

creating places where people want to live...



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# EXECUTIVE AND ADVISERS

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## GOVERNING BOARD

Robert Appleyard (Chairman)  
Irene Addis  
Eric Byers  
Peter Dixon  
Stuart Fraser  
Fiona Hoyle  
Kevin Ireland (appointed May 2001)  
Rodney Morton (Honorary Treasurer May 2001)  
Gillian Nester-Smith  
Atul Patel (appointed June 2001)  
Diane Phillips, CB  
Jan Pitchell  
Michael Richardson (Deputy Chair)  
Peter Robinson  
Peter Stredder  
(acting Honorary Treasurer: Nov 2000 - April 2001)

## EXECUTIVE GROUP

Don Wood (Chief Executive)  
Mike Donaldson  
David Gannicott  
Charlie Grimble  
Sally Jacobson  
Paul Kingsley  
David Montague  
Steve Walker  
Steve Yianni

## SECRETARY AND REGISTERED OFFICE

Jan Quirke  
Osborn House  
Osborn Terrace  
London  
SE3 9DR

## PRINCIPAL SOLICITORS

Devonshires  
Salisbury House  
London Wall  
London  
EC2M 5QY  
  
Prince Evans  
77 Uxbridge Road  
London  
W5 5ST  
  
Trowers & Hamlins  
Sceptre Court  
40 Tower Hill  
London  
EC3N 4DX

## BANKERS

Barclays Bank plc  
P O Box 427  
Maidstone  
Kent  
ME14 1TW

## STATUTORY AUDITORS

KPMG  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

# REPORT OF THE GOVERNING BOARD

Year ended 31 March 2002 London & Quadrant Housing Trust

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The Governing Board presents its report and the audited consolidated financial statements of the Trust and its subsidiary undertakings (the L&Q Group) for the year ended 31 March 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Trust is the provision of accommodation for people in housing need. The Trust controls the management committees of the following which, under Financial Reporting Standard 2, makes them subsidiary undertakings:

Tower Homes Limited  
L&Q Bexley Homes Limited  
Quadrant Housing Finance Limited  
Crawley Foyer Limited  
Osborn Services Limited  
Ravensbourne Projects Limited

The principal activity of Tower Homes Limited is the provision of low cost home ownership through shared ownership leases. The principal activity of L&Q Bexley Homes Limited is the provision of affordable rented housing predominantly in the London Borough of Bexley. Since the year end London & Quadrant Bexley Housing Association changed its name to L&Q Bexley Homes Limited. The principal activity of Quadrant Housing Finance Limited is to provide finance for members of the L&Q Group. The principal activity of the Crawley Foyer is to provide a high tech solution to youth homelessness. Osborn Services Limited and Ravensbourne Projects Limited have not yet commenced trading.

## REVIEW OF RESULTS

The Group made a surplus for the year after tax of £15.7 million of which £12.8 million was made by the Trust, compared to a surplus of £11.9 million made by the Trust in the previous year.

The Group has initiated a programme of significant regular expenditure on major repairs and improvements to its older stock, and during the year under review such expenditure amounted to £15.3 million, compared to £14 million in the previous year. This continued expenditure on improving older stock has reduced surpluses to a level which the Governing

Board believes to be appropriate in the light of the Trust's size and its obligations to private finance providers.

In line with the Housing Corporation's recommendations the Group has transferred £768,000 to a restricted reserve, this amount representing a contribution from rental surpluses to future major repairs. The Governing Board does not propose to make any other specific transfers to restricted reserves.

On the capital side, the Group spent £125 million on acquisition, development and improvement of properties and received £57million from social housing grant.

## THE GOVERNING BOARD'S STATUTORY FINANCIAL RESPONSIBILITIES

Housing association law requires the Governing Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Trust and of the surplus or deficit for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Governing Board is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enables its members to ensure that the financial statements comply with all relevant requirements. It is also responsible for maintaining a satisfactory system of control over the accounting records and transactions and for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## INTERNAL CONTROL

The Governing Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide the Governing Board with reasonable and not absolute assurance against material mis-statement or loss.

The main policies which the Governing Board has established, and which are designed to provide effective internal control are summarised below:

- Audit - the Governing Board has delegated responsibility for overseeing the adequacy and effectiveness of the Group's internal control system to the Audit Committee. The Group's internal audit team reports directly to the Audit Committee and meets regularly with the chairman of the Governing Board. An annual assurance report is produced by the internal auditors summarising the systems audit programme and confirming that the Group has a satisfactory internal control system in place. Quarterly Housing Corporation returns are also presented to the Committee.
- Management assurances are received by the Audit Committee to confirm that recommendations have been implemented by the agreed target date. Subsequent internal audit reviews are undertaken to check those recommendations have been properly implemented.
- Risk Management - Risk Committee oversees the risk management cycle which governs the ongoing process of establishing and communicating responsibilities, identifying risks and establishing a risk management framework to mitigate those risks. Strategic risks are identified through a rolling risk assessment exercise. Operational risks are identified through the internal audit and best value processes.

- External Audit - the work of the external auditors provides some assurance through the interim and final audit visits and the provision of an audit strategy, audit report and management letter. Quarterly meetings are held with the external auditors to provide an update on changes in the business and to discuss strategic and technical matters.
- Quality management systems - the quality of the Group's management systems is acknowledged by its Charter Mark and Investors in People accreditation.
- Regulatory reports - The Group reports to the Housing Corporation through a range of regulatory returns. The Group's internal regulation panel ensures that regulatory matters are dealt with promptly and efficiently, co-ordinates the self monitoring system operated by the Governing Board, and monitors compliance with performance standards.
- Performance indicators - key performance indicator reports are produced monthly for the Group and are reported through the Executive Group to the Governing Board. These reports include performance monitoring on housing management, maintenance, development, customer satisfaction, staff and financial results.
- The Audit Committee meets regularly with the members of Executive Group, the internal auditors and external auditors to review specific reporting and internal control matters and to satisfy itself that the systems are operating effectively.

The Governing Board, through the reports of the Audit Committee, for year to 31 March 2002 and up to the date of approval of the accounts, has carried out regular reviews of the effectiveness of the Group's system of internal control.

# REPORT OF THE GOVERNING BOARD

Year ended 31 March 2002 London & Quadrant Housing Trust

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## DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Financial Reporting Standard FRS 13 applies to all entities which have capital instruments listed on a stock exchange. It requires these entities to provide information about the impact of financial instruments on their risk profile, how the risks arising from financial instruments might affect performance and financial condition, and how these risks are being managed. In the case of consolidated financial statements, capital instruments include those issued by subsidiaries.

The bond issued by Quadrant Housing Finance Limited (QHF), a subsidiary of the Trust, is classified as a capital instrument. The requirements of FRS 13 therefore apply to the L&Q Group.

The Group's financial instruments are restricted to the QHF bond, other Group borrowings, cash and working capital arising from the operations of Group members. The sole purpose of these instruments is to assist in financing the operations of Group members.

Group members are permitted under their rules to enter into a limited number of derivative transactions to manage interest rate risk. Group members are not permitted to trade in financial instruments.

Responsibility for managing interest rate and liquidity risk is delegated to the Treasury Committee. Approved policies for managing these risks are summarised below.

### [Interest rate risk](#)

The Group finances its operations through a combination of borrowing and investment of revenue reserves. The amount of borrowing and its terms are determined and regularly reviewed by the Treasury Committee. Exposure to floating rates of interest is controlled through the use of interest rate caps and collars.

### [Liquidity risk](#)

Short-term liquidity risk is managed through the use of short-term loan facilities and working capital management. Longer-term liquidity risk is controlled by the application of limits to the amount of short-term debt as a proportion of total debt. Group investment and borrowing policies are regularly reviewed by the Treasury Committee.

### [Currency risk](#)

The Group does not engage in foreign currency transactions.

## DISABLED EMPLOYEES

Applications for employment from disabled persons are given full and fair consideration for all vacancies, having regard to their particular abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment within the organisation may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

## HEALTH & SAFETY

The Group takes its responsibilities for health and safety very seriously and has established a training programme, led by a working party dedicated to this topic.

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## **EMPLOYEE INVOLVEMENT**

The Group has continued its practice of consulting and keeping employees informed on matters affecting and on the progress of the Group. This is carried out in a number of ways including a formal forum for consultation, departmental meetings and a variety of newsletters.

## **GOING CONCERN**

The Governing Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the financial statements.

## **THE GOVERNING BOARD AND EXECUTIVE GROUP**

The Governing Board members and Executive Group of the Trust are listed on page 3. Each member of the Governing Board holds one fully paid share of £1 in the Trust, which is cancelled on cessation as a member. The Executive Group members hold no interest in the Trust's share capital and are not members of the Governing Board.

## **AUDITORS**

Our auditors, KPMG have indicated to the directors that their business has transferred to a limited liability partnership KPMG LLP. Accordingly, a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG LLP as auditors of the Trust.

On behalf of the Governing Board

ROBERT APPLEYARD

Chairman

Date: 20 June 2002

# REPORT OF THE INDEPENDENT AUDITORS

Year ended 31 March 2002 London & Quadrant Housing Trust

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## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LONDON & QUADRANT HOUSING TRUST

**We have audited the financial statements on pages 9 to 35**

### **Respective responsibilities of the Governing Board and Auditors**

The Trust's Governing Board is responsible for preparing the Governing Board's report and, as described on page 4 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board, the Housing Corporation, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions with the Trust is not disclosed.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governing Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Trust as at 31 March 2002 and of their surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.

### **KPMG**

20 June 2002

- Chartered Accountants
- Registered Auditors

1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

# INCOME & EXPENDITURE ACCOUNT

Year ended 31 March 2002 London & Quadrant Group

		<b>2002</b>	<b>Restated</b>
	<b>note</b>	<b>£'000</b>	<b>2001</b>
			<b>£'000</b>
<b>Turnover</b>	2	104,358	107,398
Operating costs	2	(73,053)	(79,086)
<b>Operating Surplus</b>	2	31,305	28,312
Surplus on sale of housing properties	4	7,765	6,795
Interest receivable		2,332	2,028
Interest payable and similar charges	7	(24,783)	(23,885)
<b>Surplus on Ordinary Activities Before Tax</b>	2 & 8	16,619	13,250
Tax on surplus on ordinary activities	9	(855)	(223)
<b>Surplus for the Year</b>		15,764	13,027
Net transfer (to)/from restricted reserves	16	563	599
		16,327	13,626
<b>Revenue Reserves Brought Forward</b>			
As previously stated		99,652	86,026
Prior year adjustment	20	(1,295)	(1,295)
As restated		98,357	84,731
<b>Revenue Reserves Carried Forward</b>	17	<b>114,684</b>	98,357

All amounts relate to continuing activities.

All recognised surpluses and deficits have been included in the income and expenditure account.

The notes on pages 14 to 35 form part of these financial statements.

# BALANCE SHEET

31 March 2002 London & Quadrant Group

	note	2002		Restated 2001	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>	10				
Tangible assets					
Housing properties					
Cost less depreciation			1,309,255		1,210,163
Less: Social Housing Grant			(835,549)		(783,330)
			473,706		426,833
Other fixed assets			3,653		3,492
Total fixed assets			477,359		430,325
<b>Investments</b>					
Home Buy		3,342		3,443	
Social Housing Grant		(3,342)		(3,443)	
<b>Current Assets</b>					
Debtors	11	13,517		14,019	
Cash at bank and in hand	19(c)	40,008		46,315	
		53,525		60,334	
<b>Creditors: amounts falling due within one year</b>	12	(41,732)		(37,808)	
Net Current Assets			11,793		22,526
<b>Total Assets less Current Liabilities</b>			<b>489,152</b>		<b>452,851</b>
<b>Creditors: amounts falling due after more than one year</b>	12		369,347		348,575
<b>Provisions for Liabilities and Charges</b>	14		1,160		1,395
<b>Capital and Reserves</b>					
Share capital	15		-		-
Restricted reserves	16		3,961		4,524
Revenue reserves	17		114,684		98,357
			<b>489,152</b>		<b>452,851</b>

In view of the constitution of the Trust all shareholdings relate to non-equity interests, as disclosed in note 15.

These financial statements were approved by the Governing Board and signed on its behalf by:

ROBERT APPLEYARD

Chairman

Date of approval: 20 June 2002

RODNEY MORTON

Honorary Treasurer

JAN QUIRKE

Secretary

The notes on pages 14 to 35 form part of these financial statements.

# CASH FLOW STATEMENT

31 March 2002 London & Quadrant Group

	note	2002		2001	
		£'000	£'000	£'000	£'000
<b>Net Cash Inflow from Operating Activities</b>	19(a)		35,967		29,526
<b>Returns on Investments and Servicing of Finance</b>					
Interest received		2,648		2,028	
Interest paid (including capitalised interest)		(27,602)		(26,630)	
			(24,954)		(24,602)
<b>Corporation Tax Paid</b>			(811)		(340)
<b>Capital Expenditure and Financial Investment</b>					
Cash paid for construction and purchase of housing properties (excluding capitalised interest)		(125,255)		(120,605)	
Capital grants received		56,681		65,528	
Capital grants repaid		-		(4,473)	
Cash paid for purchase of other assets		(1,122)		(1,588)	
Net proceeds on sale of housing properties		31,094		31,841	
Proceeds on sale of other fixed assets		364		48	
			(38,238)		(29,249)
<b>Cash Outflow before use of Liquid Resources and Financing</b>			<b>(28,036)</b>		(24,665)
Cash withdrawn from notice deposits		8,491		22,086	
Cash placed on notice deposits		(9,423)		(9,680)	
<b>Net Cash Inflow/(Outflow) from Management of Liquid Resources</b>			(932)		12,406
<b>Financing</b>					
Loans received		23,463		23,020	
Loans repaid		(1,734)		(1,970)	
			21,729		21,050
<b>(Decrease)/increase in Cash and Cash Equivalents</b>	19(b)		<b>(7,239)</b>		8,791

The notes on pages 14 to 35 form part of these financial statements.

# INCOME & EXPENDITURE ACCOUNT

Year ended 31 March 2002 London & Quadrant Housing Trust

	note	2002 £'000	2001 £'000
Turnover	2	83,400	87,816
Operating costs	2	(58,480)	(64,629)
<b>Operating Surplus</b>	2	24,920	23,187
Surplus on sale of housing properties	4	5,394	5,630
Interest receivable		1,648	1,258
Interest payable and similar charges	7	(19,134)	(18,084)
<b>Surplus on Ordinary Activities</b>	2 & 8	12,828	11,991
Net transfer from restricted reserves	16	513	646
		13,341	12,637
<b>Revenue Reserves Brought Forward</b>		84,008	71,371
<b>Revenue Reserves Carried Forward</b>	17	<b>97,349</b>	84,008

All amounts relate to continuing activities.

All recognised surpluses and deficits have been included in the income and expenditure account.

The notes on pages 14 to 35 form part of these financial statements.

# BALANCE SHEET

31 March 2002 London & Quadrant Housing Trust

	note	2002		2001	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>	10				
Tangible assets					
Housing properties					
Cost less depreciation			1,112,136		1,034,798
Less: Social Housing Grant			(751,334)		(709,743)
			360,802		325,055
Other fixed assets			2,858		2,543
<b>Total fixed assets</b>			<b>363,660</b>		<b>327,598</b>
<b>Current Assets</b>					
Debtors	11	22,103		17,668	
Cash at bank and in hand		22,807		31,327	
		44,910		48,995	
<b>Creditors: amounts falling due within one year</b>					
	12	(34,896)		(33,820)	
<b>Net Current Assets</b>			10,014		15,175
<b>Total Assets Less Current Liabilities</b>			<b>373,674</b>		<b>342,773</b>
<b>Creditors: amounts falling due after more than one year</b>					
	12		272,544		254,391
<b>Provision for Liabilities and Charges</b>	14		137		217
<b>Capital and Reserves</b>					
Share capital	15		-		-
Restricted reserves	16		3,644		4,157
Revenue reserves	17		97,349		84,008
			<b>373,674</b>		<b>342,773</b>

In view of the constitution of the Trust all shareholdings relate to non-equity interests, as disclosed in note 15.

These financial statements were approved by the Governing Board and signed on its behalf by:

ROBERT APPELYARD

Chairman

Date of approval: 20 June 2002

RODNEY MORTON

Honorary Treasurer

JAN QUIRKE

Secretary

The notes on pages 14 to 35 form part of these financial statements.

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

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## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice "Accounting by Registered Social Landlords" issued in 1999, and on the historical cost basis. Accounting policies are consistently applied. Any change in policy is reflected in the financial statements by way of a prior year adjustment. A summary of the more important accounting policies is set out below.

### Basis of consolidation

The consolidated accounts incorporate the financial statements of London & Quadrant Housing Trust and its subsidiary undertakings, being Tower Homes, L&Q Bexley Homes, Crawley Foyer and Quadrant Housing Finance.

### Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants from the Housing Corporation and other public authorities.

### Housing properties

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting and are stated at cost less depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly.

### Fixed assets and depreciation

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

Housing properties	between 80 and 100 years
Short leasehold premises	over 10 years
Furniture and equipment	12.5%
Motor vehicles	25%
Computer equipment	20%

### Investments

Tower Homes Limited retains a 25% stake in homes purchased through the Homebuy scheme. Investment in Homebuy is funded through Social Housing Grant and held in the balance sheet as historical cost.

### Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant the cost of those developments has been reduced by the amount of grant receivable. Social Housing Grant is credited to the income and expenditure account to the extent that it is claimed in respect of development administration costs which are not capitalised. When a Social Housing Grant funded property is sold the grant becomes 'recyclable' and is transferred to a recycled capital grant fund until it is reinvested into a replacement property. Social Housing Grant may be repayable in certain circumstances such as when a property is no longer used for social housing. When Social Housing Grant becomes repayable it is included as a current liability until it is repaid. The repayment of Social Housing Grant is generally subordinated to the repayment of housing loans as agreed with the Housing Corporation.

### Lease obligations

Finance leases are recorded in the balance sheet as assets and as an obligation to pay future rentals. The finance charges are allocated on a straight line basis over the term of the lease.

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## PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Pension

Contributions to the defined benefit pension scheme is calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The actual pension cost is charged to the income and expenditure account based on spreading the cost of pensions over the service lives of employees. Contributions to the defined contribution scheme are calculated as a percentage of pensionable salaries of the employees. The actual cost is charged to the income and expenditure account.

### Restricted reserves and major repair expenditure

Restricted reserves are set aside annually to reflect that proportion of net rental income in the Reinvestment Fund calculation which is required under Housing Corporation rules to be set aside for future major repairs expenditure on schemes developed before 1988. Where major repairs expenditure is not directly recoverable from leaseholders and not considered to be an improvement to the property it is charged to the income and expenditure account and restricted reserves are released to meet the expenditure where appropriate.

### Deferred income and expenditure

Premiums on debt issues and other contributions to future expenditure made by third parties are treated as deferred income. Deferred income is released to the income and expenditure account over the period when the expenditure to which it relates is incurred. Financing costs such as indemnity and insurance premiums payable on debt issues are held against issue proceeds as deferred expenditure and amortised over the term of the loan.

### Capitalisation of interest and development administration costs

Interest on borrowings is charged to housing properties under construction up to the date of completion of each scheme. The interest charged is either on borrowings specifically financing 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.

Staff costs which are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

### Interest payable

In accordance with FRS4, interest payable on stepped interest loans is allocated to the income and expenditure account at a constant rate equal to the effective annual rate of interest. The additional interest cost accruing as a result of this treatment is added to the loan outstanding, and will be released to the income and expenditure account when actual payments exceed the effective annual rate.

### Provisions

The Trust only provides for contractual liabilities which exist at the balance sheet date.

### Hostels managed by agencies

Social Housing Grant claimed and capital expenditure incurred on hostels owned by the Trust are included in the balance sheet of the Trust. The treatment of other income and expenditure is determined by whether day to day financial risk has been substantially transferred or retained by the Trust.

Where risk has been retained by the Trust all the hostel's income, expenditure, assets and liabilities are included in the Trust's financial statements.

Where risk has been substantially transferred to the agency, the Trust's financial statements include only the income, expenditure, assets and liabilities arising directly from Trust operations.

### Taxation

The charge for taxation is based on the surplus for the year and takes into account taxation deferred. Deferred taxation on differences between the treatment of certain items for accounting and taxation purposes is accounted for to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 2. TURNOVER, OPERATING SURPLUS AND SURPLUS BEFORE TAX

London & Quadrant Group

	2002			2001		
	Turnover	Operating costs	Operating surplus	Turnover	Operating Costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (Note 3)</b>						
General Needs Housing	84,327	(55,834)	28,493	79,880	(54,369)	25,511
Supported Housing	6,317	(6,316)	1	4,920	(4,741)	179
Temporary Social Housing	1,983	(2,071)	(88)	3,063	(3,147)	(84)
Key Worker Accommodation	403	(132)	271	396	(135)	261
Residential Care Homes	1,946	(1,986)	(40)	6,543	(7,236)	(693)
Shared Ownership	4,335	(1,063)	3,272	3,833	(915)	2,918
Leaseback Schemes	1,925	(222)	1,703	1,908	(261)	1,647
<b>Total social housing</b>	<b>101,236</b>	<b>(67,624)</b>	<b>33,612</b>	<b>100,543</b>	<b>(70,804)</b>	<b>29,739</b>
<b>Other social housing activities</b>						
Development Administration	862	(3,678)	(2,816)	785	(3,295)	(2,510)
<b>Non-social housing activities</b>						
Market Renting	184	(45)	139	174	(61)	113
Student Accommodation	1,498	(517)	981	1,288	(490)	798
Registered Nursing Homes	-	-	-	4,063	(4,073)	(10)
<b>Total non social housing</b>	<b>1,682</b>	<b>(562)</b>	<b>1,120</b>	<b>5,525</b>	<b>(4,624)</b>	<b>901</b>
<b>Other Income &amp; Expenditure</b>	<b>578</b>	<b>(1,189)</b>	<b>(611)</b>	<b>545</b>	<b>(363)</b>	<b>182</b>
	<b>104,358</b>	<b>(73,053)</b>	<b>31,305</b>	<b>107,398</b>	<b>(79,086)</b>	<b>28,312</b>
Surplus on sale of housing properties			7,765			6,795
Interest receivable			2,332			2,028
Interest payable			(24,783)			(23,885)
<b>Surplus on ordinary activities before tax</b>			<b>16,619</b>			<b>13,250</b>

## 2. TURNOVER, OPERATING SURPLUS AND SURPLUS BEFORE TAX

London & Quadrant Housing Trust

	2002			2001		
	Turnover	Operating costs	Operating surplus	Turnover	Operating Costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social housing lettings (Note 3)</b>						
General Needs	68,281	(44,677)	23,604	64,301	(42,383)	21,918
Supported Housing	5,882	(5,886)	(4)	4,805	(4,630)	175
Temporary Social Housing	1,983	(2,071)	(88)	3,063	(3,147)	(84)
Key Worker Accommodation	403	(132)	271	396	(135)	261
Residential Care Homes	1,946	(1,986)	(40)	6,543	(7,236)	(693)
Leaseback Schemes	1,925	(222)	1,703	1,908	(261)	1,647
<b>Total social housing</b>	<b>80,420</b>	<b>(54,974)</b>	<b>25,446</b>	<b>81,016</b>	<b>(57,792)</b>	<b>23,224</b>
<b>Other social housing activities</b>						
Development Administration	641	(2,034)	(1,393)	626	(2,102)	(1,476)
<b>Non-social housing activities</b>						
Market Renting	184	(45)	139	174	(61)	113
Student Accommodation	1,498	(517)	981	1,288	(490)	798
Registered Nursing Homes	-	-	-	4,063	(4,073)	(10)
<b>Total non social housing</b>	<b>1,682</b>	<b>(562)</b>	<b>1,120</b>	<b>5,525</b>	<b>(4,624)</b>	<b>901</b>
<b>Other Income &amp; Expenditure</b>	<b>657</b>	<b>(910)</b>	<b>(253)</b>	<b>649</b>	<b>(111)</b>	<b>538</b>
	<b>83,400</b>	<b>(58,480)</b>	<b>24,920</b>	<b>87,816</b>	<b>(64,629)</b>	<b>23,187</b>
Surplus on sale of housing properties			5,394			5,630
Interest receivable			1,648			1,258
Interest payable			(19,134)			(18,084)
<b>Surplus on ordinary activities before tax</b>			<b>13,257</b>			<b>11,991</b>

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

London & Quadrant Group

	General needs housing	Supported housing	Temporary Social- housing	Key Worker accommo- dation	Residential Care Homes	Shared Ownership accommo- dation	Leaseback Schemes	Total 2002	Total 2001
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	81,368	1,393	2,142	325	1,946	3,678	1,801	92,653	92,877
Service income	3,755	270	1	78	-	657	124	4,885	4,284
<b>Gross rental income</b>	<b>85,123</b>	<b>1,663</b>	<b>2,143</b>	<b>403</b>	<b>1,946</b>	<b>4,335</b>	<b>1,925</b>	<b>97,538</b>	97,161
Less: rent losses from voids	(1,030)	(120)	(164)	-	-	-	-	(1,314)	(2,245)
<b>Net Rental Income</b>	<b>84,093</b>	<b>1,543</b>	<b>1,979</b>	<b>403</b>	<b>1,946</b>	<b>4,335</b>	<b>1,925</b>	<b>96,224</b>	94,916
Housing Corporation revenue grants	234	2,243	4	-	-	-	-	2,481	1,752
Other revenue grants	-	2,531	-	-	-	-	-	2,531	3,875
<b>Turnover from social housing lettings</b>	<b>84,327</b>	<b>6,317</b>	<b>1,983</b>	<b>403</b>	<b>1,946</b>	<b>4,335</b>	<b>1,925</b>	<b>101,236</b>	100,543
Management	10,462	2,258	369	52	238	502	70	13,951	11,671
Services	6,413	892	-	54	1,696	209	117	9,381	14,891
Routine maintenance	21,136	726	309	-	52	20	-	22,243	22,206
Planned maintenance	1,768	208	-	-	-	-	-	1,976	2,185
Major repairs expenditure	13,228	2,083	-	-	-	-	-	15,311	13,896
Bad debts	452	108	98	-	-	-	-	658	950
Property lease charges	-	-	1,295	-	-	-	-	1,295	1,973
Depreciation on housing properties	2,375	41	-	26	-	332	35	2,809	2,673
Impairment on housing properties	-	-	-	-	-	-	-	-	359
<b>Operating costs on social housing lettings</b>	<b>55,834</b>	<b>6,316</b>	<b>2,071</b>	<b>132</b>	<b>1,986</b>	<b>1,063</b>	<b>222</b>	<b>67,624</b>	70,804
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>28,493</b>	<b>1</b>	<b>(88)</b>	<b>271</b>	<b>(40)</b>	<b>3,272</b>	<b>1,703</b>	<b>33,612</b>	29,739

### 3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

London & Quadrant Housing Trust

	General needs housing £'000	Supported housing £'000	Temporary Social- housing £'000	Key Worker accommo- dation £'000	Residential Care Homes £'000	Leaseback Schemes £'000	Total 2002 £'000	Total 2001 £'000
Rent receivable net of identifiable service charges	65,382	1,245	2,142	325	1,946	1,801	72,841	73,919
Service income	3,398	211	1	78	-	124	3,812	3,417
<b>Gross rental income</b>	<b>68,780</b>	<b>1,456</b>	<b>2,143</b>	<b>403</b>	<b>1,946</b>	<b>1,925</b>	<b>76,653</b>	77,336
Less: rent losses from Voids	(733)	(118)	(164)	-	-	-	(1,015)	(1,890)
<b>Net Rental Income</b>	<b>68,047</b>	<b>1,338</b>	<b>1,979</b>	<b>403</b>	<b>1,946</b>	<b>1,925</b>	<b>75,638</b>	75,446
Housing Corporation revenue grants	234	2,031	-	-	-	-	2,265	1,744
Other revenue grants	-	2,513	4	-	-	-	2,517	3,826
<b>Turnover from social housing lettings</b>	<b>68,281</b>	<b>5,882</b>	<b>1,983</b>	<b>403</b>	<b>1,946</b>	<b>1,925</b>	<b>80,420</b>	81,016
Management	8,691	1,909	369	52	238	70	11,329	9,523
Services	4,855	869	-	54	1,696	117	7,591	13,110
Routine maintenance	17,592	704	309	-	52	-	18,657	18,553
Planned maintenance	1,768	208	-	-	-	-	1,976	2,185
Major repairs expenditure	9,343	2,083	-	-	-	-	11,426	9,241
Bad debts	390	72	98	-	-	-	560	861
Property lease charges	-	-	1,295	-	-	-	1,295	1,973
Depreciation on housing properties	2,038	41	-	26	-	35	2,140	1,987
Impairment on housing properties	-	-	-	-	-	-	-	359
<b>Operating costs on social housing lettings</b>	<b>44,677</b>	<b>5,886</b>	<b>2,071</b>	<b>132</b>	<b>1,986</b>	<b>222</b>	<b>54,974</b>	57,792
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>23,604</b>	<b>(4)</b>	<b>(88)</b>	<b>271</b>	<b>(40)</b>	<b>1,703</b>	<b>25,446</b>	23,224

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 4. SURPLUS ON SALE OF HOUSING PROPERTIES

	<b>Group</b>	<b>Trust</b>	Group	Trust
	<b>2002</b>	<b>2002</b>	2001	2001
	£'000	£'000	£'000	£'000
Sale proceeds	23,338	14,990	20,544	14,217
Grant abated	158	-	157	-
Cost of sale	(15,036)	(9,138)	(13,304)	(8,234)
Incidental sale expenses	(695)	(458)	(602)	(353)
<b>Surplus on sale</b>	<b>7,765</b>	<b>5,394</b>	6,795	5,630

Included in sale proceeds for the Group and the Trust is £1,350,740 (2001: £4,421,412) relating to the transfer of housing properties to other housing associations.

## 5. DIRECTORS' EMOLUMENTS

The directors are defined as the members of the Governing Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board and any member of the senior management team. None of the members received any emoluments.

	<b>2002</b>	2001
	£'000	£'000
Aggregate emoluments payable to directors (including pension contribution and benefits in kind)	947	955
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	124	117

Emoluments of £145,000 (2001: nil) were paid to a director on redundancy and £104,000 was paid in lieu of notice in accordance with his contract terms.

As a member of the Trust pension scheme the pension entitlements of the Chief Executive are identical to those of all other members.

No emoluments are paid to members of the Governing Board or its sub-committees.

	<b>2002</b>	2001
	£'000	£'000
Total expenses reimbursed to the directors not chargeable to United Kingdom income tax	19	19

## 6. EMPLOYEE INFORMATION

The average weekly number of persons employed during the year was:

	<b>Group 2002</b>		<b>Trust 2002</b>		<b>Group 2001</b>		<b>Trust 2001</b>	
	Persons	FTE	Persons	FTE	Persons	FTE	Persons	FTE
Office staff and care support workers	602	565	602	565	901	815	901	815
Wardens, caretakers and cleaners	98	83	98	83	91	76	91	76
	700	648	700	648	992	891	992	891
Staff costs (for the above persons)	£'000		£'000		£'000		£'000	
Wages and salaries	13,492		13,492		16,552		16,552	
Social security costs	1,076		1,076		1,315		1,315	
Other pension costs	1,552		1,552		1,726		1,726	
<b>Total for Group</b>	16,120		16,120		19,593		19,593	
Less amount payable by subsidiaries			(3,327)				(2,777)	
<b>Total for Trust</b>			<b>12,793</b>				16,816	

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	<b>Group</b>	<b>Trust</b>		
	<b>2002</b>	<b>2002</b>	Group	Trust
	£'000	£'000	2001	2001
			£'000	£'000
On loans repayable within one year	26	-	340	313
On loans repayable between one year and five years	-	-	1,609	1,609
On loans wholly or partly repayable in more than 5 years	27,281	20,266	25,105	18,363
	<u>27,307</u>	<u>20,266</u>	<u>27,054</u>	<u>20,285</u>
Add: early redemption fees	-	-	-	-
Less: capitalised in housing properties	(2,524)	(1,132)	(3,169)	(2,201)
	<u>24,783</u>	<u>19,134</u>	<u>23,885</u>	<u>18,084</u>

## 8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	<b>Group</b>	<b>Trust</b>		
	<b>2002</b>	<b>2002</b>	Group	Trust
	£'000	£'000	2001	2001
			£'000	£'000
Surplus on ordinary activities before tax is stated after charging:				
Depreciation	3,350	2,681	2,987	2,300
Auditors' remuneration				
- in their capacity as auditors	83	61	81	60
- in respect of other services	72	39	75	63
Surplus on sale of housing properties	7,907	5,394	6,795	5,630
Surplus on sale of other fixed assets	10	10	7	7

## 9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	<b>Group</b>	<b>Trust</b>	Group	Trust
	<b>2002</b>	<b>2002</b>	2001	2001
	£'000	£'000	£'000	£'000
UK corporation tax	936	-	340	-
Adjustment in respect of prior year	74	-	-	-
Deferred tax (note 14)	(155)	-	(117)	-
	<b>855</b>	-	<b>223</b>	-

The Trust is exempt from UK corporation tax due to its charitable objects. The above charge relates to the Trust's subsidiary undertakings, Tower Homes Limited and Quadrant Housing Finance.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

<b><u>GROUP</u></b>	<b>2002</b>	2001
	£'000	£'000
<b>Surplus on ordinary activities before tax</b>	<b>3,299</b>	<b>1,327</b>
Surplus on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 30% (2001: 30%)	990	398
Effects of:		
Expenses not deductible for tax purposes	-	-
Capital allowances for period less than depreciation	30	25
Adjustment to tax changes in respect of previous periods	74	(79)
Other timing differences	(239)	(121)
<b>Current tax charge for the year</b>	<b>855</b>	<b>223</b>

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 10. TANGIBLE ASSETS – GROUP

	Housing properties under construction	Social Housing properties held for letting	Non-Social Housing properties held for letting	Long leasehold social housing properties	Freehold office premises	Leasehold office premises	Office furniture & equipment	Motor vehicles	Total 2002
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>									
At 1 April 2001	113,200	1,090,521	10,145	1,227	1,815	1,362	1,175	515	1,219,960
Schemes completed in the year	(87,675)	83,431	4,244	-	-	-	-	-	-
Additions	121,383	3,773	-	-	-	37	873	212	126,278
Disposals	-	(14,927)	-	-	(301)	-	-	(195)	(15,423)
Proceeds from first tranche shared ownership sales	(9,761)	-	-	-	-	-	-	-	(9,761)
At 31 March 2002	137,147	1,162,798	14,389	1,227	1,514	1,399	2,048	532	1,321,054
<b>Social Housing Grant</b>									
At 1 April 2001	67,885	715,445	-	-	-	-	-	-	783,330
Schemes completed in the year	(42,225)	42,225	-	-	-	-	-	-	-
Received during year	57,989	-	-	-	-	-	-	-	57,989
Transferred to other RSLs	-	(1,773)	-	-	-	-	-	-	(1,773)
Recycled on disposals	-	(3,997)	-	-	-	-	-	-	(3,997)
At 31 March 2002	83,649	751,900	-	-	-	-	-	-	835,549
<b>Depreciation</b>									
At 1 April 2001	-	4,761	127	42	-	326	763	286	6,305
Charge for year	-	2,618	99	26	-	97	380	130	3,350
Eliminated in respect of disposals	-	(1,367)	-	-	-	-	-	(142)	(1,509)
At 31 March 2002	-	6,012	226	68	-	423	1,143	274	8,146
<b>Net book value</b>									
<b>At 31 March 2002</b>	<b>53,498</b>	<b>404,886</b>	<b>14,163</b>	<b>1,159</b>	<b>1,514</b>	<b>976</b>	<b>905</b>	<b>258</b>	<b>477,359</b>
<b>At 31 March 2001</b>	<b>45,315</b>	<b>370,315</b>	<b>10,018</b>	<b>1,185</b>	<b>1,815</b>	<b>1,036</b>	<b>412</b>	<b>229</b>	<b>430,325</b>

Additions to housing properties during the year includes capitalised interest of £2,524,000 (2001: £3,169,000) and capitalised administration costs of £1,821,000 (2001: £1,745,000). At 31 March 2002 the open market vacant possession value of the Group's completed housing properties was estimated by the Governing Board to be £2,565 million (2001: £2,283 million) compared with a cost of £1,177million (2001: £1,101 million). The completed stock of the Trust was evaluated by Messrs. Knight Frank on 30th May 2002 and was reported to have an open market vacant possession value in the region of £2,045 million (2001: £1,850 million) compared with a cost of £1,009 million (2001: £949 million).

## 10. TANGIBLE ASSETS – TRUST

	Housing properties under construction	Social Housing properties held for letting	Non-Social Housing properties held for letting	Long Leasehold social housing properties	Freehold office premises	Leasehold office premises	Office furniture & equipment	Motor vehicles	Total 2002
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>									
At 1 April 2001	89,538	939,349	10,145	-	1,815	476	866	515	1,042,704
Schemes completed in the year	(68,867)	64,623	4,244	-	-	-	-	-	-
Additions	87,228	-	-	-	-	37	873	212	88,350
Disposals	-	(9,021)	-	-	(301)	-	-	(195)	(9,517)
At 31 March 2002	107,899	994,951	14,389	-	1,514	513	1,739	532	1,121,537
<b>Social Housing Grant</b>									
At 1 April 2001	52,291	657,452	-	-	-	-	-	-	709,743
Schemes completed in the year	(33,837)	33,837	-	-	-	-	-	-	-
Received during year	44,289	-	-	-	-	-	-	-	44,289
Transferred to other RSLs	-	(1,773)	-	-	-	-	-	-	(1,773)
Recycled on disposals	-	(925)	-	-	-	-	-	-	(925)
At 31 March 2002	62,743	688,591	-	-	-	-	-	-	751,334
<b>Depreciation</b>									
At 1 April 2001	-	4,107	127	-	-	220	623	286	5,363
Charge for year	-	2,129	99	-	-	31	292	130	2,681
Eliminated in respect of disposals	-	(1,359)	-	-	-	-	-	(142)	(1,501)
At 31 March 2002	-	4,877	226	-	-	251	915	274	6,543
<b>Net book value</b>									
<b>At 31 March 2002</b>	<b>45,156</b>	<b>301,483</b>	<b>14,163</b>	<b>-</b>	<b>1,514</b>	<b>262</b>	<b>824</b>	<b>258</b>	<b>363,660</b>
<b>At 31 March 2001</b>	<b>37,247</b>	<b>277,790</b>	<b>10,018</b>	<b>-</b>	<b>1,815</b>	<b>256</b>	<b>243</b>	<b>229</b>	<b>327,598</b>

Additions to housing properties during the year includes capitalised interest of £1,132,000 (2001: £2,201,000) and capitalised administration costs of £933,000 (2001: £968,000). The completed housing stock was evaluated by Messrs. Knight Frank on 30th May 2002 and was reported to have an open market vacant possession value in the region of £2,045 million (2001: £1,850 million) compared with a cost of £1,009 million (2001: £949 million).

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 11. DEBTORS

	<b>Group</b>	<b>Trust</b>	Group	Trust
	<b>2002</b>	<b>2002</b>	2001	2001
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	5,114	4,410	4,627	3,993
Less: provision for bad and doubtful debts	(1,735)	(1,416)	(1,848)	(1,557)
	3,379	2,994	2,779	2,436
Social housing grant receivable	2,083	1,088	4,315	3,005
Other debtors and prepayments	8,055	6,356	6,925	4,783
Amounts owing from subsidiaries	-	11,665	-	7,444
	<b>13,517</b>	<b>22,103</b>	14,019	17,668

Amounts owing from subsidiaries represent inter-company balances in respect of staff and administration costs and, in the case of Tower Homes Limited, includes on-lending from London & Quadrant Housing Trust of which £10.8 million is repayable in more than one year.

Included in other debtors is £300,000 (2001: £100,000) start up investment in Passmore Urban Regeneration Limited, a regeneration partnership with three other Registered Social Landlords and the London Borough of Newham.

## 12. CREDITORS

Amounts falling due within one year:	<b>Group</b>	<b>Trust</b>	Group	Trust
	<b>2002</b>	<b>2002</b>	2001	2001
	£'000	£'000	£'000	£'000
Housing loans	2,119	1,284	1,991	1,172
Trade creditors	5,949	4,573	3,076	2,743
Social Housing Grant	-	-	49	-
Other taxation and social security	132	132	429	429
Accruals	14,792	11,222	16,143	13,080
Other creditors	18,339	16,955	15,915	15,667
Corporation tax	401	-	205	-
Due to subsidiaries	-	730	-	729
	<b>41,539</b>	<b>41,732</b>	37,808	33,820

Amounts due to subsidiaries represent interest payable on loans from Quadrant Housing Finance Limited and inter-company balances. The average number of days between receipt and payment of purchase invoices was 14 days (2001: 15 days)

## 12. CREDITORS (CONTINUED)

Amounts falling due after more than one year:	<b>Group</b>	<b>Trust</b>	Group	Trust
	<b>2002</b>	<b>2002</b>	2001	2001
	£'000	£'000	£'000	£'000
Housing loans:				
- Repayable by annual instalments	281,189	189,208	259,021	170,440
- Repayable on maturity	68,892	68,892	68,839	68,839
- Guaranteed by local authorities	9,442	9,442	10,062	10,062
Total housing loans	359,523	267,542	337,922	249,341
Financing costs capitalised	(3,524)	(1,714)	(3,782)	(1,774)
Net housing loans	355,999	265,828	334,140	247,567
Deferred income	4,398	3,435	4,467	3,600
Other creditors	1,077	1,077	390	390
Recycled capital grant fund (note 13)	7,873	2,204	9,578	2,834
	<b>369,347</b>	<b>272,544</b>	348,575	254,391

Housing loans are secured by a combination of fixed and floating charges on properties and carry different, but largely fixed rates of interest. Loans repayable on maturity fall due between 1 and 25 years. Loans guaranteed by local authorities relate to properties which are leased to the relevant local authorities. They are repayable by instalments at a stepped rate of interest and the local authority is committed to pay rent which is sufficient to finance mortgage repayments and related management costs.

	<b>Group</b>	<b>Trust</b>	Group	Trust
	<b>2002</b>	<b>2002</b>	2001	2001
	£'000	£'000	£'000	£'000
Source of housing loans:				
Banks and building societies	136,596	108,160	115,940	88,414
Capital market issues	214,205	150,670	211,912	150,868
Public loans	10	-	628	617
Other	8,712	8,712	9,442	9,442
	<b>359,523</b>	<b>267,542</b>	337,922	249,341

Capital market issues include a £130 million guaranteed secured stepped coupon bond issued on 4 February 1998 through Quadrant Housing Finance Limited. The bond is repayable in annual instalments from 2018 to 2033.

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 12. CREDITORS (CONTINUED)

	<b>Group</b>	<b>Trust</b>	Group	Trust
	<b>2002</b>	<b>2002</b>	2001	2001
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Loans repayable by instalments fall due as follows:				
Between one and two years	1,649	1,649	1,380	1,380
Between two and three years	7,945	1,869	2,826	1,745
Between three and five years	5,213	4,070	9,980	4,184
In five or more years	266,382	181,620	244,835	163,131
	<b>281,189</b>	<b>189,208</b>	259,021	170,440

Set out below is a year end comparison of current and book values of all the Group's financial instruments by category. Where available, market rates have been used to determine current values. Where market rates are not available, current values have been calculated by discounting cash flows at prevailing interest rates.

	<b>2002</b>		2001	
	<b>Book value</b>	<b>Current Value</b>	Book value	Current value
	£'000	£'000	£'000	£'000
Short term debt and current portion of long term debt	1,626	1,626	1,517	1,517
Long term debt	355,999	403,089	337,140	393,082

Short term debtors and creditors are not treated as financial assets or financial liabilities. The fair value of cash was not materially different from its book value.

After taking into account the various interest rate swaps, caps and collars entered into by the Group, the interest rate exposure of the Group's borrowings is shown below:

	Total	Floating	Fixed	Weighted	Weighted
	£'000	borrowings	borrowings	average	average time
	£'000	£'000	£'000	interest	for which rate
				rate	is fixed
				%	Years
As at 31 March 2002:					
Loans	357,625	80,109	277,516	7.16%	18
As at 31 March 2001:					
Loans	338,657	81,229	257,428	7.91%	17

### 13. RECYCLED CAPITAL GRANT FUND

	Group 2002 £'000	Trust 2002 £'000	Group 2001 £'000	Trust 2001 £'000
Fund at beginning of year	9,578	2,834	7,868	2,105
Homebuy	213	-	-	-
Net SHG abated/(recovered)	(80)	-	-	-
Transferred to fund during year	3,857	942	3,330	1,362
Interest credited to fund	314	68	424	174
Utilised during the year	(6,009)	(1,640)	(2,044)	(807)
<b>Fund at end of year</b>	<b>7,873</b>	<b>2,204</b>	<b>9,578</b>	<b>2,834</b>

### 14. PROVISION FOR LIABILITIES AND CHARGES

#### GROUP

	Deferred Taxation £'000	Leasehold Repairs Provision £'000	<b>Total 2002 £'000</b>	Deferred Taxation £'000	Leasehold Repairs Provision £'000	Total 2001 £'000
At beginning of year	1,178	217	1,395	1,295	249	1,544
(Released)/charged to income and expenditure account	(155)	30	(125)	(117)	87	(30)
Expenditure during year	-	(110)	(110)	-	(119)	(119)
<b>At end of year</b>	<b>1,023</b>	<b>137</b>	<b>1,160</b>	<b>1,178</b>	<b>217</b>	<b>1,395</b>

#### TRUST

	Deferred Taxation £'000	Leasehold Repairs Provision £'000	<b>Total 2002 £'000</b>	Deferred Taxation £'000	Leasehold Repairs Provision £'000	Total 2001 £'000
At beginning of year	-	217	217	-	249	249
(Released)/charged to income and expenditure account	-	30	30	-	87	87
Expenditure during year	-	(110)	(110)	-	(119)	(119)
<b>At end of year</b>	<b>-</b>	<b>137</b>	<b>137</b>	<b>-</b>	<b>217</b>	<b>217</b>

The leasehold repairs provision represents the amounts set aside to meet a contractual liability for the repair of managed properties, the liability arising on handback of such properties to their owners.

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 15. SHARE CAPITAL

	<b>Group 2002</b>	<b>Trust 2002</b>	Group 2001	Trust 2001
Shares of £1 each issued and fully paid	Number	Number	Number	Number
At beginning of year	89	46	91	52
Issued during year	33	20	16	4
Surrendered during year	(7)	(7)	(18)	(10)
At end of year	<b>115</b>	<b>59</b>	89	46

The share capital of the Trust consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Trust. Therefore all shareholdings relate to non-equity interests.

## 16. RESTRICTED RESERVES

	<b>Group 2002</b>	<b>Trust 2002</b>	Group 2001	Trust 2001
Rent surplus fund	£'000	£'000	£'000	£'000
At beginning of year	4,524	4,157	5,123	4,803
Transferred from income and expenditure account	768	720	747	700
Transferred to income and expenditure account	(1,331)	(1,233)	(1,346)	(1,346)
At end of year	<b>3,961</b>	<b>3,644</b>	4,524	4,157

## 17. REVENUE RESERVES

Although under its rules the Group does not trade for profit, its financial affairs are planned so that each year income exceeds expenditure. The annual surplus is vital to enable the Group to meet its commitments to providers of private finance, continue to raise further private finance and have reserves to provide for unexpected situations.

The Governing Board and the Committees of each Group member regularly review the Group's finances to determine the minimum amount of reserves required for day to day management and to provide for the future. Any amounts over and above this minimum are invested in the provision of social housing. The majority of the Group's reserves are not normally cash backed.

## 18. HOUSING STOCK

The number of units of accommodation at 31 March 2002 was:

### Housing managed by the Group

	<b>Group 2002 Number</b>	<b>Trust 2002 Number</b>	Group 2001 Number	Trust 2001 Number
<b>Social housing</b>				
General needs housing	23,292	19,048	23,079	18,773
Long Leaseholders	836	31	813	29
Supported housing	2,091	2,049	2,017	1,972
Temporary social housing	240	240	362	362
Keyworker accommodation	171	171	171	171
Residential care homes	-	-	311	311
Shared ownership accommodation	2,431	-	2,315	-
Leaseback Schemes	157	157	157	157
<b>Total Social Housing</b>	<b>29,218</b>	<b>21,696</b>	29,225	21,775
<b>Non-social housing</b>				
Market renting	28	28	28	28
Student accommodation	630	630	515	515
Registered nursing homes	-	-	-	-
<b>Total Non-Social Housing</b>	<b>658</b>	<b>658</b>	543	543
<b>Grand Total</b>	<b>29,876</b>	<b>22,354</b>	29,768	22,318
Being:				
Owned and managed	29,642	22,120	29,414	21,964
Managed only	234	234	354	354
	29,876	22,354	29,768	22,318
Housing under development	2,126	1,728	1,979	1,631

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

## 19. NOTES ON THE CASH FLOW STATEMENT

### a) Reconciliation of operating surplus to net cash inflow from operating activities

	2002	2001
	£'000	£'000
Operating surplus	31,305	28,312
Depreciation charges and amortisation of finance costs	3,350	3,594
Increase in debtors	(2,047)	(1,292)
Increase/(decrease) in creditors	3,452	(1,049)
Surplus on sale of fixed assets	(13)	(7)
Decrease in provision	(80)	(32)
<b>Net cashflow from operating activities</b>	<b>35,967</b>	<b>29,526</b>

### b) Reconciliation of net cashflow to movement in net debt

	2002	2001
	£'000	£'000
Increase/(decrease) in cash in the year	(7,239)	8,791
Cash inflow from debt increase	(21,729)	(21,050)
Cash inflow/outflow from management of liquid resources	932	(12,406)
<b>Change in net debt resulting from cash flows</b>	<b>(28,036)</b>	<b>(24,665)</b>
Net debt at 1 April	(293,598)	(268,933)
<b>Net debt at 31 March</b>	<b>(321,634)</b>	<b>(293,598)</b>

### c) Analysis of changes in net debt

	At 31 March	Cashflow	At 1 April
	2001	£'000	2002
	£'000	£'000	£'000
Cash at bank and in hand	36,635	(7,239)	29,396
Debt due after one year	(337,922)	(21,601)	(359,523)
Debt due within one year	(1,991)	(128)	(2,119)
Current asset investments	9,680	932	10,612
	(293,598)	(28,036)	<b>(321,634)</b>

Cash balances include £4.3 million held in charged deposits to comply with funders' requirements.

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## 20. PRIOR YEAR ADJUSTMENT

Following the introduction of Financial Reporting Standard 19 - Deferred tax, full provision is required to be made for deferred tax. This has been treated as a prior year adjustment and had the following effect:

	<b>Provisions</b>	<b>Revenue Reserve</b>
	£'000	£'000
As previously stated at 31 March 2000	–	86,026
Prior year adjustment	<u>1,295</u>	<u>(1,295)</u>
Restated at 31 March 2000	1,295	<u>84,731</u>
Release of deferred tax	<u>(117)</u>	
As at 31 March 2001	<u>1,178</u>	

## 21. PENSION COSTS

London & Quadrant operates a defined benefits scheme based on final pensionable salary. It is independently administered. This scheme was closed to new members during the year. As at 31 March 2002 there were 331 active members participating in this scheme.

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

There was no deficiency within the scheme on the Statutory Minimum Funding Requirement as at the date of the last review.

# NOTES ON THE FINANCIAL STATEMENTS

31 March 2002 London & Quadrant Housing Trust

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## 21. PENSION COSTS (CONTINUED)

The results and assumptions of the most recent valuation of the scheme are as follows:

Valuation date	1 April 2001
Valuation method	projected unit
Value of assets	£23.4 million
Funding level for accrued benefits	84%
Investment return per annum	6%
Salary scale increases per annum	4%
Pension increases per annum	3%

The pension contributions payable by L&Q during the accounting period were equal to 14.1% of pensionable salary for the accounting period as recommended by the actuary. Surpluses and deficits are spread over employees' future service lives, and the pensions charge recorded by L&Q during the accounting period was equal to the contributions payable.

### Financial Reporting Standard 17 - Retirement Benefits

Under the transitional requirements of FRS 17, L&Q is required to disclose further information on the assets and liabilities of the scheme on a market value basis at the end of the accounting period. This information is set out below:-

Actuarial assumptions	- discount rate	6%
	- salary increase rate	4%
	- pension increase rate	3%
	- rate of inflation	3%

Scheme assets and expected returns	Value (£'000)	Expected rate of return
- Equities	£16,948	8%
- Bonds	£6,779	5.5%
- Other	£143	4%
TOTAL	£23,870	7%
Value of liabilities	- £30,843	
Deficit in scheme	- £6,973	

The Trust set up a defined contribution pension scheme during the year. The pension cost charge for the period represents contributions payable by the Trust to the scheme and amounted to £67,318 (2001: £nil). There were no outstanding or repaid contributions at either the beginning or end of the financial year.

## 22. CAPITAL COMMITMENTS

	Group 2002 £'000	Trust 2002 £'000	Group 2001 £'000	Trust 2001 £'000
Capital expenditure that has been contracted for but has not been provided for in these financial statements	<b>41,000</b>	<b>28,000</b>	80,000	59,000
Capital expenditure that has been authorised by the Governing Board but has not yet been contracted for	<b>95,000</b>	<b>72,000</b>	74,000	52,000

## 23. LEGISLATIVE PROVISIONS

The Trust is incorporated under the Industrial and Provident Societies Act 1965 with reference 20943 R and with the Housing Corporation under reference LH0115.

## 24. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2002 the Group and Trust had annual commitments under operating leases on land and buildings as set out below:

	2002 £'000	2001 £'000
Operating leases which expire:		
Less than one year	262	352
Between one and five years	459	793
Over five years	525	905
<b>Total</b>	<b>1,246</b>	2,050

## 25. RELATED PARTY TRANSACTIONS

During the year inter-group charges of £9,637,000 (2001: £9,478,000) were made in respect of interest on loans from Quadrant Housing Finance Limited to London & Quadrant Housing Trust and L&Q Bexley Homes Limited, and from London & Quadrant Housing Trust to Tower Homes Limited.

All other inter-group charges relate to the recovery of common costs in the usual course of business.



L&Q Group

# creating places where people want to live

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## Company Secretary

Jan Quirke

## London & Quadrant Housing Trust

Registered with the Housing Corporation under the Housing Act 1974 (Registration No LH0115) and with the Register of Friendly Societies under the Industrial and Provident Societies Act 1965 (Registration No 20943 R)



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