	-	-
	-	-	-	-

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	3	21	3	21
Amount included in net interest on net defined benefit liability	(3)	(3)	(3)	(3)
Remeasurements – return on plan assets excluding interest income	-	18	-	18
Changes in assumptions underlying the present value of the plan liabilities	10	(20)	10	(20)
Changes due to experience	(5)	1	(5)	1
Remeasurements recognised	5	(1)	5	(1)
Movement in (deficit)/surplus during the year				
At beginning of the year	6	4	6	4
Movement in year:				
Current service cost	-	-	-	-
Employer contributions	3	3	3	3
Past service costs	-	-	-	-
Other finance costs	-	-	-	-
Remeasurements	5	(1)	5	(1)
Net surplus at end of the year	14	6	14	6
Movement in fair value of plan assets				
At beginning of the year	152	133	152	133
Expected return on assets	-	-	-	-
Interest income	3	3	3	3
Remeasurements on plan assets	-	18	-	18
Assets distributed on settlements	-	-	-	-
Employer contributions	3	3	3	3
Plan participant contributions	-	-	-	-
Benefits paid	(5)	(5)	(5)	(5)
At end of the year	153	152	153	152

Notes to the financial statements for the year ended 31 March 2022

9. Employee information (continued)

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Movement in liabilities during the year				
Past service liability at start of the year	**146**	129	**146**	129
Service cost	**-**	-	**-**	-
Interest cost	**3**	3	**3**	3
Plan participant contributions	**-**	-	**-**	-
Past service costs	**-**	-	**-**	-
Remeasurement:				
- Due to changes in assumptions	**(10)**	20	**(10)**	20
- Due to experience	**5**	(1)	**5**	(1)
Liabilities extinguished on settlements	**-**	-	**-**	-
Benefits paid	**(5)**	(5)	**(5)**	(5)
At end of the year	**139**	146	**139**	146

Defined benefit schemes - Net pension liability

The three schemes that were in a net pension deficit at 31 March 2022 are the Waltham Forest LGPS, Buckinghamshire County Council LGPS and the Greater Manchester Pension Fund (GMPF).

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Analysis of the amount recognised in comprehensive income				
Current service cost	**(2)**	(1)	**-**	-
Past Service cost	**-**	-	**-**	-
Net interest on the defined liability	**-**	-	**-**	-
Total	**(2)**	(1)	**-**	-

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	**5**	10	**-**	1
Amount included in net interest on net defined benefit liability	**1**	1	**-**	-
Remeasurements – return on plan assets excluding interest income	**6**	11	**-**	1
Changes in assumptions underlying the present value of the plan liabilities	**6**	(19)	**1**	(1)
Changes due to experience	**-**	1	**-**	-
Release of fair value on acquisition	**-**	-	**-**	-
Remeasurements recognised	**12**	(7)	**1**	-
Movement in deficit/(surplus) in the year				
Net deficit at beginning of the year	**(16)**	(10)	**(2)**	(2)
Movement in year:				
Current service cost	**(2)**	(1)	**-**	-
Employer contributions	**1**	2	**-**	-
Past service costs	**-**	-	**-**	-
Other finance costs	**-**	-	**-**	-
Remeasurements	**12**	(7)	**1**	-
Net deficit at end of the year	**(5)**	(16)	**(1)**	(2)

Notes to the financial statements for the year ended 31 March 2022

9. Employee information (continued)

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Movement in liabilities during the year				
Past service liability at beginning of the year	85	66	10	9
Service cost	2	1	-	-
Interest cost	2	2	-	-
Plan participant contributions	-	-	-	-
Past service costs	-	-	-	-
Remeasurement:				
- Due to changes in assumptions	(6)	19	(1)	1
- Due to experience	-	(1)	-	-
Liabilities extinguished on settlements	-	-	-	-
Benefits paid	(2)	(2)	-	-
Other costs	-	-	-	-
At end of the year	81	85	9	10

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Movement in fair value of plan assets				
At beginning of the year	69	56	8	7
Expected return on assets	-	-	-	-
Net interest income	1	1	-	-
Administration expenses	-	-	-	-
Remeasurements	6	11	-	1
Assets distributed on settlements	-	-	-	-
Employer contributions	2	2	-	-
Plan participant contributions	-	-	-	-
Benefits paid	(2)	(2)	-	-
Other	1	1	-	-
At end of the year	77	69	8	8

SHPS - Net pension liability

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Analysis of the amount recognised in comprehensive income				
Current service cost	-	-	-	-
Past service cost	-	-	-	-
Net interest on the defined liability	(1)	-	-	-
Total	(1)	-	-	-
Analysis of amount recognised in other comprehensive income				
Actual return less expected return on plan assets	4	12	2	10
Amount included in net interest on net defined benefit liability	(3)	(3)	(2)	(2)
Remeasurements – return on plan assets excluding interest income	1	9	-	8
Changes in assumptions underlying the present value of the plan liabilities	10	(25)	8	(20)
Changes due to experience	(8)	1	(7)	1
Remeasurements recognised	3	(15)	1	(11)
Movement in deficit/(surplus) in the year				
Net deficit at beginning of the year	(26)	(15)	(21)	(13)
Movement in year:	-	-	-	-
Current service cost	-	-	-	-
Employer contributions	4	4	3	3
Past service costs	-	-	-	-
Other finance costs	(1)	-	-	-
Remeasurements	3	(15)	1	(11)
Net deficit at end of the year	(20)	(26)	(17)	(21)

Notes to the financial statements for the year ended 31 March 2022

9. Employee information (continued)

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Movement in fair value of plan assets				
At beginning of the year	**119**	106	**103**	92
Expected return on assets	**-**	-	**-**	-
Net interest income	**3**	3	**2**	2
Administration expenses	**-**	-	**-**	-
Remeasurements	**1**	9	**-**	8
Assets distributed on settlements	**-**	-	**-**	-
Employer contributions	**4**	4	**3**	3
Plan participant contributions	**-**	-	**-**	-
Benefits paid	**(3)**	(3)	**(3)**	(2)
At end of the year	**124**	119	**105**	103

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Movement in liabilities during the year				
Past service liability at beginning of the year	**145**	**121**	**124**	**105**
Service cost	**-**	**-**	**-**	**-**
Interest cost	**3**	**3**	**3**	**2**
Plan participant contributions	**-**	**-**	**-**	**-**
Past service costs	**-**	**-**	**-**	**-**
Remeasurement:	**-**	**-**	**-**	**-**
- Due to changes in assumptions	**(10)**	**25**	**(8)**	**20**
- Due to experience	**8**	**(1)**	**7**	**(1)**
Liabilities extinguished on settlements	**-**	**-**	**-**	**-**
Benefits paid	**(3)**	**(3)**	**(3)**	**(2)**
Other costs	**1**	**-**	**(1)**	**-**
Past service liability at end of the year	**144**	**145**	**122**	**124**

The fair value of the plan assets for all LGPS and SHPS was as follows:

Group	2022 £m	2022 %	2021 £m	2021 %
Equities	**86**	**24**	87	26
Gilts	**1**	**0**	13	4
Corporate bonds	**44**	**13**	40	12
Property	**12**	**4**	9	3
Cash	**10**	**3**	10	3
Other assets	**199**	**56**	180	52
	352	**100**	339	100

LQHT	2022 £m	2022 %	2021 £m	2021 %
Equities	**36**	**14**	41	15
Gilts	**1**	**0**	12	5
Corporate bonds	**33**	**12**	32	12
Property	**7**	**3**	5	2
Cash	**3**	**1**	5	2
Other assets	**186**	**70**	168	64
	266	**100**	263	100

Notes to the financial statements for the year ended 31 March 2022

10. Board members and executive directors

Group Board remuneration for the year was:	2022 £	2021 £
Aubrey Adams (Chair)	**33,355**	33,355
Fiona Fletcher-Smith (Chief Executive)	**-**	-
Waqar Ahmed (Group Finance Director)	**-**	-
Fayann Simpson	**20,129**	16,462
Michael More	**19,301**	19,301
Rajiv Jaitly	**13,624**	13,624
Louise Brooke-Smith	**19,301**	9,650
Sean Anstee	**20,700**	10,350
Maria da Cunha (appointed 20/05/2021)	**16,404**	-
Raj Kumar (appointed 05/05/2021)	**12,381**	-
Dominique Kent (appointed 20/05/2021)	**17,549**	-
Trevor Moross (retired 31/08/2021)	**8,634**	20,721
Anne Elizabeth Bassis (retired 30/09/2021)	**6,812**	13,624
Tracey Fletcher–Ray (retired 30/09/2021)	**8,232**	16,463
Samantha Hyde (resigned 09/09/2020)	**-**	6,038
Larissa Joy (resigned 05/12/2020)	**-**	9,280
Simon Rubinsohn (retired 30/09/2020)	**-**	9,750
Edna Robinson (retired 30/09/2020)	**-**	10,360
	196,422	188,978

Board expenses of £2,108 (2021: £35) were incurred in the year.

- The Chief Executive and Group Finance Director receive no remuneration in respect of being members of the Board
- Remuneration is pro-rated from date of appointment to Board or committee

Directors Emoluments

The directors are defined as the Chief Executive and the Executive Group. The Chief Executive was also the highest paid director.

	Group 2022 £'000	Group 2021 £'000	LQHT 2022 £'000	LQHT 2021 £'000
Emoluments payable to the directors (excluding pension contributions, or cash in lieu payment thereof but including benefits in kind)	**1,577**	1,685	**1,577**	1,685
Pension contributions, or cash in lieu payment thereof, in respect of services as directors	**140**	172	**140**	172
	1,717	1,857	**1,717**	1,857
Emoluments payable to the Chief Executive (excluding pension contributions but including benefits in kind)	**329**	369	**329**	369

Director emoluments do not include any bonuses for the year.

Chief Executive – Fiona Fletcher-Smith

The Chief Executive was a member of the L&Q Housing Trust Staff Benefits Plan (a defined contribution scheme) until 30 June 2021. She was an ordinary member of the Fund and no enhanced or special terms applied. The Chief Executive received cash in lieu of pension payment of £12,290 (2021: £nil). The Trust does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £nil (2021: £68,819). The emoluments of all directors are reviewed and agreed on an annual basis by our Governance & Remuneration Committee. They are based on an individual assessment of pay scales prevailing the market and an assessment of performance against our corporate objectives.

Notes to the financial statements for the year ended 31 March 2022

10. Board members and executive directors (continued)

Salary banding for key management personnel, considered as Board members and Executive Directors, earning over £60,000 (including salaries, performance related pay, benefits in kind, compensation for loss of office and pension contributions paid by the employer) is set out below:

	Group 2022 No.	Group 2021 No.	LQHT 2022 No.	LQHT 2021 No.
Salary Banding				
£60,001 to £200,000	-	-	-	-
£200,001 to £210,000	2	2	2	2
£210,001 to £220,000	1	-	1	-
£220,001 to £230,000	-	-	-	-
£230,001 to £240,000	2	1	2	1
£240,001 to £260,000	-	-	-	-
£260,001 to £270,000	-	-	-	-
£270,001 to £280,000	1	1	1	1
£280,001 to £290,000	-	-	-	-
£290,001 to £300,000	-	1	-	1
£300,001 to £340,000	-	-	-	-
£340,001 to £350,000	1	-	1	-
£350,001 to £420,000	-	-	-	-
£420,001 to £430,000	-	1	-	1
	7	6	7	6

11. Tax on surplus on ordinary activities

Current and deferred taxation

The tax expense for the year comprises both current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- The Group is able to control the reversal of the timing difference; and
- It is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset.

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Current tax				
UK corporation tax	-	-	-	-
Total current tax	-	-	-	-
Deferred tax				
Net origination and reversal of timing difference	(18)	3	-	-
Total tax on results on ordinary activities	(18)	3	-	-

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Notes to the financial statements for the year ended 31 March 2022

11. Tax on surplus on ordinary activities (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
Surplus on ordinary activities before tax	**172**	205	**170**	173
Surplus multiplied by 19% (2021: 19%) the standard rate of UK corporation tax	**33**	39	**32**	33
Effects of:				
Non-taxable income	**5**	3	**-**	-
Origination and reversal of timing differences	**4**	-	**-**	-
Adjustments in respect of prior periods	**5**	-	**-**	
Other movements	**5**	-	**-**	
Non-taxable charitable activities	**(34)**	(45)	**(32)**	(33)
Total tax charge/(credit) for the year	**18**	(3)	**-**	-

LQHT has charitable status for tax purposes and is exempt from corporation tax on income and gains falling within Sections 466-493 Corporation Tax Act 2010 and Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. Where income and gains received by the Trust do not attract the tax exemption these will be liable to corporation tax at the prevailing rate.

The main rate of corporation tax applicable for the year ending 31 March 2022 remained at 19% (2021: 19%). It was announced on 3 March 2021 that the main corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. The legislation effecting this increase was substantively enacted before the balance sheet date on 24 May 2021.

Deferred tax has been provided in the year to reflect the timing difference between the accounting and taxable profits on the revaluation of our investment properties. Although a provision is made it is not expected that the tax charge will materialise in the foreseeable future as the underlying assets are held principally for lettings at market rates. When disposal profits do materialise these profits are gifted to LQHT, effectively creating a tax credit which offsets the current tax. A total deferred tax asset of £nil (2021: £6m) is included in other debtors and is included in note 16a and 16b. The deferred tax liability as at 31 March 2022 has been calculated based on tax rate that is expected to apply to the reversal of the timing differences.

L&Q at Brunel Street Works, Canning Town

Notes to the financial statements for the year ended 31 March 2022

12. Fixed assets – Housing properties

Housing properties
Housing properties in the course of construction are stated at either historic or deemed cost on conversion to FRS102. Cost includes the cost of acquiring land and buildings, development costs, and interest charges incurred during the development period. Staff costs and overheads which are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

Under low-cost home ownership arrangements, the Group disposes of a long lease on low-cost home ownership housing units to people who occupy them at a share equal to between 25% and 75% of value. The occupier has the right to purchase further proportions up to 100% at the then current valuation. Low-cost home ownership properties are split between current and fixed assets on initial recognition. The proceeds from the sale of the current asset element ('first tranche') are included in turnover and the related asset expensed through the profit and loss statement as a cost of sale. The remaining element of the property is accounted for as a fixed asset and any subsequent tranche sale treated as a part disposal of a fixed asset, shown in note 6. Social housing grant in respect of low-cost home ownership properties is allocated against the retained element of the low-cost home ownership property and is treated as a deferred grant income, shown in note 20.

The Group operates two flexible intermediate products whereby the tenant can rent the property and then at a future point purchase a portion of the property in the same way that low-cost home ownership schemes operate. The future point of sales is determined by the Group or the tenant depending on the product. Tenants are able to purchase an undefined proportion of their property from day one. These properties have been classified as fixed assets within the housing properties note under the intermediate market rent category unless the tenant has indicated that they wish to purchase a proportion of the property from the outset. This will then be treated as a first tranche sale with the purchased proportion reclassified as a current asset and the associated sales costs taken to cost of sales. For those tenants who rented the property to begin with or wish to purchase further tranches, this will be treated as a part disposal of a fixed asset.

Where land has been acquired with the intention to develop as mixed tenure schemes but the precise mix is yet to be finalised, the land is treated as a fixed asset until certainty of tenure mix is established at which point the portion of land that relates to properties held for sale is transferred to current assets. All other development costs are allocated proportionately based on the floor area of each tenure type intended to be developed at each scheme. Other housing property costs for mixed tenure schemes in management are allocated proportionately based on number of homes of each tenure at the scheme.

Non-component works to existing properties
Non-component works to existing housing properties are capitalised where they relate to stock transferred from local authorities or relate to large-scale regeneration projects and where those properties are below the standards set by Group policies as there is a clear enhancement of the property beyond the standard assessed when the property was first acquired or constructed.

Fixed assets and depreciation
Land (including leasehold land) is not depreciated. Depreciation of housing property components is charged so as to write down the cost of the components to their estimated residual value, on a straight-line basis, over their estimated useful economic lives within the Group.

Housing property components are depreciated from the year following replacement. The ranges of estimated useful economic lives are assumed as follows:

Major components	
• Housing properties structure	50-100 years depending on type
• Kitchens	18-20 years
• Bathrooms, electrical, heating, windows and doors	20-30 years
• Boilers	15 years
• Roofs	25 to 65 years

Low-cost home owners and leaseholders are responsible for the costs of maintenance and replacement of components except in some specific circumstances where management make a policy decision otherwise e.g. replacement of defective cladding.

All social housing grant (SHG) is amortised to income over 100 years for social housing lettings and over 25 years for low cost home ownership. Accumulated grant amortisation and any grant recognised through the performance method in equity is recorded as a contingent liability in the notes to the accounts (note 24).

Impairment of fixed assets
Social housing properties are held for their service potential and are not held solely for the cash inflows generated. As such, there is no requirement to perform an impairment assessment on initial recognition of those schemes that are developed or acquired and completed in accordance with approved Group policies and planned scheme appraisals.

Housing properties under construction and held for letting are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, a detailed assessment is undertaken to compare the carrying amount of cash generating units for which impairment is indicated to their recoverable amounts. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets, or cash generating units concerned, or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. The Group defines a cash generating unit as a scheme (across mixed tenures) within housing properties. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the Statement of Comprehensive Income.

Where any potential indicator as defined in FRS 102.27 'Impairment of Assets' is identified, a review of the affected scheme is undertaken to determine if an impairment is required.

Examples of key indicators or impairment include:

- Change in government policy, regulation or legislation which has a material detrimental impact;
- A change in demand for a property that is considered irreversible;
- Material reduction in the market value of properties intended to be sold or the resident has the right to purchase;
- Obsolescence of a property or part of a property.

Group additions to new housing properties during the year include capitalised interest of £28m (2021: £28m) and capitalised directly attributable internal costs of £25m (2021: £27m). The amount of cumulative interest capitalised in housing properties is not separately identifiable.

Group expenditure on works to existing properties during the year amounted to £262m (2021: £190m) of which £71m (2021: £35m) was capitalised and included as additions to properties held for lettings.

04 Notes to the financial statements for the year ended 31 March 2022

Housing properties - Group	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2021	821	531	105	9,228	1,057	89	**11,831**
Reclassifications	18	(13)	(1)	(1)	-	(3)	**-**
Reclassifications from/(to) investments	-	-	(69)	-	-	-	**(69)**
Schemes completed in the year	(444)	(164)	-	444	164	-	**-**
Additions	220	185	39	67	3	1	**515**
Capitalised interest in the year	12	15	1	-	-	-	**28**
Transfer from/(to) current assets	(9)	4	-	-	-	-	**(5)**
Disposals	-	-	-	(179)	(51)	-	**(230)**
At 31 March 2022	**618**	**558**	**75**	**9,559**	**1,173**	**87**	**12,070**
Depreciation							
At 1 April 2021	-	-	-	854	6	4	**864**
Charge for year	-	-	-	89	-	-	**89**
Eliminated in respect of disposals	-	-	-	(22)	-	-	**(22)**
At 31 March 2022	**-**	**-**	**-**	**921**	**6**	**4**	**931**
Impairment							
At 1 April 2021	35	-	11	12	1	2	**61**
Reclassification	-	-	-	-	-	-	**-**
Schemes completed in the year	-	-	-	-	-	-	**-**
Charge for year	17	4	38	5	-	-	**64**
Release in the year	(8)	-	(3)	-	-	-	**(11)**
Other movements	-	-	-	-	(1)	-	**(1)**
At 31 March 2022	**44**	**4**	**46**	**17**	**-**	**2**	**113**
Net book value:							
At 31 March 2022	**574**	**554**	**29**	**8,621**	**1,167**	**81**	**11,026**
At 31 March 2021	**786**	**531**	**94**	**8,362**	**1,050**	**83**	**10,906**

For the Group, a total funding value of £10,070m (2021: £9,734m) has been pledged as security on debt.

Housing properties – LQHT	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2021	**678**	**491**	**28**	**8,623**	**1,009**	**84**	**10,913**
Reclassifications	18	(13)	(1)	(1)	-	(3)	**-**
Reclassifications from/(to) investments	-	-	-	-	-	-	**-**
Schemes completed in the year	(424)	(149)	-	424	149	-	**-**
Additions	253	208	(3)	50	3	1	**512**
Capitalised interest in the year	11	15	1	-	-	-	**27**
Transfer to current assets	(10)	4	-	-	-	-	**(6)**
Disposals	-	-	-	(178)	(49)	-	**(227)**
At 31 March 2022	**526**	**556**	**25**	**8,918**	**1,112**	**82**	**11,219**
Depreciation							
At 1 April 2021	**-**	**-**	**-**	**777**	**5**	**6**	**788**
Charge for year	-	-	-	78	-	-	**78**
Eliminated in respect of disposals	-	-	-	(22)	-	-	**(22)**
At 31 March 2022	**-**	**-**	**-**	**833**	**5**	**6**	**844**
Impairment							
At 1 April 2021	35	-	5	11	1	2	**54**
Reclassifications	-	-	-	-	-	-	**-**
Schemes completed in the year	(2)	-	-	2	-	-	**-**
Charge for year	16	4	11	5	-	-	**36**
Release in the year	(8)	-	(2)	-	-	-	**(10)**
At 31 March 2022	**41**	**4**	**14**	**18**	**1**	**2**	**80**
Net book value:							
At 31 March 2022	**485**	**552**	**11**	**8,067**	**1,106**	**74**	**10,295**
At 31 March 2021	**643**	**491**	**23**	**7,835**	**1,003**	**76**	**10,071**

In LQHT, a total funding value of £9,408m (2021: £9,063m) has been pledged as security on debt.

Notes to the financial statements for the year ended 31 March 2022

12. Fixed assets – Housing properties (continued)

Impairment
An assessment to identify impairment triggers associated with fixed assets at yearend was performed, resulting in a full impairment review of these assets where a trigger existed.

On housing properties held for lettings, £5m (2021: £nil) impairment charge was recognised and no release of impairment was recognised in the year (2021: £3m), and one scheme completed in the year required £2m impairment to be transferred from social housing under construction to social housing lettings. The £5m impairment charge relates entirely to one social housing unit.

The Group recognised a further £59m and LQHT £31m of impairment on housing properties under construction (2021: £38m for Group and £32m for LQHT) and released £11m Group (2021: £15m) and £10m LQHT (2021: £7m) as a result of the required annual review in line with FRS102. This reflects a combination of the current economic market environment affecting future recoverable values as well as unforeseen cost increases in a few challenging development schemes.

13a. Other tangible fixed assets

Group	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2021	54	3	6	12	75
Additions	5	-	3	4	12
Disposals	-	(1)	(1)	(2)	(4)
At 31 March 2022	59	2	8	14	83
Depreciation					
At 1 April 2021	7	1	3	4	15
Charge for year	-	-	1	4	5
Eliminated in respect of disposals	-	(1)	(1)	(2)	(4)
At 31 March 2022	7	-	3	6	16
Net book value:					
At 31 March 2022	52	2	5	8	67
At 31 March 2021	47	2	3	8	60

LQHT	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2021	54	2	6	9	71
Additions	-	-	-	4	4
Disposals	-	-	(1)	(1)	(2)
At 31 March 2022	54	2	5	12	73
Depreciation					
At 1 April 2021	14	1	3	5	23
Charge for year	1	-	1	2	4
Eliminated in respect of disposals	-	-	(1)	(1)	(2)
At 31 March 2022	15	1	3	6	25
Net book value:					
At 31 March 2022	39	1	2	6	48
At 31 March 2021	40	1	3	4	48

Other fixed assets
Depreciation on other fixed assets is charged on a straight-line basis over the expected useful economic lives of the fixed assets to write down the cost less estimated residual values at the following annual rates set out to the right:

- Freehold premises — 25-100 years
- Short leasehold premises — Shorter of 10 years or life of lease
- Furniture and equipment — 4-8 years
- Motor vehicles — 4 years
- Computer equipment — 3 years
- Service equipment — 5 years

Notes to the financial statements for the year ended 31 March 2022

13b. Intangible fixed assets

Group	Computer software £m	Total £m
Cost		
At 1 April 2021	**22**	**22**
Additions	4	**4**
Disposals	(2)	**(2)**
At 31 March 2022	**24**	**24**
Amortisation		
At 1 April 2021	**4**	**4**
Charge for year	4	**4**
Eliminated in respect of disposals	(2)	**(2)**
At 31 March 2022	**6**	**6**
Net book value:		
At 31 March 2022	**18**	**18**
At 31 March 2021	18	**18**

LQHT	Computer software £m	Total £m
Cost		
At 1 April 2021	**21**	**21**
Additions	3	**3**
Disposals	(2)	**(2)**
At 31 March 2022	**22**	**22**
Amortisation		
At 1 April 2021	**4**	**4**
Charge for year	3	**3**
Eliminated in respect of disposals	(2)	**(2)**
At 31 March 2022	**5**	**5**
Net book value:		
At 31 March 2022	**17**	**17**
At 31 March 2021	17	**17**

Intangible assets

Amortisation on intangible assets is charged on a straight-line basis from the year after the financial purchase is made and spread over the expected useful economic lives of the intangible assets to write down the cost less estimated residual values at the annual rates set out below.

- Software development 3-7 years

14. Investments

14a) Investment in jointly controlled entities (joint ventures)

An entity is treated as jointly controlled entity where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control by virtue of voting rights or degree of influence exercisable.

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the jointly controlled entities. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group.

In the consolidated statement of financial position, the interests in jointly controlled entity undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Notes to the financial statements for the year ended 31 March 2022

14. Investments (continued)

Group	Barking Riverside Ltd £m	Limited Liability Partnerships £m	Associates £m	Total £m
Cost				
At 1 April 2021	**51**	**197**	**7**	**255**
Reclassifications from debtors	**-**	**14**	**-**	**14**
Additions	46	30	-	**76**
Repayments	-	(37)	(1)	**(38)**
At 31 March 2022	**97**	**204**	**6**	**307**
Goodwill				
At 1 April 2021	**16**	**1**	**-**	**17**
Amortisation	(1)	(1)	-	**(2)**
At 31 March 2022	**15**	**-**	**-**	**15**
Impairment				
At 1 April 2021 as previously stated	-	**(4)**	-	**(4)**
Adjustment*	-	(12)	-	(12)
At 1 April 2021	-	**(16)**	-	**(16)**
Release in the year	-	**15**	-	**15**
At 31 March 2022	**-**	**(1)**	**-**	**(1)**
Share of reserves				
At 1 April 2021 as previously stated	**(2)**	**61**	-	**59**
Adjustment*	-	12	-	12
At 1 April 2021	**(2)**	**73**	**-**	**71**
Share of profit in the year	(3)	31	1	**29**
Profit distributed	-	(42)	-	**(42)**
At 31 March 2022	**(5)**	**62**	**1**	**58**
Net book value:				
At 31 March 2022	**107**	**265**	**7**	**379**
At 31 March 2021	**65**	**255**	**7**	**327**

*Adjustment related to a presentational reclassification between Share of reserves and Impairment. The value of the reclassification at 1 April 2021 is £12m.

Barking Riverside

Notes to the financial statements for the year ended 31 March 2022

14. Investments (continued)

Included in the share of profit from joint ventures as shown in the group statement of comprehensive income £37m (2021: £37m) are adjustments for intragroup transactions with joint ventures that do not get adjusted for in the investment in jointly controlled entities in the statement of financial position.

Active trading joint ventures, all established in the UK, as at 31 March 2022 were as follows:

Joint venture	Partner(s)	Group interest	Group voting rights	Total investment £m
Jointly controlled entities				
Barking Riverside Limited	Greater London Authority	51%	50%	107
BDWZest Developments LLP	BDW Trading Limited	50%	50%	2
Alie Street LLP	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	-
Queensland Road	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	1
Fulham Wharf	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	13
Nine Elms	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	5
Academy Central LLP	George Wimpey East London Ltd	38%	50%	-
Chobham Manor LLP	Taylor Wimpey UK Limited	50%	50%	22
Countryside Zest (Beaulieu Park) LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	62
Countryside L&Q (Oaks Village) LLP	Countryside Four Ltd	50%	50%	2
Acton Gardens LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	21
Ponton Road LLP	Bellway Homes Limited	50%	50%	33
Erith Hills LLP	Anderson Design Limited	50%	50%	28
Fairview L&Q PR LLP	Fairview New Homes Limited	50%	50%	27

Joint venture	Partner	Group interest	Group voting rights	Total investment £m
Jointly controlled entities				
Triathlon Homes LLP	Southern Space Ltd and First Base 4 Stratford LLP	33%	33%	-
Stepney Way 1 LLP	Mount Anvil	50%	50%	17
Stepney Way 2 LLP	Mount Anvil	50%	50%	2
Laurus Partnership Homes LLP	Willmott Dixon Construction Limited	100%	50%	11
Health Social Innovators LLP	- Numbers for Good Ltd - UCL Business PLC	50%	50%	-
Heath Farm Lane LLP	Vistry Partnerships	50%	50%	9
GM Homes SIB Partnership LLP	- Eastlands Home Partnership Limited - Homelessness Support LLP	25%	50%	-
JV North Limited	Various	10%	10%	-
Manchester Athena Limited	Various	17%	17%	-
GM JV Fundco LLP	Various	10%	10%	1
Laurus Living Space LLP	Wates Construction Limited	50%	50%	-
Laurus Lovell Whalley LLP	Lovell Partnership Limited	50%	50%	9
Countryside L&Q (North East Chelmsford) LLP	Countryside Properties (UK) Limited	50%	50%	-
Investment in associates				
Harley Winchester Ltd	Harley Property Investors LLP	75%	75%	7
Jointly controlled asset				
Beam Park	Countryside Properties (UK) Ltd	50%	50%	-
Total				**379**

Notes to the financial statements for the year ended 31 March 2022

14. Investments (continued)

L&Q Group has entered into one new joint venture in the year, Countryside L&Q (North East Chelmsford) LLP (2021: 1).

The group has 50% voting rights in most jointly controlled entities, except for a 33% voting right in Triathlon Homes LLP, 10% in JV North Limited, 17% in Manchester Aretha Limited and 10% in GM JV Fundco LLP. Apart from Barking Riverside, which is a limited company, all of the jointly controlled entities are limited liability partnerships, therefore not limited by share. All jointly controlled entities have a March year end except for Academy Central LLP, Fairview L&Q PR LLP and Laurus Lovell Whalley LLP which have a 31 December year end; Countryside Zest (Beaulieu) LLP, Countryside L&Q (Oaks Village) LLP and Acton Gardens LLP which have a 30 September year end; and Ponton Road LLP which has a 31 July year end.

The Group has a 50% interest through partnership agreements in BDWZest LLP and Zest BDW LLP which in turn each have a 50% interest in BDWZest Development LLP and a 0.5% interest in Alie Street LLP, Fulham Wharf LLP, Queensland Road LLP and Nine Elms LLP. BDWZest Development LLP has a 99% interest in Alie Street LLP, Fulham Wharf LLP, Queensland Road LLP and Nine Elms LLP.

The Group has a one-third interest in Triathlon Homes LLP, which is jointly formed with Southern Space Ltd (part of Southern Housing Group) and First Base 4 Stratford LLP. Triathlon owns or manages 1,379 affordable homes in the former Olympic Athletes Village in Stratford.

14b) Investments - HomeBuy equity loans

HomeBuy is a term used to describe a program of low cost home ownership products where a loan is provided by the group to the purchaser of a property at a nil interest rate. The program is funded through a combination of government grant and the Group's own funds. The loan made to the purchaser has no fixed repayment date and there are no monthly repayment requirements.

The group shares in any future capital gain realised on redemption of the loan, which will be when the property is sold or if the purchaser chooses to repay the loan without selling the property. In the circumstances where the purchaser chooses to repay the loan without selling the property, the value of the loan to be repaid is based on the property market value at that date. Any future capital loss realised on redemption of the loan is offset initially against the government grant.

In the accounting of the HomeBuy equity loan investment, the group has opted to adopt paragraphs PBE34.90 to PBE 34.97 of FRS 102. All are non-current loans, as they are not redeemable on demand.

The scheme is now closed to new entrants, and there were no new commitments taken up at the year end.

As at 31 March 2022, HomeBuy equity loans amounted to £91m for the Group and £92m LQHT (2021: £98m Group and LQHT) and HomeBuy grant amounted to £81m for the Group and LQHT (2021: £87m).

14c) Investment properties

Investment properties (Private Rented Sector, "PRS") are valued in the year of acquisition or transfer, and subsequently on an annual basis by a qualified RICS Chartered Surveyor. This valuation was prepared in accordance with the RICS valuation – Global Standards (incorporating the IVS International Valuation Standards) 2017 together with, where applicable, with the UK National Supplement effective January 2019 (the "Red Book"). The properties are valued on an open market value basis subject to tenancies.

Changes in the value of market rented properties are taken to the income statement in the period they arise. PRS properties under construction are not classified as investment properties and are stated at cost. All commitments in respect of these are included as capital commitments (see note 26).

As at 31 March 2022, there are 1,107 investment properties with a value of c.£479m where a first fixed charge has been granted against £300m of secured loans. This has an effect on immediate realisability if they were to be sold, unless the secured loans are repaid.

Investment properties – Market rented	**Group 2022 £m**	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At 1 April 2021	**1,069**	1,026	**-**	-
Additions	**-**	-	**-**	-
Transfer from/(to) fixed assets	**69**	53	**-**	-
Revaluation	**35**	3	**-**	-
Disposal	**(11)**	(12)	**-**	-
Other movements	**-**	(1)	**-**	-
At 31 March 2022	**1,162**	1,069	**-**	-

14d) Investments - Real Lettings property fund

The Real Lettings property fund is a residential property fund providing move-on accommodation for homeless individuals and families in London. The investment was made in instalments with the final instalment made in 2015, bringing the total amount invested to £10m. The fund is managed by Resonance Impact Investment Limited (RIIL) and LQHT receive quarterly distributions recognised in other finance income.

14e) Equity investment in subsidiaries

All equity investments in subsidiaries are eliminated on consolidation. The amounts presented in LQHT are direct investments in subsidiary undertakings.

As at March 2022, LQHT held £300m in PRS Co Ltd (2021: £300m), £311m in L&Q Estates Ltd (previously in Gallagher Estates Ltd) (2021: £311m) and £2m in L&Q Energy Ltd (2021: £2m).

There was a £300m reduction in equity investment in L&Q New Homes Ltd to £250m (2021: £550m) due to a change in funding structure from equity to debt in the year.

14f) Goodwill

Goodwill arose on the acquisition of 100% of the shares of Gallagher Estates group of companies on 1 February 2017. The principal activity of these companies is property development, specifically around land parcels and servicing.

The expected useful life of goodwill is 5 years from the date of acquisition at a rate of £5m per year, meaning that the goodwill balance was fully amortised in the year.

Notes to the financial statements for the year ended 31 March 2022

15. Land and properties for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Costs comprise of materials and direct overheads attributable to the development. Interest incurred is capitalised from the point of first obtaining planning permission, throughout work in progress and up to the point of practical completion of the development scheme. Net realisable value is assessed using publicly available information and internal forecasts on future sales price after allowing for all further costs of completion and disposal.

Strategic land under development and promotion included as open market sales under construction is valued at the lower of cost and estimated selling price less costs to complete and selling expenses. Cost includes the purchase of land together with its acquisition expenses and promotional costs associated with developments once the viability of such a development is reasonably secure. Work in progress is appraised within the context of current market values or the expected sale prices achievable over the development period and is reduced to estimated selling price less costs to complete and selling expenses where changes in circumstances indicate full recovery is unlikely. At the date a sale is recognised all costs, including planning and infrastructure costs attributable to that sale, are taken to cost of sales. No interest or directly attributable overheads are capitalised against these strategic land developments.

Stock is stated at the lower of cost and estimated selling price less costs to complete and sell. Significant judgement is required in determining the selling price of certain items of stock, specifically the strategic land stock of £266m (2021: £325m) included in Group land and properties under construction – open market sales. In determining the selling price a number of factors were considered such as planning status, the number of properties that could be built on the sites and increased construction costs.

Group	Land and properties under construction		Completed properties for sale		
	Low-cost home ownership £m	Open market sales £m	Low-cost home ownership £m	Open market sales £m	Total £m
At 1 April 2021	**287**	**574**	**26**	**47**	**934**
Completed in the year	(147)	(151)	147	151	**-**
Additions	126	114	-	-	**240**
Capitalised interest	8	13	-	-	**21**
Reclassification from fixed assets	(5)	10	-	-	**5**
Cost of properties sold	-	(92)	(86)	(131)	**(309)**
Impairment of current assets	(22)	(34)	-	-	**(56)**
Release of impairment of current assets	-	4	-	-	**4**
At 31 March 2022	**247**	**438**	**87**	**67**	**839**

LQHT	Properties under construction		Completed properties for sale		
	Low-cost home ownership £m	Open market sales £m	Low-cost home ownership £m	Open market sales £m	Total £m
At 1 April 2021	**248**	**1**	**34**	**-**	**283**
Completed in the year	(128)	(14)	128	14	**-**
Additions	109	5	-	-	**114**
Capitalised interest	8	-	-	-	**8**
Reclassification from fixed assets	(4)	10	-	-	**6**
Cost of properties sold	-	-	(78)	(14)	**(92)**
Impairment of current assets	(16)	-	-	-	**(16)**
Release of impairment of current assets	-	-	-	-	**-**
Reclassifications	-	-	-	-	**-**
At 31 March 2022	**217**	**2**	**84**	**-**	**303**

Notes to the financial statements for the year ended 31 March 2022

16a. Debtors due after more than one year

On-lending loans made to subsidiaries by London and Quadrant Housing Trust are classified as a long term debt as formal agreements deem them not to be repayable within one year. These are shown at cost with interest between 1% and 5.8% (2021: 1.0% and 5.8%) charged at arm's length.

All deferred land payments with fixed dates of more than one year under the land sale contracts are presented at a discounted rate of 3.5% per annum (2021: 3.5%).

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
Amounts owed by subsidiaries	**-**	-	**1,159**	949
Forward funding of land purchase	**71**	75	**57**	51
Deferred tax asset	**-**	-	**-**	-
Deferred land payments	**-**	-	**-**	-
Shared equity	**2**	2	**2**	2
	73	77	**1,218**	1,002

Shared equity relates to loans provided on the same basis as the HomeBuy scheme to leasehold residents covering the shortfall in purchase price as a result of decants for demolition at Ocean Estate.

16b. Debtors

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
Amounts receivable within one year:				
Former tenant arrears	**13**	12	**11**	11
Less: provision for bad and doubtful debts	**(13)**	(12)	**(11)**	(11)
	-	-	**-**	-
Current tenant arrears	**41**	47	**37**	42
Less: provision for bad and doubtful debts	**(11)**	(13)	**(10)**	(11)
	30	34	**27**	31
Social housing grant receivable	**-**	-	**-**	-
Deferred tax asset	**-**	6	**-**	-
Other debtors and prepayments	**125**	133	**34**	30
Amount owing from subsidiaries	**-**	-	**12**	30
	155	173	**73**	91

Other debtors and prepayments include deferred land debtors of £36m (2021: £35m) and development debtors of £11m (2021: £11m).

17. Cash and cash equivalents

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
Cash and cash equivalents	**216**	132	**91**	81
Bank overdrafts	**-**	-	**-**	-
	216	132	**91**	81

Restrictions on cash and cash equivalents include £60m (2021: £21m) held in debt service reserve, £3m (2021: £3m) as held funds. All cash and cash equivalents mature in three months or less, or are convertible to cash within three months or less. Financial assets pledged as collateral can be replaced subject to negotiations.

Notes to the financial statements for the year ended 31 March 2022

18. Creditors: amounts falling due within one year

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Debenture loans (see note 22)	9	310	9	310
Bank loans and overdrafts (see note 22)	-	50	-	50
Trade creditors	71	59	15	8
Other taxation and social security	10	11	4	1
Accruals and deferred income	191	167	81	59
Other creditors	157	134	101	82
Social housing grant (see note 20)	26	24	26	24
Amounts due to subsidiaries	-	-	24	33
	464	755	260	567

All accrued costs to complete on strategic land development are treated as amounts falling due within one year as their nature and timing are uncertain.

Included in Accruals and deferred income is £81m related to Land sales (2021: £81m). Included in other creditors is development related creditors of £77m (2021: £90m).

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

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Debenture loans (see note 22)	3,525	3,234	3,225	2,935
Bank loans and overdrafts (see note 22)	1,945	1,865	1,945	1,865
Total housing loans	5,470	5,099	5,170	4,800
Net issue premium	(36)	(39)	(34)	(37)
Loan fair value adjustments	87	92	-	-
Total loans measured at amortised cost	5,521	5,152	5,136	4,763
Deferred income	3	3	-	-
Other creditors	64	58	58	53
Recycled capital grant fund (see note 21)	112	95	112	94
	5,700	5,308	5,306	4,910

20. Social Housing Grant

Social housing grant (SHG) is initially recognised at fair value as a long term liability, specifically as deferred government grant income and released through the profit and loss as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to registered providers of social housing accounting for housing properties at cost, except for grant received in respect of HomeBuy investments, shown in note 14b.

For items where on transition to FRS 102 an election was taken to treat fair value as deemed cost, the performance method for accounting for grant has been applied as the fair value application as deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

On disposal, SHG associated with those properties is transferred to the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Social Housing Grant – Group	**Properties under construction**			**Properties held for lettings**			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2021	373	134	-	1,784	211	-	2,502
Reclassification	(13)	12	1	-	-	-	-
Schemes completed in the year	(49)	(16)	-	49	16	-	-
Received during the year	15	2	-	-	-	-	17
Transferred to other RP's	-	-	(1)	(30)	(2)		(33)
Recycled on disposal	-	-	-	(2)	(7)	-	(9)
At 31 March 2022	326	132	-	1,801	218	-	2,477
Amortisation							
At 1 April 2021	-	-	-	255	100	-	355
Charge for the year	-	-	-	17	8	-	25
Eliminated on disposal	-	-	-	(8)	(3)	-	(11)
At 31 March 2022	-	-	-	264	105	-	369
Net book value:							
At 31 March 2022	326	132	-	1,537	113	-	2,108
At 31 March 2021	373	134	-	1,529	111	-	2,147

Notes to the financial statements for the year ended 31 March 2022

20. Social Housing Grant (continued)

Social Housing Grant	Group 2022	Group 2021
Within one year	25	24
Greater than one year	2,083	2,123
Total	2,108	2,147

Social Housing Grant – LQHT	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2021	371	131	-	1,799	216	-	2,517
Reclassification	(13)	12	1	-	-	-	-
Schemes completed in the year	(50)	(16)	-	50	16	-	-
Received during the year	15	1	-	-	-	-	16
Transferred to other RP's	-	-	(1)	(30)	(2)	-	(33)
Recycled on disposal	-	-	-	(2)	(7)	-	(9)
At 31 March 2022	323	128	-	1,817	223	-	2,491
Amortisation							
At 1 April 2021	-	-	-	256	100	-	356
Charge for the year	-	-	-	17	8	-	25
Eliminated on disposal	-	-	-	(9)	(3)	-	(12)
At 31 March 2022	-	-	-	264	105	-	369
Net book value:							
At 31 March 2022	323	128	-	1,553	118	-	2,122
At 31 March 2021	371	131	-	1,543	116	-	2,161

Social Housing Grant	LQHT 2022	LQHT 2021
Within one year	26	24
Greater than one year	2,096	2,137
Total	2,122	2,161

21. Recycled capital grant fund

The Regulator of Social Housing can direct the Group to recycle SHG or to repay the recoverable capital grant back. Where the grant is recyclable the recoverable capital grant is credited to the recycled capital grant fund (RCGF), which is included as a creditor due either within one year or after more than one year as appropriate.

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
At beginning of the year	95	87	94	87
Net HomeBuy grant abated	(1)	(1)	(1)	(1)
Net SHG recovered	-	-	-	-
Transferred to fund during year	42	15	43	14
Utilised during the year against new build	(24)	(6)	(24)	(6)
At end of the year	112	95	112	94

There are no amounts 3 years old or older where repayment may be required (2021: £nil).

Notes to the financial statements for the year ended 31 March 2022

22. Debt analysis – on loans measured at amortised cost

This note provides information about the contractual terms of the Group's and its subsidiaries' interest-bearing loans and borrowings. All loans and borrowings are measured at amortised cost, including those that have embedded derivative financial instruments attached to them whereby the embedded derivative is deemed to be closely related to the host contract.

Debenture and bank loans are secured by way of a first fixed charge over housing properties and include an asset cover test based on the ratio on the value of properties secured to the carrying value of the loan (with the exception of £300m unsecured commercial paper due within one year in FY2021). Bank loans include interest cover and gearing covenants each of which is tested annually against relevant disclosures within the statement of comprehensive income, statement of financial position, and statement of cashflows.

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
Creditors falling due within one year				
Debenture loans	**9**	310	**9**	310
Bank loans	**-**	50	**-**	50
	9	360	**9**	360
Creditors falling due after more than one year				
Debenture loans	**3,525**	3,234	**3,225**	2,935
Bank loans and overdrafts	**1,945**	1,865	**1,945**	1,865
	5,470	5,099	**5,170**	4,800
Total housing loans	**5,479**	5,459	**5,179**	5,160

The following is an analysis of the anticipated contractual cash flows for the Group's drawn loans measured at amortised cost and derivative financial instruments held as at 31 March 2022 excluding deferred finance, capitalised costs and fair value adjustments.

Interest is calculated on an undiscounted basis whereby floating rate loans are determined using the prevailing implied forward rates as at 31 March 2022.

Group Debt analysis – interest-bearing loans and borrowings

As at 31 March 2022	**Total loans £m**	**Interest on loans £m**	**Interest on derivative financial instruments £m**	**Total £m**
Due less than one year	**(9)**	**(178)**	**-**	**(187)**
Between one and two years	**(291)**	**(189)**	**-**	**(480)**
Between two and three years	**(311)**	**(168)**	**-**	**(479)**
Between three and five years	**(1,294)**	**(297)**	**-**	**(1,591)**
In five years or more	**(3,574)**	**(1,434)**	**-**	**(5,008)**
Gross contractual cash flows	**(5,479)**	**(2,266)**	**-**	**(7,745)**

As at 31 March 2021	**Total loans £m**	**Interest on loans £m**	**Interest on derivative financial instruments £m**	**Total £m**
Due less than one year	(360)	(142)	-	(502)
Between one and two years	(394)	(141)	-	(535)
Between two and three years	(276)	(138)	-	(414)
Between three and five years	(413)	(268)	-	(681)
In five years or more	(4,016)	(1,519)	-	(5,535)
Gross contractual cash flows	(5,459)	(2,208)	-	(7,667)

Notes to the financial statements for the year ended 31 March 2022

22. Debt analysis – on loans measured at amortised cost (continued)

LQHT Debt analysis – interest-bearing loans and borrowings

As at 31 March 2022	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(9)	(170)	-	(179)
Between one and two years	(291)	(180)	-	(471)
Between two and three years	(311)	(159)	-	(470)
Between three and five years	(1,119)	(280)	-	(1,399)
In five years or more	(3,449)	(1,427)	-	(4,876)
Gross contractual cash flows	(5,179)	(2,216)	-	(7,395)

As at 31 March 2021	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(360)	(133)	-	(493)
Between one and two years	(394)	(132)	-	(526)
Between two and three years	(276)	(129)	-	(405)
Between three and five years	(413)	(251)	-	(664)
In five years or more	(3,717)	(1,504)	-	(5,221)
Gross contractual cash flows	(5,160)	(2,149)	-	(7,309)

The weighted average cost of fixed rate loans was 3.5% (2021: 3.7%), and variable rate loans was 2.8% (2021: 1.4%) inclusive of lending margins. 65% of the Group's debt, including the use of financial instruments (see note 29) was fixed (2021: 65%). Interest rates on fixed rate debt range from 2.0% to 11.5% (2021: 0.4% to 11.5%).

	Loans at amortised cost £m	Floating rate £m	Fixed rate £m	Weighted average interest rate %	Weighted average life of loan Years
At 31 March 2022	5,479	1,945	3,534	3.4	12
At 31 March 2021	5,459	1,915	3,544	3.3	12

Analysis of changes in net debt - Group

	As at 31 March 2021	Cashflows	Other non- cash movements	As at 31 March 2022
Cash	132	84	-	216
Debt due within one year	(360)	485	(134)	(9)
Debt due after one year	(5,099)	(335)	(36)	(5,470)
Net debt	(5,327)	234	(170)	(5,263)

Notes to the financial statements for the year ended 31 March 2022

23. Provisions for liabilities and charges

The Group recognises provisions and liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the Statement of Financial Position date.

The Group has a diverse portfolio of properties which vary in age, tenure and type, including a number of high rise buildings. All properties were built in accordance with building regulations and accepted practices at the time of being built, however the Group is committed to ensuring continued compliance with the latest health and safety standards. Following fire safety assessments across the portfolio, required remediation works have been identified in order to comply with current and updated government regulation. The Group provides for the costs of fire safety works to the extent that it has a legal or constructive obligation.

The Group does not provide for all forecast health and safety or fire safety works which are considered part of the ordinary course of business of a social housing landlord and form part of the ongoing maintenance programme.

Where there is a legal or constructive obligation to remediate known latent build defects in specific buildings, a provision is calculated using a best estimate derived from detailed cost breakdowns. L&Q Group continually reviews the risks of latent defects across all schemes developed and uses the latest cost estimates available to ensure that the amount of the provision remains appropriate.

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**87**	59	**49**	30
Increase in provision	**54**	47	**18**	36
Release of provision	**(31)**	(19)	**(31)**	(17)
At end of the year	**110**	87	**36**	49

An analysis of the movement in each specific provision is set out overleaf.

Major works obligation

The provision in respect of works in relation to fire safety and other major works identified as either legally required or for which the Group had a constructive obligation increased £11m in the year as further inspections have taken place identifying additional works required. Upon completion of works previously provided for relating to ACM cladding replacement and other major works in relation to fire safety, £17m was released (this included a release and re-provision exercise to align with current work plans on some schemes).

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**30**	21	**30**	21
Increase in provision	**11**	22	**11**	22
Release of provision	**(17)**	(13)	**(17)**	(13)
At end of the year	**24**	30	**24**	30

Self-insurance reserve provision

A self-insurance amount of £2m following release of £1m in the year:

At beginning of the year	**2**	3	**2**	3
Increase in provision	**1**	-	**1**	-
Release of provision	**(1)**	(1)	**(1)**	(1)
At end of the year	**2**	2	**2**	2

Notes to the financial statements for the year ended 31 March 2022

23. Provisions for liabilities and charges (continued)

Construction defects
Provision for costs to rectify construction build defects where there is an obligation to correct substandard works at schemes which were built by the Group:

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**14**	-	**3**	-
Increase in provision	**24**	14	**-**	3
Release of provision	**(3)**	-	**(3)**	-
At end of the year	**35**	14	**-**	3

Customer refunds
A provision for customer refunds where there is an obligation as a result of past liabilities relating to water rate commissions:

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**8**	-	**8**	-
Increase in provision	**-**	8	**-**	8
Release of provision	**(4)**	-	**(4)**	-
At end of the year	**4**	8	**4**	8

Warranties on newbuild properties
Warranties are provided for completed development homes from date of sale completion for a period of two years and charged to the scheme costs:

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**5**	5	**5**	5
Increase in provision	**6**	2	**6**	2
Release of provision	**(6)**	(2)	**(6)**	(2)
At end of the year	**5**	5	**5**	5

Restructuring provision
A restructuring provision in relation to specific restructuring plans put in place in the previous year. There were no provisions or releases in the year:

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**-**	1	**-**	1
Increase in provision	**-**	-	**-**	-
Release of provision	**-**	(1)	**-**	(1)
At end of the year	**-**	-	**-**	-

Deferred tax
A deferred tax provision is made for changes in valuation of the Group's Private Rented Sector portfolio and in relation to the fair value gain arising on the acquisition of Gallagher Estates:

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**28**	29	**-**	-
Increase in provision	**12**	1	**-**	-
Release of provision	**-**	(2)	**-**	-
At end of the year	**40**	28	**-**	-

24. Contingent liabilities

A contingent liability is disclosed for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. This includes a contingent liability reflecting the potential future obligation to repay social housing grant where properties are disposed of.

	Group 2022 £m	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At start of the year	**1,802**	1,782	**1,755**	1,735
Increase in the year	**29**	25	**25**	20
Eliminated in respect of disposals	**(36)**	(5)	**(36)**	-
At end of the year	**1,795**	1,802	**1,744**	1,755

Within the Group contingent liability balance is £4m (plus VAT) (2021: £2m plus VAT) relating to potential legal fees in relation to a claim against a cladding contractor within Trafford Housing Trust. If the claim is successful all fees will be covered by a Government Grant. However, if the claim fails the liability would fall on the Trust to cover the fees, and hence it is included as a contingent liability which has increased £2m (2021: £2m) in the year.

The remaining £27m increase in the year relates to amortised grant as recorded in the statement of comprehensive income. The decrease in contingent liabilities in the year of £36m (2021: £5m) relates to grant on units that were disposed in the year predominantly through stock transfers.

Notes to the financial statements for the year ended 31 March 2022

25. Share capital

	Group 2022 £	Group 2021 £	LQHT 2022 £	LQHT 2021 £
Shares of £1 each issued and fully paid				
At beginning of the year	**9**	10	**9**	10
Issued during year	**3**	2	**3**	2
Cancelled or eliminated during the year	**(3)**	(3)	**(3)**	(3)
At end of the year	**9**	9	**9**	9

26. Capital commitments

Capital commitments are disclosed in respect of capital expenditure towards fixed assets which have been contracted and predominantly relate to developments where known contractors have been appointed and which have started on site.

	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Expenditure that has been contracted for but has not been provided for in these financial statements	**1,633**	2,481	**1,515**	2,374
Expenditure that has been authorised by the Governing Board but has not yet been contracted for	**591**	463	**475**	452
	2,224	2,944	**1,990**	2,826
The Group expects to finance contracted commitments through:				
Social housing grant	**433**	454	**433**	454
Surpluses and borrowings	**1,200**	2,027	**1,082**	1,919
	1,633	2,481	**1,515**	2,373

The future projected cost of the entire development pipeline (including work in progress and developments not yet committed or on site) that extends until the financial year ending 31 March 2040 is estimated at £4.1bn (2021: 5.1bn) of which £3.3bn (80%) is currently committed (2021: £4.5bn).

26. Capital commitments (continued)

Our approved development pipeline has the following projections:

	Group 2022	Group 2021
Homes in the development pipeline	**29,795**	32,482
	£m	£m
Projected pipeline cost	**4,056**	5,050
Projected source of funding		
Social housing grant	**530**	558
Surpluses and borrowings	**3,526**	4,492
	4,056	5,050

27. Commitments under operating leases

Total commitments under operating leases are as set out below:

Land and buildings Operating leases which expire:	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
In less than one year	**2**	2	**1**	1
Between one and five years	**4**	2	**3**	-
After five years	**-**	3	**-**	4
Total	**6**	7	**4**	5

Vehicle leases Operating leases which expire:	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
In less than one year	**2**	2	**1**	2
Between one and five years	**3**	4	**3**	4
After five years	**-**	-	**-**	-
Total	**5**	6	**4**	6

Notes to the financial statements for the year ended 31 March 2022

28. Related party transactions

All transactions in respect of tenant board members and other related public or commercial entities are carried out at arm's length and under normal commercial terms. The Group has taken advantage of the exemption contained in FRS 102 33.1(A) Related Party Disclosures and has therefore not disclosed transactions or balances between entities which are 100% owned. Per requirements of the Accounting Direction 2019, transactions between registered providers and other non-registered entities in the Group are disclosed below.

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2022:

2022	Sales income	Cost of sales	Operating costs	Gift aid	Loan interest payable	Loan interest receivable	Loan creditors	Loan debtors	Other creditors	Other debtors
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Subsidiaries to LQHT										
Quadrant Construction Services Ltd	233	(245)	-	-	(9)	-	(229)	-	-	23
L&Q New Homes Ltd	26	(23)	(5)	(10)	(3)	-	(137)	-	(9)	-
L&Q PRS Co Ltd	-	-	(3)	(2)	(10)	-	(520)	-	(2)	-
Quadrant Housing Finance Ltd	-	-	-	-	-	8	-	115	-	-
L&Q Energy Ltd	-	-	-	-	-	-	-	-	-	1
East Place Ltd	-	-	-	-	-	-	(2)	-	-	-
East Regen Ltd	-	-	-	-	-	-	(1)	-	(1)	-
THT and L&Q Developments LLP	-	-	-	-	(1)	-	(29)	-	-	-
Gallagher Estates Ltd	-	-	-	(4)	(1)	-	-	-	-	-
Gallagher Estates NR Ltd	-	-	-	-	-	-	-	-	-	-
Gallagher Longstanton Ltd	-	-	-	(3)	-	-	-	-	-	-
Redlawn Land Ltd	-	-	-	(10)	-	-	-	-	-	-
Wixams First Ltd	-	-	-	(3)	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries	3	(3)	8	32	(8)	24	(115)	918	(24)	12

28. Related party transactions (continued)

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2021:

2021	Sales income	Cost of sales	Operating costs	Gift aid	Loan interest payable	Loan interest receivable	Loan creditors	Loan debtors	Other creditors	Other debtors
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Subsidiaries to LQHT										
Quadrant Construction Services Ltd	206	(190)	-	-	(10)	-	(255)	-	(29)	31
L&Q New Homes Ltd	64	(67)	(4)	(9)	(7)	-	-	-	-	-
L&Q PRS Co Ltd	-	-	(5)	(8)	(8)	-	(413)	-	(1)	-
Quadrant Housing Finance Ltd	-	-	-	-	-	9	-	121	-	1
East Place Ltd	-	-	-	-	-	-	(2)	-	-	-
East Regen Ltd	1	(1)		-	-	-	-	-	-	-
East Thames Partnership Ltd	-	-	-	-	(2)	-	(29)	-	-	-
THT and L&Q Developments LLP	-	-	-	(7)	(2)	-	(39)	-	-	-
Gallagher Estates Ltd	-	-	-	(3)	-	-	-	-	-	-
Gallagher Estates NR Ltd	-	-	-	(7)	-	-	-	-	-	-
Gallagher Longstanton Ltd	-	-	-	(1)	-	-	-	-	-	-
Redlawn Land Ltd	-	-	-	(1)	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries	-	-	9	36	(9)	29	(121)	738	(32)	30

Notes to the financial statements for the year ended 31 March 2022

28. Related party transactions (continued)

Quadrant Construction Services Ltd operates on a cost-plus basis in recharging all of its direct costs to LQHT as the parent currently using a 2% mark-up (2021: 2%).

All transactions in respect of tenant board members and other related public or commercial entities are carried out at arm's length and under normal commercial terms. Rents received from tenant and leaseholder board members during the year are £5,966 (2021: £5,893) of which £nil (2021: £nil) was included in amounts owing at the year end.

The defined benefit pension schemes are considered to be related parties, transactions between the group and the group's pensions plans are disclosed in note 9.

Through the declaration of interest from key management personnel, the following related party transactions are required to be disclosed:

- LQHT paid the Centre for London £12,000 in the year in relation to conference sponsorship costs, with no amounts outstanding at year end. Fiona Fletcher-Smith is a board trustee of Centre for London.
- LQHT incurred membership fees and conference costs totalling £170,068 towards the National Housing Federation (NHF), with no amounts outstanding at year end. Waqar Ahmed and Sean Anstee are board members of National Housing Federation.
- LQHT was recharged by Buckinghamshire Healthcare NHS Trust a total of £18,295 for communal energy services, with no amounts outstanding at year end. Rajiv Jaitly is a non-executive director of the Buckinghamshire Healthcare NHS Trust.
- LQHT recharged Barking Riverside Limited (BRL) £11,400 in relation to audit fees, with no amounts outstanding at year end. Diane Hart and Victoria Savage are board members of BRL.
- LQHT paid One Housing Group £103,434 in third party management costs, whilst earning £143,486 in landlord fees with £146,206 outstanding at year end. Diane Hart's husband is an Executive Director of One Housing Group.
- LQHT invoiced Swan Housing Association Ltd £86,128 during the year in relation to the lease of 15 Brown Close, with £22,333 outstanding at year end. Diane Hart's husband is on the Board of Swan Housing Association Ltd.
- LQHT incurred costs of £347,388 relating to consultancy services provided by Red Loft Housing Consultancy, of which no amounts were outstanding at year end. Victoria Savage's husband is a Partner at Red Loft Housing Consultancy Ltd.
- LQHT incurred childcare care voucher scheme costs from Sodexo in the year totalling £78,281, with no amount outstanding at year end. Dominique Kent is the Chief Operating Officer of Sodexo's Home Care Services.

29. Financial instruments

Initial measurement

Initially, financial assets and liabilities are measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Measurement subsequent to initial recognition

Subsequently, financial assets and liabilities (including derivatives) are measured at fair value, with the following exceptions:

- Loans and receivables, held-to-maturity investments, and non-derivative financial liabilities which are measured at amortised cost using the effective interest method
- Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements of the IAS 39.

Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. To calculate fair value, the Group uses:

- Where they exist, quoted market prices in an active market to measure the financial instrument.
- If a market for a financial instrument is not active, the Group will use a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models where in each case it is an acceptable valuation technique that incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Financial assets that are not carried at fair value though profit and loss are subject to an impairment test. If expected life cannot be determined reliably, then the contractual life is used.

Hedge accounting

There are no current cashflow hedges to report in any of the L&Q Group companies.

Interest on financial instruments is calculated on an undiscounted basis using the prevailing implied forward rates as at the statement of financial position date for the floating rate leg and the fixed rate for the fixed rate leg.

Hedge accounting is applied to financial assets and financial liabilities of the Group where a hedging relationship qualifies for hedge accounting and if, and only if, all of the following conditions are met:

- At the inception of the hedge, or at the point of transition, formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge is in place. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk,
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship, and effectiveness can be reliably measured, and
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Under IAS 39 for financial instruments: recognition and measurement, it is necessary to comply with the criteria of 80% to 125% for hedge effectiveness.

Notes to the financial statements for the year ended 31 March 2022

Hedging instruments
A hedging instrument is classified as an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedged items
A hedged item is an item that exposes the Group to risk of changes in fair value or future cash flows and is designated as being hedged. A hedged item may include a single or group of recognised assets or liabilities, a firm commitment or a highly probable transaction.

Hedged effectiveness
The Group assesses hedge effectiveness both prospectively and retrospectively. To qualify for hedge accounting at the inception of a hedge and, at a minimum, at each reporting date, the cumulative changes in the fair value or cash flows of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the cumulative changes in the fair value or cash flows of the hedging instrument on a prospective basis, and on a retrospective basis where actual results are within a range of 80% to 125%.

Accounting treatment - Cash flow hedges
Where the Group hedges its exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss, the hedging relationship is designated of a cash flow hedge.

A cash flow hedge is accounted for as follows:

- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income and accumulated in the cash flow hedge reserve; and The ineffective portion of the gain or loss on the hedging instrument (including ineffectiveness within the 80% to 125% window) shall be recognised in profit or loss and disclosed separately in interest payable and similar charges. Ineffectiveness in this context represents over-effectiveness when the cumulative change in the fair value of the hedging instrument is higher than the cumulative change in the hedged item

If the Group closes out early a cash flow hedge that has a designated hedging relationship, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to revenue reserve using the effective interest method.

Accounting treatment – Financial instruments measured at fair value through profit and loss
Some contracts that themselves are not financial instruments may nonetheless have financial instruments embedded in them. An embedded derivative is a feature within a contract, such that the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative.

The Group will separate an embedded derivative from its host contract when:

- The economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognised in the profit and loss statement.

If an embedded derivative is separated, the host contract is accounted for at amortised cost using the effective rate method and the fair value of the embedded derivative is recognised in profit and loss and disclosed separately in interest payable and similar charges. If the Group is unable to measure the embedded derivative separately, the entire combined contract will be designated at fair value through profit or loss.

Where an embedded derivative is closely related to the host contract, the entire contract shall be accounted for at amortised cost using the effective rate method. All of the Group's embedded derivatives are closely related to the host contract and accounted for at amortised cost.

29. Financial instruments (continued)

Financial instruments	Group 2022 £m	Group 2021 £m	LQHT 2022 £m	LQHT 2021 £m
Financial instruments measured at fair value through profit and loss	-	-	-	-
Total loans measured at amortised cost	5,530	5,512	5,145	5,123
At end of the year	**5,530**	5,512	**5,145**	5,123

Risk

The main risk arising from the Group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

The Group finances its operations through a mixture of retained surpluses, government grant and loan borrowings. The Group manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost. The approved target is to retain between 60% and 70% of drawn debt at a fixed rate. As at 31 March 2022 65% of the Group's debt is fixed.

Cash flow hedges are entered into to hedge exposure to the variability in cash flows attributable to movements in GBP interest rates using GBP interest rate swap contracts whereby the Group agrees to pay interest at a fixed rate and receive interest at a floating rate. The interest rate swaps are designated as a hedge of the variability in the debt interest payments due to changes in the benchmark interest rate (SONIA). This method reflects the risk management objective of the hedging relationship that is to swap a series of future variable cash flows to a fixed rate. The periods in which the hedged variable rates of interest payments are expected to occur are set out in the maturity analysis in note 22. The movement through the cash flow reserve for the year ended 31 March 2022 was £nil (2021: £nil.)

The Group's cash flow interest rate risk exposure is managed in accordance with treasury policy. As at 31 March 2022 a 0.5% increase in interest rates would result in an additional charge of £11m (2021: £10m).

Liquidity risk

The Group has a policy to maintain sufficient liquidity in cash and undrawn lending facilities to cover 18 months of operational activity. At the year end 65% of the Group's borrowings were due to mature in more than five years (2021: 74%). The liquidity risk of each Group entity is managed centrally by the Group treasury function in accordance with the Board approved Treasury Plan.

Notes to the financial statements for the year ended 31 March 2022

30. Financial assets and liabilities

Financial assets
The Group classifies its financial assets into one of the following categories depending on the purpose for which the asset was acquired.

Fair value through profit and loss
Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit and loss.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method.

Provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms. The amount of such a provision is disclosed as the difference between the net carrying amount and the present value of the future expected cash flows associated with the receivable item.

A summary of the financial instruments held by category is provided below:

Group	Financial assets at fair value		Financial assets at amortised cost	
Financial assets	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Investment properties and real lettings property fund	**1,172**	1,079	**-**	-
Cash and cash equivalents	**-**	-	**216**	132
Debtors	**-**	-	**248**	250
	1,172	1,079	**464**	382

	Financial liabilities at fair value		Financial liabilities at amortised cost	
Financial liabilities	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Trade and other payables	**-**	-	**532**	453
Loans and borrowings	**-**	-	**5,530**	5,512
Derivatives				
• Designated hedges	**-**	-	**-**	-
• Fair value through profit and loss	**-**	-	**-**	-
	-	-	**6,062**	5,965

30. Financial assets and liabilities (continued)

Valuation
All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset either directly or indirectly from prices. All other loans and receivables are shown at amortised cost.

Credit risk
Credit risk applies to all debtor balances, the majority relating to tenant and other arrears which are reported monthly with dedicated teams assigned to manage recovery of those arrears. The Group fully provides for former tenant arrears except where recovery is assessed as likely. Provision against current tenant arrears is made based on experienced loss and the aged profile of the amounts due. More than 70% of the arrears are collected directly from local authorities in the form of housing benefits therefore reducing the Group's exposure to individual tenants' credit risk.

'Arrears' includes rent, service charge and other amounts related to a tenancy sub-account such as major works costs, maintenance recharges and court fees

Arrears provision	**Group 2022 £m**	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
At beginning of the year	**25**	21	**21**	18
Movement in provision	**-**	4	**-**	3
At end of the year	**25**	25	**21**	21

Arrears	**Group 2022 £m**	Group 2021 £m	**LQHT 2022 £m**	LQHT 2021 £m
Less than 30 days	**5**	6	**4**	5
30 to 60 days	**4**	5	**4**	4
60 to 90 days	**4**	4	**3**	4
More than 90 days	**41**	44	**37**	40
	54	59	**48**	53

Included in the above are £13m (2021: £12m) of former tenant arrears which are fully provided for through the statement of comprehensive income.

31. Ultimate holding entity

London & Quadrant Housing Trust is the ultimate holding entity of the Group.

32. Post year end events

There were no events subsequent to 31 March 2022 that require disclosing.

Notes to the financial statements for the year ended 31 March 2022

33. Group entities

The entities forming the Group are:

Entity	Status	Activity
London & Quadrant Housing Trust	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Registered social landlord and public benefit entity and the ultimate parent of the Group
L&Q New Homes Limited	Limited company registered in England and Wales	Property development and housing for open market sales
Quadrant Construction Services Limited	Limited company registered in England and Wales	Provision of design and build services and acting as principal contractor to members of Group
Quadrant Housing Finance Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Bond finance provided to Group members
L&Q PRS Co Limited	Limited company registered in England and Wales	Management and ownership of properties available for lettings in the private rental market
L&Q Living Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Provision of care services and supported housing
L&Q Energy Limited	Limited company registered in England and Wales	Energy services company providing heat and power, incorporated November 2018
East Thames Partnership Limited	Limited company registered in England and Wales	Delivery of housing for sale (inactive)
East Regen Limited	Limited company registered in England and Wales	Development, design and construction of housing schemes

The entities forming the Group are:

Entity	Status	Activity
East Place Limited	Limited company in England and Wales	Property management and partner in Triathlon Homes LLP
East Homes Services Limited	Limited company by shares registered in England and Wales	Property management
L&Q Estates Limited	Limited company by shares registered in England and Wales	Intermediate holding company and property development
Gallagher Estates Limited	Limited company by shares registered in England and Wales	Intermediate holding company and property development
Portobello Developments 2002 Limited	Limited company by shares registered in England and Wales	Property development
Wixams First Limited	Limited company by shares registered in England and Wales	Property development
Wixams NEA Management Company Limited	Limited company by guarantee registered in England and Wales	Incorporated to act as a property management company but currently dormant
Gallagher Estates NR Limited	Limited company by shares registered in England and Wales	Property development
Drayton Stratford Limited	Limited company by shares registered in England and Wales	Property development

Notes to the financial statements for the year ended 31 March 2022

33. Group entities (continued)

The entities forming the Group are:

Entity	Status	Activity
West Longstanton Limited	Limited company by shares registered in England and Wales	Small company property development
Gallagher Homes Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Longstanton Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Llanwern Limited	Limited company registered in England and Wales	Property development
Gallagher Projects Limited	Limited company by shares registered in England and Wales	Procurement and delivery of infrastructure and other construction activities
Gallagher Elstow Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Bridgend Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Poole Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Estates Land Limited	Limited company by shares registered in England and Wales	Dormant

The entities forming the Group are:

Entity	Status	Activity
J.J. Gallagher Construction Limited	Limited company by shares registered in England and Wales	Dormant
Redlawn Land Limited	Limited company by shares registered in England and Wales	Property development
Trafford Housing Trust Limited	Limited company by guarantee registered in England and Wales	Registered housing provider
THT and L&Q Community Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Partnership between THT and L&Q Housing Trust. Owns all rented and shared ownership housing assets developed by THT & L&Q Developments LLP
THT Properties Limited	Limited company by shares registered in England and Wales	Dormant
THT Developments Limited	Limited company by shares registered in England and Wales	Property development
THT and L&Q Developments LLP	Limited Liability Partnership	Partnership between THTD and L&Q New Homes for property development
Laurus Homes Limited	Limited company by shares registered in England and Wales	Dormant
THT Social Investments Limited	Limited company by shares registered in England and Wales	Investment holding company.

Notes to the financial statements for the year ended 31 March 2022

34. Glossary including alternative performance measures

This section provides a glossary of unfamiliar or uncommon terms used throughout these financial statements and sets out definitions of non-GAAP measures and reconciliations to the nearest measure in accordance with FRS102.

The alternative performance measures ('APMs') used may not be directly comparable with similarly titled measures used by other companies, including those in the same industry. Management use these measures because they provide useful insight and monitoring of performance, as well as comparability to other registered providers where they report under the same metrics. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with FRS102.

Exceptional items

The Group's strategic report identifies operating surplus before exceptional items. The Board believe that the presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This also facilitates comparison with prior periods to assess trends in financial performance more readily. The Group applies judgement in identifying significant non-recurring items of income and expenditure that are recognised as exceptional to help provide an indication of the Group's underlying performance. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as frequency or predictability of occurrence. There were no exceptional items for the FY2022 to disclose (2021: none).

Development pipeline

This is the current and future portfolio of approved construction projects.

Homes enabled

Includes homes expected to be built on land sold by L&Q in the period, based on outline or detailed planning permission at the point of land sale. These exclude land sold within the L&Q Group and social homes on land sold to a third party where L&Q is acquiring the social homes.

Occupancy

Applies only to general needs and calculated as occupied units as a percentage of the sum of occupied units and vacant units that are available for letting.

Net debt

The sum of debt due within one year + debt due after one year less cash.

Units managed

Units include homes as well as non-habitable units such as garages, parking spaces and sheds.

Social value

A measure of value for money related to community investment activities. It is calculated using the Housing Association Charitable Trust (HACT) wellbeing valuation, the methodology of which is available on their website.

Sector scorecard

An initiative to benchmark housing associations' performance and check they are providing value for money. The measures used include the standard metrics as set out by the Social Housing Regulator to support the 2019 Value for Money Standard for Registered Providers of Social Housing. These may therefore be on a different basis to similar financial measures and can include relevant comparable information to aid understanding of performance.

Calculations of the key measures included in the sector scorecard are below:

Sector scorecard	L&Q 2022
Operating margin (overall) calculated as operating surplus excluding gain/(loss) on disposal of fixed assets, share of joint venture results and revaluation of investment properties ÷ turnover	£104m ÷ £1,112m = 9%
Operating margin (social housing lettings "SHL" only) calculated as SHL operating surplus excluding gain/(loss) on disposal of fixed asset, share of joint venture results and revaluation of investment properties ÷ SHL turnover	£189m ÷ £613m = 31%
EBITDA MRI (as % interest) EBITDA MRI represents earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs calculated as EBITDA MRI ÷ Gross interest payable x 100	£106m ÷ £148m = 72%
Gearing as prescribed in the current Sector Scorecard calculated as net debt ÷ carrying value of housing properties x 100 where net debt represents total bank and debenture loans less cash and cash equivalents	£5,263m ÷ £11,026m = 48%
Return on capital employed calculated as total operating surplus including gain/(loss) on disposal of fixed assets and share of operating surplus/(deficit) in joint venture or associates ÷ total fixed assets + total current assets less current liabilities at end of year	£236m ÷ £13,587m = 1.7%
Ratio of responsive repairs to planned maintenance calculated as routine maintenance as a percentage of planned maintenance + major repairs expenditure + capitalised major repairs and re-improvements expenditure	£146m ÷ (£45m + £70m) = 1.3
Headline social housing cost per unit Total social housing cost (per note 3) Total social housing homes (per note 4) Total	£471m ÷ 89,358 = £5,271
Management cost per unit Total management cost (per note 3) Total social housing homes (per note 4) Total	£56m ÷ 89,358 = £627
Service charge cost per unit Total service charge cost (per note 3) Total social housing homes (per note 4) Total	£79m ÷ 89,358 = £884
Maintenance cost per unit Total routine maintenance + planned maintenance cost (per note 3) Total social housing homes (per note 4) Total	£146m + £45m + £70m ÷ 89,358 = £2,921
Other social housing costs per unit Total other social housing cost (per note 3) Divided by total social housing homes (per note 4) Total	£75m ÷ 89,358 = £839
Rent collected as % of rent due (General needs)	£358m ÷ £354m = 101%
Overheads as a % of adjusted turnover Calculated as overheads ÷ turnover excluding amortised grant, adjusted for cost of sales x 100	£74m ÷ £765m = 10%

Notes to the financial statements for the year ended 31 March 2022

34. Glossary including alternative performance measures (continued)

Streamlined Energy and Carbon Reporting (SECR) Methodology

In line with the GHG Protocol Corporate Accounting and Reporting Standard, green house gas (GHG) emissions are reported separately as scope 1 (direct emissions), scope 2 (indirect emissions from purchased electricity) and scope 3 (all other indirect emissions) using a carbon dioxide equivalent. A carbon dioxide equivalent is used to enable the global warming potential (GWP) of a variety of GHGs to be combined and reported using a single, standardised unit of measurement.

In accordance with SECR reporting recommendations, the UK Government's 2021 GHG Conversion Factors have been used to convert energy consumption and fuel usage into carbon emissions figures.

All electricity and gas consumption figures have been extracted directly from supplier invoices, with the exception of energy supplies to empty homes units. A pro-rata extrapolation method has been used to apportion consumption and estimate missing data in cases where, respectively, the invoice periods exceeded or fell short of the financial year reporting period.

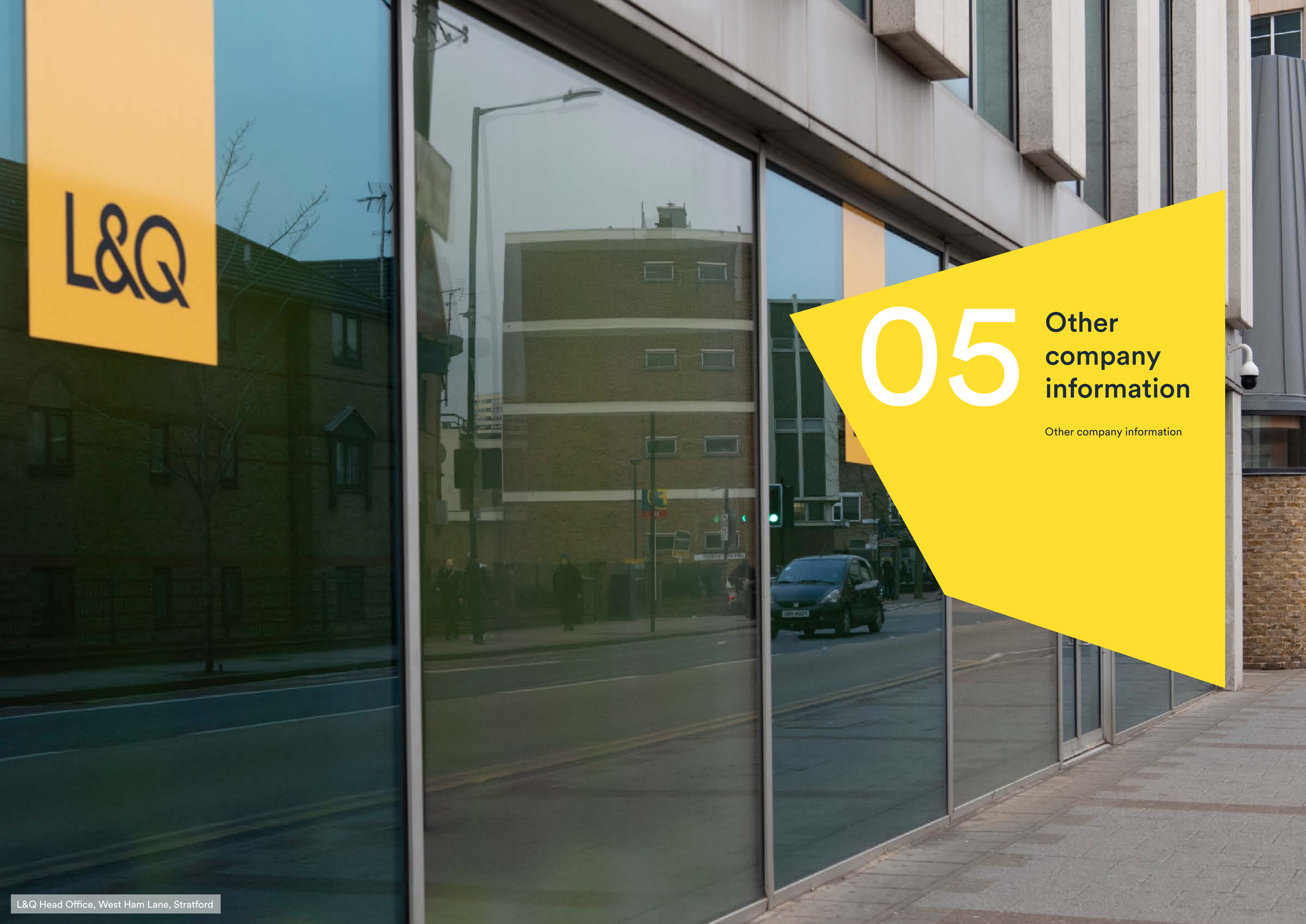
For temporary energy supplies to empty homes units, consumption figures were calculated using the total energy spend data for electricity and gas, provided by our empty homes energy supplier, and applying the corresponding tariff and charge rates.

The quantity of transport fuel used by L&Q's vehicle fleet, covering activities such as direct maintenance, caretaking and development, has been extracted from fuel card and fleet management software.

The amount of transport fuel used by employees for business purposes, i.e. grey fleet, has been estimated using consolidated mileage claims data and the corresponding vehicle specification information provided. Where specific vehicle information was unavailable, the GHG Conversion Factors for average passenger vehicles have been applied.

To reflect L&Q's leading role as both a housing association and residential developer, carbon intensity is calculated as L&Q's total carbon emissions divided by the total number of residential units owned, managed, completed or under construction as of 31 March of the financial year in question. In the event of merger and acquisition activity completed during the year that leads to material changes in portfolio composition, the metric will be adjusted accordingly to reflect the period of the financial year for which L&Q has operational control.

In 2021/22 L&Q switched to purchase 100% renewable electricity for our offices and communal residential sites. This has been reflected via the recommended dual reporting methodology in line with government guidance.



05 Other company information

L&Q Head Office, West Ham Lane, Stratford

05

Other company information

Executive Directors

Fiona Fletcher-Smith – Chief Executive

Waqar Ahmed – Group Finance Director

Diane Hart – resigned 30 June 2022

Steve Moseley

Tom Nicholls

Gerri Scott

Vicky Savage – appointed 29 April 2021

Secretary and registered office

Emuoborohwo Siakpere - resigned 6 September 2021
Henry Potter - appointed 24 September 2021
29-35 West Ham Lane
Stratford
E15 4PH

Statutory auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Banker

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Registrations

Registered Society number: 30441R
Regulator of Social Housing number: L4517

For more information
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