



creating places where people want to live

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Executive and Advisers

Governing Board

Robert Appleyard (Chairman)
Irene Addis
Eric Byers
Ainsley Forbes
Stuart Fraser
Kevin Ireland
Rodney Morton (Honorary Treasurer)
Gillian Nester-Smith
Atul Patel
Diane Phillips
Jan Pitchell
Michael Richardson (Deputy Chair)
Peter Robinson
Peter Stredder

Executive Group

Don Wood (Chief Executive)
Mike Donaldson
David Gannicott
Charlie Grimble
Sally Jacobson
Paul Kingsley
David Montague
Ron Tedman
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
PO Box 544
54 Lombard Street
London
EC3V 9EX

Statutory auditors

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

Report of the Governing Board

Year ended 31 March 2004 L&Q Group

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 2004.

Principal activities

The principal activity of the Trust is the provision of accommodation for people in housing need. The Trust controls the management boards 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
- Change Community Finance Limited
- Ravensbourne Projects Limited
- Quadrant Construction Services Limited
- Tower Two Homes Limited
- Tower Three Homes 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. 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 the provision of accommodation, education and training for young, single homeless people. Ravensbourne Projects Limited has not yet commenced trading. During the year the following companies were incorporated:

- Quadrant Construction Services Limited (incorporated 25 June 2003) whose principal activity is the provision of construction services to the L&Q Group.
- Tower Two Homes Limited (incorporated 15 August 2003) whose principal activity is the provision of key worker accommodation.
- Tower Three Homes Limited (incorporated 10 July 2003) whose principal activity is development for sale.

The L&Q Group has been selected as preferred partner by the Nucleus Housing Group and Beaver Housing Society and is working towards them joining the group in 2004/05 and 2005/06 respectively.

Review of results

The Group achieved a surplus for the year after tax of £22.1 million of which £16.8 million was attributable to the Trust, compared to a Trust surplus of £17.6 million 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 £14.3 million, compared to £14.2 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 £801,000 to a restricted reserve. This amount represents 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 £203.5 million on acquisition, development and improvement of properties and received £80 million 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 also has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the Governing Board

Year ended 31 March 2004 [L&Q Group](#)

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 here:

Audit

The Governing Board has delegated responsibility for overseeing the adequacy and effectiveness of the Group's internal control system to the Audit & Risk Committee. The Group's internal audit team reports directly to the Audit & Risk 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

Management assurances are received by the Audit & Risk Committee to confirm that recommendations have been implemented by the agreed target date. Subsequent internal audit reviews are undertaken to check that those recommendations have been properly implemented.

Risk management

Audit & 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. Management responsibility for the identification of risk is clearly defined and operates through a rolling risk assessment exercise. Risk management is integrated with the internal audit and best value processes. The Group has introduced a system of control risk self-assessment. Executive Group members have provided self certification on compliance with key aspects of the internal control framework in the Group.

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 by Executive Group members 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 report

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. The Group operates a self appraisal mechanism. Reports on the three key elements of the regulatory code (viability, proper governance and proper management) have been reported to the Governing Board.

Performance indicators

Key performance indicator reports are produced monthly for the Group and are reported quarterly through the Executive Group to the Governing Board. These reports include performance monitoring on housing management, maintenance, development, lettings, customer satisfaction, staff and financial results.

Audit & Risk Committee

The Audit & Risk 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 & Risk Committee, for the year to 31 March 2004 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 2004 L&Q Group

Derivatives and other financial instruments

Financial Reporting Standard FRS13 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 FRS13 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 here:

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 swaps, 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.

Report of the Governing Board

Year ended 31 March 2004 [L&Q Group](#)

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 2. 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

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

On behalf of the Governing Board



Robert Appleyard

Chairman

Date of approval: 17 June 2004

Report of the Independent Auditors

Year ended 31 March 2004 [L&Q Group](#)

We have audited the financial statements on pages 8 to 36.

This report is made solely to the Trust's members as a body in accordance with schedule 1 paragraph 16 to the Housing Act 1996 and with section 9 of the Friendly & Industrial & Provident Act 1968. Our audit work has been undertaken so that we might state to the Trust's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 3, 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 2002, 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report and if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

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 Group and Trust's affairs as at 31 March 2004 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 2002, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.

KPMG LLP

KPMG LLP

Chartered Accountants
Registered Auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

17 June 2004

Income and Expenditure Account

Year ended 31 March 2004 [L&Q Group](#)

L&Q Group

	note	2004 £'000	2003 £'000
Turnover	2	121,181	111,946
Operating costs	2	(83,846)	(75,183)
Operating surplus	2	37,335	36,763
Surplus on sale of housing properties	4	10,744	9,658
Interest receivable		1,695	1,294
Interest payable and similar charges	7	(25,830)	(25,242)
Surplus on ordinary activities before tax	2 & 8	23,944	22,473
Tax on surplus on ordinary activities	9	(1,747)	(1,276)
Surplus for the year		22,197	21,197
Net transfer from restricted reserves	16	188	1,264
		22,385	22,461
Revenue reserves brought forward		137,145	114,684
Revenue reserves carried forward	17	159,530	137,145

All amounts relate to continuing activities.

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

The notes on pages 13 to 36 form part of these financial statements.

Balance Sheet

Year ended 31 March 2004 L&Q Group

L&Q Group

	note	2004		2003	
		£'000	£'000	£'000	£'000
Fixed assets	10				
Tangible assets					
Housing properties					
Cost less depreciation			1,579,107		1,405,731
Less: Social Housing Grant			(976,263)		(897,814)
			602,844		507,917
Other fixed assets			3,240		3,862
Total fixed assets			606,084		511,779
Investments					
Homebuy/Starter Home Initiative			59,736		22,837
Social Housing Grant			(59,736)		(22,837)
			-		-
Current assets					
Debtors	11		21,810		23,400
Cash at bank and in hand	19(c)		60,055		51,616
			81,865		75,016
Creditors: amounts falling due within one year	12		(59,743)		(50,746)
Net current assets			22,122		24,270
Total assets less current liabilities			628,206		536,049
Creditors: amounts falling due after more than one year	12		466,121		395,370
Provisions for liabilities and charges	14		46		837
Capital and reserves					
Share capital	15		-		-
Restricted reserves	16		2,509		2,697
Revenue reserves	17		159,530		137,145
			628,206		536,049

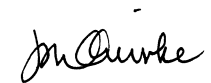
In view of the constitution of the Trust all shareholdings relate to non-equity interests, as disclosed in note 15. These financial statements were approved by the Governing Board and signed on its behalf by:



Robert Appleyard
Chairman



Rodney Morton
Honorary Treasurer



Jan Quirke
Secretary

Date of approval: 17 June 2004

The notes on pages 13 to 36 form part of these financial statements.

Cashflow Statement

Year ended 31 March 2004 L&Q Group

L&Q Group

	note	2004		2003	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	19(a)		45,279		49,306
Returns on investments and servicing of finance					
Interest received		2,002		2,045	
Interest paid (including capitalised interest)		(28,198)		(24,577)	
			(26,196)		(22,532)
Corporation tax paid			(1,979)		(1,224)
Capital expenditure and financial investment					
Cash paid for construction and purchase of housing properties (excluding capitalised interest)		(203,505)		(129,171)	
Capital grants received		80,106		54,814	
Cash paid for purchase of other assets		(948)		(1,649)	
Net proceeds on sale of housing properties		41,988		41,186	
Proceeds on sale of other fixed assets		763		590	
			(81,596)		(34,230)
Cash outflow before use of liquid resources and financing			(64,492)		(8,680)
Cash withdrawn from notice deposits		-		7,686	
Cash placed on notice deposits		(1,405)		(4,322)	
Net cash (outflow)/inflow from management of liquid resources			(1,405)		3,364
Financing					
Loans received		89,334		21,919	
Loans repaid		(16,403)		(1,631)	
			72,931		20,288
Increase in cash and cash equivalents	19(b)		7,034		14,972

The notes on pages 13 to 36 form part of these financial statements.

Income and Expenditure Account

Year ended 31 March 2004 L&Q Group

London & Quadrant Housing Trust

	note	2004 £'000	2003 £'000
Turnover	2	96,375	90,345
Operating costs	2	(66,783)	(60,445)
Operating surplus	2	29,592	29,900
Surplus on sale of housing properties	4	5,741	4,586
Interest receivable		1,396	1,449
Interest payable and similar charges	7	(19,904)	(19,226)
Surplus on ordinary activities	2 & 8	16,825	16,709
Net transfer from restricted reserves	16	237	947
		17,062	17,656
Revenue reserves brought forward		115,005	97,349
Revenue reserves carried forward	17	132,067	115,005

All amounts relate to continuing activities.

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

The notes on pages 13 to 36 form part of these financial statements.

Balance Sheet

Year ended 31 March 2004 [L&Q Group](#)

London & Quadrant Housing Trust

	note	2004		2003	
		£'000	£'000	£'000	£'000
Fixed assets	10				
Tangible assets					
Housing properties					
Cost less depreciation			1,346,628		1,193,257
Less: Social Housing Grant			(874,003)		(805,548)
			472,625		387,709
Other fixed assets			2,672		3,139
Total fixed assets			475,297		390,848
Current assets					
Debtors	11	32,300		33,377	
Cash at bank and in hand		32,069		25,735	
		64,369		59,112	
Creditors: amounts falling due within one year	12	(44,942)		(40,501)	
Net current assets			19,427		18,611
Total assets less current liabilities			494,724		409,459
Creditors: amounts falling due after more than one year	12		360,151		291,692
Provision for liabilities and charges	14		46		65
Capital and reserves					
Share capital	15		-		-
Restricted reserves	16		2,460		2,697
Revenue reserves	17		132,067		115,005
			494,724		409,459

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



Rodney Morton
Honorary Treasurer



Jan Quirke
Secretary

Date of approval: 17 June 2004

The notes on pages 13 to 36 form part of these financial statements.

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

1. Principal Accounting Policies continued

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice 'Accounting by Registered Social Landlords', 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 here:

Basis of consolidation

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

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:

Depreciation values

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, a variable percentage is retained on the Starter Home Initiative scheme. Investment in Homebuy and the Starter Home Initiative is funded through Social Housing Grant and held in the balance sheet at 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.

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

1. Principal Accounting Policies continued

Pension contributions

Contributions to the defined benefit pension scheme are 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 repairs 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

Year ended 31 March 2004 L&Q Group

2. Turnover, operating surplus and surplus before tax

L&Q Group

	2004			2003		
	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (Note 3)						
General needs housing	86,776	(56,764)	30,012	89,176	(58,907)	30,269
Quadrant Supported Living	10,593	(8,073)	2,520	6,304	(5,872)	432
Temporary social housing	325	(722)	(397)	840	(980)	(140)
Key worker accommodation	923	(544)	379	575	(292)	283
Shared ownership	5,747	(1,493)	4,254	4,797	(1,344)	3,453
Leaseback schemes	1,579	(165)	1,414	1,928	(259)	1,669
Large scale regeneration	8,438	(6,986)	1,452	4,086	(1,815)	2,271
Total social housing	114,381	(74,747)	39,634	107,706	(69,469)	38,237
Other social housing activities						
Supporting people contract income	1,617	(1,752)	(135)	-	-	-
Development administration	1,532	(3,448)	(1,916)	1,428	(3,619)	(2,191)
Non-social housing activities						
Market renting	172	(3)	169	168	(111)	57
Student accommodation	1,681	(741)	940	1,688	(540)	1,148
Total non social housing	1,853	(744)	1,109	1,856	(651)	1,205
Other income and expenditure	1,798	(3,155)	(1,357)	956	(1,444)	(488)
	121,181	(83,846)	37,335	111,946	(75,183)	36,763
Surplus on sale of housing properties			10,744			9,658
Interest receivable			1,695			1,294
Interest payable			(25,830)			(25,242)
Surplus on ordinary activities before tax			23,944			22,473

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

2. Turnover, operating surplus and surplus before tax

London & Quadrant Housing Trust

	2004			2003		
	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings (Note 3)						
General needs housing	69,918	(44,876)	25,042	72,900	(48,101)	24,799
Quadrant Supported Living	10,285	(7,759)	2,526	5,732	(5,326)	406
Temporary social housing	325	(722)	(397)	840	(980)	(140)
Key worker accommodation	923	(544)	379	575	(292)	283
Leaseback schemes	1,579	(165)	1,414	1,928	(259)	1,669
Large scale regeneration	8,438	(6,986)	1,452	4,086	(1,815)	2,271
Total social housing	91,468	(61,052)	30,416	86,061	(56,773)	29,288
Other social housing activities						
Supporting people contract income	1,233	(1,378)	(145)	-	-	-
Development administration	1,197	(1,801)	(604)	1,198	(2,414)	(1,216)
Non-social housing activities						
Market renting	172	(3)	169	168	(111)	57
Student accommodation	1,681	(740)	941	1,688	(540)	1,148
Total non social housing	1,853	(743)	1,110	1,856	(651)	1,205
Other income and expenditure	624	(1,809)	(1,185)	1,230	(607)	623
	96,375	(66,783)	29,592	90,345	(60,445)	29,900
Surplus on sale of housing properties			5,741			4,586
Interest receivable			1,396			1,449
Interest payable			(19,904)			(19,226)
Surplus on ordinary activities before tax			16,825			16,709

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

3. Income and expenditure from social housing lettings

L&Q Group

	General needs housing	Quadrant Supported Living	Temporary social housing	Key worker accomm- odation	Shared ownership accomm- odation	Leaseback schemes	Large scale regeneration	Total 2004	Total 2003
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	85,034	7,867	461	887	4,789	1,473	8,506	109,017	100,926
Charge for support service	-	904	-	-	-	-	-	904	-
Service income	3,058	1,687	-	79	958	106	144	6,032	5,116
Gross rental income	88,092	10,458	461	966	5,747	1,579	8,650	115,953	106,042
Less: rent losses from voids	(1,322)	(283)	(136)	(43)	-	-	(212)	(1,996)	(1,454)
Net rental income	86,770	10,175	325	923	5,747	1,579	8,438	113,957	104,588
Housing Corporation revenue grants	-	418	-	-	-	-	-	418	567
Other revenue grants	6	-	-	-	-	-	-	6	2,551
Turnover from social housing lettings	86,776	10,593	325	923	5,747	1,579	8,438	114,381	107,706
Management	10,355	2,189	129	163	610	24	1,455	14,925	14,878
Support cost	-	1,011	-	-	-	-	-	1,011	-
Services	4,745	2,131	6	241	523	106	646	8,398	8,755
Routine maintenance	22,163	1,326	344	9	35	-	4,713	28,590	25,079
Planned maintenance	2,163	325	-	-	-	-	-	2,488	2,056
Major repairs expenditure	14,198	185	-	-	1	-	-	14,384	14,252
Bad debts	515	812	44	76	2	-	103	1,552	905
Property lease charges	-	-	199	-	-	-	-	199	573
Depreciation on housing properties	2,625	94	-	55	322	35	-	3,131	2,971
Other costs	-	-	-	-	-	-	69	69	-
Operating costs on social housing lettings	56,764	8,073	722	544	1,493	165	6,986	74,747	69,469
Operating surplus/(deficit) on social housing lettings	30,012	2,520	(397)	379	4,254	1,414	1,452	39,634	38,237

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

3. Income and expenditure from social housing lettings

London & Quadrant Housing Trust

	General needs housing	Quadrant Supported Living	Temporary social housing	Key worker accomm- odation	Leaseback schemes	Large scale regeneration	Total 2004	Total 2003
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	69,150	7,666	461	887	1,473	8,506	88,143	80,338
Charges for support services	-	904	-	-	-	-	904	-
Service income	1,637	1,637	-	79	106	144	3,603	3,947
Gross rental income	70,787	10,207	461	966	1,579	8,650	92,650	84,285
Less: rent losses from voids	(875)	(245)	(136)	(43)	-	(212)	(1,511)	(962)
Net rental income	69,912	9,962	325	923	1,579	8,438	91,139	83,323
Housing Corporation revenue grants	-	323	-	-	-	-	323	187
Other revenue grants	6	-	-	-	-	-	6	2,551
Turnover from social housing lettings	69,918	10,285	325	923	1,579	8,438	91,468	86,061
Management	8,314	1,942	129	163	24	1,455	12,027	12,031
Support costs	-	1,011	-	-	-	-	1,011	-
Services	3,130	2,093	6	241	106	646	6,222	6,573
Routine maintenance	18,614	1,310	344	9	-	4,713	24,990	21,454
Planned maintenance	2,163	324	-	-	-	-	2,487	2,056
Major repairs expenditure	10,050	185	-	-	-	-	10,235	11,012
Bad debts	432	800	44	76	-	103	1,455	781
Property lease charges	-	-	199	-	-	-	199	573
Depreciation on housing properties	2,173	94	-	55	35	-	2,357	2,293
Other costs	-	-	-	-	-	69	69	-
Operating costs on social housing lettings	44,876	7,759	722	544	165	6,986	61,052	56,773
Operating surplus/(deficit) on social housing lettings	25,042	2,526	(397)	379	1,414	1,452	30,416	29,288

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

4. Surplus on sale of housing properties

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Sale proceeds	25,610	12,177	21,232	7,536
Grant abated	50	-	183	-
Homebuy disposals	499	-	242	-
Key homebuy disposals	17	-	-	-
Cost of sale	(14,376)	(5,659)	(11,238)	(2,576)
Incidental sale expenses	(1,056)	(777)	(761)	(374)
Surplus on sale	10,744	5,741	9,658	4,586

Included in sale proceeds for the L&Q Group and London & Quadrant Housing Trust is £4 million (2003: £626,185) relating to the transfer of housing properties to other housing associations.

5. Directors' emoluments

	Group	
	2004 £'000	2003 £'000
Aggregate emoluments payable to directors (including pension contribution and benefits in kind)	997	915
Emoluments payable to the highest paid director (excluding pension contributions but including benefits in kind)	140	133
Total expenses reimbursed to the directors not chargeable to United Kingdom income tax	13	19

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.

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

Notes on the Financial Statements

Year ended 31 March 2004 [L&Q Group](#)

6. Employee information

The average weekly number of persons employed during the year

	Group 2004		Trust 2004		Group 2003		Trust 2003	
	Persons	FTE	Persons	FTE	Persons	FTE	Persons	FTE
Office staff and care support workers	596	577	596	577	559	543	559	543
Wardens, caretakers and cleaners	106	90	106	90	104	88	104	88
	702	667	702	667	663	631	663	631
Staff costs (for the above persons)	£'000		£'000		£'000		£'000	
Wages and salaries	15,325		15,325		13,578		13,578	
Social security costs	1,413		1,413		1,096		1,096	
Other pension costs	1,748		1,748		1,622		1,622	
Total for L&Q Group	18,486		18,486		16,296		16,296	
Less amount payable by subsidiaries			(3,512)				(3,600)	
Total for London & Quadrant Housing Trust			14,974				12,696	

Notes on the Financial Statements

Year ended 31 March 2004 [L&Q Group](#)

7. Interest payable and similar charges

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
On loans repayable within one year	263	-	-	-
On loans repayable between one year and five years	1,173	721	1,662	1,005
On loans wholly or partly repayable in more than five years	27,968	21,267	25,741	19,429
	29,404	21,988	27,403	20,434
Less: capitalised in housing properties	(3,574)	(2,084)	(2,161)	(1,208)
	25,830	19,904	25,242	19,226

8. Surplus on ordinary activities before tax

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Surplus on ordinary activities before tax is stated after charging/(crediting):				
Depreciation	3,887	3,113	3,765	3,087
Auditors' remuneration				
- in their capacity as auditors	87	66	83	63
- in respect of other services	70	60	386	381
Surplus on sale of housing properties	(10,744)	(5,741)	(9,658)	(4,586)
Surplus on sale of other fixed assets	(6)	(6)	(12)	(13)

Notes on the Financial Statements

Year ended 31 March 2004 [L&Q Group](#)

9. Tax on surplus on ordinary activities

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
UK corporation tax	1,994	-	1,545	-
Adjustment in respect of prior year	525	-	(18)	-
Deferred tax (note 14)	(772)	-	(251)	-
	1,747	-	1,276	-

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

L&Q Group	2004 £'000	2003 £'000
Surplus on ordinary activities before tax	6,220	4,064
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	1,865	1,220
Effects of:		
Conversion to charitable status - Tower Homes	(466)	-
Capital allowances for period less than depreciation	16	7
Adjustment to tax changes in respect of previous periods	525	(18)
Other timing differences	(193)	67
Current tax charge for the year	1,747	1,276

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained in the figures (left). Tower Homes Limited converted to charitable status during the year.

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

10. Tangible assets - L&Q 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 and equipment	Motor vehicles	Total 2004
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	156,884	1,242,594	14,227	1,227	1,096	1,623	3,305	540	1,421,496
Schemes completed in the year	(73,771)	73,771	-	-	-	-	-	-	-
Additions	204,900	1,538	52	-	-	215	631	102	207,438
Disposals	-	(13,122)	-	-	-	-	(1,102)	(55)	(14,279)
Proceeds from first tranche shared ownership sales	(16,918)	-	-	-	-	-	-	-	(16,918)
At 31 March 2004	271,095	1,304,781	14,279	1,227	1,096	1,838	2,834	587	1,597,737
Social Housing Grant									
At 1 April 2003	102,990	794,824	-	-	-	-	-	-	897,814
Schemes completed in the year	(35,467)	35,467	-	-	-	-	-	-	-
Received during year	84,787	856	-	-	-	-	-	-	85,643
Transferred to other RSLs	-	(2,539)	-	-	-	-	-	-	(2,539)
Grant abated	-	(50)	-	-	-	-	-	-	(50)
Recycled on disposals	-	(4,605)	-	-	-	-	-	-	(4,605)
At 31 March 2004	152,310	823,953	-	-	-	-	-	-	976,263
Depreciation									
At 1 April 2003	-	8,783	324	94	-	539	1,880	283	11,903
Charge for year	-	2,950	98	26	-	150	526	137	3,887
Eliminated in respect of disposals	-	-	-	-	-	-	(356)	(44)	(400)
At 31 March 2004	-	11,733	422	120	-	689	2,050	376	15,390
Net book value									
At 31 March 2004	118,785	469,095	13,857	1,107	1,096	1,149	784	211	606,084
At 31 March 2003	53,894	438,987	13,903	1,133	1,096	1,084	1,425	257	511,779

Additions to housing properties during the year include capitalised interest of £3,574,000 (2003: £2,161,000) and capitalised administration costs of £1,598,000 (2003: £1,856,000).

At 31 March 2004 the open market vacant possession value of the L&Q Group's completed housing properties was estimated by the Governing Board to be £3,272 million (2003: £2,985 million) compared with a cost of £1,575 million (2003: £1,399 million).

The completed stock of the Trust was evaluated by Messrs. Knight Frank on 29 April 2004 and was reported to have an open market vacant possession value in the region of £2,650 million (2003: £2,400 million) compared with a cost of £1,342 million (2003: £1,080 million).

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

10. Tangible assets - London & Quadrant Housing Trust

	Housing properties under construction	Social housing properties held for letting	Non-social housing properties held for letting	Freehold office premises	Leasehold office premises	Office furniture and equipment	Motor vehicles	Total 2004
Cost	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2003	121,142	1,065,371	14,227	1,096	737	2,913	540	1,206,026
Schemes completed in the year	(62,417)	62,417	-	-	-	-	-	-
Additions	161,433	-	52	-	215	631	102	162,433
Disposals	-	(5,659)	-	-	-	(1,102)	(55)	(6,816)
At 31 March 2004	220,158	1,122,129	14,279	1,096	952	2,442	587	1,361,643
Social Housing Grant								
At 1 April 2003	78,271	727,277	-	-	-	-	-	805,548
Schemes completed in the year	(29,802)	29,802	-	-	-	-	-	-
Received during year	71,833	-	-	-	-	-	-	71,833
Transferred to other RSLs	-	(2,539)	-	-	-	-	-	(2,539)
Recycled on disposals	-	(839)	-	-	-	-	-	(839)
At 31 March 2004	120,302	753,701	-	-	-	-	-	874,003
Depreciation								
At 1 April 2003	-	7,159	324	-	301	1,563	283	9,630
Charge for year	-	2,357	98	-	70	451	137	3,113
Eliminated in respect of disposals	-	-	-	-	-	(356)	(44)	(400)
At 31 March 2004	-	9,516	422	-	371	1,658	376	12,343
Net book value								
At 31 March 2004	99,856	358,912	13,857	1,096	581	784	211	475,297
At 31 March 2003	42,871	330,935	13,903	1,096	436	1,350	257	390,848

Additions to housing properties during the year include capitalised interest of £2,084,000 (2003: £1,208,000) and capitalised administration costs of £865,000 (2003: £871,000).

The completed housing stock was evaluated by Messrs. Knight Frank on 29 April 2004 and was reported to have an open market vacant possession value in the region of £2,650 million (2003: £2,400 million) compared with a cost of £1,342 million (2003: £1,080 million).

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

11. Debtors

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Arrears of rent and service charges	6,426	5,786	6,233	5,672
Less: provision for bad and doubtful debts	(2,833)	(2,516)	(2,619)	(2,335)
	3,593	3,270	3,614	3,337
Social Housing Grant receivable	3,503	2,824	10,930	7,652
Other debtors and prepayments	14,714	11,021	8,856	7,079
Amounts owing from subsidiaries	-	15,185	-	15,309
	21,810	32,300	23,400	33,377

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 £9.5 million (2003: £10 million) is repayable in more than one year.

Included in other debtors is £450,000 (2003: £450,000) 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

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Recycled capital grant fund (note 13)	1,723	180	1,006	125
Housing loans	7,229	1,869	2,651	1,649
Trade creditors	2,345	616	7,001	3,949
Other taxation and social security	455	455	401	401
Accruals	14,738	11,999	16,267	11,836
Other creditors	32,009	29,091	22,716	21,811
Corporation tax	1,244	-	704	-
Amounts due to subsidiaries	-	732	-	730
	59,743	44,942	50,746	40,501

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 20 days (2003: 14 days)

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

12. Creditors continued

Amounts falling due after more than one year

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Housing loans:				
- repayable by annual instalments	388,444	292,416	304,199	208,261
- repayable on maturity	53,972	53,972	68,938	68,938
- guaranteed by local authorities	7,687	7,687	8,712	8,712
Total housing loans	450,103	354,075	381,849	285,911
Financing costs capitalised	(2,985)	(1,594)	(3,258)	(1,654)
Net housing loans	447,118	352,481	378,591	284,257
Deferred income	4,663	3,462	3,356	3,356
Other creditors	1,723	1,723	2,731	1,646
Recycled capital grant fund (note 13)	12,617	2,485	10,692	2,433
	466,121	360,151	395,370	291,692

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.

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Source of housing loans:				
Banks and building societies	228,346	198,909	158,108	127,754
Capital market issues	215,247	148,666	216,043	150,469
Public loans	10	-	10	-
Other	6,500	6,500	7,688	7,688
	450,103	354,075	381,849	285,911

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.

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Year ended 31 March 2004 L&Q Group

12. Creditors continued

Amounts falling due after more than one year

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Loans repayable by instalments fall due as follows:				
- between one and two years	2,123	2,123	1,869	1,869
- between two and three years	10,875	9,755	8,229	2,123
- between three and five years	6,401	5,197	11,641	10,449
- in five or more years	369,045	275,341	282,460	193,820
	388,444	292,416	304,199	208,261

	2004		2003	
	Book value £'000	Current value £'000	Book value £'000	Current value £'000
Short term debt and current portion of long term debt	6,872	6,872	2,003	2,003
Long term debt	447,118	504,303	378,591	440,560

	Total £'000	Floating borrowings £'000	Fixed borrowings £'000	Weighted average interest rate %	Weighted average time for which rate is fixed years
As at 31 March 2004:					
Loans	453,990	165,557	288,433	6.89%	18
As at 31 March 2003:					
Loans	380,594	91,551	289,043	6.93%	18

Set out left is a year end comparison of current and book values of all the L&Q 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.

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 L&Q Group, the interest rate exposure of the L&Q Group's borrowings is shown in the figures (left).

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Year ended 31 March 2004 L&Q Group

13. Recycled capital grant fund

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Fund at beginning of year	11,698	2,558	7,873	2,204
Homebuy	1,163	-	683	-
Net SHG abated/(recovered)	242	-	199	-
Transferred to fund during year	4,655	839	5,389	1,117
Interest credited to fund	307	39	251	56
Utilised during the year	(3,725)	(771)	(2,697)	(819)
Fund at end of year	14,340	2,665	11,698	2,558

14. Provision for liabilities and charges

	Deferred taxation £'000	Leasehold repairs provision £'000	Total 2004 £'000	Deferred taxation £'000	Leasehold repairs provision £'000	Total 2003 £'000
L&Q Group						
At beginning of year	772	65	837	1,023	137	1,160
(Released)/Charged to income and expenditure account	(772)	(19)	(791)	(251)	42	(209)
Expenditure during year	-	-	-	-	(114)	(114)
At end of year	-	46	46	772	65	837
London & Quadrant Housing Trust						
At beginning of year	-	65	65	-	137	137
(Released)/Charged to income and expenditure account	-	(19)	(19)	-	42	42
Expenditure during year	-	-	-	-	(114)	(114)
At end of year	-	46	46	-	65	65

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

Year ended 31 March 2004 L&Q Group

15. Share capital

	Group 2004 Number	Trust 2004 Number	Group 2003 Number	Trust 2003 Number
Shares of £1 each issued and fully paid				
At beginning of year	115	65	115	59
Issued during year	5	3	20	9
Surrendered during year	(13)	(10)	(20)	(3)
At end of year	107	58	115	65

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

	Group 2004 £'000	Trust 2004 £'000	Group 2003 £'000	Trust 2003 £'000
Rent surplus fund				
At beginning of year	2,697	2,697	3,961	3,644
Transferred from income and expenditure account	801	752	786	738
Transferred to income and expenditure account	(989)	(989)	(2,050)	(1,685)
At end of year	2,509	2,460	2,697	2,697

Notes on the Financial Statements

Year ended 31 March 2004 [L&Q Group](#)

17. Revenue reserves

Although under its rules the L&Q 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 Boards 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 2004 was:

Housing managed by the L&Q Group	Group	Trust	Group	Trust
	2004	2004	2003	2003
	Number	Number	Number	Number
Social housing				
General needs housing	22,285	18,611	23,672	19,449
Long leaseholders	843	34	854	33
Supported housing	3,776	3,188	2,068	2,026
Temporary social housing	67	67	94	94
Key worker accommodation	363	363	306	306
Large scale regeneration	2,530	2,530	2,544	2,544
Shared ownership accommodation	2,778	-	2,604	-
Leaseback schemes	157	157	157	157
Total social housing	32,799	24,950	32,299	24,609
Non-social housing				
Market renting	28	28	28	28
Student accommodation	630	630	630	630
Total non-social housing	658	658	658	658
Grand total	33,457	25,608	32,957	25,267
Being:				
Owned and managed	33,232	25,383	32,737	25,047
Managed only	225	225	220	220
	33,457	25,608	32,957	25,267
Housing under development	2,871	2,388	2,532	1,786

Since 31 March 2004, 543 sheltered housing units were transferred from and 184 general needs units transferred to L&Q Bexley Homes from London & Quadrant Housing Trust.

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

19. Notes on the cash flow statement

a) Reconciliation of operating surplus to net cash inflow from operating activities	2004	2003
	£'000	£'000
Operating surplus	37,335	36,763
Depreciation charges and amortisation of finance costs	3,887	3,765
Decrease in debtors	2,268	1,215
Increase in creditors	1,814	7,647
Surplus on sale of fixed assets	(6)	(12)
Decrease in provision	(19)	(72)
Net cash inflow from operating activities	45,279	49,306

Cash balances include £2,353,969 held in charged deposits to comply with funders' requirements.

b) Reconciliation of net cashflow to movement in net debt	2004	2003
	£'000	£'000
Increase in cash in the year	7,034	14,972
Cash inflow from debt increase	(73,940)	(22,544)
Cash outflow/(inflow) from management of liquid resources	1,405	(3,364)
Change in net debt resulting from cash flows	(65,501)	(10,936)
Net debt at 1 April	(331,776)	(320,840)
Net debt at 31 March	(397,277)	(331,776)

c) Analysis of changes in net debt	At 31 March	Cashflow	At 31 March
	2003	£'000	2004
	£'000	£'000	£'000
Cash at bank and in hand	44,368	7,034	51,402
Debt due after one year	(381,849)	(68,254)	(450,103)
Debt due within one year	(1,543)	(5,686)	(7,229)
Current asset investments	7,248	1,405	8,653
	(331,776)	(65,501)	(397,277)

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

20. Pension costs

London & Quadrant Housing Trust operates a defined benefits scheme based on final pensionable salary. It is independently administered. This scheme was closed to new members during 2001 and so current service costs will increase in time. As at 31 March 2004 there were 248 (2003: 273) active members participating in this scheme. The Bexley scheme had 12 active members (2003:15) at 31 March 2004 and the Waltham Forest Scheme had 21 active members (2003:22).

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. Following the transfer of stock from the London Borough of Waltham Forest, some L&Q staff are members of the Waltham Forest Borough defined benefit scheme. The results and assumptions of the most recent valuation of the London & Quadrant Housing Trust scheme are as set out below.

The assumptions used by the actuary are 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 pension contributions payable by L&Q during the accounting period were equal to 15.5% of pensionable salary for the accounting period and for 2004/05 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. The pension

contribution payable on the Waltham Forest Scheme for 2003/04 and 2004/05 is 11% and for the Bexley Scheme is 7.65% or 9.13% depending on the level of employee contribution.

Financial Reporting Standard 17 - Retirement Benefits

Under the transitional requirements of FRS17, 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:

Valuation

	L&Q Trust Scheme	Bexley London Borough Scheme	Waltham Forest Borough Scheme
Valuation date	1 April 2001	1 April 2001	1 April 2001
Valuation method	projected unit	projected unit	projected unit
Value of assets	£23.4 million	£314 million	£331 million
Funding level for accrued benefits	84%	104%	94%
Investment return per annum	6%	5.5%	4.7%
Salary scale increases per annum	4%	2.6%	3.5%
Pension increases per annum	3%	2.7%	2.5%

Actuarial assumptions

	L&Q Trust Scheme		Bexley London Borough Scheme		Waltham Forest Borough Scheme	
	2004	2003	2004	2003	2004	2003
Discount rate	5.75%	5.75%	5.5%	5.4%	5.75%	-
Salary increase rate	4.25%	3.75%	4.3%	4.0%	4.25%	-
Pension increase rate	3.1%	2.6%	2.8%	2.5%	3.0%	-
Rate of inflation	3.1%	2.6%	2.8%	2.5%	3.1%	-

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

20. Pension costs continued

	L&Q Trust Scheme					
	2004 value	2003 value	2002 value	2004 Expected rate of return	2003 Expected rate of return	2002 Expected rate of return
Scheme assets and expected returns	£'000	£'000	£'000	%	%	%
- equities	16,532	12,390	16,948	7.5%	8.5%	8%
- bonds	8,441	7,942	6,779	5.0%	5%	5.5%
- cash	118	39	143	3.75%	3.75%	4%
Total	25,091	20,371	23,870			
Value of liabilities	(43,302)	(35,466)	(30,843)			
(Deficit)/Surplus in the plan	(18,211)	(15,095)	(6,973)			
Related deferred tax asset	5,463	4,529	2,092			
Net pension (liability)/asset	(12,748)	(10,566)	(4,881)			

	Waltham Forest Borough Scheme			
	2004 value	2003 value	2004 Expected rate of return	2003 Expected rate of return
Scheme assets and expected returns	£'000	£'000	%	%
- equities	770	588	7.5%	8.5%
- bonds	201	193	5.0%	5.0%
- cash	164	98		
Total	1,135	879		
Value of liabilities	(1,070)	(915)		
(Deficit)/Surplus in the plan	65	(36)		
Related deferred tax asset	(19)	11		
Net pension asset/(liability)	46	(25)		

	Bexley London Borough Scheme					
	2004 value	2003 value	2002 value	2004 Expected rate of return	2003 Expected rate of return	2002 Expected rate of return
Scheme assets and expected returns	£'000	£'000	£'000	%	%	%
- equities	1,083	894	1,298	7.5%	7.5%	7.5%
- bonds	600	514	333	4.7%	4.5%	4.5%
- cash	34	31	144	3.8%	3.75%	5.0%
Total	1,717	1,439	1,775			
Value of liabilities	(2,146)	(1,997)	(1,710)			
(Deficit)/Surplus in the plan	(429)	(558)	65			
Related deferred tax asset	18	167	(19)			
Net pension (liability)/asset	(301)	(391)	(46)			

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities which are derived from cash flow projections over long periods and thus inherently uncertain were:

The Group's reserves at the year end are £159,530,000. Had FRS17 been adopted in full this year, then the reserves would be £13,003,000 lower at £146,527,000.

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

20. Pension costs continued

	L&Q Trust Scheme		Bexley London Borough Scheme		Waltham Forest Borough Scheme	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Analysis of other pension costs charged in arriving at operating surplus						
Service costs	1,713	1,570	62	68	52	25
Analysis of amount included in other finance income/(costs)						
Expected return on pension scheme assets	1,486	1,770	92	123	71	34
Interest on pension scheme liabilities	(2,072)	(1,877)	(107)	(104)	(55)	(25)
Net return	(586)	(107)	(15)	19	16	9
Movement in surplus during the year						
Deficit in scheme at beginning of year	(15,095)	(6,973)	(558)	65	(36)	-
Movement in year:						
- current service costs	(1,713)	(1,570)	(62)	(68)	(52)	(25)
- contributions	1,157	1,215	33	43	35	18
- other finance costs	(586)	(107)	(15)	19	16	9
- actuarial gain or loss	(1,974)	(7,660)	173	(617)	102	(38)
(Deficit)/surplus in scheme at end of year	(18,211)	(15,095)	(429)	(558)	65	(36)

If FRS17 had been fully adopted in these financial statements the pension cost for the defined benefit schemes would have been as shown left.

Notes on the Financial Statements

Year ended 31 March 2004 L&Q Group

20. Pension costs continued

	L&Q Trust Scheme		Bexley London Borough Scheme		Waltham Forest Borough Scheme
	2004	2003	2004	2003	2004
	£'000	£'000	£'000	£'000	£'000
Analysis of amount recognised in statement of total recognised gains and losses					
- asset gain/(loss)	2,634	(6,263)	249	(468)	131
	12.9% (2003: 30.7%) of scheme assets		14.5% (2003: 32.5%) of scheme assets		14.9% (2003: 30.7%) of scheme assets
- liability loss	(844)	(146)	-	-	82
	1.9% (2003: 0.4%) of scheme assets				7.7% of scheme assets
- change in assumptions	(3,764)	(1,251)	(76)	(149)	-
	5.6% (2003: 3.5%) of scheme assets		3.5% (2003: 7.5%) of scheme assets		
Net loss	(1,974)	(7,660)	173	(617)	

The Trust set up a defined contribution pension scheme in 2001.

There were no outstanding or repaid contributions at either the beginning or end of the financial year.

21. Capital commitments

	Group	Trust	Group	Trust
	2004	2004	2003	2003
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in these financial statements	141,000	109,000	44,000	23,000
Capital expenditure that has been authorised by the Governing Board but has not yet been contracted for	142,000	87,000	150,000	116,000

Capital expenditure that has been contracted but not provided for will be fully funded through social housing grant, sale proceeds, committed loan facilities and group reserves.

Notes on the Financial Statements

Year ended 31 March 2004 [L&Q Group](#)

22. 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.

23. Commitments under operating leases

As at 31 March 2004 the L&Q Group and London & Quadrant Housing Trust had annual commitments under operating leases on land and buildings as set out below:

	2004 £'000	2003 £'000
Operating leases which expire:		
Less than one year	197	38
Between one and five years	202	337
Over five years	319	346
Total	718	721

24. Related party transactions

During the year inter-group charges of £10,454,000 (2003: £9,803,000) 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.

25. Post balance sheet events

The L&Q Group has been selected as preferred partner by the Nucleus Housing Group and Beaver Housing Society and is now working towards their joining the group in 2004/05 and 2005/06 respectively.

creating places where people want to live

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